

**RELATIONSHIP BETWEEN OUTSOURCING AND OPERATIONAL  
EFFICIENCY OF PENSION SCHEMES OF COMPANIES LISTED AT THE  
NAIROBI STOCK EXCHANGE**

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THE REQUIREMENTS FOR MASTERS IN BUSINESS ADMINISTRATION  
DEGREE OF THE UNIVERSITY OF NAIROBI**

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## **DECLARATION**

This research project is my original work and has not been presented 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**

To my dear wife Margaret Makhungu for your tacit encouragement and moral support in my academic pursuit that has made it possible. To my lovely children, Viola Konji, Alex Jeremy and Belinda Machinda, that you may be inspired and motivated to excel beyond this.

## **ACKNOWLEDGEMENT**

I acknowledge my supervisor Joseph N. Barasa for his time and discerning insight, and my elder brothers Caleb Musula and Nathan Nandwa for the sacrifice and believing in me, and my late father, Jeremiah Mukoba who really valued education and instilled the virtue in me. Last but not least, my Mother, Norah Machinda for her masterly of logistics.

## **ABSTRACT**

The study sets out on a survey to establish the relationship between outsourcing and operational efficiency in pension scheme administration. Numerous studies have been carried out on understanding the key factors driving outsourcing decisions but there is limited study on the impact of the outsourcing. Further, the retirement benefits authority (RBA) which among its mandate is to regulate and license pension scheme administrators does not have a policy guideline to guide Trustees on the outsourcing decision. Survey was conducted through a structured questionnaire. Drop and pick method was used. SPSS and Microsoft Excel were used for data analysis. The study established that majority of firms outsourced their staff pension scheme administration. Outsourcing enhanced operational efficiency. Most respondents perceive operational efficiency in the twin lens of quality of service to members and investment performance. It is recommended that RBA formulates a policy guide on the outsourcing decision and monitoring of the service provider.

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## **LIST OF ABBREVIATIONS**

OECD	Organization for Economic Co-operation and Development
IAIS	The international Association of Insurance Supervisors
IOPS	The International Organization of Pension Supervisors
RBA	Retirement Benefits Authority
ICT	Information and Communications Technology
DB	Defined Benefit Scheme
DC	Defined Contribution Scheme
OIM	The Outsourcing Institute Membership
IES	Institute of Employment Studies (UK)
TCT	Transaction Cost Theory
NSE	Nairobi Stock Exchange

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Background of the Study**

The elderly in society are no longer guaranteed support from the traditional family structures due to the changed lifestyles and urbanization. They are faced with the risk of dire poverty and marginalization. Therefore, there is need to have a structured formal way of saving and investing for one to be guaranteed a minimum level of old age income security. As responsible employers, most private companies set up an occupational pension scheme, to manage a fund, established by the employer to facilitate and organize the investment of employee's retirement funds contributed by the employer and employees. This fund is a common asset pool meant to generate stable growth over the long term and provide retirement and old age income to the said employees. These occupational pension schemes are a form of deferred compensation and are advantageous to both employer and employee for tax reasons. They also have an insurance aspect in the form of disability and survivor benefits. Retirement pensions are usually a guaranteed life annuity that insures against the risk of longevity (Retirement Benefits Authority, 2012).

The investments of pension assets are one of the core functions performed by private pension arrangements. In order to promote both the performance and financial security of pension scheme benefits, it is critical that this function is implemented and managed responsibly. Policy makers have a key role to ensure that regulations encourage prudent principles of security, profitability and liquidity pursuant to which assets should be invested so as to meet the retirement income objectives of the

pension (Retirement Benefits Authority, 2012). Thus the administration of private pension schemes must be guided by prudence and operational efficiency.

The Retirement Benefits Authority (RBA) was set up by the ministry of finance in 1997, to regulate and supervise the management of retirement benefits schemes, to protect interest of members and sponsors of their retirement benefits, to promote the development of the retirement benefits sector and to advise the Minister on national policy and to implement government policies. Since the inception of the RBA, the Kenyan pension industry has become a critical arm of the economy with an asset value of approx Kshs 400 Billion or equivalent of 23% of Gross Domestic Product (GDP) and has continued to post growth of 4% every year (RBA, 2012). Thus there is tremendous potential for growth with improved RBA guidelines and supervision in addition to increased coverage.

Pension scheme operational efficiency is important as it results in higher returns on investment and consequently high retirement benefits to the pensioners (Bateman and Mitchell, 2004). Inefficiency, however, leads to higher costs of operation, low returns on investment and in extreme cases to the demise of the funds (Bikker and Dreu, 2009). Low investment returns and the closure of pension funds reduce the latter's contribution to the GDPs of countries (Amos Gitau Njuguna, 2010).

Numerous studies have been carried out on understanding the key factors driving outsourcing decisions but there is limited study on the impact of the outsourcing (Jiang, Quresh, 2006), thus it is important to understand the relationship of outsourcing factors and operational efficiency of the pension schemes.

### **1.1.1 Concept of outsourcing in pension scheme administration**

Pension Scheme Administration is the day to day management, governance and supervision of a retirement benefits scheme. It encompasses managing the day to day affairs and the strategic decisions involved with pension scheme. The administrator manages member records, ensures that contributions are captured into the scheme, the proper asset allocation investment decisions are made and benefits are promptly distributed among all the qualified members and beneficiaries. The administrator determines investment performance, operational efficiency and the security of the pensions benefits (Njuguna, A. G. 2011). A good pension scheme administrator invariably delivers a robust governance, prudent risk management and internal controls and responsive member communication and service.

Outsourcing is a process in which a company delegates some of its internal operations or processes to a third party. In this definition, outsourcing is a contracting transaction where one company purchases services or products from another while keeping ownership of the whole underlying process, product or service. (Tas, J. & Sunder, S. 2004) The clients inform their provider what they want and how they want the work performed. Client usually authorizes the provider to operate as well as reengineer the processes involved to improve cost and efficiency benefits.

As firms seek to improve their pension scheme organizational efficiency and effectiveness, the key factors that are generating a viable environment making the firms to consider outsourcing of the pension scheme administration are;

- i) Regulatory changes have created an environment of increased legislation and administrative complexity;

- ii) An enlightened, knowledgeable membership that seeks to manage and monitor their own retirement contributions and investment decisions;
- iii) Firms seeking to lower costs and avail good returns on investments;
- iv) Firms seeking to focus on their core business for competitive advantage;
- v) Advances in technology that has availed tools for interacting with members and service providers;
- vi) Influence from consulting firms that have diversified into the outsourcing business for extra revenue
- vii) A break in the firms cultural posture as more and more of its other functions become outsourced

However, other reasons giving rise to Pension Scheme Administration outsourcing (Lacity & Hirschheim, 1993c) include those of a political nature (e.g. to promote self-interests at the expense of others) or the desire to follow the trend set by others. Thus outsourcing factors can be grouped into 1) Costs 2) Quality of service 3) Service Provider Management 4) Organization culture

### **1.1.2 Concept of Operational Efficiency**

The fundamental basis for outsourcing is the focus on core activities of a company. Core competence or core activities of the company are the basis of its competitive advantage in the marketplace (Prahalad and Hamel, 1990). All businesses have their own core activities that form the basis of their business models. The rationale for outsourcing those activities that are outside of the core competencies has been to limit the activities management has to manage. The attention and focus of managers is a scarce resource that is seen as best utilized for the company's core activities. After identification of core activities, the organization can develop to support their management and utilization.

Operational efficiency is the capability of an organization to deliver products or services to its customers in the most cost-effective manner possible while still ensuring the high quality of its products, service and support. It is often achieved by streamlining a company's core processes in order to more effectively respond to continually changing market forces in a cost-effective manner. In order to attain operational efficiency an organization needs to minimize redundancy and waste while leveraging the resources that contribute most to its success and utilizing the best of its workforce, technology and business processes. The reduced internal costs that result from operational efficiency enable a company to achieve higher profit margins or be more successful in highly competitive markets.

Operational efficiency looks at an organization's capabilities and performance. It denotes the organization's ability to minimize waste of inputs and maximize resource utilization so as to deliver quality, cheaper products and services to their customers. It is a useful measure utilized in managing the available resources (Muhittin and Reha, 1990). Though operational efficiency is driven by operational aspects of human resource management, supply chain management, quality control management, technology deployed etc, it is also a function of both customer satisfaction and public perception (Scheraga, 2004)

In pension scheme administration, measuring operational efficiency entails output results obtained from processes and services that permit evaluation and comparison to expected set goals. The measurement can be through financial ratio analysis (Dulebohn, 1995), comparison of returns with the market indices (Bikker and Dreu, 2009; Stanko 2002) or Data Envelopment Analysis (DEA) which has been

documented as a superior model for the analysis of efficiency (Barros and Garcia, 2006; Cinca, Mal Morinero and Garcia 2002).

### **1.1.3 Operational efficiency in the context of pension scheme administration**

For a pension fund, operational efficiency is defined as the ability to meet non financial objectives (Canadian Treasury Board 2009:5 ; Njuguna 2010). For purposes of this survey, empirical variables that were used to evaluate operational efficiency were: member communications, contact centre, workflow system, website for member self service, on demand members statements, RBA Compliance, Investment appraisals and reports, member version of annual financial report and complete and updated members data.

### **1.2 Statement of the Problem**

Though the RBA regulates and licenses the Pension Scheme Administrators, the RBA act does not give guidance to pension scheme trustees on the factors to consider on outsourcing of the pension scheme administration. The trustees can opt for self administration or outsource the administration of the pension scheme (RBA Act, 2007). There should be appropriate controls in place that cover all basic organizational and administrative procedures (OECD, 2009 – guidelines for pension fund governance), (IOPS 2008c – supervisory oversight of pension fund governance)

In outsourcing, decision makers have to decide on the processes to be followed and the factors to be taken into account. At the same time, they have to consider and trade-off a variety of information and criteria. The situation is further complicated because decisions are difficult to evaluate as adequate outcome feedback only occurs once outsourcing has been implemented and been operational for a period of time (Fink and Shoeib, 2003).



However, it is important to note that the benefits of outsourcing cannot be achieved if the associated risks and challenges are not properly identified and managed (Tafti, 2005; Harris, 2010). The research problem is therefore to survey and identify the magnitude and relative significance of relationship between outsourcing factors and the operational efficiency of pension schemes.

### **1.3 Objective of the Study**

To determine the relation between outsourcing factors and operational efficiency of pension schemes of companies listed at the Nairobi stock exchange.

### **1.4 Value of the Study**

This research would be important to several stakeholders. It shall enable organisations to think about outsourcing Pension Scheme Administration strategically, understanding the situation in which they operate and taking a considered approach to resource allocation for enhanced operational efficiency.

The study also shall benefit Pension Scheme Administration vendors (service providers) or outsourcing companies. These companies shall be able to identify the conditions for strategically focused relationship management with potential customers.

The results shall help RBA develop and implement a sound governance structure and risk management strategy to ensure adequate outsourcing oversight and guidelines. Further, the RBA shall have information necessary to develop policy alternatives.

Researchers and academicians interested in the challenges encountered by organizations in Kenya when outsourcing Pension Scheme Administration may use the findings to form the basis for further research.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter summarizes a review of the relevant literature from other researchers who have carried out their research in the same field of study. It is organized systematically starting from the theoretical literature, main discusses, empirical evidence on outsourcing of pension scheme administration, and eventually the summary of the study.

#### **2.2 Theoretical Framework**

There are many different theories and models of outsourcing. Each theory proposes a distinct method in which an organization might make strategic outsourcing decisions. None of the theories seek to provide a prescriptive methodology or be universally applicable. The key theories and models in the study of outsourcing are; agency, transaction cost and resource based view.

##### **2.2.1 Theories that Explain Outsourcing Factors**

###### **2.2.1.1 Agency theory**

An agency relationship is a contract wherein one or more (principal(s)) contract another party (agent) to perform some service on their behalf and involves delegating some decision making authority to the agent (Jensen and Meckling, 1976). Each party has unique profit and other personal interests. The principal can monitor and control the agent through incentives and penalties. The principal cannot monitor the agent's actions perfectly and cost free.

Agency theory is concerned with the principal's problem of choosing an agent, motivating and coordinating the agent's decision and behavior with those of the organization, under the constraint of information asymmetry (Aubert, et al, 2005) which lead to agency problems of; 1) Moral hazards for it is impossible for the principal to observe an agent's behavior at no cost, thus an agent can always blame poor performance on circumstances beyond its control, 2) Adverse selection when the principal cannot observe the characteristics of the agent thus making it difficult to choose the right service provider, and 3) Imperfect commitment when the principal and/or agent may be tempted to renege on their contract obligations arguing unforeseeable events link changes in requirements (Sappington, 1991, in Aubert et al, 2005). The Agency problems should be resolved by monitoring and bonding (Barley and Hesterly, 1996).

#### **2.2.1.2 Transaction Cost Theory (TCT)**

The theory is premised on a goal of the organization being to reduce cost and to achieve cost efficiency. There are two types of costs associated with any service or product, production cost and coordination cost (Williamson, 1985). Production cost is the cost incurred to make the product or to provide the service. It includes the cost of labour, material and capital. Coordination costs include monitoring, controlling and managing the work internally. If the job is handed over to external service provider, the coordination costs are called transaction costs.

Transaction cost theory facilitates an analysis of the comparative costs of planning, adapting and monitoring task to completion under alternate governance structures (Williamson, 1985).

Two human and three environmental factors lead to transaction costs arising. The two human factors are; 1) Bounded rationality which states that “Humans are unlikely to have the abilities or resources to consider every state-contingent outcome associated with a transaction that might arise” and, 2) Opportunism which states that “Humans will act to further their own self interest”. The three environmental factors are; 1) Uncertainty which states that “uncertainty exacerbates the problems that arise because of the bounded rationality and opportunism, 2) Small numbers trading which state that “ if only a small number of players exist in a market-place, a party to a transaction may have difficulty disciplining the other parties to the transaction via the possibility of withdrawal and use of alternate players in the marketplace”, 3) Asset specificity which states “ the value of an asset may be attached to a particular transaction that it supports. The party who has invested in the asset will incur a loss if the party who has not invested withdraws from the transaction. There is thus a lock-in effect and the possibility of this party acting opportunistically leads to the holdup problem”. As asset specificity and uncertainty increase, the risk of opportunism increases and decision makers are more likely to choose a hierarchical (firm- based) governance structure.

Thus transaction cost theory looks at the market and the internal organization of the firm as alternative mechanisms to regulate a transaction (Coase, 1937, in Aubert et al, 2005). The advantage of using the market mechanism is that economies of scale will lower production costs. The disadvantage of using the market is increased transaction costs due to supplier identification, negotiating a contract and managing the supplier-client relationship.

### **2.2.1.3 Resource Based View**

The core premise of resource based view is that organizations will try and retain in-house activities that take advantage of their strategic resources. Outsourcing these resources would deprive the organization of their competitive advantage and subsequent abnormal returns .An organization that lacks valuable, rare, inimitable and organized resources and capabilities, shall seek for an external provider in order to overcome that weakness (Barney, 1986). The resource must be rare so that many competitors cannot obtain it, it must also be difficult to imitate in addition to being difficult to substitute.

### **2.2.1.4 Outsourcing Factors**

The basic framework of the research examining the factors that influence outsourcing rely on the premise that outsourcing is a process that involves key phases associated with the outsourcing theories that set to explain the attendant embedded mechanisms and activities.

At the preparation and analysis of an outsourcing project for pension scheme administration, a Cost Stage, which is grounded in Transaction Cost and Agency theories, is predominant. When the outsourcing project has been implemented, the focus shifts to Resources and Governance. Service quality is a comparison of expectations with performance - Lewis and Booms (1983) Customers form service expectations from past experiences, word of mouth and advertisement.

**Table 2.1: Summary of Factors**

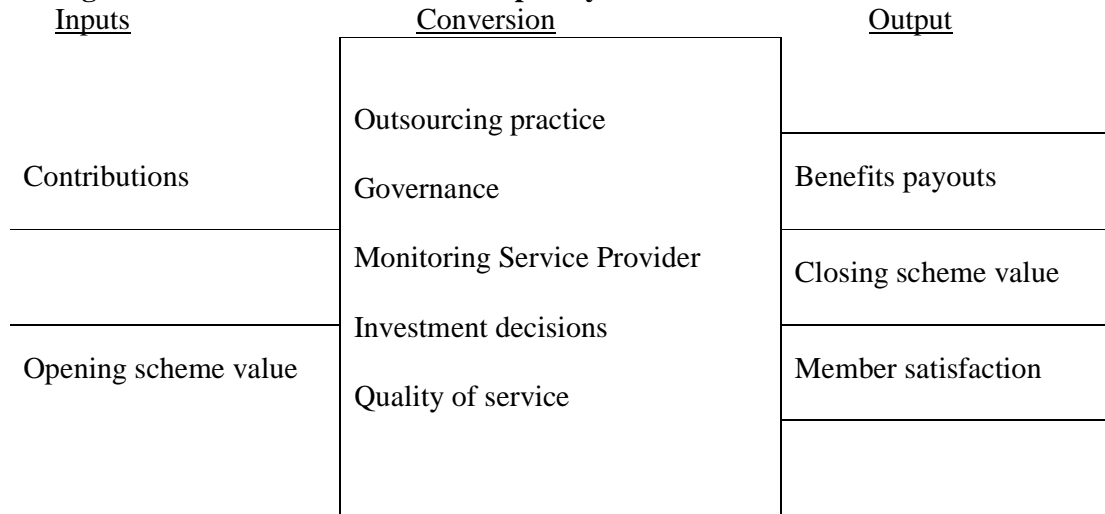
<b>Outsourcing phase</b>	<b>Decision</b>	<b>Factor</b>
Preparation (transaction cost and agency theories)	(i) Core business and corporate culture (ii) Human competence and capability (iii) Technological capacity (iv) Executive approval and commitment (v) Scope (vi) Transition and cost implications (vii) Service quality and efficiency (viii) Supplier Selection (ix) Contract and Service Level Agreement	<b>Organization culture</b>  <b>Transaction Costs</b>  <b>Service Quality</b>
Post implementation (resource based view and core competences theories)	(i) Legislation and regulatory compliance (ii) Agency problems and Monitoring (iii) Supplier Dependency (iv) Privacy and security	<b>Service Provider Management</b>
Reconsideration (relational view, social exchange, stakeholder's theories)	(i) Contract termination Switching costs	<b>Transaction Costs</b> <b>Service Quality</b>

Source: Author (2013)

### **2.2.2 Operational Efficiency Measurement**

From systems theory approach (inputs – conversion – outputs), pension schemes like other organizations, can be viewed as open systems since they collect and accumulate contributions from members and scheme sponsors, invest the funds for the benefit of the members upon retirement (Davis 2005). The inputs to the system are contributions and the opening scheme value while the outputs are benefits payouts and the closing scheme value in addition to customer service.

**Figure 2.1: Pension Scheme as an Open System**



Source: Author (2013)

Operational efficiency is the degree to which pension scheme administrator is able to provide deliverables at the least possible cost (Hager and Flack, 2004; Chansarn, 2005; Baker, Logue, Rader and Clark, 2005). The deliverables are strategic management of administration and investment costs, timely processing of pension benefits, improvement in the internal control systems, efficiency in the conduct of trustee meetings, timely reporting to members, decrease in compliance costs, increasing the rate of return of investments, critical involvement of members in decision making, achieving appropriate funding levels, appointing service providers competitively and effective compliance with the pension law ( Amos Gitau Njuguna, 2010).

### 2.3 Empirical Evidence

The study by (Jiang, Frazier and Prater, 2006), examined the relationship between the outsourcing decision and the organizations financial performance and concluded that outsourcing can improve a firms cost efficiency but not its productivity and profitability. The study of (Wang et al, 2008) examined the impact of outsourcing IT

on an organization performance and concluded that outsourcing enhanced performance. Operational efficiency is the sum total productivity, people and space.

### **2.3 Summary**

Numerous studies have been carried out on understanding the key factors driving outsourcing decisions but there is limited study on the impact of the outsourcing (Jiang, Quresh, 2006),thus it is important to understand the relationship of outsourcing and operational efficiency of the pension schemes



## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

In this chapter, the methods and procedures used to carry out the research are described. The following aspects in respect to the research objectives are included; research design, research variables, population and sampling design, data collection methods, research procedures and data analysis methods.

#### **3.2 Research Design**

This is a descriptive cross-sectional study. A descriptive research is more rigorous than exploratory research and seeks to find out the; who, what, where, when and how, aspects of the research (Cooper and Schindler, 2001). The research problem has already been identified and the survey cover listed firms at the Nairobi stock exchange that sponsor a pension scheme and would therefore have knowledge and experiences with pension scheme administration outsourcing decision.

In this research, the dependent variable is the operational efficiency of pension scheme administration. The independent variables are administrative cost, service quality, service provider management, investment management. These variables were captured to a Likert-type scale ranging from (1) strongly disagree to (5) strongly agree.

Studies on the performance of pension funds either use financial ratio analysis (Dulebohn 1995) or compare the pension fund returns with the market indices (Stanko 2002; Bikker and Dreu 2009). Measuring operational efficiency entails output results

obtained from processes and services that permit evaluation and comparison to expected set goals.

### **3.3 Target Population and sample**

A population is the total collection of elements about which a researcher wishes to make some inferences (Cooper and Schindler, 2001). The population forms a basis from which the sample or subjects of the study is drawn. The study was based in Kenya and the population was a census of all the 60 registered companies at the Nairobi stock exchange.

### **3.4 Data Collection instrument and procedures**

Primary data was collected by use of a structured self-administered questionnaire. Respondents to self-administered questionnaires are unlikely elicit socially desirable responses (Dillman, 2000). These data was captured in a Likert-type scale ranging from (1) strongly disagree to (5) strongly agree. Drop and pick method was used to administer the questionnaires. Secondary data, such as the pension scheme valuation and number of members, were collected from the organization's web site or publications, the NSE web site or NSE handbook and RBA.

The questionnaire was developed and organized on the basis of research questions or specific objectives to ensure relevance to the research problem. This was to improve on the questionnaires validity. Thus the questions were researcher developed. The questionnaire was validated using the procedures recommended by Straub (1989). The instrument was subjected to a review in the field by an expert, a pilot test for internal reliability and statistical conclusion validation.

The structure of the questionnaire was as follows; Part I covered demographic information of the respondents in terms of job related profile, experience in outsourcing of pension scheme administration and organization profile. Part II covered the respondents experience in the outsourcing decision of pension scheme administration. Part III covered respondents' observation of the impact and relationship of the outsourcing factors and operational efficiency.

### **3.4.1 Research Procedure**

In order to check the applicability of the questionnaire in context and to clarify wording of instructions, it was pre-tested and piloted on a group pension scheme administrators. A revised questionnaire was then adopted and dispatched to the target population. To ensure that the respondent was the target respondent, the questionnaire was hand delivered or emailed. Email offer greater control as most users read and respond to their own email at their personal computer (Witmer, Colman and Katzman, 1999). Respondents were requested to email back their dully filled questionnaire or a collection date was agreed upon during delivery.

### **3.5 Data Analysis Methods**

SPSS and Microsoft Excel were used as the data analysis tools. Inferential and descriptive statistics were utilized. Descriptive statistics were used to summarize data and describe the sample, while the inferential statistics enabled the researcher to infer the sample results to the population. Data was presented in tabular and graphical form. Categorical data was used to establish the relationship between the independent and dependent variables.

### **3.6 Data reliability and validity**

Validity concerns whether the research is really measuring what it claims to be measuring. Reliability assures research can be replicated and can produce similar results. If the validity or trustworthiness can be maximized or tested then more “credible and defensible result” (Johnson, 1997, p. 283) may lead to generalizability which is one of the concepts suggested by Stenbacka (2001) as the structure for both doing and documenting high quality qualitative research. The questionnaire was first refined for accuracy, clarity and completeness through a pilot feedback.

## CHAPTER FOUR

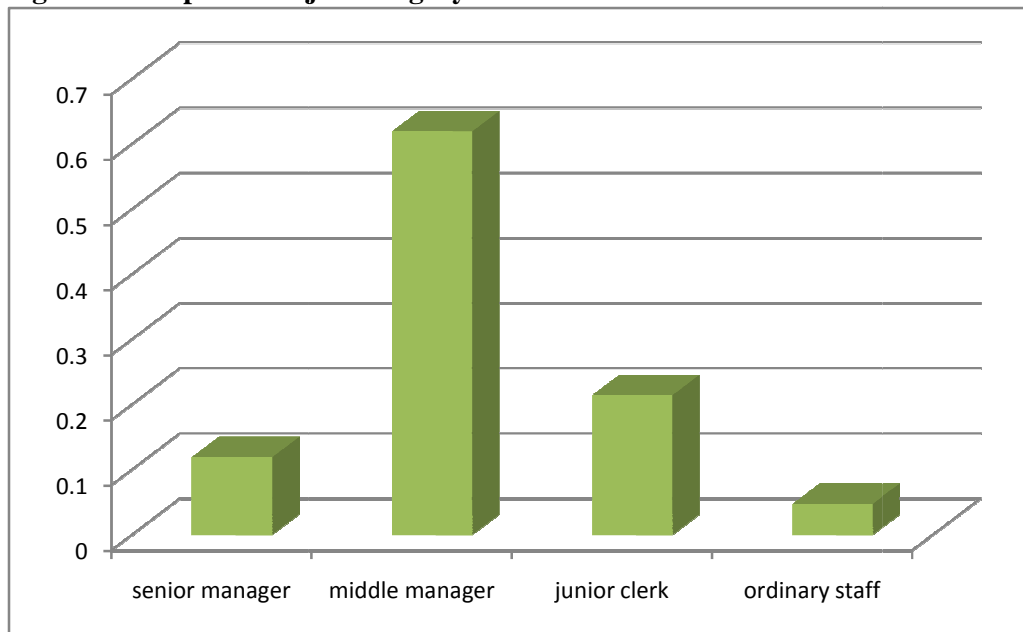
### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

This chapter focuses on data analysis, interpretation and presentation of the data collected in the study. A questionnaire was sent out to all pension schemes of the sixty registered firms at the Nairobi stock exchange. Only 42 usable questionnaires were returned. This represented a response rate of 70%.

#### 4.2 Demographic Information

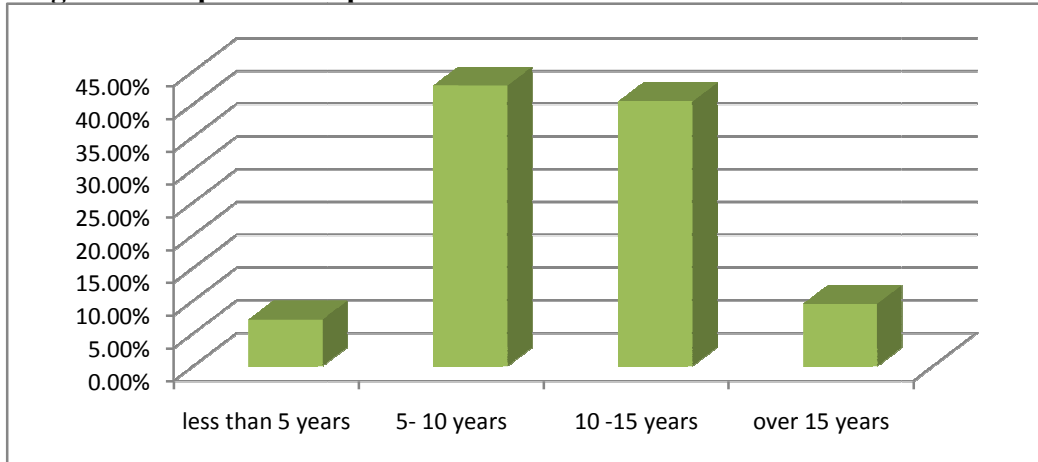
**Figure 4.1** Respondents job category



Source: Author (2013)

From the findings, 11.9% the respondents were senior managers, 61.9%, middle level Managers, 21.4% Junior Clerk and 4.7% ordinary staff. Thus 73.8% of the respondents are senior managers or middle level managers and this is a knowledgeable group.

**Figure 4.2 Experience in pension scheme Administration**



Source: author (2013)

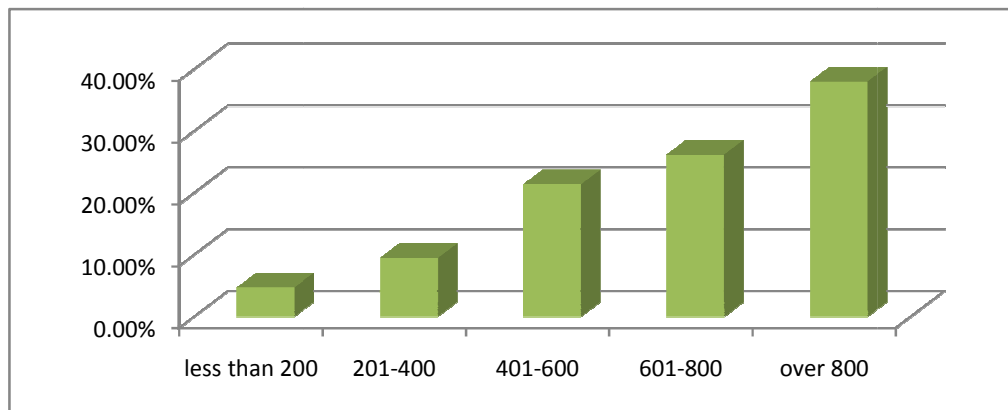
**Table 4.1 Experience in pension scheme administration**

Less than 5yrs		5 – 10 yrs		10 – 15 yrs		Over 15yrs	
No	%	No	%	No	%	No	%
3	7.1	18	42.8	17	40.4	4	9.5

Source: author (2013)

From figure 4.2 and table 4.1 only 7.1% of the respondents have an experience of less than 5 years. 42.8% have experience of between 5-10 years, 40.4% have an experience of 10-15 years and 9.5% have an experience of over 15 years. Thus 92.9% of the respondents have 5 years experience in pension scheme administration which is a good pool of knowledge base.

**Figure 4.3 Membership size of pension scheme**



Source: author (2013)

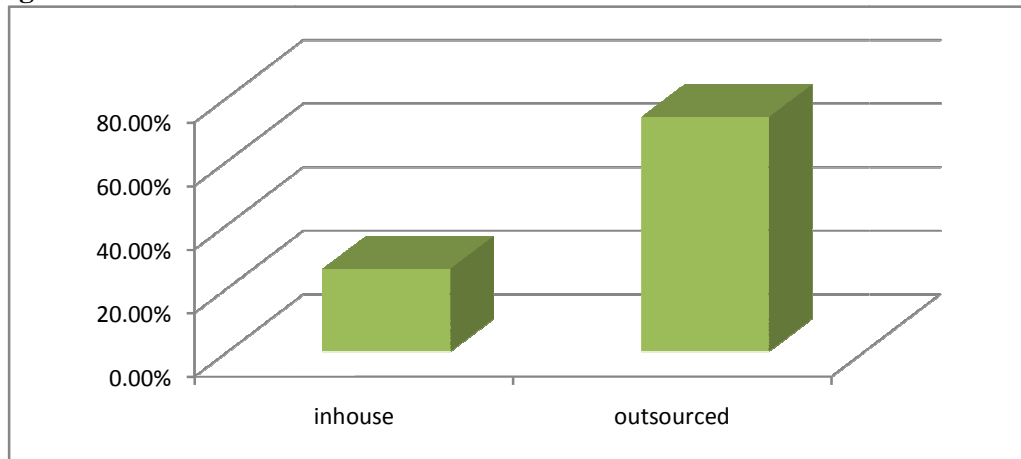
**Table: 4.2 Membership size of pension scheme**

Less than 200		201 – 400		401 – 600 yrs		601 - 800		Over 800	
No	%	No	%	No	%	No	%	No	%
2	4.7	4	9.5	9	21.4	11	26.2	16	38

Source: author (2013)

From figure 4.3 and table 4.2, the respondents have 4.7% of pension schemes with less than 200 members, 9.5% with 201- 400 members, 21.4% with 401 – 600 members, 26.2% with 601 – 800 members and 38% with over 800 members.

**Figure 4.4 Pension Scheme Administration**



Source: author (2013)

**Table 4.3 Pension Scheme Administration**

In-house administered		Outsourced administration	
No	%	No	%
11	26.1	31	73.8

Source: author (2013)

From figure 4.4 and table 4.3, majority of the pension schemes (73.8%) outsource their scheme administration compared to 26% who administer their schemes inhouse

**Table 4.4 Main Reasons for Outsourcing**

	1	2	3	4	5
a) Experience of the service provider	0.0%	7.1%	21.4%	23.8%	47.6%
b) Specialist technical support	2.3%	14.3%	30.9%	28.6%	23.8%
c) Reputation of firm	0%	35.7%	30.9%	19.0%	14.3%
d) Member communications	4.7%	11.9%	14.2%	21.4%	47.6%
e) Investment management	2.4%	2.4%	4.7%	21.4%	69.0%
f) Cost management	7.1%	19%	11.9%	23.8%	38.1%
g) Technology	0.0%	14.3%	28.5%	33.3%	23.8%
h) External influence by service provider	19.0%	21.4%	35.7%	14.3%	9.5%

Source: author (2013)

From the findings, most respondents, 69% considered investment management as most important in the outsourcing decision. 47.6% member communication, 47.6% experience of service provider, 38.1% cost management, 23.8% technology, 23.8% special technical support, 14.3% reputation of outsourcing firm and 9.5% external influence by service provider.

**Table 4.4.a Experience of the service Provider**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	3	7.1	9	21.4	10	23.8	20	47.6

Source: author (2013)

The response rate for whether experience of service provider mattered in the outsourcing decision was; majority 47% strongly agreed, 23.8% agreed, 21.4% were uncertain and 7% disagreed.



**Table 4.4.b Specialist Technical Support**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
1	2.3	6	14.3	13	30.9	12	28.6	10	23.8

Source: author (2013)

Majority of the respondents 30.9% were uncertain whether specialist technical support influenced the outsourcing decision. While 2.3% strongly disagreed, 14.3% disagreed, 28.6% agreed and 23.8% strongly agreed.

**Table 4.4.c Reputation of firm**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	15	35.7	13	30.9	8	19	6	14.3

Source: author (2013)

Majority of the respondents 35.7% disagreed with the notion that the reputation of the outsourcing service provider firm influenced the outsourcing decision, 30.9 were uncertain, 19% agreed and 14.3 strongly agreed.

**Table 4.4.d member Communication**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
2	4.7	5	11.9	6	14.2	9	21.4	20	47.6

Source: author (2013)

Most of the respondents, 47.6%, strongly agreed that member communication was a critical factor in the outsourcing decision, 21.4% agreed, 14.2 were uncertain, 11.9% disagreed and 4.7% strongly disagreed.

**Table 4.4.e Investment Management**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
1	2.4	1	2.4	2	4.7	9	21.4	29	69

Source: author (2013)

The highest number of respondents, 69% strongly agreed that investment management is the main reason in outsourcing decision. 21.4% agreed, 4.7% were uncertain, 2.4% disagreed and 2.4% strongly disagreed.

**Table 4.4.f Cost Management**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
30	7.1	8	19	5	11.9	10	23.8	16	38.1

Source: author (2013)

38.1% strongly agreed that cost management is a reason in outsourcing decision. 23.8% agreed, 11.9% were uncertain, 19% disagreed and 7.1% strongly disagreed.

**Table 4.4.g Technology**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	6	14.3	12	28.5	14	33.3	10	23.8

Source: author (2013)

33.3% agreed that technology is a reason in outsourcing decision.28.5% were uncertain, 23.8% strongly agreed and 14.3% disagreed

**Table 4.4.h Experience of the service Provider**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
8	19	9	21.4	15	35.7	6	14.3	4	9.5

35.7% of the respondents were uncertain whether the experience of the service provider was a reason in the outsourcing decision, 21.4% disagreed, 19% strongly disagreed, 14.3% agree and 9.5% strongly agree.

### 4.3 Factors and Operational Efficiency

**Table 4.5: Most challenging and critical factor in outsourcing implementation**

	1	2	3	4	5
a) Transaction costs	14.3%	19%	21.4%	28.6%	16.6%
b) Investment decisions	2.3%	11.9%	9.5%	21.4%	54.7%
c) Monitoring of service provider	2.3%	7.1%	9.5%	21.4%	59.5%
d) Quality of Service	0%	0%	4.7%	28.5%	66.6%

Source: author (2013)

Most respondents, 66.6% ranked quality of service as the most critical outsourcing factor followed by monitoring of service provider, 59.5, investment decisions 54.7% and transaction costs at 28.6%.

**Table 4.5.a Transaction costs**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
6	14.3	8	19	9	21.4	12	28.6	7	16.6

Source: author (2013)

Only 28.6% of the respondents agree on the importance of transaction costs to outsourcing implementation, 16.6% strongly agree, 21.4% were uncertain, 19% disagree and 14.3% strongly disagree.

**Table 4.5.b Investment decisions**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
1	2.3	5	11.9	4	9.5	9	21.4	23	54.7

Source: author (2013)

54.7% of the respondents strongly agreed on the importance of investment decisions on the outsourcing implementation, 21.4% agreed, 9.5% were uncertain, 11.9% disagreed and 2.3% strongly disagreed.

**Table 4.5.c Monitoring Service Provider**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
1	2.3	3	7.1	4	9.5	9	21.4	25	59.5

Source: Author (2013)

59.5% of the respondents strongly agreed on the importance of monitoring service provider on the outsourcing implementation, 21.4% agreed, 9.5% were uncertain, 7.1 disagreed and 2.3% strongly disagreed.

**Table 4.5.d Quality of Service**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	0	0	2	4.7	12	28.5	28	66.6

Source: Author (2013)

66.6% of the respondents strongly agreed on the importance of quality of service on the outsourcing implementation, 28.5% agreed, 4.7% were uncertain,

**Table 4.6: Operational efficiency**

	1	2	3	4	5
a) Contact centre	0%	4.7%	14.3%	26.2%	54.7%
b) Workflow system	2.3%	11.9%	16.6%	26.2%	42.8%
c) Website for members self service	2.3%	9.5%	16.6%	57.1%	14.3%
d) On demand members' statements	4.8%	19%	23.8%	33.3%	19%
e) RBA compliance	0%	2.3%	4.7%	35.7%	57.1%
f) Investment appraisals and reports	0%	2.3%	4.7%	59.5%	33.3%
g) Members version of annual financial reports	16.6%	21.4%	4.7%	30.9%	26.2%
h) Complete and updated members data	0%	0%	4.7%	73.8%	21.4%

Source: Author (2013)

Most respondents, 73.87%, ranked having an up-to-date, complete and comprehensive member's data as the key operational efficiency indicator followed by investment appraisals and reports 59.5%, RBA compliance 57.1%, availability of a website for members self service 57.1%, contact centre 54.7%, workflow system 42.8%, on demand member statements 33.3% and member version of annual financial reports 30.9% followed closely by at 56%. This can further be shown as follows;

**Table 4.6.a contact centre**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	2	4.7	6	14.3	11	26.2	23	54.7

Source: Author (2013)

54.7% of the respondents strongly agreed on the importance of a contact centre as an operational efficiency key indicator parameter, 26.2% agreed, 14.3% were uncertain, 4.7% disagreed

**Table 4.6.b Workflow system**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
1	2.3	5	11.9	7	16.6	11	26.2	18	42.8

Source: Author (2013)

42.8% of the respondents strongly agreed on the importance of a work flow system as an operational efficiency key indicator parameter, 26.2% agreed, 16.6% were uncertain, 11.9% disagreed and 2.3% strongly disagreed

**Table 4.6.c Website for members self service**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
1	2.3	4	9.5	7	16.6	24	57.1	6	14.3

Source: Author (2013)

14.3% of the respondents strongly agreed on the importance of a website for member self service as an operational efficiency key indicator parameter, 57.1% agreed, 16.6% were uncertain, 9.5% disagreed 2.3% strongly disagreed

**Table 4.6.d On demand members statements**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
2	4.8	8	19	10	23.8	14	33.3	8	19

Source: Author (2013)

19% of the respondents strongly agreed on the importance of on-demand members' statements as an operational efficiency key indicator parameter, 33.3% agreed, 23.8% were uncertain, 19% disagreed and 4.8% strongly disagreed

**Table 4.6.e RBA compliance**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	1	2.3	2	4.7	15	35.7	24	57.1

Source: Author (2013)

57.1% of the respondents strongly agreed on the importance of a RBA compliance as an operational efficiency key indicator parameter, 35.7% agreed, 4.7% were uncertain, 2.3% disagreed.

**Table 4.6.f Investment appraisals and reports**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	1	2.3	2	4.7	25	59.5	14	33.3

Source: Author (2013)

33.3% of the respondents strongly agreed on the importance of investment appraisals And reports as an operational efficiency key indicator parameter, 59.5% agreed, 4.7% were uncertain, 2.3% disagreed.

**Table 4.6.g Members version of annual financial reports**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
7	16.6	9	21.4	2	4.7	13	30.9	11	26.2

Source: Author (2013)

26.2% of the respondents strongly agreed on the importance of a members' version of annual financial reports as an operational efficiency key indicator parameter, 30.9% agreed, 4.7% were uncertain, 21.4% disagreed and 16.6% strongly disagreed



**Table 4.6.h Complete and updated members data**

Strongly disagree(1)		Disagrees(2)		Uncertain(3)		Agrees (4)		Strongly agree(5)	
No.	%	No.	%	No.	%	No.	%	No.	%
0	0	0	0	2	4.7	31	73.8	9	21.4

Source: Author (2013)

21.4% of the respondents strongly agreed on the importance of having complete and updated members' data as an operational efficiency key indicator parameter, 73.8% agreed, 4.7% were uncertain

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents the summary of key data findings, conclusion drawn from the findings and recommendation made. The conclusions and recommendations drawn focused on determining the relation between outsourcing and operational efficiency of pension schemes of companies listed at the Nairobi stock exchange.

#### **5.2 Summary of Findings**

The study established that majority of the firms outsourced their staff pension scheme administration. Critical to operational efficiency is having an up-to-date, complete and comprehensive members' data. Most respondents perceive operational efficiency in the twin lens of quality of service to members and investment performance. The drivers of operational efficiency are quality of service and monitoring of outsourcing service provider. Outsourcing enhanced operational efficiency.

Most important is communication to members.

#### **5.3 Conclusions**

Most pension schemes are outsourcing pension scheme administration. Outsourcing enhances operational efficiency. Efficient and effective member communication in addition to investment appraisal and reports are key operational efficiency indicators.

## **5.4 Recommendations**

RBA should make a mandatory requirement that all pension scheme administrators must maintain a member customer care contact centre. Policy guidelines must also be developed to guide on development of interactive websites. Certification in the areas of basic investment decision, appraisal and management should be made a requirement for pension scheme administrators. The sponsors and management of pension schemes should invest more in service provider monitoring. Further studies should be carried out to establish the operational efficiency and financial efficiency of outsourced administration pension schemes against those of self administered pension schemes.

## **5.5 Limitations of the study**

As with self administered questionnaire, the study suffered social desirability bias effect. The respondents were not objective and aimed at having socially acceptable responses. Presently, there are no existing instruments to measure the variables investigated. A self constructed instrument was used where critical issues were captured with a single item measures thus introducing unreliability. Further, the instrument was not comprehensive and could have been inadequate in capturing what the respondents would have stated as operational efficiency. Some respondents were junior clerks and ordinary staff who were not the most knowledgeable persons on pension scheme administration.

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## APPENDICES

### Appendix I: List of registered companies Nairobi Stock Exchange

#### Agriculture

- 1) Eaagads Ltd  
C/o City Registrar, Kirungii  
Westlands  
P.O. Box 42281  
Nairobi  
Tel: 0151-21010  
Fax: 448966 c/o Citrus
  
- 2) Kapchorua Tea Co. Ltd  
Williamson House  
P.O. Box 42281  
Nairobi  
Tel: 710740  
Fax: 718737  
Email: gwkenya@williamson.co.ke
  
- 3) Kakuzi Ltd  
New Rehani Hse, Westlands  
P.o. Box 30572 Nairobi  
Tel: 4440115/7/9, 151-64620  
Fax: 4449635  
Email: mail@kakuzi.co.ke
  
- 4) Limuru Tea Co. Ltd  
Norfolk Towers, Kijabe Street, 2<sup>nd</sup> Floor  
P.O. Box 42011  
Nairobi  
Tel: 229951, 214516, 224900  
Fax: 334701
  
- 5) Rea Vipingo Plantations Ltd  
Madison Insurance Hse, Upper Hill Rd.  
P.O. Box 17648 Nairobi  
Tel: 723558, 725558, 725736, 725386  
Fax: 725731, 712571  
Email: jkiaye@reavipingo.co.ke  
www. Wiggleswoathfibres.com

6) Sasini Ltd  
Sasini Hse, Loita Street  
P.O. Box 30151 Nairobi  
Tel: 335671/2/3, 335729/38  
Fax: 333370  
Email: sasini@africaonline.co.ke

7) Williamson Tea Kenya Ltd  
Williamson House  
P.O. Box 42281  
Nairobi  
Tel: 710740  
Fax: 718737  
Email: gwkenya@williamson.co.ke

### **Commercial and Services**

- 1) Express Ltd
  - a. Extoville, off enterprise Rd.
  - b. P.O. Box 40433
  - c. Nairobi
  - d. Tel: 5331123, 531112
  - e. Fax: 530372, 530412
  
- 2) Kenya Airways Ltd
  - a. Airport North Road, Embakasi
  - b. P.O. Box 19002 Nairobi
  - c. Tel: 32822000, 352322, 32823535
  - d. Fax: 823488
  - e. Email: ikamau@kenyaairways.com
  - f. **www.kenya-airways.com**
  
- 3) Nation Media Group
  - a. Nation Centre
  - b. P.O. Box 49010 Nairobi
  - c. Tel: 22122/337710
  - d. Fax: 217112/215611
  - e. Email: nation@africaonline.co.ke
  - f. **www.nationaudio.com**

- 4) Standard Group Ltd
  - a. I & M Bank Towers, 6<sup>th</sup> Floor
  - b. Kenyatta Avenue
  - c. P.O. Box 300080 00100
  - d. Nairobi
  - e. Tel: 3222 111, 227122
  - f. Email: **editoral@eaststandard.net**
  
- 5) TPS Eastern Africa (Serena) Ltd
  - a. P.O. Box 48690
  - b. Nairobi
  - c. Tel: 710511
  - d. Fax: 718101
  - e. www.serenahotels.com
  
- 6) Scan Group Ltd
  - a. 5<sup>th</sup> floor, The Chancery
  - b. Valley Road Upper hill
  - c. P.O. BOX 34537-00100
  - d. Nairobi
  - e. Tel: \_254 20 2799000
  - f. Email: **infor@scangroup.biz**
  
- 7) Uchumi Supermarket Ltd
  - a. Uchumi Hse, Aga Khan Walk
  - b. P.O. Box 73167
  - c. Nairobi
  - d. Tel: 227002/227001/227003
  - e. Fax: 211020
  
- 8) Hutchings Biemer Ltd
  - a. Ralph Bunche Rd. Milimani
  - b. P.O. Box 40408 Nairobi
  - c. Tel: 729873/714470
  - d. Fax: 714491
  - e. Email:ann.matu@housing.co.ke
  
- 9) longhorn Kenya Ltd
  - Longhorn Kenya Limited,  
Funzi Road, Industrial Area,  
PO Box 18033-00500, Nairobi, Kenya

- [enquiries@longhornpublishers.com](mailto:enquiries@longhornpublishers.com)
- Tel: +254 2 6532579/81
- Fax: +254 2 558551
- Mobile: + 254 708 282260 / +254 722 204608
- <http://www.longhornpublishers.com>

### **Telecommunication and Technology**

- 1) Access Kenya Group Ltd  
3<sup>rd</sup> and 4<sup>th</sup> floor Purshottam place  
P.O. Box 43588-00100  
Westlands Road, Naiorbi  
Email:infor@accesskenya.com.
  
- 2) Safaricom Ltd  
Safaricom House, Waiyaki way,  
P.O.Box 66827, 00800 Nairobi,  
Telephone: +254 722 003272,  
Website: [www.safaricom.co.ke](http://www.safaricom.co.ke)

### **Automobiles and Accessories**

- 1) Car and General (K) Ltd  
New Cargen Hose, Lusaka Rd  
P.O. Box 20001 Nairobi  
Tel: 540860, 540873, 540873  
Fax: 545761, 545992  
Email:cgtrade@net2000ke.com
  
- 2) CMC Holdings Ltd  
Connaught Hse, Lusaka Rd  
P.O. Box 30135 Nairobi  
Tel: 554111/554211/650255  
Fax:543012/543615/650314  
Email:cgtrade@net2000ke.com  
**[www.cmcmotors.com](http://www.cmcmotors.com)**

3) Sameer Africa Ltd  
Off Mombasa Rd  
P.O. Box 30429 Nairobi  
Tel: 530722/530713/559922  
Fax: 554910  
**Email.muchiri@fireston.co.ke**

4) Marshalls (E.A.) Ltd  
Marshals House, Harambee Avenue  
P.O. Box 30366 Nairobi  
Tel: 330061-9/228971-3  
Fax: 331085  
Email:gmd@marshalls-ea.com

### **Banking**

1) Barclays Bank Ltd  
Barclays Plaza, Loita Street  
P.O. Box 30120  
Nairobi  
Tel: 332230/241270  
Fax: 241301  
Email:Florence.ahere@barclays.com  
**www.barclays.com**

2) CFC Stanbic Holdings Ltd  
CFC Centre, Chiromo Rd-Westlands  
P.O. Box 72833  
Nairobi  
Tel: 340091/250095  
**www.cfcbanck.co.ke**

- 3) Diamond Trust Bank Kenya Ltd  
Nation Centre  
P.O. Box 61711  
Nairobi  
Tel: 210988, 210983  
Fax: 214525, 336836
  
- 4) Housing Finance Co. Ltd  
Rehani Hse  
P.O. Box 30088  
Nairobi  
Tel: 333910  
Fax: 334670  
Email: [housing@housing.co.ke](mailto:housing@housing.co.ke)  
**[www.housing.co.ke](http://www.housing.co.ke)**
  
- 5) Kenya Commercial Bank Ltd  
Kencom House, 8<sup>th</sup> floor  
P.O. Box 53290  
Nairobi  
Tel: 339441  
Fax: 336422  
Email: [kcbhq@kcb.co.ke](mailto:kcbhq@kcb.co.ke)  
[prelations@kcb.co.ke](mailto:prelations@kcb.co.ke)  
**[www.kbc.co.ke](http://www.kbc.co.ke)**
  
- 6) National Bank of Kenya Ltd  
Nic hse, Masaba Rd  
P.O. Box 44599  
Nairobi  
Tel: 718200/718199  
Fax: 718232  
Email: [nic@iconnect.co.ke](mailto:nic@iconnect.co.ke) ; [www.nicbank.com](http://www.nicbank.com)

7) NIC Bank Ltd

Mombasa Road, upperhill Area

P.O. Box 44599-00100

Nairobi

Tel: +254 20 2888000

Email: **customercare@nic-bank.com**

8) Standard Chartered Bank Ltd

Stanbic Hse

P.O. Box 30003

Nairobi

Tel: 330200

Fax:214086

Email:mds.office@ke.standardchartered.com

**www.standardchartered.com**

9) Equity Bank Ltd

NHIF Building, 14<sup>th</sup> Floor

Haile Sellassie Avenue

Tel:22736620/617

Nairobi

10) The Co-Operative Bank of Kenya

Cooperative Hse

Haile Selaasie Avenue

P.O. Box 48331-00100

Nairobi

Tel: 3276000

Fax: 219831

Email: **customerservice@co-opbanck.co.ke**



## **Insurance**

- 1) Jubilee Holdings Ltd  
Jubilee Insurance Hse  
P.O.Box 30376  
Nairobi  
Tel:340343  
Fax: 216882  
Email:jic@jubileekenya.com
  
- 2) Pan African Insurance Holdings Ltd  
Pan African Hse  
P.O. Box 30065  
Nairobi  
Tel: 339544/247600/247217  
Fax: 217675  
**Email:** insure@pan-africa.com  
www.pan-africa.com
  
- 3) Kenya Re-Insurance Corporation Ltd  
Re-Insurance Plaza, 15th Flr, Taifa Rd, Nairobi  
P.O. Box: 30271-00100 Nairobi GPO  
Tel: +254-202213769  
Mobile: 0703083000
  
- 4) CFC Insurance Holdings  
CFC Centre, Chiromo Rd-Westlands  
P.O. Box 72833  
Nairobi  
Tel: 340091/250095  
**www.cfcbanck.co.ke**

5) Britam  
Mara / Ragadi Road junction upperhill  
P.O. Box 30375-00100  
Nairobi  
Tel: 020-283000/27  
Email:insurance@british-american.co.ke

6) CIC Insurance Group Ltd  
CIC Plaza  
Mara Road  
Upperhill  
Tel\_ 020-2823000  
Email: **callc@cic.co.ke**

### **Investment**

- 1) City Trust Ltd  
Kirungii, Ring Road, Westlands  
P.O. Box 30029  
Nairobi  
Tel: 227104  
Fax: 448966
  
- 2) Olympia Capital Holdings Ltd  
Kijabe Stree  
P.O. Box 30102  
Nairobi  
Tel: 253749  
Fax: 214973
  
- 3) Centum Investment Co. Ltd  
International hse, Mama Ngina street  
P.O. Box 10518  
Nairobi

- 4) Trans-Century Ltd  
Longonot Place, 7<sup>th</sup> floor  
Kibaje street  
P.O. Box 42334- 00100  
Nairobi  
Tel : +254 20 2245350  
Fax: +254 20 2245253  
Email: infor@transcentury.co.ke

### **Manufacturing and Allied**

- 1) B.O.C. Kenya Ltd  
Kitui Road  
P.O. Box 18010  
Nairobi  
Tel: 531380-90  
Fax: 350165  
Email: **boncinfo@boc.co.ke**
- 2) British American Tobacco Kenya Ltd  
Likoni Rd, Industrial Area  
P.O. Box 30000  
Nairobi  
Tel: 69042000  
Fax: 531616/531717  
Email: batkenya@bat.com  
**www.bat.com**
- 3) Carbacid Investment Ltd  
Commercial Street, Industrial Area  
P.O. Box 30564  
Nairobi  
Tel: 535082/552500  
Fax: 543336

- 4) East African Breweries Ltd  
Tusker Hse, Raraka  
P.O. Box 30161  
Nairobi  
Tel: 864000  
Fax: 861090  
**Email:** kbl@kenyabreweries.co.ke  
www.eabrew.com
  
- 5) Mumias Sugar Co. Ltd  
Royal Ngao Hse, 2<sup>nd</sup> floor  
P.O. Box 57092  
Nairobi  
Tel: 712317  
Fax: 71236  
Email:mcs@mumias-sugar.com  
**www.mumias-sugar.com**
  
- 6) Unga Group Ltd  
Ngano Hse, commercial street, industrial area  
P.O. Box 30096  
Nairobi  
Tel: 532471  
Fax: 545945
  
- 7) Eveready East Africa Ltd  
MCFL Logistics Centre, 1<sup>st</sup> floor  
Mombasa Road  
P.O. Box 44765-00100  
Nairobi  
Tel: +254 20 298 0000 : **Email:** info@everady.co.ke
  
- 8) Kenya Orchards Ltd  
Off dunga Rd

P.O. Box 45065  
Nairobi  
Tel: 541261  
Fax: 543323  
Email: kol@bidii.com

- 9) A. Baumann Co. Ltd  
Baumann Hse, Haile Sellassie Avenue  
P.O. Box 40538  
Nairobi  
Tel: 557467  
Fax: 536411  
Email: **baumann@net2000ke.com**

#### **Construction and allied**

- 1) Athi River Mining  
Chiromo Rd, Westlands  
P.O. Box 41908  
Nairobi  
Tel: 74462  
Fax: 744648  
Email: infor@armkenya.com
- 2) Bamburi Cement Ltd  
Kenya Re Towers, Upper Hill  
P.O. Box 10921-00100  
Nairobi  
Tel: 710487  
Fax: 710581  
**www.bamburi.cemente.com**
- 3) Crown Berger Ltd  
Likoni Rd, Industrial Area

P.O. Box 78848  
Nairobi  
Tel: 533603  
Fax: 544641  
Email: **crownberger@net2000ke.com**

- 4) E. A. Cables Ltd  
Kitui Rd, Industrial Area  
P.O. Box 17243  
Nairobi  
Tel: 555544  
Fax: 545693  
Email: **infor@eacables.com**

- 5) E. A. Portland Cement Ltd  
Athi River  
P.O. Box 41001  
Nairobi  
Tel: 0150-20627  
Fax: 0150-20406  
Email: **infor@eapc.co.ke**

### **Energy and Petroleum**

- 1) KenolKobil Ltd  
ICEA Building  
Kenyatta Avenue  
P.O. Box 44202 – 00100  
Nairobi  
Tel: +254-20 2755000  
Email: **kenkob@kenkob.co.ke**

- 2) Total Kenya Ltd  
Chai House, Koinange Street  
P.O. Box 30736  
Nairobi  
Tel: 338010  
Fax: 215943  
Email: akariuki@total.co.ke
  
- 3) KenGen Ltd  
Stima Plaza, Kolobot Road  
Off Limuru Road Parklands  
P.O. Box 47936-00100  
Nairobi  
Tel: 248833
  
- 4) Kenya Power & Lighting CO. Ltd  
Stima Plaza Parklands  
P.O. Box 30099  
Nairobi  
Tel: 243366  
Fax: 337351

## Appendix II: Questionnaire

### PART I: DEMOGRAPHIC INFORMATION

1. Name of your organization  

---
2. What is your job description
  - a) Senior manager [ ]
  - b) middle manager [ ]
  - c) Junior clerk [ ]
  - d) Ordinary staff [ ]
3. Your experience in pension scheme administration.
  - a) Less than 5 years [ ]
  - b) 5 – 10 years [ ]
  - c) 10 – 15 years [ ]
  - d) Over 15 years [ ]
4. Membership size of your pension scheme
  - a) Less than 200 members [ ]
  - b) 201 - 400 members [ ]
  - c) 401 - 600 members [ ]
  - d) 601 - 800 members [ ]
  - e) Over 800 members [ ]



**PART II: PENSION SCHEME ADMINISTRATION**

5. Do you outsource pension scheme administration?

e) yes

f) No

6. When choosing an outsourcing service provider, what factors do you consider as most important in the outsourcing decision?

Use the scale: 1 – Strongly disagrees, 2 – disagree, 3 – uncertain, 4 – agree, 5 – Strongly agree

	1	2	3	4	5
a) Experience of the service provider	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b) Specialist technical support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c) Reputation of firm	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
d) Member communications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
e) Investment management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
f) Cost management	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
g) Technology	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
h) External influence by service provider	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### PART III: FACTORS AND PERFORMANCE

#### 7. Factors

What do you consider as the most challenging in outsourcing implementations?

Use the scale: 1 – Strongly disagrees, 2 – disagree, 3 – uncertain, 4 – agree, 5 – Strongly agree

	1	2	3	4	5
a) Transaction costs	[ ]	[ ]	[ ]	[ ]	[ ]
b) Investment decisions	[ ]	[ ]	[ ]	[ ]	[ ]
c) Monitoring of service provider	[ ]	[ ]	[ ]	[ ]	[ ]
d) Quality of Service	[ ]	[ ]	[ ]	[ ]	[ ]

#### 8. Performance

What service do you offer your members on demand and always when due?

Use the scale: 1 – Strongly disagrees, 2 – disagree, 3 – uncertain, 4 – agree, 5 – Strongly agree

	1	2	3	4	5
a) Contact centre	[ ]	[ ]	[ ]	[ ]	[ ]
b) Workflow system	[ ]	[ ]	[ ]	[ ]	[ ]
c) Website for members self service	[ ]	[ ]	[ ]	[ ]	[ ]
d) On demand members' statements	[ ]	[ ]	[ ]	[ ]	[ ]
e) RBA compliance	[ ]	[ ]	[ ]	[ ]	[ ]
f) Investment appraisals and reports	[ ]	[ ]	[ ]	[ ]	[ ]
g) Members version of annual financial report	[ ]	[ ]	[ ]	[ ]	[ ]
h) Complete and updated members data	[ ]	[ ]	[ ]	[ ]	[ ]