

**CHALLENGES OF IMPLEMENTING THE NATIONAL SOCIAL SECURITY  
STRATEGY BY NATIONAL SOCIAL SECURITY FUND (NSSF), IN KENYA.**

**ANNE WANGUI MAINA**

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## **DECLARATION**

This research project is my original work and has not been presented for an award of any degree in any university.

**SIGN .....** **DATE.....**

**ANNE WANGUI MAINA**

**D61/79494/2012**

This research project has been submitted for examination with my approval as University of Nairobi supervisor.

**SIGN.....** **DATE.....**

**Mr. Jeremiah Kagwe**

**Lecturer**

**Department Business Administration**

**School of Business**

**University of Nairobi**

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## **DEDICATION**

I dedicate this research project to my family.

## **ABSTRACT**

Prior research in implementation of national social security strategy was on the old NSSF Act. However, with the assent of new NSSF Act 2013, in January 2014, there are various challenges faced by the new policy to eradicate poverty amongst all Kenyans. This study therefore sought to identify challenges faced in implementing National Security strategy by NSSF under the new Act. The study employed an interview guide to collect data from a total of 6 respondents was used though the study initially targeted 4 respondents. Content analysis was to analyse the data. Economic challenges, government regulation, lack of adequate resources and lack of management commitment were found to have posed a challenge in implementation of National Social Security at NSSF. Recommendations are that NSSF should at the firm's strategy in light of internal and external changes, effective resource utilization by rolling out initiative commitment to strategy implementation by managers. This will benefit organization to area of further research include a replica study on a different company in a different industry to compare results so that the best practice can be incorporated in another sector, as needed.

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## **ACRONYMS AND ABBREVIATIONS**

NSSF	-	National Social Security Fund
COTU	-	Central Organization of Trade unions
FKE	-	Federation of Kenya Employers.
GOK	-	Government of Kenya.
ICT	-	Information, Communication and Technology.
HRM	-	Human Resource Management.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Organizations face various challenges while implementing strategies and these include: changes in responsibilities of key employees not clearly defined; key formulators of the strategic decision not playing an active role in implementation; problems requiring top management involvement not communicated early enough; key implementation tasks and activities not sufficiently defined; overall goals not sufficiently understood by employees; advocates and supporters of the strategic decision leaving the organization during implementation and implementation taking more time than originally allocated. The main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from lower levels and lack of or poor planning activities (Saidi, 2010).

The impetus of this study is underpinned under the theory of institutionalization. Institutional theory approach provides useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations and values in administration as the sources of pressure on organizations. Another theory that supports the study concept of strategy implementation is the; resource based theories of the firm; Institutional Theory and Industrial Organization Theories (IO).

Eijffinger and Shi (2007) attributed the pension crisis in the European Union to regulatory failure. They therefore suggested that pension laws be created in licensing, governance, asset restrictions, financial information disclosures and guarantees.

The general view is therefore that pension funds need regulations to ensure they deliver on their pension benefit promises (Blome, Fachinger, Franzen, Scheuenstuhl & Yermo, 2007; Odundo, 2008). In terms of coverage, formal social security schemes cover only 6% of the population and focus on only a few risks. This has eroded funds to cater for the retirement income of the ageing populations (OECD, 2008). Thus, it is therefore important to understand challenges that hinder effective management of funds for purposes of curbing the same and support efficiency.

Pension funds are the principal sources of retirement income for millions of people in the world (Sze, 2008). They are also important contributors to the GDPs of countries and a significant source of capital in financial markets (Omondi, 2008). Saidi (2010) found that the NSSF has not put in place proper management system to ensure the effective implementation of strategies and this has made the strategic goals and objectives of the fund appear ambiguous to some of the staff involved in their implementation. Further, the researcher indicates that NSSF has poor management system within the organization has contributed to lack of accountability, efficiency and transparency.

The changing environment within the fund is as a result strategic plan was also noted as a major challenge that the staff experience as a part of their working life as a result of implementation of strategies. The pension crisis has however emerged in the past two years owing to depressed financial markets.

With the current social security reforms through legislation of new NSSF ACT there should be massive civic education as a national strategy should be embraced to ensure that all Kenyans understand the implications of the new laws, how it affects them and consequently enhance penetration. Funds collected from pension contributions from

citizens would increase the national savings and consequently go into funding essential national development projects such as, roads, housing, water and sanitation that majority of Kenyans are in dire need for and drive the country towards its vision 2030 objective of economic and social development (Chitembwe, 2007).

### **1.1.1 Concept of Strategy**

Strategy is defined as a long term plan, drawn up by organizational leaders in order to meet the organizations objective. In the game theory, strategy is defined as a plan which specifies what choices a player that is the organization, will make in certain situations. The different types of strategies help organizations in focusing on managing strategic direction and control to get things done. Strategies may be either specific or general, a strategy may be specific (Capon, 2008).

According to Capon (2008) as cited from Mintzberg, strategy can be a plan, a ploy that is a way of removing competitors for example a grocery chain might threaten to expand a store, to avoid a competitor moving into the same area. Mintzberg further describes strategy as a position which involves how companies position itself in the marketplace. In this way strategy helps organizations explore the fit between the organization and the environment and develop a competitive advantage. Strategies are something that organizations need.

Lack of strategy brings about several disadvantages such as lack of focus inside and outside the organization as well as the inability to spot good and opportunities which will have impact in the organization or an individual (Adrian & Alison, 2008).

### **1.1.2 Strategy Implementation**

Strategy implementation is the process by which objectives, strategies and policies are put into action through the development of programs, budgets and procedures. According to Wheelen and Hunger (2008), strategy implementation refers to the sum total of the activities and choices required for the execution of strategic plan. The dynamism in the environment has made it difficult and challenging to formulate strategic plans and then assume that everything would run smoothly when it comes to implementation.

Aosa (2012) states that strategies are not valuable if they are developed and not implemented. Crafting and executing strategy is the heart and soul of managing a business enterprise (Thompson et al, 2008). Kaplan and Norton (2006) assert that once strategies have been developed they need to be implemented otherwise excellent strategies would continue to be of no good. Organizations that formulate excellent strategies need to have the capacity and capability to carry out the implementation. As the environment in which the institutions operate changes, the strategic plans and its implementation practices should adapt to the changes. Policies, procedures, learning culture and funds should be availed for the activities to run smoothly.

### **1.1.3 The Public Sector in Kenya**

Public sector reform remains a necessary and on-going policy objective for many developing countries. In Kenya, this is being done to overhaul its administrative system to better serve the needs of both government and the citizenry with improved delivery of public services to reduce poverty, improve livelihoods, and sustain good governance. Although the first attempts at the reform and transformation of the public sector in Kenya began in 1965, it was not until the early 1990s that serious efforts

were made toward the reform and transformation of the country's public sector management. This work analytically examines and reviews the public sector reform and transformation efforts in Kenya to improve public sector performance and overall public service delivery (Thompson et. al., 2008).

Social security funds are distinct entities that are neither commercial corporations nor state owned enterprises. They therefore do not compete for customers or market share and they are single product entities as defined by the pension's law to provide members with financial security throughout their retirement life.(Heymans & Pycroft, 2005). World over, the public service plays a central role in any country's socio-economic development. The service has however, been affected by globalization, public sector reforms, regional and international partnerships, climate change, Information, Communication and Technology (ICT) and Human Resource Development (HRM), among other factors. In an increasingly changing global environment, the mandate, structure and operations of public service must be reshaped and productivity enhanced to make it more focused, efficient and responsive to the needs of those it serves as shown herein (Asher & Nandy, 2006).

#### **1.1.4 National Social Security Strategy**

Social protection is an important area in a country's economy as it is of great help in poverty eradication. National social security in Kenya has got several implementers who include different ministries and development agencies that give oversight to the implementation of national social security policy coordinated by National Social Protection Authority housed by the Ministry Of Gender. The strategy is meant to be implemented at both the national and county levels through social protection committees.

Second is the Ministry of Labour which houses the National Social Security Fund(NSSF),which the government recently amended in a bid to protect Kenyans from adverse poverty in old age .The fund has a membership of only three million Kenyans currently and faces various challenges in its strategy implementation.

Other stakeholders include Ministry of Sports and Youth Affairs which launched an employment programme in 2009 to offer employment to Kenyans between 18 and 35 years .It also faces various challenges as unemployment is still a pertinent issue in Kenya.

Another party key in national social security protect is the cash transfer for the elderly people, housed by ministry of devolution ,which was recently expanded and re-launched by president Uhuru Kenyatta. It is dubbed “Inua Jamii” and seeks to strengthen the welfare of the poor and disabled and cushion them from extreme poverty by offering stipends. The programme offers Kenyans above 65 years of age shs.2000 per month. The initiative seeks to raise the number of households benefitting from the government’s monthly stipend by 92 percent from 236,839 last December to 454,200 BY end of June 2014.It faces various challenges as over 6% of Kenya’s population are old and live in extreme poverty hence costing the government a lot of money to keep it operational.

However, this study will focus on NSSF as it is the body that the Kenyan government has made mandatory for all Kenyans above 18 years through the new NSSF Act 2013 to contribute towards their retirement needs. The body not only focuses on the formal sector but also the informal sector and access to public services will be pinned on membership to the fund. Although the government has put in place measures to focus on national social security to help it realize its vision 2030 objectives, there is need to

address the challenges faced by each body and measure progress made in those initiatives to ensure effectiveness and meet the goals and objectives.

### **1.1.5 National Social Security Fund in Kenya**

National social security schemes form the first pillar of social security. Kenya was the second country in Africa after Ghana to set up a national social security scheme. The National Social Security Fund (NSSF) was established by an Act of Parliament (Cap 258) following the Sessional Paper Number 10 of 1965. The Scheme is tailored on a provident fund framework making it operate as a provident fund thus paying lump sum benefits rather than social security benefits. That coupled with years of mismanagement has rendered the scheme irrelevant as far as its place as the first pillar of social security in Kenya is concerned. The scheme is mandatory for employees and employers with one or more regular employees. The current coverage is approximately 3 million members (Chitembwe, 2007).

The NSSF contributions are mandatory for employees in firms with 1 or more employees, whereby members contribute 6% of their monthly earnings that is matched by an equal contribution by the employer (Stewart & Yermo, 2011). Initially, the social security fund covers civil servants, judiciary employees, military personnel, armed forces, teachers and parliamentarians (Kakwani et al., 2006). However, with the new NSSF ACT 2013, it covers all Kenyans above 18 years of age and earning an income. The scheme provides benefits including old age pension, injury and compensation, survival benefits, dependency pension for 5 years after death of a pensioner, disability pension (military only) and gratuities in the form of lump sums (Kakwani, et al. 2006).

In Kenya, payments by NSSF have assisted members in different ways. The Fund is an active participant at the Nairobi Stock Exchange (NSE). The funds help to stabilize the operations of the NSE. The Fund has shareholdings in companies such as Bamburi Cement, E.A Portland Cement, Kenya Commercial Bank, Kenya Breweries, British America Tobacco, National Bank of Kenya among others. Further, besides, NSSF has several commercial buildings and plots around the country. The rents charged are fair and this stabilizes the costs of office space in the country. With regard to the plots, the Fund has sold over 2000 plots at Tassia to low income earners through the Fund's Tenant Purchase Scheme. Through collection of monthly contributions from the workers of this country, the Fund plays a role of mobilizing savings. This money is re-invested in the economy and conversely helps the government mop up excess liquidity (Chitembwe, 2007).

Social security contributions to the fund are ultimately determined by the experience of the scheme with regard to membership, investment returns, price and earnings inflation, mortality rates and expenses and these factors cannot be predicted precisely in advance, it is argued that such schemes will have the required contribution rate reassessed on a regular basis by an actuarial valuation of the scheme's assets and liabilities. The contribution rate can vary significantly over time according to the experience of the scheme and often falls to the employer, who meets the balance of costs of the scheme over and above the fixed contributions paid by members. External audits are therefore done to determine whether sufficient funds have been contributed by the company. If more than enough funds are available, the plan is overfunded (Barrientos, 2007).

National Social Security Fund, through its Strategic Plan (2010-2013) aims to apply management policies that will lead to improved processing and paying of benefits to the members and improved service delivery. However, the implementation of such plan are hindered by several challenges such as; limited public knowledge on the need for social security; limited benefits offered to the members; slow growth of the formal and informal sectors and tendency for employers to artificially understate workers to avoid compliance. Other challenges include lack of coordination and support from other levels of management and resistance from lower levels as well as poor planning activities (Saidi, 2010).

## **1.2 Statement of the Problem**

Strategy implementation is one of the areas that do not receive appropriate attention at the Social Security Commission. Management would only react very late when it is clear that the strategy was not successful. The national social security fund industry has grown rapidly during the past decade that its institutions rank among the largest investors globally. Generic strategy implementation challenges emanate from the leadership and management of the organization (Awino, 2001), from the employees through resistance to change and negative perceptions and from resources (Awino et al, 2012). Still other challenges emanate from the competitive and macro environment (Aosa, 1992).

In Kenya, NSSF has been receiving complaints from retirees in relation to delays in processing of their claims to enable them receive their benefits after retirement. In order to achieve its organizational objectives, the strategic thinking and direction must be aligned in support of achieving these envisioned goals and service delivery. In this regard this study seeks to find out the challenges that NSSF face during

implementation of its strategic plan for purposes of improving, processing and paying of benefits to members (GOK, 2009).

Research shows that approximately 3 million people are covered by a pension scheme, leaving over 30 million uncovered. Over 90 percent of those covered come from the formal sector an indication that pension penetration is worryingly too low. This makes it difficult for the government to adequately provide social security benefits to its citizens. The study seeks to determine what actually poses as challenges in the implementation of social protection strategies in Kenya's NSSF (Holmes,2007). There exists dearth literature that provides in depth understanding of the challenges of social strategies implementation by NSSF. Mchomvu, Tungaraza and Mapunda (2000) examine the challenges of administering the right of social security to citizens in Tanzania.

The researchers argue that the reason this right is not conferred upon citizens is due to shortage of financial resources, lack of accountability among management and lack of prioritization. Chelimo (2012) examined the strategies and control practices at National Social Security Fund in Kenya and found such strategies for evaluation and control by NSSF include benchmarking, international standardization organization processes, information communication technology, strategic audit, strategy monitoring, performance appraisal and customer surveys.

Social Security faces threat of insolvency due to various challenges that this study seeks to identify. As evidenced from these studies, there is need to strengthen social security institutions to ensure that Kenyans reap the comprehensive benefits. This therefore means that this field has not been deeply explored thus is creating a gap which the current study seeks to address. Thus, the research question of the study is;

what are the challenges that affect the implementation of social security strategies by NSSF?

### **1.3 Research Objectives**

The study will seek to identify the challenges faced by National Social Security Fund in implementation of National Social Security strategy.

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

The findings of the study will be of addition to knowledge on the National Social Security Strategy and the challenges faced in implementation. The findings of the study also hope to be of benefit to the government for guidance in ensuring clear laid down guidelines and procedures which will help the citizens of the country diversify their pension contributions for their future benefit.

The study will also benefit the management of National Social Security Fund who will use the findings to examine whether their performance is in line with their objectives. Further, the study will enable the management to identify loop holes in their administration and ensure that the pension schemes and social security schemes are well regulated for maximum benefit to the masses thus the basis for this research.

The findings may also be used as a source of reference for other researchers. In addition, academic researchers may need the study findings to arouse further research in this area and as such form a basis of good background for further researches.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter presents the review of theories and relevant literature that best informs the study's objectives. The chapter contains the theoretical perspective of the study and the empirical reviews on the challenges of implementation of national social security strategies.

#### **2.2 Theoretical Framework**

This section comprises of theory related to the variables of the study. The theory that informs this study is the institutional theory which is discussed below

##### **2.2.1 Institutional Theory**

Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas; rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Although the ostensible subject is stability and order in social life, students of institutions must perforce attend not just to consensus and conformity but to conflict and change in social structures.

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (McAdam and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions

that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment.

There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding organizations and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment (McAdam and Scott, 2004).

This theory is relevant to the study as it explains how institutional environment can detect the operations of an organization. Institutional theory approach provides useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations and values in administration as the sources of pressure on organizations.

### **2.2.2 Strategic Leadership Theory**

The essence of strategic leadership involves the capacity to learn, the capacity to change and managerial wisdom (Boal & Hooijberg, 2001). Strategic leadership theories are "concerned with the leadership of organizations and are marked by a concern for the evolution of the organization as a whole, including its changing aims and capabilities" (Selznick, 1984, p.5). According to Boal and Hooijberg (2001) strategic leadership focuses on the people who have overall responsibility for the organization and includes not only the head of the organization but also members of the top management team.

Activities associated with strategic leadership include making strategic decisions, creating and communicating vision of the future, developing key competences and capabilities, developing organizational structures, processes and controls; sustaining effective organizational cultures and infusing ethical value systems into the organization (Hunt, 1991; Ireland & Hitt, 1999). Strategic leaders with cognitive complexity would have a higher absorptive capacity than leaders with less cognitive complexity, to the extent that these leaders also have a clear vision of where they want their organization to go. Those with the higher absorptive capacity will have a greater focus. That is, strategic leaders look at the changes in the environment of their organization and then examine those changes in the context of their vision (Boal & Hooijberg, 2001)

This theory is relevant to the study as it highlights the functions of a leader and how they implement and manage strategic decisions pertaining proper processes and culture for sustainable poverty reduction levels. The theory emphasizes that strategic leadership is essential for management of environment changes which in this case includes, reimbursement of retired beneficiaries from employment and old aged for purposes of reducing poverty.

### **2.3 National Social Security Policy**

Tungazara and Maghimbin (2002) carried out a study on social security systems in Tanzania. The study examines the nature and forms of social security in Tanzania in a historical perspective. It shows that non-conventional social security instruments have failed to promote equitable economic growth and have been heavily biased in favor of the well-off at the expense of the poor. The effectiveness of traditional and informal social security systems has been impaired by changes that have taken place since the

colonial period. Formal social security schemes are riddled with problems. The development of formal social security has been gradual and the introduction of structural adjustment programmes has led to the decline of formal security schemes. In terms of coverage, formal social security schemes cover only 6% of the population and focus on only a few risks.

In Holzmann and Hinz (2005), the World Bank sets its new approach towards pension reform, in reaction to the criticism it received in recent years. It argues that pension systems need to provide adequate, affordable, sustainable, and robust benefits to its beneficiaries. The World Bank intends that all people regardless of their level or form of economic activity have access to the capacity to remain out of extreme poverty in old age and that the system as a whole provides assurances that those individuals who live beyond the expected norms will be protected from the risk of extreme longevity. The World Bank also specifies that for a typical, full career worker, an initial target of net-of-tax income replacement from mandatory systems is likely to be about 40% of real earnings to maintain subsistence levels of income in retirement. Lower-income workers, however, need to be provided with somewhat higher rates.

Smeeding (2001) examined the role of state pension systems in European countries by looking at theoretical economic literature, comparative data on social protection expenditure and the objectives of pension systems as envisaged by international institutions in which European countries are members. The broad conclusions are that state pension systems are widely seen as essential instruments to support elderly people in maintaining their previous living standards and to prevent poverty. Harmonised data on social spending show how despite clear differences among European countries on the direct role of the state, in all countries state pension

spending is the most important government outlay. Theoretical literature also suggests that this essential role for state pensions is likely to continue in the future, as state pensions serve to counter substantial market failures and constitute a significant improvement in overall welfare.

Whitehouse (2000) reports that between the mid-1970s and the early 1990s, pensioners' incomes grew significantly faster than those of the population as a whole in the 44 countries he surveys, resulting in a marked decline in elderly poverty. Forster and Mira d'Ercole (2005) however, suggest that this improvement has stalled and conclude that declines in the relative income of people aged 66 to 75 over the second half of the 1990s occurred in about half of the countries reviewed.

#### **2.4 Challenges of Strategy Implementation**

Studies by Okumus (2003) found that the main barriers to the implementation of strategies include lack of coordination and support from other levels of management and resistance from lower levels and lack of or poor planning activities. Freedman (2003), lists out a number of implementation pitfalls such as isolation, lack of stakeholder commitment, strategic drift, strategic dilution, strategic isolation, failure to understand progress, initiative fatigue, impatience, and not celebrating success. Sterling (2003), identified reasons why strategies fail as unanticipated market changes; lack of senior management support; effective competitor responses to strategy application of insufficient resources; failure of buy in, understanding, and/or communication; timeliness and distinctiveness; lack of focus; and bad strategy poorly conceived business models. Sometimes strategies fail because they are simply ill conceived. For example business models are flawed because of a misunderstanding of how demand would be met in the market.

Strategy implementation efforts may fail if the strategy does not enjoy support and commitment by the majority of employees and middle management. This may be the case if they were not consulted during the development phase (Heracleous, 2000). Okumus (2003) thinks obtaining employee commitment and involvement can promote successful strategy implementation. Rapert, Velliquette and Garretson (2002) find that organizations where employees have easy access to management through open and supportive communication climates tend to outperform those with more restrictive communication environments. Also the findings of Peng and Littlejohn (2001) show that effective communication is a key requirement for effective strategy implementation.

Musyoka (2011) says that strategy implementation is inextricably connected to organizational change. If members of an organization resist change and maintain the status quo, implementation will not take place. The sources of this resistance are varied but they yield unsatisfactory implementation results. Resources in any form, whether they are financial, human (in skills or experience that they contribute to implementation), equipment and buildings, are a prerequisite for successful implementation, inadequacy of any one or all of the resources poses a stumbling block to implementation efforts.

The operating environment in which local authorities find themselves in poses challenges to their implementation efforts. The dynamic technological environment implies that organizations have to keep abreast with changes in the technological environment, as use of technology, in particular computers, makes the job easier and faster. Failure to adopt use of computers slows down the implementation efforts. The

political-legal environment poses challenges to implementation as new laws and policies have to be taken into consideration by the local government institution.

Management barriers are another challenge to strategic change management implementation. Corporate change initiatives whether proactive or not alter employee dimensional contract terms (Okumus, 2003). Unless managers define the terms and persuade employees to accept them, it may be unrealistic for managers to expect employees to fully buy into the changes that alter the status quo hence the employee's resistance to change. The leadership must drive the process of change far enough in order to alter employee's perception and hence bring about revised personal impacts. The revision of the personal contract should be treated as the integral part to change process to achieve change goals. Redefining employee's commitment to new goals in terms that everybody can understand and act on is an act of great transformational leadership.

Li, Guohui & Eppler (2008) conducted a study which reviewed the factors that enable or impede effective strategy implementation. The author highlighted how strategy implementation has been researched so far – and in which contexts – and how this field may be moved forward. As a result of the author's literature analysis, spanning the last twenty-four years, he found nine crucial factors for strategy implementation that are frequently discussed in the literature as well as two approaches of aggregating and relating relevant factors. We find several important research needs regarding these factors and outline how they could be addressed.

Sorooshian, Norzima, Yusof & Rosnah (2010) did a study on the effect analysis on strategy implementation drivers on strategy implementation and performance within the small and medium manufacturing firms. The author identified three fundamental factors in Strategy Implementation: the structure, leadership style and resources and discusses the main drivers of strategy implementation, prevailing in the smaller industries. In this regard, empirical relationships were established relating strategy implementation and performance of the firm. The author also provided a structural equation model on the relationship among drivers of strategy implementation and organization performance and also sensitivity analysis on the drivers.

According to Blahová (2011) a brilliant strategy may put a company on the competitive map and increase its performance. Unfortunately, most companies struggle with implementation. Enterprises generally fail at execution because they go straight to structural reorganization which produces only short-term gains and neglect the most powerful drivers of effectiveness which are decision rights and information flow.

Raps (2004) observed that an implementation effort is a “no boundaries” set of activities that do not concentrate on implications of only one component, such as the organizational structure. The author observed that when implementing a new strategy it is dangerous to ignore the other components because strategy implementation requires an integrative point of view. One need to consider not only the organizational structure, but the soft facts as well as the cultural aspects and human resources perspective. Taking into account both the soft and hard facts (like turnover, operating profit, and profitability ratios) ensures that cultural aspects and human resources

receive at least the same status as organizational aspects. Altogether, this integrative interpretation allows you to develop implementation activities that are realistic.

In Kenya, the NSSF has also been plagued by frequent squabbles where the ministry of labor and social services is pitted against the Central Organization of Trade Unions (COTU) and Federation of Kenyan Employers (FKE). These squabbles have affected the proper functioning of NSSF board leading to slow implementation of its mandate. Poor communication of social security issues to the Kenya public has led to many Kenyans being averse to any changes in relation to NSSF Act. The public has lost confidence in the NSSF as the custodian of its social security rights. There is also lack of government support in strengthening of social security rights.

The government is not doing enough to ensure that the rights of its citizens are enforced. Lack of enforcement of minimum wage policies which would ensure that the collections going to NSSF are protected and are enough for it to safeguard its members, social security rights is also hindering effective implementation. Mismanagement of resources by NSSF where funds collected are not used for their intended purpose. Many funds have been lost to irresponsible investments made by NSSF board.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

The chapter addresses the research methodology. The research design, determination of the target population and the sample size, data instruments used and analysis are discussed herein.

#### **3.2 Research Design**

According to Upagade and Shende (2012) research design means the procedure regarding the collection and analysis of data relevant to research work. This study adopted a case study since the unit of analysis is biased to one organization that is National Social Security Fund. The design is considered suitable as allowed an in-depth study of the challenges affecting strategy implementation. Additionally, this design is appropriate as it involved a careful and complete observation of social units.

#### **3.3 Data Collection**

The study used primary data that was collected through an interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. This method is considered more appropriate because it allows an in depth questioning of the respondent regarding the study objective. It also allows more interaction between the interviewer and interviewee. The interviewees were 4 heads of departments namely Operations manager, Audit manager, Human Resource Manager and Finance Manager. Face to face interviews were carried out. Permission from the management and consent from the head of NSSF was sought before administration.

### **3.4 Data Analysis**

Data analysis is the entire process, which starts immediately after data collection and ends at the point of interpretation and processing data. The researcher perused the responses and content analysis was used to analyse the results. Content Analysis helps sift through large volumes of data and helps to provide knowledge and understanding of the phenomenon under study. It also helps researcher to make inferences and drive to conclusions on the topic under study as it does not restrict respondent on answers and has potential of generating more information with much detail.

## CHAPTER FOUR

### DATA ANALYSIS, FINDINGS AND DISCUSSION

#### 4.1 Introduction

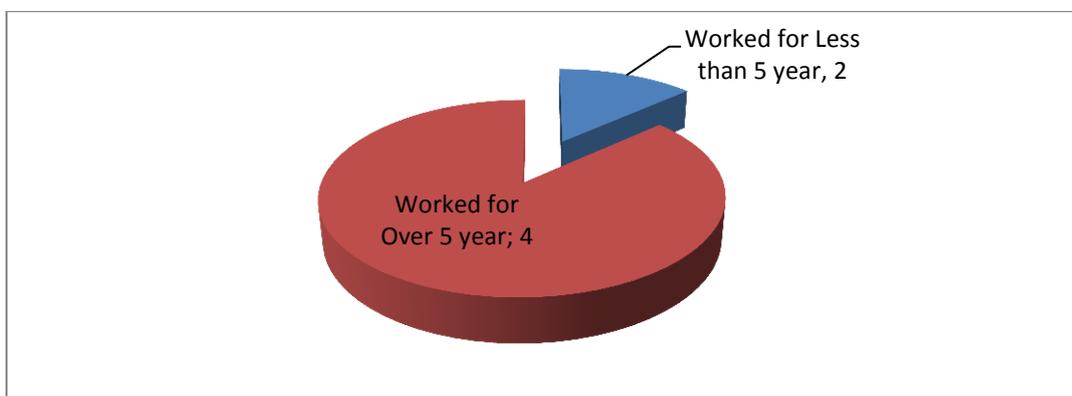
This chapter consists of findings and discussion gathered to address this study. The findings of the study are in line with the objectives of the study.

#### 4.2 Basic Information

The initial targeted interviewees for the survey were 4 heads of department. However, the researcher managed to interview six individuals. The interviewees were the CEO, managers in the operations department, the human resource manager, finance manager, legal and advisory board.

The respondents were asked to indicate the period in which they worked for in the organization and it was found that a majority have worked in their position for more than 5 years. These results imply that the information received for the study will be objective enough as it is based on one that is received from an individual with experience in the sector. The results are presented in Figure 4.1.

**Figure 4.1: Length of Service**



Source: Researcher

### **4.3 Challenges in Strategy Implementation**

This section presents the challenges facing NSS strategy implementation by NSSF.

#### **4.3.1 Economic Environment and Strategy Implementation**

The main challenge highlighted by the management includes the spread of an innovative idea to new markets. It was highlighted by the CEO that,

*“Presenting new services to our clients is the most difficult situation that our organization faces. Clients do not embrace new initiatives so well, for instance, the new NSSF law that was just passed recently, with a view of increasing the monthly contribution from Kshs. 200 to Kshs. 1080. This has not been well received as the numerous court cases can tell you that, our clients, the beneficiaries of the funds are reluctant in being part of this great initiative”*

Further responses indicate that economic climate such high taxes, inflation are also affecting the implementation of their strategies. The respondents further gave examples of how the highlighted economic factors may affect implementation, for instance, having resources as an important element in strategy implementation and strategy sustenance, the organization tends to sometimes borrow funds from financial institutions but as a result of high interest rates charged the strategies may be deterred. The human resource manager further gave the response on the question of economic impact in strategy implementation and he said that high inflation may provoke high wage demand from the employees especially when the strategy implementation was not concerning review of employees’ wages.

### **4.3.2 Government Regulation and Strategy Implementation**

Government regulation especially that of increased taxation may have an implication towards the strategy implementation by NSSF. Given that NSSF is a government owned institution, it directly receives the full impact of the laws as the regulating body is an owner of that institution. Government laws are always changing sometimes for the good sometimes for worse, making operations stagnate.

Responses received from the survey finds that the beneficiaries of the fund can also be a problem in promoting the successful implementation of a strategy in NSSF. This is as a result of its underfunding owing to a historical political influence which led the organization is known for its poor asset management. As a result majority of its beneficiaries lack trust with the organization thus, any idea that concerns funds revision is in most cases received with so much disapproval.

The following is a response sampled out from one respondent;

*“Some people have suggested that access age should be lowered to 45 years. NSSF is a fund where members are required by law to contribute until they are 55 years, which is commonly referred to as Age Benefit. However, majority beneficiaries feel that these laws not fair enough”*

### **4.3.3 Resources and Strategy Implementation**

One major challenge highlighted by majority of the respondents is the budget allocation. The managers indicated that resources allocated by the government are sometimes too little to sustain the organization to the next budget period. This in most cases delays implementation of projects, programs and other strategic ideas deemed to be beneficial to the organization and beneficiaries in general.

The other challenge identified herein includes that of technology. Changes in technology have been found to make the organization lag behind in important technological advances that the world is adapting. This can be directed as to lack of innovation in the organization or resources to facilitate the development of the same. From another angle, it was found that the organization lacks IT specialists who are best informed with the current technology. The finance manager informed the researcher that the budget line that supports employee training for improvement of their skills is exhausted very quickly, before the first quarter of the year.

One of the sampled responses on the challenges of resource is as follows;

*“Budget constraints, lack of current technology, lack of sufficient training of the human resources and poor staffing are inadequate for strategic decision in the organization. Majority of the departments here in NSSF lack integration”*

Responses received stated that not all managers participate in strategic implementation as some of them lack commitment which a pre-requisite for strategic management success. Staff on the other hand tends to embrace strategies implemented or changes that come along the implementations made by the management. Respondents indicated that employees in NSSF see change as good as long it does not interfere with their wages or does not lead to some losing their jobs.

#### **4.4 Solution to the Challenges**

The respondents indicated that the all the managers involved in strategy formulation and implementation plan should commitment and interest in strategy implementation whether a new strategy or a strategy that needs change. On the challenges brought about by the economic factors results indicated that strategic planning process should periodically evaluate the firm's strategy in light of internal and external changes and

incorporating lessons learned in previous years into the implementation plan. This key component of strategy implementation ensures that the firm's strategy remains dynamic.

The responses showed that in order to mitigate the resources challenges the organization must maximize performance and rollout the initiative with sufficient resources and planning as this promotes effective resource utilization

Liberalization of pension sector is seen as the solution to most of the NSSF problems. The respondents indicate that NSSF enjoys monopoly as it has no competitors. The Government has developed a Pensions and Retirement Benefits Bill which will bring other players and service providers into the pension sector and break the monopoly of NSSF. According to the respondents, it was found that new legislation will establish the way of operation of work and will regulate the activities of the service providers. Further, there will be clear ownership structures and the same will prevent government interference with NSSF operation. Responses from the managers indicated that new laws enacted by NSSF will lead to improved service delivery in the pension sector.

The upcoming legislation will also introduce a regulator who will regulate the activities of the service providers including NSSF. A sampled response from the interview is as follows;

*'In addition to improving our service delivery, the new strategy through the legislated law will enable NSSF to be a leader pension fund once the sector is liberalized. This is because this liberalization will attract other prospective investors in the NSSF shares especially those organizations which hugely invest in shares''*

#### **4.5 Discussion**

The above findings correspond to those seen in the empirical findings in the literature review. Sterling (2003) identified reasons as to why strategies fail as anticipated market changes; lack of senior management and insufficient resources. This was found to correspond to challenges facing the implementation of National Social Security strategy by NSSF.

Okumus (2003) observed that obtaining employee commitment and involvement could promote successful strategy implementation. His studies also found out that the operating environment an organization finds itself operating in poses a challenge to their implementation efforts. Results from the study showed that government regulations of increased taxation were posing a challenge to implementation of NSS by NSSF.

Raps (2004) further observed that implementing a new strategy not only required one component but integrating all other components allowed organizations to develop implementation practices that were realistic. NSSF need not ignore other components in its strategy implementation but incorporate all ranging from resources availability, employees' involvement, economic environment and government regulations to have a viable implementation process.

## **CHAPTER FIVE**

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

#### **5.1 Introduction**

This chapter presents the discussion, conclusion and recommendations made from the analysis of data collected. The responses were based on the objectives of the study.

#### **5.2 Summary**

The summary of findings is made according to the objectives of the study;

##### **5.2.1 Challenges faced by NSSF in Strategy Implementation**

One of the objectives of the study was to identify the challenges that NSSF faces in National social security strategy implementation. From the results, it was found that economic challenges such, inflation are also affecting the implementation of NSS strategies. The high inflation may provoke high wage demand from the employees especially when the strategy implementation was not concerning review of employees' wages. Government regulation especially that of increased taxation, government's total involvement in the organization operations may have an implication towards strategy implementation in NSSF.

Another challenge highlighted was the underfunding of the government owned institution. This is as a result of a historical political influence which led the organization to be known for its poor asset management. This on the other hand has led to majority of its beneficiaries to lack trust with the organization. Changes in technology have been found to make the organization lag behind in important technological advances that the world is adapting. Another challenge identified was that of lack of participation from managers. It was found that not all managers

participate in strategic implementation as some of them lack commitment which is a pre-requisite for strategic management success.

### **5.2.2 Strategies Employed to Mitigate the Challenges Identified**

Another objective of the study was to identify the strategies employed to mitigate the challenges identified. It was found that management participation is key in strategy formulation and implementation, therefore their involvement greatly impacts the success of a strategy implementation. Another strategy that mitigates economic factors is that strategic planning processes should periodically evaluate the firms' strategy in light of internal and external changes and incorporating previous lessons learned into the implementation plan.

Early budget planning which promotes resource utilization is also a strategy that promotes effective resource utilization thus preventing organization lack of resources during work operation. The Government has developed a pensions and retirement benefits bill which will bring other players and service providers into the pension sector and break the monopoly of NSSF. These new laws enacted by NSSF will lead to improved service delivery in the pension sector.

### **5.3 Conclusion**

The study concludes that managers implementing strategies should not ignore economic forces which should be well analysed to avoid posing great challenges when implementing strategic decisions. Further conclusions can be made on the resources challenges that are lack of skilled human capital and financial capital hindering strategy implementation in the organization. Finally, future challenges of strategy implementation affecting NSSF can be mitigated and minimized to the benefit of all stakeholders if the challenges cited above are addressed.

#### **5.4 Recommendation**

The study makes specific recommendations guided by the objectives of the study. The study recommends that managers or strategy implementers must take into consideration the challenges cited in the study such as the economic environment, underlying government regulations and availability of resources while implementing strategies. They should create higher level of involvement of members in the organization. Companies also ought to establish institutionalize resource process policies so as to efficiently regulate resource allocation to ensure strategy implementation is a success.

Further recommendation to companies is that strategic planning must be balanced between the internal workings of the organization and the external world in which organization resides and operates. However, balance between these perspectives is not enough though. For strategy to be successfully implemented, the correct internal and external attributes must be analyzed and planned for.

#### **5.5 Areas for Further Studies**

Areas of further research could be on the relationship between strategic management plans and the execution of performance management or the relationship between ISO certification process and strategy implementation. A replica study can be done on a different company in a different industry in order to compare the results with those of this study.

## **5.6 Limitations of the Study**

Since the study was based on one organization, the results cannot be generalized to the wider population. The conclusions drawn from this study may not apply to another organization. It would therefore be necessary to collect data from other organizations to do a survey. Results from a case study are difficult to replicate since they are based on analysis of descriptive data.

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## APPENDICES

### Appendix 1: Introduction Letter

Date: .....

Dear Respondent,

#### **Interview for Academic Research**

I, **Anne Maina**, a student of Master of Business Administration at University of Nairobi is carrying out an research study on “challenges of national social security strategy implementation at NSSF. This is to kindly request you to participate as a respondent in an interview with a view of obtaining your input from your experience in the recently challenges of strategy implementation at NSSF. Your answers will be handled with highest confidentiality; and the names of respondents shall not be revealed.

Yours Faithfully,

Anne Maina

## **Appendix 2: Interview Guide**

### **Section A : Participants details**

1. Name (optional).....
2. Position in the organisation.....
3. Period in Position.....
4. Period in the firm.....

### **Section B : Challenges of Strategy Implementation**

- a. How was strategy implementation affected by the economic environment of Kenya ?
- b. How was strategy implementation affected by the government regulation ?
- c. How has the threat of new entrants, that is the RBA affected the success of strategy implementation?
- d. Explain how pressure from beneficiaries has affected the success of strategy implementation ?
- e. Explain how resources both human and financial have affected strategy implementation ?
- f. How has lack of civic education on social security benefits affected implementation of new strategy?
- g. How has lack of confidence in the NSSF body affected strategy implementation?
- h. Are the squabbles between the Labour Ministry and other stakeholders affected implementation?
- i. Has the entrant of private pension schemes helped in civic education of the NSS strategy?
- j. Has the controversial Tassia project contributed to a reduction in NSSF credibility amongst Kenyans?