

**STRATEGIC IMPLICATIONS OF DEVOLVED GOVERNMENTS
TO THE LOCAL AUTHORITIES PENSION TRUST, KENYA**

BY

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DECLARATION

This research is my original work and has not been submitted for examination in any other university or institution of higher learning.

Signed.....

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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 paper to my dear Father and Mother Mr. Benjamin Vungo Mwati and Mrs. Mary Vungo who have always inspired me for greater heights, and supported me wholeheartedly in my academic endeavors.

ABSTRACT

Organizations exist and operate as open system systems, continuously interacting with a dynamic and turbulent external environment. These interactions yield opportunities and threats, which are the strategic implications. The purpose of this study was to examine the strategic implications of devolved governments to the Local Authorities Pension Trust, and the management of the implications. The researcher used an interview guide to collect the necessary data, where he interviewed the top management in the organization, and applied content analysis tools to interpret it on the basis of strategic underpinnings. Evidence was adduced in the findings in support of the strategic implications of devolved governments culminating into opportunities and threats to the organization, including investments, markets, partnerships, resources and leadership opportunities and threats. It was also observed that the management of these strategic implications requires a multi-approach, as there is no one sufficient criteria to harness all the opportunities and surmount every challenge faced by the organization. Strategic change, diversification, use of emergent strategy, strategic partnerships, and a holistic socio-economic products approach were the key methodologies used to manage the strategic implications. Thus, strategic implications are as inevitable as the organization's interactions with the external environment, and as such organizations must be proactive in developing and sustaining appropriate responses for a guaranteed bright future. Nonetheless, further research is recommended to determine the factors affecting the implementation of pension schemes in county governments in Kenya, and also evaluate the relationship between pension schemes and devolved governments in Kenya.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy is a broad and versatile concept which hardly sufficiently fits in one definition. Drunker 1969, contents that strategy is what an organization does in order to develop a sustainable competitive advantage. This postulates strategy as the real motive force that nudge the ability of an organization's market leadership and the power to own that leadership. It involves critical scanning and alignment of the organization to the external environment. A strategy may also be viewed as the product market scope of an organization (Ansoff, 1979). This implies a strategy is the bonding factor that acclimatizes the organizations goals, objectives, and activities to the market reality. Organizations exist in an open dynamic environment, and as such, an organization's strategy is the game plan that an organization has in positioning itself in the chosen market arena.

Organizations anchor their strategy on the choice of their preferred market niche; meaning strategies are tailor mate to the preconceived entity destiny. Hence, strategic management is also defined as the best set of decisions and actions that result in the formulation and implementation of plans designed to achieve the company's objectives (Pearce and Robinson, 1991). This raises the importance of the full appreciation of the implications of the political, social, technological, economical, and legal factors envisaging the operations of the organization.

Local Authorities Pension Trust, like any other organization, is faced with the implications of the external environmental dynamics not only in its long-term objectives but also in the short-term. The organization served the local authorities, which includes the city councils, town councils, and municipal councils, until the promulgation of the new constitution in 2010, when its orientation has to change to county governments. Further, through the establishment of a pension's administration company in 2012, LAPTrust Administration Services, LAPTrust has diversified its business to consultancy in southern Sudan, and other organizations (LAPTrust handbook, 2011).

1.1.1 The Concept of Strategic Implication

Strategic management seeks to coordinate and integrate the activities of the various functional areas of a business in order to achieve long-term organizational objectives (David, 1989). This perfect coordination yields synergy, thus a higher output per resource employed, while the lack of it culminates into organizational failure. Hence, the ultimate result of the implementation of a strategy is what its implication is. It is the horizon oriented impact of a strategy on an entity. Though not specifically defined, a strategic implication may be closely related to the change occasioned by a strategy on an entity. Todd (1986) defines change management as a structured and systematic approach to achieving a sustained change in human behavior within an organization.

The purpose of strategy is to provide directional cues to the organization that permit it to achieve its objectives while responding to the opportunities and threats in the environment (Pearson and Robin 2007). This means that the whole essence of a strategy and strategic management is to address the implications of the external environmental changes to the organization's plans, objectives, vision, and mission, as well as resource deployment. Hence, it involves focus on the horizon as opposed to the bottom line; it is transformative, long term, and geared towards organizational adaptation to new ways of doing things. Strategic implications emanate from the external environment, and as such the key role of an organization's management is anticipation. This is fundamentally critical because this change yields opportunities and threats to the organization. Further, these strategic implications result in the change of the assumed future state of affairs conceptualized in the preparation of the organization's goals and objectives, due to the new set of challenges and/or opportunities posed to the organization.

Strategic management aims at adopting the best set of decisions and actions that result in the formulation and implementation of plans designed to achieve the company's objectives (Pearce and Robinson 2011). Hence, for an organization to not only survive but also achieve excellence in the turbulent operating business environment, it must scan the external environment, and continuously position itself appropriately. This calls for the full understanding of strategic implications of the external environment, in order to harness opportunities and surmount threats.

1.1.2 The Pension Industry in Kenya

The pension industry in Kenya is one of the oldest industries, spanning back as early as the colonial 1890's (RBA Handbook 2010). Kenya like most other African countries borrowed the idea from the western world, where the concept was basically to ensure a secure retirement for retirees with some source of money in form of pension to take care of themselves in the sunset years. During the colonial period, pensions in Kenya became more pronounced, leading to the establishment of the several pension schemes including the Local Authorities Pension Trust, which was established in 1929 (LAPTrust Handbook 2008). Many things have happened in this industry since then, and today its presence in the financial services sector is more significant and recognized.

The government of Kenya established a statutory scheme for all employees in Kenya, The National Social Security Fund (NSSF), to ensure everyone who is employed has an opportunity to save for their old age at retirement. Further, many other pension schemes have been established for specific organizations or open to the public. In addition, insurance companies have developed products that enable their clients save for their retirement. All these efforts have culminated into a more robust, competitive, and dynamic as well as fast growing pension industry.

The governance of this industry in Kenya is vested upon the Retirement Benefits Authority (RBA), which is the regulatory authority responsible for setting and enforcing the governing rules in this industry. The regulatory framework is mainly to ensure the

interests of the beneficiaries as well as the persons saving their money in these schemes are well guarded. This is mainly done through the regulation of the investment portfolios of pension schemes. Usually, it is argued; the higher the risk, the higher the return, thus organizations may prefer risky ventures at the expense of the interests of the customer, in the event of a negative result. Hence, the regulatory authority sets limits of the proportions of funds that may be committed to particular investment options. For example, a pension scheme should not commit more than 30% of its fund in property investments however lucrative the property or real estate industry may be, in the view of the management a pension scheme, which is mainly the board of trustees and the senior management in the entity.

1.1.3 The Local Authorities Pension Trust

The Local Authorities Pension Trust (LAPTrust), was founded 1929, as Kenya Local Government Superannuation Fund, to serve the unique pension needs of local authorities in Kenya (LAPTrust Magazine 2008). The need for a specific pension scheme for local authorities then was clear, thus raising the validity to set up the institution, which was done in the colonial era. The basic objective then was just to provide a secure source of livelihood for the pensioners at their retirement. However, over the period of time, this objective has been overtaken by circumstances, and the organization had to shift focus to embrace the dynamics the market.

In 2007, the institution changed the name to its current name, Local Authorities Pension Trust (LAPTrust); with a renewed vision of more innovative pension products and even expands its mandate where possible to offer other financial services. The vision changed to “To be the preferred provider of pension and other financial services within the Eastern Africa”. The mission was also reoriented to focus more on partnerships with other stakeholders, particularly local authorities, and now county governments, as well the industry regulatory framework and the central government as well. To achieve this vision through the mission, the core values of; team work, integrity, professionalism, innovativeness and customer satisfaction were developed in 2008, and much progress has been achieved in their pursuit.

The Trust initially operated a Defined Benefit (DB) scheme, up to July 2007, when it began a Defined Contribution (DC) scheme. The DB scheme was not sustainable, necessitating the need for the initiation of the DC scheme. Further, in the same period the trust established a company, LAPTrust Administrative Services, to not only offer efficient pension administration to the 30,000 LAPTrust members and 5,000 pensioners, but also offer pensions administration services, and consultancy services as an additional stream of business. However, the introduction of the devolved governance structure in Kenya in 2010, and its implementation after the March 2013 elections, is posing a new set of opportunities and threats to the organization.

1.2 The Research Problem

In the view of Thompson and Strickland (2003), organizations depend on the environment, hence must continuously scan it to understand the dynamic trends in the industry and adapt accordingly. The external environment of an entity creates and presents it with opportunities and threats. Porter (1980) postulates that, the value of formulating a competitive strategy, is to relate an organization well with its external environment. Thus organizations have an inevitable role of studying the external environment so as formulate and implement what best serves their vision and objectives. Hence, strategic implications are born by the dynamic organizational environment.

The Local Authorities Pension Trust (LAPTrust) had the local authorities as their main clients, now turned into counties. The city, municipal or town councils in Kenya are the main sponsors of pension contributors who are also employees of the local authorities. The member of the pension scheme contributes a certain percentage, and the employer who is considered the sponsor also contributes a certain proportion of what constitutes a member's savings. This implies the policy, goodwill, and interest of the employer in contributing for the employee is critical both in determining how much and well the contributions for the employee are made. However, with the new governance structure in Kenya, there is no sufficient information on how this relationship will continue, and/or shall be managed.

Karanja (2005) studied the management practices adopted by the city council of Nairobi in managing change. In her study, she did not address pension issues. Situma (2012) on the other hand, studied change management challenges facing devolution of government at Kakamega municipal council, where he did not address issues of pension. While Ndirangu (2003), in her study on the implications of Retirement Benefits Authority 1997, did not address the unique issues facing Local Authorities Pension Trust. Further, the actualization of devolution through the start of its implementation after the March 2013 elections pose further reality based issues. Thus, none of the aforementioned delved into the emotive issues of strategic implications. What are the strategic implications of devolved governments to the Local Authorities Pension Trust in Kenya?

1.3 Objectives of the study

The objectives of the study were:

- (i) To establish the strategic implications of the devolved government to the Local Authorities Pension Trust, and
- (ii) To determine how the LAPTrust is managing the strategic implications.

1.4 The Value of the Study

The findings of this study add on to the body of knowledge, particularly in the area of management of strategic change in pension schemes. Pension schemes like other subsectors in the financial services industry are highly affected by changes in the external

environment. In Kenya, the change in the external environment is authored by changes in the governance structure. This calls for the appropriate understanding of the best response modes to ensure the continued good performance of the organization, and the eventual realization of an organization's goals, objectives, and vision.

The study also offered fundamental insights to the management of LAPTrust, and other pension schemes in Kenya, who may adopt the findings in curving out the appropriate strategies to deal with the challenges, and tap the opportunities offered by the external environmental changes. The devolved governance structure brings about the challenges to LAPTrust due to the changes in the nature, policies, and management functions of sponsors for membership into the pension scheme which was initially by local authorities, now being shifted to county governments. However, opportunities arise as well due to the existence of a larger membership base from the county governments' employees. Nonetheless, the puzzle for the management lies on how to optimize the opened up chances and subdue emanating from the environmental change.

Finally the researcher observed the importance of an organization's top management to be proactive in scanning the external environment, and respond appropriately to the opportunities and threats borne by the turbulent evolvement. A multiple approach to surmounting the challenges and harnessing the opportunities is recommended. It is also critical for policy makers to develop support structures for enhancing sustainability.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Organizations exist and operate as an open system continuously interacting with the dynamic external environment, which yields the concept of strategic implications. This chapter seeks to consolidate the necessary information related to this concept of strategic implications and its manifestations anchored on the open systems theory of strategic management. The literature offered useful insights in relation to the required approach in understanding both the concept, and how to apply it in the desired research context by the researcher.

2.2 Theoretical Underpinnings of the Study

Robbins and Barnwell (1998) points out that describing organizations as open systems provides insights into their make-up. This articulates the supremacy of the open systems theory in not only understanding organizations, but also in the context of strategic implications. Open systems theory posits that organizations are affected by a number of factors that occur in the external environment and that they can have an effect on factors that exist in the internal environment (Burnes 1996). This is mainly through the influence of the external environment on the opportunities and threats that face an entity. Further, the external environment dictates the utilization of the organization's internal strengths for its survival and excellence, as well as the management of its weaknesses to evade

being capitalized on by rivals to the organization's detriment. The success or failure of an organization in the realization of its objectives is greatly authored by the dynamics of the external environment.

The open systems theory focuses more on processes rather than structure. Ansoff (1987) warned that strategy is an elusive and somewhat abstract concept. This view emanated from the observation that organization, existing in an open system, may not be able to tailor-mate their external environment to fit in their desired plans as would be set out in a strategic plan. However, that does not lessen its value to organizations, rather it articulates the need for the caution in strategic choices.

Organizations achieve success because of their ability to constantly realign with the environment (Burnes, 1996). Thus their success is not based on the ability to predict and create planned strategies, according to the evolutionary theory. The acclimatization with the external environment nudges not only the development of the appropriate responses to the environmental changes but also to ensure the organization's preparedness for a bright future. Prediction of the future state of affairs which forms the underlying assumptions in the development of a strategy is not necessarily irrelevant, but may not ideally hold. Hence, raising the essence of a continuous and consistent evolution of an organization's strategies to live up to its expectations.

Mintzberg (1987) argued that "strategies are to organizations what blinders are to horse: they keep them going in a straight line, but impede the use of peripheral vision." This

means that the essence of a strategy to an organization is to provide a clear direction through its vision and map it by its mission so that it may walk on it by the power of its core values. Further, he offers a succinct summary of this position: “setting oneself on a predetermined course in unknown waters is the perfect way to sail straight into an iceberg.” Which implies a strategy and strategic management in its entirety is not about setting out a strict and/or rigid course of action, but rather it is about highlighting the anchors for the desired destiny for reference in the onward march of an entity to its desired destiny.

Ansoff (1987) in his view defined strategy as the product market scope of an organization. This means that it all about setting up a smooth relationship between the organization and the external environment which largely authors and organization's fate. The product scope is the result of a critical analysis and internalization of the market needs, which yield into the development of the desired product for the target market niche. The main focus is to ensure a perfect match between markets needs, and an organization's products for ease of penetration and good performance in the market place. Hence, this conceptualization of strategy is based on extend of the interactions between an organization and its external environment. Strategy sets out the scope within which an organization should pursue excellence.

Ross and Kami (2001) argued that without strategy an organization is like a ship without a rudder, going around in circles. This erects the value of a strategy as the guiding principle on which an organization's orientation is anchored. Due to the many challenges

that organizations are faced with on a daily bases; choices are enormous. An organization has to choose to be competitive and guarantee its future survival and excellence, or be naive to competition for its own demise. Further, the above views of strategy among others raise the question; then what is strategy all about? The answer is in the underlying meaning that strategy seeks to not just make organization goals vivid, but also tenable. This is mainly because strategies are not about the end justifying the means, but rather, taking a sure means to the end. An organization's strategy seeks to disapprove what seems to work in order to erect solutions to the unseen challenges.

2.3 Devolved Governance Structure

There are different definitions floated on the meaning of devolution, but they all culminate into the dispersion of decision making closer to the people. Muia (2008a) asserts that decentralization is one way through which people's right to participate in governance is attainable. This means that devolution is about the bottom-up model of decision making and management. The governed share their views with the leaders for incorporation in the decision making process hence shaping their own destiny. The right for participation is best exercised through the leaders working together with the citizens to correctly prioritize needs and allocate resources accordingly. Further, Muia (2008a) highlighted two central definitions of decentralization to highlight the importance of the transfer of decision making and management of affairs to a subordinate entity. He argues that decentralization is the transfer of public authority and resources including personnel from national to sub-national jurisdictions.

Rondenellis' and Nellis' (1986) as cited in Muia (2008a) define decentralization as the transfer or delegation of legal and political authority to plan, make decisions and manage public functions from central government and its agencies to a cross-section of organizations. The transfer and delegation translates into a change in decision making and resource allocation process. This has impacts on the relationships that existed between the central government, the former local authorities and the new county governments which are the new centers of political and legal power at the county level on behalf of the central government. The change in the political, legal, and decision making centers author challenges in resource deployment process. This raises the need for a different approach to counties from the one used for local authorities.

2.4 The Strategic Implications of Devolved Governance Structure

The concept of strategic implications is anchored on the fact that organizations are environment dependent. It is possible to identify the very many environmental interactions between an organization and its external environment, but it may not be of much use because no overall picture emerges of the really important influences on the organization (Johnson and Scholes, 1999). This vividly points out the whole essence of understanding not only the existence of the interactions between organizations and their external environment, but also the actual value of those interactions to organizations. It is this value of the interactions that is referred to as implications. The implications are the cause for the sprouting of opportunities or threats to the organization. The devolved governance structure in Kenya has opened up opportunities and threats in equal measure.

Hence, opening up a wider range of potential members, mainly from the devolved functions expected to result into increased personnel at the county level. In addition, there are more investment partnership opportunities in which an organization may venture into in partnership with the counties. However, there are threats facing the organization as well, particularly the change legal and political framework greatly affecting the resource allocation process. Counties are determined to be financially stable and shall endeavor to minimize costs, including staff costs on pension. Further, the county governments are open and seeking not only local investors but international investors as well, which challenges investment partnerships (Constitution of Kenya, 2010).

External environmental analysis seldom identifies the best strategy, but generally leads to the elimination of all the promising options (Pearce and Robinson, 1997). This means that it is not just enough to analyze and appreciate the importance of the external environment but also organizations should acclimatize themselves with the importance. This meaning is spelt out in the implications, as they spell out the possible challenges or merits and organization may face based on its position in relation to the environment in which it operates. Further, the long term effects of such interactions with the external environment are not just an operational concern, but indeed a strategic concern, as it may either be an anchor for success or future pitfall. In this regard, organizations dealing with county governments should critically evaluate and position themselves appropriately to not only harness the opportunities but also surmount the challenges they may face. Moreover, there are other government proposals which challenge the existence of

specified pension schemes for counties, particularly the conversion of the National Social Security Fund into a pension fund.

2.5 Management of the Strategic Implications

According to Andrews (1971), strategy is a rational decision-making process by which the organization's resources are matched with opportunities arising from the external environment. This highlights the need for organizations to be guided by the external environment in their resource allocation in order to ensure not only the optimum use of the resources but also employ the appropriate approach in tapping the opportunities in the external environment to the organization's advantage. In view of this, organizations which dealt with local authorities have to embark on a restructuring program aimed at ensuring resource allocation is opportunities oriented. This is mainly in the areas of marketing, where they should focus on the county government as opposed to the city, municipal and town councils.

Aldrich (1979) states that the environment has a strong deterministic influence on the strategy-making process in organizations. This is the basis on which reorganization of resources to focus more efforts at the counties as opposed to the local authorities. The cause of this shift in focus is the change in the decision making organs of interest. The county governments are now the most critical decision makers on issues of staff welfare including pensions. Hence more marketing campaigns, pension products sensitization forums and new products development are being directed to the county needs and

interests. This is irrespective of the legal provisions that buck up the existence of specific needs oriented pension is scheme for local authorities, now under the county government. The proponents of resource-based strategy proponents state that it is not the environment but the resources of the organization which forms the foundation of a strong strategy (Grant, 1994). This raises the need for organizations to always consider the critical evaluation of the resource availability, and distribution before the development and implementation of a strategy. Thus organizations serving county governments are in the process of nurturing and acquiring the necessary resources to enable the realization of the desired goals and objectives. Organizations should always tailor-mate their strategies in a manner that will enable them exploit and/or use their strengths to overcome their weaknesses by creating synergy through resource-strategy match. Further, the resources forming an organization's strength may also be used to build a differentiation base. Existing customer and potential customers' perception towards and entity matters a great deal, in determining the fortunes in the long run.

Drunker (1969) states that strategy is the pattern of major objectives, purposes or goals and essential policies or plans for achieving these goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or it is to be. This perspective of strategy raises the issue of the need for appropriateness of responses to the challenges that face organizations. The response to the dynamic environmental changes defines not only the current performance and success of an organization but also the future potential of its success. Hence successful managers develop responses that yield support to the overall organization vision.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the researcher seeks to explain the research methodology that was used in the research. A research methodology is defined as an operational framework within which the research facts are placed, so that their meaning may be seen more clearly. The methodology in this research included the research design, data collection process and data analysis.

3.2 Research Design

The research design in this research was a case study, since it is involved content analysis, which is best applicable where a detailed analysis of a unit of study is required. A case study is a strategy of doing research which involves an empirical investigation, of particular contemporary phenomena within real life context using multiple sources of evidence (Robson, 2002). In this study, it would be suitable because it unveils well detailed insights on the phenomena of interest by the researcher.

Further, the usefulness of a case study is further supported by the need to gain a rich understanding of the context of research and the processes being enacted (Morris and wood, 1991). Hence, in this study, as it is well stated in the objectives, the researcher sought to demystify specific issues arising from the changes in the external environment

of a specific entity in a specific context. Hence, the appropriateness of the use of a case study in the research.

3.3 Data Collection

The study gathered both primary and secondary data. Primary data were gathered using an interview guide as the data collection tool, administered through personal interviews. This enabled the collection of qualitative data. Saunders, Lewis et al (1991), states that qualitative data is non-numeric data or data that has not been quantified and can be a product of all research strategies. The interviewees were the heads of divisions for Finance, Operations, Human Resources and Administration, Risk and Strategy, and Information and Communication Technology. This was because they hold larger responsibilities in strategy formulation, implementation, review and control. However, views were sought from other members of staff on a few selected operational issues.

Secondary data was also collected from the organization's relevant records. These were the corporate strategy, strategic map, board meetings minutes, custodians and fund managers, financial and other management reports. These were important sources of the management and other stake holders' opinions on various matters.

3.4 Data Analysis

Saunders, et al. (2007) contents analysis of quantitative data is so diverse that there is no standardized approach. This means that in a case study the data analysis is based on the specific details and circumstances of the case as opposed to adherence to some generalizations as may apply in other forms of studies. Hence, in this study the researcher focused on examining the strategic implications on a case by case basis, and brings them to the fore in order to form a basis for decision making, policy and to inform future studies by other scholars.

In addition, content analysis was employed to bring out a clear view of the interviews answers. This is particularly critical because the research was specific on a particular issue facing the pension industry. As such, the research yielded convincing findings for decision making, enriching literature in this area, and management decision making. The findings are also a rich source of information for policy making.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The purpose of the study was to establish the strategic implications of devolved governments on LAPTrust, and subsequently evaluate the management strategies of these implications employed by the organization. This postulated the anticipated yield of the study on strategic management, theory, and further research as the value of the study. The researcher interviewed the chief managers, who are the heads of divisions in the organization, as they are the key stakeholders in strategy formulation, implementation, monitoring and control. In this chapter, the researcher presents the results, analysis and discussions of the data collected in the research project.

4.2 Strategic Implications of Devolved Governments to LAPTrust

The promulgation of the new constitution of Kenya in the year 2010 ushered a new dawn in the governance and governance structure of the country. It set out counties as new governance units, with unique systems and structures from the previous regime. The full splendor of the divergence from the pre-existing governance system was seen and started to be felt after the 4th March 2013 general elections.

The unique county governments' mandates set out a different relationship structure with other organizations, including LAPTrust. The strategic implications emanates from the changes in political, economic, social, and legal structures yielding opportunities and threats.

4.2.1 Opportunities

The strategic implications of devolved governments present LAPTrust with a range of opportunities. Most of the opportunities relate to the organization's chances for more members into the scheme. Others relate to investments partnership avenues, which would earn the organization more revenue for the benefit of the members. In this study, the following opportunities were found to be emanating from devolved governments.

County governments have enabled the development of efficient and effective working relationships between themselves and LAPTrust. The county governments are free to exercise their liberty on various decision making processes as opposed to the central decision making process formally exercised by the ministry of local authorities through city, municipal and town councils, as well as the provincial administration. The governor and his or her executive members, as well as the county assemblies, who are the legislative body at the county level, freely exercise their will on governance and legislation respectively without influence from the national government. This postulates a great opportunity to LAPTrust.

The governors at the county governments have the liberty to choose to support LAPTrust as their pension scheme of choice, and enroll their staff as members to the organization. This makes marketing of the organization's products easier as LAPTrust marketers have an opportunity to deal directly with the county governments as opposed to dealing with a central government institution like the ministry which generated a lot of lapses. This has enabled the opening of branch networks in the country by LAPTrust in collaboration with the county governments in order to enhance accessibility and better relationship between LAPTrust and the county governments.

Governors are political nominees who are answerable to the electorate, and as such they are more conscious of the effects of their actions and decisions in the eyes of the public. This makes them more responsible when making decisions that may affect the lives of the electorate directly. This has made it easier for LAPTrust in engaging the governors on the need to have all their members of staff enrolled with the pension scheme. Nonetheless, the organization has to lobby for political good will.

A broader membership base is another opportunity. The membership to LAPTrust is drawn largely from employees of the former local authorities, water and sewerage companies owned by such authorities and employees of other associated organizations. Currently LAPTrust has about thirty thousand active members from the one hundred and seventy five local authorities, now in the forty seven counties, whose monthly contributions are remitted by sponsors at the rate of twelve percent for employee contributions and fifteen percent for the employer contributions. The current active

pensioners are four thousand, five hundred and sixty five, who are spread over five continents and who are paid about thirty thousand shillings per month as monthly pension.

The establishment of county governments was preceded by the enactment of the Country Government Act of 2012, which among other things is supposed to govern not only matters related to county staff pensions, and also ensure a reciprocating relationship between LAPTrust, the Central Government Staff Pension and other state Corporations. This is to ensure protection and preservation of the accrued pension for staff transferred between the National Government and County Governments, and other parastatals and vice versa. This is further reinforced under Regulation 8 (1) (g) of the Pensions Regulations, made under the Pensions Act Cap 189 of the Laws of Kenya. Hence this preserves the place of LAPTrust in the provision of pension services to both existing county members of staff and those transferred or seconded to the counties from the central government.

The county governments have established the county public service commissions, responsible for the recruitment of members of staff for the county. These commissions in the forty seven counties would want to attract competent ladies and gentlemen to be their employees. One of the effective ways to do so is through the terms and conditions of service, where pension is one of the key considerations for taking up the job. The remuneration terms and conditions are set by the Salaries and Remuneration Commission, which is a national commission working for the government on the salaries

and other remuneration terms of all state officers. However, the Counties Public Service Commissions' give feedback and advice on how to deal with county salaries.

The National Government is also in the process of devolving most of its functions including those performed by certain parastatals. This means some employees of the National Government will have to be transferred to the counties and as such form part of the membership to LAPTrust, if transferred. This will as well increase not only the membership but also the contributions portfolio as some of the employees may transfer their pension savings to LAPTrust directly. However, this should be done in compliance with the provisions of the relevant pension legislations.

Devolved governments open up strategic investment partnerships. The local authorities are constitutionally required to develop their own means of raising revenue to cater for the many needs by the county. The revenue share from the National Government is not anywhere close to sufficient. In the views of the governors the revenue allocation by the National Government may only cater for recurrent expenditure. Hence the need for sourcing development partners by counties.

LAPTrust identified this need and sought to establish strategic partnerships with the counties to ensure together they provide solutions to such challenges such as infrastructural development, water and sewerage, sanitation, and housing among others. In pursuit of the success of these partnerships, LAPTrust has been engaging the governors and other county governance leaders. This year, 2013, in September, the organization jointly with the governors' forum secretariat and other sponsors held an

infrastructure and investment forum. The main theme in this forum was to bring together the governors and other county leaders, and share modalities on how to efficiently and effectively partner on infrastructure and other investments. Further affordable sources of financing and infrastructure development were discussed and demonstrated. Other investment partners were also invited to support the initiative.

The strategic pillar of these partnerships is that they provide an investment opportunity for LAPTrust as an organization, while on the other side availing funds for development and solution of various challenges to the counties. Some of the projects initiated and on course as a result of these partnerships includes; the Malindi housing project in Kwale County, Solar Street lighting project in Narok County, among others. There are also initiatives underway to ensure that the water and sewerage companies at the counties are also brought into these partnerships for the benefit of the society.

Enhanced access to resources and efficient resource use is also an opportunity opened up by the county governments. Counties have the potential to generate more resources than the former local authorities who sponsored members into LAPTrust. This is mainly because they have an entitlement from the national government of at least 15% and may raise their own money in their own means. Most counties are already wooing investors from different parts of the world to invest in their counties, and yield the county some revenue. Further, the county governors and their executive officers are obliged to ensure efficient resource use, through checks and balances, as well as controls.

The aforementioned measures, among others, leave the county governments with fairly sufficient funds to ensure their members' contributions are available and remitted to the pension scheme on time. This will help manage accumulation of debts and bad debts resulting from non-remittance contributions for members in future. Timely remittances enable good investments and growth in the fund value as well as returns to the members. Moreover, the costs associated with follow ups on bad debts and debt collection cost is minimized, which is an advantage the pension scheme.

Investment partnerships being born from the county governments is a great opportunity. The change in the nature of sponsors for members into LAPTrust, from local authorities to county governments, has changed the organization's relationship with its investment partners. The organization invests the members' contributions by the member, as well as the employer's contribution for the member. This would be through the legally authorized modes by the industry regulations. Most of the investments are done through custodians and fund managers. LAPTrust channels members' contributions to the custodians, who hold available funds for investment awaiting the identification of an investment opportunity by the fund manager. Upon identification of a viable investment opportunity, the fund manger would seek authority from the management, and invest on behalf of the pension scheme.

The main investment options where the custodians put the money are government treasury bills, treasury bonds, and properties such as land and buildings. The Retirement Benefits Authority however, regulates the portfolio mix. Nonetheless, the county

governments have opened up a new frontier of investment where LAPTrust is now more inclined to partnering with the county governments that would offer investment opportunities for the organization on projects such as infrastructural development, environmental conservation, among others. For example, the street lighting project in Narok County, Malindi housing project, among others.

County governments are therefore opening up not only new investment options for LAPTrust, but also a new investment relationship, where the investments would also serve the corporate social responsibility function. The funds by the members of staff at the county will not only be a security at old age, but also a means of funding the solutions to their social needs such infrastructure, shelter, water, power and lighting, sanitary services, among others. This new relationship was discussed and agreed upon in a governors' investment forum held in September 2013, where LAPTrust had partnered with other investors to educate governors on available investment partnership opportunities. These relationships mean great opportunities for the organization.

4.2.2 Threats and Challenges

The introduction of the county governments has not only generated opportunities, but also threats and challenges to LAPTrust. The threats and challenges result from resources and leadership dynamics. This study highlighted the following as the main threats and challenges faced by the organization as a result of devolved governments in Kenya.

The limited resources and the need for efficient resource use by the counties is a threat facing LAPTrust. The governors act as managers of the county governments finances. As such their decisions are based on financial prudence where they need to evaluate several options before committing their funds in expenditure. This makes it not obvious that they will commit themselves and the county members of staff under them to the LAPTrust pension scheme as provided for by the law. Most of them are considering the cost of enrolling in the scheme to be a burden on the county finances and weighing other options that in their view are cheaper. This is a serious threat that the organization has to deal with keenly else it may scuttle its vision.

The county governments have also been very reluctant to settle debts owing or agreements for the settlement of debts to LAPTrust by the former city, county, and municipal councils posing a threat of huge bad debts write off. Agreements on debt swaps on property, payments, among others brokered by the then local authorities and LAPTrust are at the verge of negation by the county governments. There have been a lot of discussions on how to salvage the situation, which has not yet yielded much result, though there is good progress in a few. This is even generating risks to the organization since the pension scheme members; most of whom are employees of the former local authorities have incomplete contributions statements due to non-remittances of the employer's pension share of contribution and even employee's contributions by the authorities. Hence, LAPTrust is working hard to resolve these issues at least by strengthening the debt management department for efficient and effective debt collections and negotiations on alternative debt settlements.

Lack of political goodwill by the county governments is also a threat and a challenge. This is because county governors, county assembly members and other members of the county leadership are political leaders, and as such their decision making processes may not be purely objective. Thus making it a challenge for the management of LAPTrust to achieve total agreement with the county governors on several issues. This affects the absorption of the organization's products.

Moreover, the county governments have an open approach to pension. They are objective, and would not just subscribe to LAPTrust because it is their existing pension scheme, but would rather weigh the available options on offer, and settle at the optimum. This opens up LAPTrust to a wide range of competitors including insurance companies, unit trusts, savings and co-operative societies, among others. This poses the challenge on the management of the organization to develop strategies that would not only consolidate its market share but also penetrate other markets.

4.3 Management of the Strategic Implications

The strategic implications of devolved governance structure discussed above, nurture opportunities and threats; which boost or deter the realization of the organization's vision. The organizations vision, "To be the leading provider of comprehensive pension retirement benefits and financial services in Eastern Africa" may only be best met by ensuring the entire organization lives the core values, and walks daily by the mission

statement. Team spirit, innovativeness, professionalism, integrity and customer focus, which are the organization's core values must be upheld.

4.3.1 Strategies for Managing Opportunities

The opportunities are opened up by the strategic implications, and it is important for the organization to brace itself for exploiting the opportunities. Thus, the dedication to offering quality retirement and other financial services with value pricing through successful partnerships with clients and members of staff while respecting the interests and goals of each party, as stated in the mission statement ought to be a daily practice. The pursuance of this practice is through the following strategies, which will also help manage the strategic implications.

LAPTrust is employing strategic change to tap into the opportunities. Strategic change refers to the shift in the pattern of execution of key functions and activities in an organization. In LAPTrust, this is guided by strategic map which is a diagram used to document the primary strategic goals being pursued by an organization and/or the management team. It illustrates synchronized primary goals of the organization with the expected deliverables captured by a balanced score card. This enhances the success of an organization's strategy by clearly communicating the management's view of the implementation criteria and deliverables to be met. LAPTrust mapped its strategic plan into a strategic map in 2011 and 2012 with a view of vividly communicating the new organizational orientation necessary to brace itself for the eminent challenges from the dynamic environment. This

has been more necessitated by the need to not only survive but also achieve excellence in turbulent environment in which the organization operates. The following is the strategic map updated in 2012 for LAPTrust.

LAPTrust undertook a restructuring program in 2012 with the aim of synchronizing the business needs to the resources and resource use. The overall objective was to enhance efficiency and effectiveness. This was necessitated by the changes in the organization's business needs as a result of changes in the organization's external environment. New departments and divisions were developed, while some of the former ones were restructured or reorganized. Further, the job descriptions for most of the departments were restated to ensure they are well placed to meet the organization's objectives and subsequently, the vision, in the long run.

The organization evaluated the sustainability of its defined benefit scheme and with the appropriate advice from experts, it was resolved to close it off, such that no new members would be allowed to join the defined benefit scheme from 2012 henceforth, but all new members would join the defined contribution scheme. The defined benefit scheme which is very lucrative to the pensioners pays pension not based on the contributions made but rather based on an actuarial formula which often burdens the pension services provider. This is because it often results in actuarial deficits which have to be borne by the pensions company for the benefit of the members. On the other hand, in the defined contributions scheme, the pensioner earns from the contributions and interest earned on the investments of the contributions, and as such the return on investment is determined

by the market. There is no extra contribution by the pension company to make good deficits, such as actuarial deficit. Hence, a defined contributions scheme is less burdensome to the pension scheme.

The existing members of the defined benefit scheme would continue to benefit in the scheme as structured, but would be phased off by natural attrition. In the long run the organization expects to serve members in the defined contribution scheme only. Further, new products being developed are also being structured under this scheme. The organization recently developed an individual pension plan, which was lodged in May 2013, where self-employed individuals may save for retirement. Further, employees of the organization and those by other sponsors or employers may also top up their contributions through this mode of contribution. This is working well in growing the pension scheme's fund value, which is critical for sustainability.

In the year 2010, LAPTrust introduced performance contracting, and further streamlined it in 2012. The main aim for this was to not only ensure effectiveness and efficiency but also manage performance well for the good of the organization. Formerly, employees of the organization were not delivering optimum performance due to overlaps in roles and redundant functions. In 2008, the organization engaged Earnest and Young Consultant firm to do a job review and advise on a restructuring program. The implementation of the report by the consultant led into some employees' layoffs and development of new different set of roles, departments and divisions. Performance contracting has seen the performance of employees and subsequently the organization improve greatly. In 2012,

LAPTrust won an award in the Champions of Governance contest; the information and communications technology manager was also named the information manager of the year, and also awarded in the company of the year awards. All these have not only improved the profile of the organization but also earned it a competitive edge in its chosen market arena.

Strategic change is horizon oriented, rather than bottom line oriented. As such it places more emphasis on the inputs of the constituents of a desirable future for the organization, which is mainly the realization of its vision. These constituents are the business processes, systems and procedures. Since 2007, LAPTrust has embarked on an aggressive systems upgrade. There have been a lot of business procedures and processes reviews to ensure the organization is well acclimatized to the needs of its target market, as well as be able to surmount the turbulence of the external market. The financial systems of the organization have been overhauled in 2012, particularly to set up the organization for the new devolved governments needs. A new document management system was bought, installed, and is in use for effective and efficient document management. This was also in preparation for handling the expected larger number of documents from counties. The business procedures and processes have also been on frequent review, mostly in 2012 and 2013, to ensure that organization is well placed to exploit the opportunities presented by the county governments.

Strategic partnerships are another strategy in use to exploit the opportunities. LAPTrust has entered into strategic partnerships with other stakeholders to provide low cost

housing to the counties. The main partners in this project are the county governments and mortgage financiers in Kenya. This initiative is mainly driven by the fact that most counties have housing problems both for the county members of staff as well as the county residents. Housing is basic human need that every society must seek to meet. The county governors and their party manifestos as well as the county representatives offered to support the electorate to meet at least their basic needs. This makes the low cost housing not only appreciable but also a centre of interest for the partners.

The county governments are on their part providing the land, while LAPTrust in partnership with other financial services providers would provide the finances and technical support. This arrangement provides an efficient investment opportunity for LAPTrust, while on the other hand meeting the needs of the society. The project has already taken off in Malindi, Kwale County, while in other counties; arrangements are in progress to jump start the project. There are also arrangements for LAPTrust to support provision of water in the counties in collaboration with the county governments and other partners, especially the county owned water and sewerage companies.

The use of emergent strategy is another strategic means being employed to manage the opportunities. An emergent strategy is a pattern of action that develops over time in an organization in the absence of a specific mission and goals, or despite a mission and goals. It is also considered as a set of actions, or behavior consistent over time that was not expressly intended in the initial planning of strategy. This is because strategy emerges over time as intentions collide with and accommodate a challenging reality. LAPTrust

has a mission and goals, but the turbulence of the external environment renders them often untenable, hence raising the need for the use of emergent strategy. This involves changing the agreed upon strategy to meet the prevailing business circumstances overtime. It also involves the adoption of more flexible strategies as opposed to rigid ones for ease of adapting to the environmental changes, as and when necessary.

The application of an emergent strategy in the organization is seen through the use of innovation to not only surmount eminent business challenges but also align the organization well for surmounting future business challenges. This has mainly been executed in the information and communication department, where an advanced document archival system has been developed for efficient document and information management in the organization. The system has further been sold out to government departments, yielding a new revenue stream for the organization. In addition, there have been many changes in the business processes, systems and procedures to ensure they are effective and efficient.

The organization has also been forced to adopt quick responses to the external environment using the emergent strategies, particularly by liquidating its assets that have low rates of return and acquiring or develop others that have the potential for higher returns. In 2013, the organization further developed an innovations team whose main mandate is to collect innovative ideas from other members of staff and among themselves and share the ideas with the top management for adoption. This team has further been

given the responsibility of processes and systems improvement through innovations, aimed at enhancing better performance for the organization.

4.3.2 Strategies for Managing Threats and Challenges

The threats are the other side of the results of strategic implications to the organization. Thus, the organization saw the need to develop structured means of overcoming the threats and challenges. The strategies are aimed at not only overcoming the threats and challenges but also, where possible, convert some of the threats into opportunities. Threats and challenges are more evolving than opportunities, and as such the strategies employed to surmount the threats are also evolving depending on the nature of the threat or challenge, as well as the anticipated impact on business. The strategies employed to manage the threats are as follows.

Diversification is one of the key strategies in use to manage threats and challenges facing the organization. The senior management in LAPTrust in consultation with their desired experts conceptualized the emergence of challenges due to devolution and county governments. Their market niche, the counties, would be open to other pension services providers. This sparked off the need for diversification by the organization. Diversification is a corporate strategy which focuses on optimizing returns on investment by spreading risk and broadening the revenue base. In LAPTrust, the organization has embraced diversification through lodging new companies, and/or business streams which would enable it to venture into other lines of business. The main areas that the

organization has diversified into are property and property management, consultancy, insurance brokerage services, and also considering setting up a microfinance company.

Property and real estate industry in Kenya is one of the fastest growing in the last few years, pooling a wide range of investors. LAPTrust owns several properties, including six commercial properties, though one is under development, and five residential properties. Further, it also owns land in Thika, Konza in Machakos, Lamu, Malindi, Nakuru and Mombasa. However, investment in property by pension schemes is limited by the Retirement Benefits Authority, such that a pension scheme is not allowed to invest more than 30% of its fund value in property. This constrains the exploitation of the opportunities available for investment by LAPTrust. The property management company is expected to partner with other investment partners to expand investments returns for LAPTrust, while on the other hand enhance cost leadership by cutting on the property management fees paid to property management agents.

The pension management knowledge and experience gathered by the organization since its inception in 1929 is also being utilized as a revenue stream. The organization has developed a well structured consultancy services department offering pension administration services, individual pension management, among other services to others, to pension schemes and individuals; particularly in Southern Sudan, Tanzania, and Rwanda. Pension and other financial services is not only a good revenue stream for the organization, but also yields marketing synergy.

The evolution of the pension industry in Kenya has affected LAPTrust in many dynamics, more especially in its products offering to the target market, leading to the need for the pension products diversification in the organization. This has led to the development of new products, mostly targeting new market niches, and others directed towards new markets. Firstly, the existing members have been given the freedom to top up their contributions for their pensions, after changing from a defined benefit scheme to a defined contribution scheme, hence increase on the amount of funds available for investment for the trust. Further, the organization has also developed the individual pension plan, where self employed persons have an opportunity to save for retirement by contributing at their convenience, that is, weekly, monthly, quarterly, or at any other convenient intervals as they may choose.

LAPTrust has also been considering opening an insurance brokerage company in order to leverage on the cost of engaging insurance brokers on various organizational transactions. This is also aimed at tapping into insurance brokerage opportunities, especially those to do with property and investments transactions. Feasibility studies and due diligence have already been undertaken, validating the business essence of this business stream. However, the product has not yet been rolled out, and is still at the development stage though already well indented for full execution once the management has undertaken all the other necessary preparations.

A micro finance company sponsored by LAPTrust is also under consideration. This is mainly informed by the fact that human needs compete, hence resulting in a scale of

preference where the most important needs take priority and the least important are considered last. The allocation of the resources available is usually informed by this scale of preference. Hence individuals would prefer meeting their basic needs like food, shelter, and clothing first before dealing with others. In this regard LAPTrust noticed that the need for pension is not a primary need among many Kenyans. This means basic needs are more competitive in the income of the majority of most Kenyans than the need for a secure future through pension. Hence, the organization is in the process of developing a micro-finance institution, where it is aiming at blending the need for financing the basic needs with financing savings for a pension.

A holistic socio-economic solutions approach is the other strategy in use for managing threats. LAPTrust motto is “fulfilling lives”. This means the organization’s long term sustainability pillar is being in sync with the needs of the society it serves. The plans by the organization to partner with other organizations and provide water, housing, lighting, financial services through a micro-finance among others are all intended towards ensuring that the organization’s vision and mission as well as objectives are in line with the needs of the majority of Kenyans to ensure they are both appealing as well as able to create synergy for a bright organizational future.

Pension is a socio-economic need where an employee would want to ensure a secure and reliable source of income to support themselves in their old age. However, this is usually in competition with the current financial needs of the individual. The most critical current needs are the basics, and that’s why LAPTrust choose to intervene in providing solutions

for these. Further, the organization has been organizing and sponsoring training to educate its members as well as the overall public on the need to have a pension, and saving for the retirement.

The organization is however seeking partnerships with other institutions who would support it in meeting this broader spectrum on the societal needs. This is mainly because some of the ways under consideration requires specialized and strict requirements that the organization may not have. Further, the partnerships may support the organization's capacity building in these other areas of professionalism.

4.4 Discussion

The first object of the research was to establish the strategic implications of devolved government structure on LAPTrust. The strategic implications are born by the interactions between organizations as open systems and the dynamic external environment. These interactions were conceptualized in the research to be best understood and mostly handled by the top management in the organization. Strategic implications yield opportunities and threats to an organization, and as such define the possibility of survival or failure of an organization, as well as the realization of its vision. The main job of the heads of divisions, who are the top management, is to ensure their sub-ordinates have a job, and at the same time the organization sustainably thrives.

The second objective was to determine how LAPTrust is managing the strategic implications. The researcher analyzed the organization's criteria of continuously scanning the external environment, formulating and implementing strategies in order to optimize opportunities and manage threats. It involved the consideration of the strategic implications of various external environmental factors and the proposal of the appropriate response strategies in order to ensure the realization of the organization's goals and objectives. LAPTrust top management leads in evaluating the strategic implications of the political, economic, socio-cultural, technological, ecological, and legal dynamics. Their actions in response to these ever evolving variables is monitored and evaluated by the board of trustees in order to ensure objectivity and effectiveness.

The utilization of the opportunities and surmounting of threats is not an exclusive job for any one particular level of employees in an organization, but rather requires the input and involvement of all members of staff. The top management would only provide a leadership role on matters that cut across the different divisions and sections in the entire organization. The other managers and subordinate staff are required as per their job descriptions to deal with the specific issues directly related to their roles in the organization. All members of staff should also share their experiences and views about the various actions proposed and driven by the top management for reviews and the necessary reorientations to meet the needs and expectations of the organization. This is a critical input in managing the strategic implications.

Other scholars who did research in this area had both converging and diverging conclusions from this research in different ways. Karanja (2005) in her study on the management strategies for managing change employed by the city council of Nairobi had findings that supported the concept of organizations as open systems. Her findings also concur with this research, that organizations should employ multiple approach in managing strategic change. Situma (2012) studying change management challenges facing devolution of the government of Kakamega, also subscribe to the essence of a multiple approach in managing strategic change. Ndirangu (2003) studying the implications of the Retirement Benefits Authority, supported the emergence of opportunities to an organization as a result of change in its external environment. However, none of the above scholars explored the need to venture into the unknown by an organization due to the turbulence of the dynamic environment. In this study the research highlights the use of emergent strategy as an effective mode of response to the dynamic environment. This is mainly because the implications by the external environment often discussion laid sown strategies, confirming their inapplicability and the need for an open mind in searching for means to exploit opportunities and overcome challenges.

The research concurs with the open systems theory, that organizations are open systems in a continuous interaction with the external environment. This is evidenced by the implications facing the organization as a result of the changes in the external environment. Further, the open and continuous interactions yield the need for the multi-strategy approach to managing strategic implications facing organizations because there is no one sufficient strategy that would deliver the desired results solely. On the other

hand, there is a slight departure from the open systems theory articulated by the fact that an organization's interactions with the external environment is not entirely open, but also depends on the nature of its market niche.

Organizations should always scan the external environment to discern the strategic implications in order to timely develop the appropriate sustainable responses for the well being of the organization. Further it is also important for organizations to engage researchers or conduct research that would offer key insights to the management and the entire organization on how to deal with the various opportunities and threats facing the organization. This requires the involvement of all members of staff in the organization, thus the need to educate everyone on the strategic direction of the entity for a good orientation.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

In this chapter, the research findings in chapter four are summarized, and a conclusion is drawn which forms the basis for recommendations. The researcher's interest was on the strategic implications of devolved governments to the local authorities pension trust, in Kenya. This was studied by considering the two objectives on the strategic implications to the organization and how to manage the strategic implications.

The researcher evaluated the findings of former research by other students and identified a gap that he sought to fill in this research. Theories by other scholars in the field of strategic management were also reviewed and applied accordingly to form a basis of the study and support the researcher's views and observations. Further the data collected and analyzed in chapter four opens up more insights in strategic management by supporting and/or criticizing the theories in perspective.

5.2 Summary

The research project evaluated and discussed the strategic implications of devolved governments to the local authorities pension trust in Kenya, and further determined how LAPTrust manage those implications. In the literature review the researcher had underpinned his study on the open systems theory. In this theory organizations are

considered to be open systems which continuously interact with the external environment. These interactions yield both opportunities and threats to the organization. Subject to the first objective on the determination of the strategic implications of devolved governments to LAPTrust, the researcher observed that the organization-external environment interaction yields opportunities and threats, which have long term effects to the organization. The implications are not a choice but an external force that must be responded to appropriately. Further, in line with the second objective, the researcher sought to explain the various strategies applied by the organization to manage the strategic implications, by exploiting the opportunities and using the organization's strengths to surmount the threats. This was done by applying content analysis of the data collected during the course of the research.

Further, the research was anchored the open systems theory. This theory emphasizes the interactions of organizations with their external environment, which gives rise to the strategic implications. In this research, the study supported the fact that devolved governments have strong implications on not only the day to day operations of LAPTrust, but also on the long term well being of the organization. Therefore, the organization should continuously scan the external environment and align itself appropriately to optimize the available opportunities, while overcoming threats. This was observed to require a blend of approaches and strategies as one would not be sufficient considering the turbulence of the external environment.

5.3 Conclusion

The research findings largely agree with the open systems theory, that organizations are open systems continuously interacting with the external environment. These interactions yield opportunities and threats which are the strategic implications of the interactions. In its interaction with the external environment, LAPTrust has been faced with opportunities and threats, the management of which requires a multiple approach, as there is no one sufficient approach to managing strategic implications.

Further, the research has also revealed reasonable evidence that strategic management is a dynamic subject requiring managers to appreciate concepts from other disciplines such as entrepreneurship and management science among others. This is mostly because of the dynamic nature of strategic management. In this research the top management in the organization has to be dynamic as they employ emergent strategies to manage the turbulence of the organization's external environment.

5.4 Recommendations

The findings of this research projective have important insights to policy makers who would need to develop or review existing policies that would help in the management of the changes in a pension institutions sponsors. This particularly strategic implications change the fortunes of an organization, to either opportunities or threats circumspective to its responses. Further, appropriate policies would also be made on the management of

member's contributions and pensioners in the event of changes in the nature of pension sponsors.

The research further unveils important insight to practicing managers on the value of multiple strategic solutions approach to the many strategic challenges facing organizations. This is mainly brought out by the innovative ways that the organization has always employed in harnessing the opportunities brought about by the devolved governments as well as surmounting the challenges thereof.

5.5 Limitations of the Study

The researcher conceptualized organizations as open systems, freely interacting with the external environment, and the interactions yielding opportunities and threats. However, it is observed that the organization in focus in this study had some closed areas. That is, there are areas such as the nature of business it may engage in that are defined and fixed by law and as such it may not get out of it. There are also some legal protections making the interactions with the external environment not free. However, this limitation might be managed by conducting an industry focused research and collection of a cross-sectional data to obtain a broader view of issues.

The research was carried out in Kenya, and in one pension scheme, with its own unique circumstances. As such, the findings may not fully apply to other pension institutions elsewhere in the world, or even in Kenya but of a different nature from LAPTrust.

However, the findings may be prorated for application in other countries and pension schemes, especially those with a county government's mode of governance.

The research was a case study and used a personal interview based on an interview guide to collect the data. The interview guide had been send to the desired respondents before meeting them. However, it was observed that the responses were subjective, and largely depended on the respondent's interpretation and understanding of certain phenomena. This could be managed by using a qualitative interview tool, like a questionnaire where the respondents would quantify the various variables of interest.

5.6 Suggestions for Further Research

The researcher recommends further research on the factors affecting the implementation of pension plans in the devolved governments in Kenya. This is mainly because county governments are open to many choices of pension schemes. Further, the management of county resources is critical to the county governments and as such efforts are being put in place to ensure efficiency and effectiveness.

In addition, more research may also be undertaken on the relationship between county governments and pension schemes in Kenya. Particularly county based pension schemes like Local Authorities Pension Trust, and Local Authorities Pension Fund. The relationship has a great impact on the industry.

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APPENDICES

Appendix i : University Introduction Letter


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TO WHOM IT MAY CONCERN


The bearer of this letter NATHAN KASAMBA VUNGO
Registration No. D61/60514/2010

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.


PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS


UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
09 SEP 2013
MBA OFFICE
P.O. Box 30197 - 00100, NAIROBI

Appendix ii: Personal Introduction Letter

The Managing Director,
LAPTrust Administrative Services,
P.O Box 28938 - 00200,
Nairobi, Kenya.

10th September, 2013.

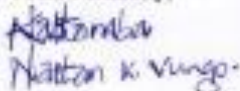
Nathan Kasamba Vungo,
P.O Box 1230 - 90200,
Kitui, Kenya.

Dear Sir,

RE: PERMISSION TO CONDUCT AN ACADEMIC RESEARCH

Subject to the attached letter by the University of Nairobi, introducing my studentship in the aforementioned university, I hereby kindly request for your permission to carry out research in your organization. In the research I intend to interview your top managers on various strategic issues affecting LAPTrust, mainly as a result of devolution in Kenya.

The findings of the research are for academic reasons as highlighted in the university letter attached, and would be available to you. I hope you will consider my kind request. Thank you in advance.

Yours Faithfully,

Nathan K. Vungo.

Appendix iii: Interview Guide

This interview guide will be applied to obtain the relevant data from the chief managers of the five main divisions of the organization, that is; Finance and Investments, Operations Management, Strategy and Risk Management, Human resources and Administration, as well as the Information and Communication Technology division.

1. What is your role in LAPTrust, especially in relation to strategy?
2. Does your organization's top management have a responsibility in scanning the environmental changes and suggest appropriate responses?
3. May you identify the political implications of the devolved governments to your organization?
4. May you highlight the legal implications of the devolved governments to your organization?
5. What are the socio-economic implications of devolved government structure on LAPTrust?
6. What strategies has your organization employed to manage the political, legal, socio-economic implications of devolved governance structure to LAPTrust?
7. Do you think that the responses are effective?
8. What other strategic implications may you anticipate in future?
9. What other options would you consider appropriate in managing the strategic implications of devolved governments to LAPTrust?

10. In your view, is your organization employing the appropriate external environmental changes management and responses?
11. How often does your organization carry out research on the external environmental changes and their implications to the organization?
12. How do you use the research results?
13. What other sources of information do you use to obtain relevant industry and/or market intelligence?
14. What are the bases of your strategic choices?