

**STRATEGIC PLANNING AT THE  
RETIREMENT BENEFITS AUTHORITY IN KENYA**

**BY**

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the Award of the Master of Business Administration Degree, School Of Business,  
University Of Nairobi**

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**DECLARATION**

This research project is my original work and has never been presented in any other College or University for award of any degree.

(Signature).....

.....

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**DATE**

**D61/7232/2006**

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

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Finally but not least there are friends, classmates and work colleagues who contributed in one way or the other in this study but their names have not been mentioned. To them I am grateful.

## **DEDICATION**

This study is dedicated to my mother Rhoda, my husband Oliver, and our daughter Nkirote.

Thank you for your support, encouragement and perseverance during the Masters program.

## **ABSTRACT**

Strategic planning is a component of strategic management. Strategic management can be defined as the process by which managers select and implement a set of strategies that aim to achieve sustainable competitive advantage for the organization. Strategic planning refers to the process by which the leadership of an organization envisions its future, establish objectives and choose the most suitable strategies for achieving these objectives prior to taking action. The aim is to develop a strategic plan which forms the road map to lead an organization from where its current position to where it would like to be in a five or ten-year period.

The study was based on the Retirement Benefits Authority (RBA) in Kenya. The RBA is a statutory body that was formed in 2000 following the enactment of the Retirement Benefits Act in 1997. The Authority falls under the Ministry of Finance. The RBA is the regulator of the retirement benefits industry in Kenya and is required to regulate and supervise the management of retirement benefits schemes. In addition, it is expected to promote the development of the industry and advise the Minister of Finance regarding policy formulation. The total assets under management for the industry stood at K Shs.451 billion as at 31<sup>st</sup> December 2010.

The research had two objectives. Firstly, to determine the strategic planning adopted by the Retirement Benefit Authority in Kenya. Secondly, to establish the challenges faced by Retirement Benefit Authority in Kenya in carrying out its strategic planning activities. The study

findings are expected to be beneficial to various stakeholders including the RBA itself, the Ministry of Finance, industry players and to academic scholars as well.

The research design was based on a case study. Data was collected using an interview guide. In-depth interviews were carried out on five(5) senior managers at RBA who play a key role in strategic planning and implementation. The respondents were highly experienced in corporate management.

The study revealed that strategic planning process at RBA is formal and highly systematic. It is currently carried out every five years with a review half way through the term. The planning is based on the top-bottom-top approach allowing participation of the Board of Directors (BOD) as well as all the employees. The BOD provides the strategic leadership and has the principal responsibility for strategic planning.

The employees are involved in the exercise to review and critique the proposals made by the BOD. They are also required to come up with strategies and an action plan which details how the objectives will be achieved. There are also Technical Committees for the Staff and the BOD who are involved in reviewing the draft strategic plan before approval by the main BOD. Strategic planning at RBA has been successful however it has been coupled by a few challenges.

The study will provide insight on the on strategic planning adopted by various firms in Kenya. The researcher concludes that there is no best approach to strategic planning and organizations have developed different approaches to making strategy that they found suitable for their context.

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**LIST OF ABBREVIATIONS**

RBA	Retirement Benefits Authority
CEO	Chief Executive Officer
BOD	Board of Directors

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background of the study

Among all the functions of managers, none affects a company's ultimate success or failure more fundamentally than how well they set the company's long term direction and objective, develop competitively effective strategy to achieve the long term objective and implements the strategy well. The process of creating a vision, setting objectives, formulating and implementing of strategies designed to achieve the objectives, evaluating and initiating any adjustments over time in the vision, objectives, strategies and execution as deemed appropriate is referred to as strategic management (Hill and Jones, 2007; Pearce II and Robinson Jr, 2005; Thompson, Strickland and Gamble, 2007).

Strategic management is a managerial process that involves planning, directing, organizing and controlling of a company's strategy-related decision and actions. Planning forms an essential activity in strategic management. Generally, planning is the deciding in advance the future course of action. In strategic management, planning is the process by which the leadership of an organization envisions its future, establish objectives and choose the most suitable means for achieving these objectives (Goodstein, Nolan and Pfeiffer, 1993).

There are several benefits of strategic planning. Strategic planning enables management to proactively shape or craft how the business will be conducted through the formulation of clear and well defined vision and objectives, effective allocation and use of resources and good coordination of the organization's activities. In so doing, management is able to prescribe how it

will carry out its business, its road map for competitive advantage, its game plan for pleasing customers and improving general performance (Thompson et al, 2007).

### **1.1.1 Strategic Planning**

Strategic planning can be traced in history to military operations. According to Peng (2009), the word “strategy” was derived from the ancient Greek word *strategos* which meant the “art of the general”. Coutler (2005) states that historical accounts show that army generals designed battle-field strategies to gain an edge on its enemies. This would involve trying to exploit the enemy’s weak spots and attacking them when they were most vulnerable, thus giving the aggressor the best chance of succeeding. The process of analyzing a particular situation and thereby crafting, implementing and evaluating an appropriate response to the situation is strategic planning.

Goodstein et al (1993) have defined strategic planning as the process by which the leadership of an organization envisions its future and develops the necessary procedures and operations to achieve that future. They have further defined envisioning as the process by which the organization’s leadership is able to develop a vision of the organization that is both clear and powerful to arouse and sustain the actions necessary to make it a reality. This implies that envisioning is more than an attempt to anticipate the future. It involves a belief that aspects of the future can be influenced and changed by what can be done at present.

According to Hax and Majful (1996) strategic planning is a means of establishing the organizational purpose in terms of its long term objectives, action programs and resource allocation priorities. Managers are able to set clear goals and objectives and how they are to be

attained within specified periods in order to reach the planned future state. The goals must be developed within the context of the desired future state and must be realistic, objective and attainable. Furthermore, the goals and objectives developed should provide an organization with its core priorities and a set of guidelines for the day-to-day managerial decisions.

Organizational environments are constantly changing and the pace of change is exponentially increasing. The future is indefinite and uncertain. The managers of an organization are required to make decisions that are based on what they anticipate or forecast of the future rather than what they know. Strategic planning is therefore future oriented and it enables an organization to take a proactive approach towards change in the dynamic environment (Bhattacharya, 1998; Hussey, 1998).

Different approaches have been used in making strategies. The classic approach which can also be referred to as the rational model depicts strategic planning as a formal, systematic process that starts with the organization's leadership identifying its vision and goals. It also involves the analysis of the market opportunities and threats as well as that of the organization's strengths and weaknesses. The combination of these analyses should produce strategies that will enable the organization achieve sustainable competitive advantage. Sustainable competitive advantage occurs when a number of buyers consistently prefer an organization's products and services over the offerings of the competitors.

### **1.1.2 Retirement Benefits Industry in Kenya**

The retirement benefits industry in Kenya consists of voluntary occupational schemes set up by employers, voluntary individual schemes set up by financial service providers, the National Social Security Fund (NSSF) which is the statutory scheme mandatory to employed persons and the Public Service Pension Scheme for the civil servants. There are approximately 1,300 retirement benefits schemes in Kenya of different benefit and investment structures.

The total assets under management for the industry stood at K Shs.451 billion as at 31<sup>st</sup> December 2010, spread across government securities, equities, immovable property, guaranteed funds and offshore investments (“Pension Assets Hit 451 Billion Mark”, 2011). This is a tremendous growth from the estimated K Shs.40 billion in the year 2000 when the RBA was established (*Commemorative Book*, 2010, p.3). The industry has grown to become an important contributor to domestic saving in the Kenyan economy.

The retirement benefits industry in Kenya came under regulation with the enactment of the Retirement Benefits Act in 1997. A comprehensive framework of regulations was implemented three years later in 2000. A regulatory authority, the Retirement Benefits Authority (‘RBA’) was established at the same time. This was seen as a significant milestone for the industry.

Owino and Mwangi (2002) observed that during the pre-RBA era, retirement benefits schemes were operating in the country without clear regulatory guidelines and there was need to secure the funds of contributors. The coverage by the existing schemes was so low that there was need to begin to extend the coverage to ensure that a greater population was covered. In addition, it

had become more evident that the industry was a significant growth area that had been neglected for a while and there was need to put in place good structural systems. Raichura (2008) also concurs and states that the primary motivation for the enactment of the retirement benefit legislation in Kenya was to strengthen the governance, management and effectiveness of the industry.

### **1.1.3 Retirement Benefit Authority Kenya**

The Retirement Benefits Authority in Kenya is a statutory body established in 1997 under the Retirement Benefits Act. The Act itemizes the five mandates of the Authority. Firstly, the RBA is required to regulate and supervise the establishment and management of retirement benefits schemes in Kenya. In addition, it is expected to promote the development of the retirement benefits industry through the enactment of regulations for the management of schemes. Thirdly, the Authority has the mandate of protecting the interest of members and sponsors of the retirement benefits schemes in Kenya.

The RBA's role also includes making policy recommendations to the minister for Finance in respect of the retirement benefits industry in Kenya. Essentially, this means that the RBA plays an advisory role and with the possibility of leading policy formulation for the industry in which it takes charge. Finally, the RBA as a national institution will be in the forefront in of the implementation of the government policies touching on the retirement benefits industry.

Since its formation, the RBA has performed the regulatory functions within the industry by enforcing compliance to the retirement benefits regulations, promoting adoption of prudent

management practices by the registered schemes and educating service providers, trustees and contributors on their duties, responsibilities and/or rights. According to Owino and Mwangi (2003) the retirement benefits industry in Kenya has become orderly and stable. This can be attributed to favorable policy and legislative framework, professionalism of RBA and a general confidence within the industry due to its professional approach.

The RBA falls directly under the Ministry of Finance. The overall management is vested in the Board of Directors. Four of the positions of the Board are automatically filled by the incumbent Chief Executive of the Authority, Permanent Secretary at Treasury, Chief Executive of Capital Markets and the Commissioner of Insurance. The other five positions are filled by private sector experts appointed by the Minister of Finance based on their knowledge in law, banking, pensions, insurance or actuarial studies. The Chairman is appointed by the Minister of Finance from the five sector experts. The Board is directly accountable to the Minister of Finance and indirectly to the retirement benefits industry players.

## **1.2 Statement of the problem**

Strategic planning is a management tool for organizing the present on the basis of the projections of the desired future. According to Bhattacharya (1998), it is a planning process of projecting the future course of action for a business as a whole and also for the different divisions within it. The aim is to develop a strategic plan which outlines decisions about resource allocation, priorities and action steps necessary to reach strategic goals. The strategic plan forms the road map to lead an organization from where its current position to where it would like to be in a five or ten-year period.

It has been a decade since the formation of the RBA. The retirement benefits industry in Kenya has been able to achieve the reforms it craved prior to the enactment of the Retirement Benefits Act in 1997. This has been regarded as the formative era of the industry. It is on the backdrop of these successful reforms that industry players have started calling for a second phase of reform aimed at increasing the levels of coverage and benefits adequacy which is currently considered low. There is need to expand coverage of the existing social security arrangements in Kenya to ensure that more people participate in the social security arrangements and are able to reap benefits that are adequate to cater for their post retirement needs (Owino and Mwangi, 2003; Raichura, 2008).

The RBA, in its five-year Strategic Plan 2009 to 2014, also recognizes that the retirement benefits industry is currently emerging in its development phase. The challenge for the RBA is to promote further growth of the industry to ensure it becomes a major contributor to economic growth. Faced with this enormous challenge, the RBA should undertake strategic planning by taking into account the industry dynamics to ensure that envisioned changes are planned and effectively managed.

There are numerous studies have been undertaken on strategic planning in Kenya (Abdulaziz, 2006; Agusioma, 2007; Asewe, 2009; Kahindi, 2006; Muriuki, 2005). The studies have shown that that strategic planning is practiced by firms in Kenya and various approaches have been adopted. There has been no study conducted to investigate the strategic planning at the RBA. This study seeks to add onto the existing knowledge of the strategic planning by narrowing it

contextual scope to the Retirement Benefits Authority in Kenya. The researcher having identified the research gap seeks to find answers to two research questions; Has RBA adopted strategic planning? Are there any challenges faced by the RBA in carrying out strategic planning?

### **1.3 Research Objectives**

The research project will therefore seek to explore and investigate the following:-

- (i) To determine the strategic planning adopted by the Retirement Benefit Authority in Kenya
- (ii) To establish the challenges faced by Retirement Benefit Authority in Kenya in strategic planning.

### **1.4 Value of the study**

The study findings are expected to be beneficial to various stakeholders. The research will comprehensively document the process, practices and challenges of strategic planning at the RBA. The study will be illuminative to strategic planners at RBA and its parent ministry by providing insight into the strategic planning activities and may prompt a review of the same.

The industry players who include service providers, trustees and sponsors of staff retirement benefits scheme will benefit from the knowledge of the strategic plans of the RBA. They will also be in a better position to understand the challenges facing RBA from the outcome of the study.

Findings from this study will add on to the growing body of knowledge regarding the strategic planning activities adopted in Kenyan organizations. It will also act as a source of reference for future studies to be done on the retirement benefits industry in Kenya.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Concept of Strategic Planning**

According to Johnson and Scholes (1998) and Hill and Jones (2007), strategic planning is undertaken at three levels within an organization: corporate, business and functional levels. Corporate level management consists of the chief executive and other senior executives. This level forms the basis for other strategic planning. The roles of the corporate level managers include providing leadership, defining goals, determining the nature of business for the organization, allocating of resources, formulating and implementing strategies for the entire business. Their roles tend to be more value oriented, more conceptual and less concrete than at other levels.

Business level management refers to the heads of divisions or departments within an organization. The strategic role of the business level managers is to translate the general statements of direction and intent from the corporate level managers into concrete strategies for the individual business units. The business unit strategy will therefore be about how the organization can compete successfully in a particular market. The lowest level involves the functional level managers who are the heads of specific business functions such human resources, purchasing, customer service and so on. The role of the functional level managers is to implement the overall strategy formulated at corporate and business level.

Strategic planning has been traditionally considered as the exclusive role of top management. In this approach, the top management would formulate the strategy and pass it down to the rest of

the organization for implementation. Proponents of this top-down approach such as Pearce and Robinson (2004) argue that strategic decisions overarch several areas of an organization and therefore require top management decisions. In addition, senior executives are the only persons in the firm with the collective experience, acumen, and authority to make key strategy decisions.

Hill and Jones (2007) and Williamson, Jenkins, Cooke and Moreton (2004) however advocate for decentralized planning which has increasingly been adopted by firms whereby managers at all levels as well as non-managers are involved. They argue that much of the best planning can and should be done by those who interact with customers and suppliers and are therefore closest to the business facts. The role of the corporate level managers should be that of facilitators who assist by setting the broad strategic goals of an organization and providing the resources required to identify the strategies that might be required to attain those goals. In this bottom-top approach, strategic planning tends to promote strategic thinking and results in creative ideas.

The rational model portrays strategy planning as a deliberate process with a start and end point. The rational model moves from the theoretical to the practical, that is, from thinking about what the organizations exists for (by crafting of a vision and goals) to doing something concrete about it (by formulating strategies to be implemented to achieve the vision). The process can be described as formal and highly structured, decomposable into distinct steps, delineated by checklists and supported by techniques especially with regard to objectives and environmental analysis (Mintzberg, Lampel, Quinn and Ghosal, 2002).

Williamson et al (2004) acknowledge that the rational model assume that strategies could be developed in situations of complete knowledge and where the environment could be comprehended so that the resultant strategic plan could be made with certainty. This model therefore tends to treat the business world as if it was easily reducible to predictable outcomes and disregards managerial experience and data that could not be quantified.

Mintzberg and Quinn (1996, p.101) have criticized the rational model by stating that “many recent attempts to devise strategy using approaches that emphasize formal planning have failed”. This has led to a great deal of unrealized strategies in many organizations. They have credited the failure of strategy to the classic trap of thinking about strategy formulation and also its implementation as separate and sequential process. In their view many effective strategies have developed through the most unexpected means with no formal planning.

According to Johnson, Scholes and Whittington (2008) and Barney and Hesterly (2008), a company’s realized strategy is a product of the deliberately planned strategies and any unplanned or emergent strategies. Emergent strategies are the unplanned responses to unforeseen circumstances. Such strategies arise from lower level employees deep within the organization as a result of unplanned events. It is also noted that many of the planned strategies are not implemented because of unpredictable changes in the environment and are therefore unrealized.

Hill and Jones (2007) point out that formal planning and emergent strategies both form part of a good strategy formulation process, particularly in an unstable environment. They state that strategic planning may fail in the long run if managers forget to recognize that the future is

unpredictable and this uncertainty makes it difficult to forecast the future accurately. It is on this basis that the scenario approach to planning was coined. In scenario planning the managers are given a set of possible future scenarios and are required to develop specific strategies to cope with each different scenario. The aim of the approach is to get managers to understand the dynamic and complex nature of their environment and generate a range of strategic options that might be pursued under different circumstances.

The formal strategic planning model has been described by Hill and Jones (2007) as a fit model of strategy as it attempts to achieve a fit between the internal resources and capabilities of an organization and external opportunities and threats in the industry environment. As critics of this fit model, they have argued that the model fails to build new resources and capabilities to create and exploit future opportunities. They have advocated for strategic intent which means that strategic planning should be based on setting ambitious vision and goals that stretch a company. The managers therefore set to build the resources and capabilities that would enable the organization to attain its goals.

Pearce and Robinson (2005) observed that formality in strategic planning varies widely among companies. They have observed that small businesses that rely on the strategy formulation skills and limited time of the entrepreneur typically exhibit very basic form of planning when contrasted with larger business in their industries. On the other hand, businesses with diverse operations due to multiple products, markets or technologies have tended to be more complex in their planning. The strategic planning activities of any business depend on the nature of its leadership, culture, size, complexity of its environment, and expertise of planners.

## **2.2 Benefits of Strategic Planning**

Strategic planning serves a variety of purposes in an organization. Firstly, it clearly defines the purpose of the organization. Strategic planning is fundamentally a decision making process based on asking simple but deep questions about the organization such as what do we do? why are we in business? where are we going? where are we now? how will we get there? when will we get there? The strategic plan derived thereof provides the answers to these questions (Hax and Majful, 1996).

According to Bhattacharya (1998), the planning process itself is a means for communication among all levels of management about objectives, strategies, and detailed operational plans. The strategic plan sets out realistic goals and objectives consistent with the vision and mission in a defined time frame within the organization's capacity for implementation. Furthermore, strategic planning establishes a course of action for achieving the organization's goals and objectives.

In view of the above, strategic planning further helps the various work units within an organization to align themselves with common goals. This leads to the development of a team which is focused on the organization's future. It also ensures the most effective use is made of the organization's resources by focusing the resources on the key priorities.

Participation of employees in the strategic planning process creates a better understanding of the goals and operations of the organization. It works to create a sense of ownership and an increased level of commitment to the organization and its goals. This improves motivation

among employees as they better appreciate the productivity-reward relationship inherent in every strategic plan (Pearce and Robinson, 2005).

In addition to the above, employee participation in strategy planning helps to reduce gaps and overlaps in activities among diverse individuals and groups and leads to clarification on role differentiation. The group meeting format during strategy planning promotes an understanding of the delineations of individuals and sub-group responsibilities.

According to Johnson and Scholes (2002) strategic planning serves as useful means of coordination, by bringing together various business units strategies within an overall corporate strategy, to ensure that resources are well coordinated. Furthermore, strategic planning can also be used as means of control. This is by regularly reviewing performance and progress against agreed objectives or previously agreed strategic direction.

Good strategic planning inherently requires good strategic thinking. Managers have to think strategically about the company's position and about the impact of changing conditions. They have to monitor the company's external environment and internal capabilities closely enough to know when to modify strategies. Strategic planning makes managers and other organizational members to be more alert to new opportunities and threatening developments.

According to Hax and Majful (1996), the most important attribute of formal strategic planning process is that it allows the development of managerial competencies of key members of the organization. The individual involvement in group discussions creates a common understanding

of corporate objectives and how these objectives can be transformed into reality. In addition, it enables managers to articulate the primary factors affecting the business and to pursue constructive answers to pressing business questions which makes the planning process a vital experience.

### **2.3 Strategic Planning Process**

Strategy is the outcome of a planning process steered by the management of an organization. The typical formal strategic planning model begins with the definition of the mission statement. Hill and Jones (2007) state that the mission statement has four components: - mission, vision, values and objectives. The mission describes what it is the company does. It involves the definition of the organization's business. The vision refers to the desired future state and it lays out what the organization seeks to achieve. Whereas the mission summarizes the what, how, and why of an organization's work, the vision presents an image of what success will look like for the organization.

The third component of the mission statement is the description of the values of the firm. The values are the principles or beliefs that guide an organization's members as they pursue the organization's purpose. Guided by the mission, vision and values, the firm's leaders can define its objectives. Objectives as defined by Thompson et al (2007) are an organization's performance targets, that is, the results and outcomes management wants to achieve. The objectives are long term in nature with the aim of achieving long term prosperity. Hill and Jones (2007) further break down objectives into two forms; financial and strategic. Financial objectives involve

measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation.

One of the key considerations of strategic planning involves environmental scanning which is the analysis of the current and likely future external environment regarding the market opportunities and threats. The aim of external analysis as defined by Griffins (2008) is to identify organizational opportunities which are areas that may generate higher performance and organizational threats which are areas that increase the difficulty of an organization performing at a high level. Howie (1993) explains that opportunities for the business may include new market areas into which to offer their product or service or the appearance of new market demands. Threats might be posed by the decline of markets upon which the business has been dependent in the past or a rise in costs of raw material.

Barney and Hesterly (2008) and Pearce and Robinson (2005) state that the analysis of the opportunities and threats facing any business must begin with the understanding of the general environment in which the firm operates in. The general environment consists of the following: the economic, socio-cultural, demographic, legal and political, technological and international factors. Economic factors are concerned with the nature and direction of the economy in which a firm operates in which influences the consumption patterns of particular market segments. Socio-cultural factors that affect a firm include the beliefs, values, attitudes, lifestyles of its customers. As socio-cultural factors of an organization's target market changes so does its demand for the product or service offering.

Demographic factors relate to the distribution of individuals within the society in terms of age, gender, marital status, income, ethnicity and any other personal attributes that may determine buying patterns. The legal and political factors define the legal and regulatory parameters within which the organization must operate. The laws and regulations may either be restrictive or beneficial to a firm and thereby reducing or increasing potential profits of the organization. Technological factors refer to the level of technological advancement within the environment. Technology creates opportunities as firms begin to explore on how to use technology to create new products and services. It may also pose a threat as technological changes forces organizations to rethink their business offering. International events such as political coups, terrorism and civil wars can have enormous impact on the organization's ability to do business.

There are a variety of perspectives, models and approaches used in environment analysis which include PEST (Political, Economic, Social, and Technological) analysis, STEER (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors) analysis, and EPISTEL (Environment, Political, Informatics, Social, Technological, Economic and Legal) analysis (Hill and Jones, 2007; Griffin, 2008).

The general environment as described above defines the broad background within which a firm operates in. It is also important to analyze the firm's more local environment which is the industry that the firm operates within. The industry environment refers to the general conditions for competition that influence firms providing similar products and services. An analysis of the industry involves an assessment of the five competitive forces that shape strategy as conceptualized by Harvard Professor Michael Porter.

Firstly, there is the threat of entry which refers to the barriers of entry into an industry. Barriers of entry include attributes of an industry structure that increase the cost of entry. Where there are significant barriers of entry, potential entrants will likely not enter into an industry. The second element in the five forces framework is rivalry. Rivalry refers to the intensity of competition within an industry. Rivalry threatens firms by reducing their potential profits. A third environmental threat is substitutes. A substitute tends to meet the same customer's needs but in different ways. Therefore substitutes tend to reduce the potential profit for a firm. Another threat in the five forces framework is suppliers. Suppliers can threaten the performance of a firm by increasing the cost of suppliers or reducing the quality of those supplies. Lastly, there is the threat of buyers. Buyers can impact the firm by taking actions that decrease demand and consequently revenue (Barney and Hesterly, 2008; Pearce and Robinson, 2004).

The external analysis in strategic planning must be accompanied by an internal analysis of the firm. Thompson et al (2007) explains that the internal analysis seeks to identify the firm's strengths and weaknesses. Internal strength refers to the positive attributes of the company that enhances its competitiveness in the market. On the other hand, internal weakness refers to the shortcomings of the company that puts it at a disadvantage in the market. According to Howie (1993), "a firm should direct its strengths towards exploiting market opportunities and blocking threats while at the same time minimizing exposure to its weaknesses".

Internal analysis seeks to evaluate and identify an organization's specific characteristics, including its resources, capabilities and core competencies. Resources are the tangible and

intangible assets that the firm controls and that can be used to implement strategy. Capabilities as a subset of resources refers to the assets that enable a firm to take advantage of other resources it controls. Capabilities may include professional skills, teamwork and cooperation among employees. Core competencies are the activities that a company performs better than other internal activities due to skills and ability of its employees (Coutler, 2005).

The combination of both external and internal analyses provides a profile of the strengths, weaknesses, opportunities, and threats which is applicable in the SWOT approach. Howie (1993) has defined SWOT as an exercise in identification and analysis. The SWOT technique identifies the key features of the business environment as well as the internal strengths and weaknesses which influence the current position of the business. The application of the SWOT analysis should also be extended to competitors to indicate their relative position in the market.

The next step in the strategic planning process is to develop possible strategies that build on the firm's strength and correct its weaknesses in order to take advantage of external opportunities and counter external threats. Pearce and Robinson (2005) state that grand strategies which are often called business or master strategies are intended to provide basic direction for strategic action. They form the basis for coordinated and sustained effort directed towards achieving the long term business objectives. Bhattacharya (1998) defines strategy as the specific follow-up action plan to achieve the goal and objectives in a systematic way. The strategy makers are required to come up with possible strategies and by prioritizing select a few of the strategic options objectively.

Once the mission statement has been articulated, the SWOT identified, and the strategies agreed upon, the last step involves putting all that down on paper to produce the strategic plan. The strategic plan as defined by Griffin (2008) is a general plan outlining decisions about resource allocation, priorities and action steps necessary to attain the strategic goals. Hill and Jones (2007) acknowledge that at this stage, it is important to consult with other staff usually middle management and even non management to determine whether the strategic plan can be translated into operating plans and to ensure that the plan answers key questions about priorities and directions in sufficient detail to serve as a guide. The operating plans are the detailed action plans for accomplishing the goals proposed by the strategic plan.

#### **2.4 Strategic Planning Challenges**

Many of the businesses operating today engage in strategic planning to ensure that they achieve the desired level of performance. While the benefits for strategic planning are manifold, unfortunately so are its limitations and challenges which if not properly recognized could destroy its effectiveness. The challenges facing strategy planners can be classified as structural, economical, socio-cultural, environmental, political, technical and technological.

According to Pearce and Robinson (2005), the environment presents an enormous challenge to strategy planners. Strategic planning involves anticipating of the future and figuring out how to get to the desired future state. The future is uncertain and there is the risk that the future might differ substantially from the projections of the strategy makers on which the strategic plan may be built. This results in lack of implementation of planned strategies thereby creating unrealized

strategies. In such instances the strategy makers must be flexible and quick enough to modify their plan to suit the environmental conditions.

A technical and technological challenge may arise when an organization lacks information about themselves and its operating environment which is required in the situational analysis. Hence, the strategic planning activities of such an organization become ineffective (Ansoff and McDonnell, 1990).

Pearce and Robinson (2005) also acknowledge that strategic planning is an exercise that is costly in terms of time and money. It is costly in terms of the hours invested by any participant involved in the strategy making process and has the negative effect of managers spending time away from work. This may have an impact on their operational responsibilities. Managers therefore have to be trained to schedule their duties to balance between strategic and operational activities.

There are a number of socio-cultural challenges associated with strategic planning according to Bhattacharya (1998). Firstly, strategy makers may encounter internal resistance to formal planning due to multiple factors. There are risks and fears of failure associated with the development of new objectives and demands been placed on managers and staff. This may lead to lack of participation or sabotaging of the planning process in order to maintain the status quo.

Strategic planning involves strategic thinking. Strategic thinking involves challenging basic assumptions which can be very unsettling, even threatening, to many individuals especially if

they are uncomfortable with uncertainty or alternative ways of thinking. This implies that strategic planning may not yield the desired outcome if the strategy makers do not engage themselves fully to strategic thinking.

Hax and Majful (1996) acknowledge that structural challenges may arise in formalizing any process. The formal process can create conditions that impose bureaucratic burden on an organization thereby stifling creativity and losing the sense of the primary objectives intended by that process. While the initial stages of a plan is accompanied by exhilarating challenge generating a strong commitment and enthusiasm, as time goes by there is the threat of the planning process becoming a routine bureaucratic activity which does not engage and invoke creativity among participants.

Hax and Majful (1996) also state that where all the planning capabilities are dependent entirely on formal planning structures, the firm will find itself in a vulnerable position unable to face unexpected events not properly foreseen within the assumptions underlying the strategy planning process. An alternative to the formal planning is opportunistic planning which presents a reactive approach to unexpected emergencies of opportunities and threats. A firm that focuses purely on opportunistic planning will be constantly reacting to external forces without a clear sense of direction. It is therefore important for a firm to find a balance between formal and opportunistic planning to be able to provide the broad strategic framework without binding every action and thus allow for creative responses to be made within the organized framework.

Another major source of challenge emanates from the fact that the strategy decision making process of most organizations is political in nature. Strategy tends to disrupt the historical culture of the firm and status quo especially if power relationships and decision making are perturbed. The natural reaction is to fight against the perceived threat and rather than confront the challenges posed by the environment. The result is unsuccessful strategic planning (Ansoff and McDonnell, 1990).

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter provides the methodology that was applied during the research regarding the type of research design, the type of data used for the study, the data collection instrument and the method to be used to analyze the data collected. It will also highlight the rationale for each process and method chosen for the research methodology.

### **3.2 Research Design**

The research strategy was based on a case study. Mugenda and Mugenda (2003) define a case study as an in-depth analysis of an individual, group, institution or event. The primary purpose for carrying out a case study is to determine factors and relationship among factors that have resulted in the behavior under study. According to Yin (1989), a case study is an empirical enquiry that investigates a phenomenon within its real life context of a unit of study that could be an institution, family, community or a person. It is a strategy applied when the boundaries between phenomenon and context are not clearly evident and in which multiple sources of evidence are used. Critics of the case study method however believe that the study of a small number of cases can offer no grounds for establishing reliability or generality of findings.

For this particular research, a case study was chosen as the research strategy since it enabled the researcher to carry out an in-depth study of the strategic planning adopted by the Retirement Benefit Authority in Kenya. The research instruments were constructed comprehensively to give

representation information that ensured reliability of findings on the strategic planning at the organization.

### **3.3 Data Collection**

The study relied mostly on primary data which was collected using interview guides. According to Mugenda and Mugenda (2003, p.86) ‘an interview guide is a research instrument that contains a set of questions that the researcher shall ask during the interview for purposes of gathering data required to meet the objectives of the study’). The interview guide was unstructured containing open ended questions. However the researcher included comments intended to lead the interviewee towards providing the information required to meet the study objectives.

The data was collected from five(5) out of eight(8) heads of the various departments of the RBA in Kenya, representing each different unit of the organization. Each interviewee received a copy of the interview guide (Appendix I) in advance to ensure that they were well prepared for the interview.

### **3.4 Data Analysis**

The data collected from the primary sources was analyzed by content analysis. Content analysis is a qualitative method that is used when a researcher is concerned with the study of verbal information. It is a method that consists of observation and detailed description of the objects and items of study in a systematic way in order to come to conclusions and recommendations. In addition, it enables the researcher to sift through large volumes of data with relative ease in a systematic fashion (Kothari, 2004; McBurney, 2002; Mugenda and Mugenda, 2003).

# **CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSION**

## **4.1 Introduction**

This chapter provides a detailed account on the findings of the strategic planning at the RBA. The findings are discussed in the context of the objectives of the study, which are to determine the strategic planning adopted by the RBA and the challenges it faces regarding the same. The findings are interpreted in line with the theories on strategic planning as advanced by various scholars.

## **4.2 Respondents Profiles**

The five respondents in this study are part of the senior management of Retirement Benefits Authority in Kenya. They are the heads of the various departments within the organization. Most of the respondents have held senior management positions at RBA for over five years and have been involved in the strategy development and planning process as well as its implementation.

## **4.3 Key Strategic Issues at RBA**

Prior to 1997, the retirement benefits industry was largely unregulated and unharmonised. The Retirement Benefits Act was enacted in 1997 to provide a regulatory framework, streamline the industry and to restore confidence of stakeholders and members in the industry. The Retirement Benefits Authority in Kenya is a statutory body established under the Retirement Benefits Act and was formed in 2000.

It has been a decade since the establishment of RBA. The past decade has been considered as the formative era of the retirement benefits industry. Emerging now is the development phase in which RBA as the regulator of the industry should be driving the process.

#### **4.4 Strategic Planning Process at RBA**

The respondents who had served the longest at the RBA reported that formal strategic planning began in 2003, three years after its formation, which was considered to be adequate time for the organization to understand the industry it regulates. Since then, the RBA has had three strategic plans; the first two were three-year plans and the third strategic plan is for five years commencing July 2009 to June 2014. The change in the term of the plan was reflective of the RBA's commitment to long term thinking towards the industry.

Based on the information provided by the respondents, corporate strategic planning at the RBA is usually a companywide activity that involves all members of staff and the Board of Directors (BOD). A series of workshops are arranged usually at an offsite location to deliberate on the strategy planning. The planning process is facilitated by the Research and Development department and in particular by the Head of Department and Senior Research Officer. Their role is to drive the strategy process from the beginning to the end and to ensure that the process is smooth and well coordinated.

To assist in the strategy planning exercise, the Research and Development department is charged with the task of contracting experts in strategy planning. The consultants are helpful in the strategic planning process as they are required to prepare all the players for the planning process

through education. The BOD usually receive a refresher course as they are considered to have the knowledge and experience in strategy making while the staff will receive a more detailed training touching on basic concepts of strategy planning and the process flow. In addition, the consultants are required to offer guidance, stimulate good strategic thinking, challenge subjective thinking, given an objective assessment particularly on the internal and external assessments, foster collaboration, obtain balanced input, build consensus and develop commitment to implementation. According to the respondents, the main role of the consultants is to keep the planning process on track.

It was reported that the strategic planning at RBA is usually in five-phase process. The planning process was developed in consultation with experts in strategic planning. The methodology used in developing the strategic plan is top – bottom – top with the BOD as the apex. The approach also allows the participation of employees at all levels of the organization. In this approach, the Board first makes suggestions for strategies which are communicated to members of staff at all levels. The members of staff are then required to discuss and critique the suggestions. Comments from members of staff are reviewed by senior managers and presented to the BOD for approval. It was believed that the top-bottom-top approach allows all members of staff to actively participate in the strategy making process.

The top-bottom-top approach is a combination of the top-down approach advocated by Pearce and Robinson (2005) and the bottom-top approach advocated by Hill and Jones (2007) and Williamson et al (2004). The organization benefits from strategy commencing from those at the highest level in the hierarchy with the experience and acumen. The bottom-top approach

provides an opportunity for those in the lower levels in the organization structure to participate in the process. The employees are subjected to strategic thinking and are able to come up with creative ideas based on their own assessment of the business. After all, the employees constantly engaging and communicating with industry participants such as service providers and members of retirement benefits scheme on a daily basis.

The respondents explained that the first phase of the process involves the BOD. The Directors review of the Authority's history including its beginning, identify any significant events or major changes that have occurred in the industry since the last strategic planning, and identify successes and failures of the previous strategic plan. This also allows the Directors to get a better understanding of where it is the organization is coming from.

It was noted that the BOD also conducts an assessment of the RBA's current situation referred to as situational analysis. This involves an assessment of the macro environment, existing pension system, the organization itself and its stakeholders. As the regulator of the retirement benefits industry, the RBA is charged with the responsibility of supervision and it is inherent that part of their situational assessment would involve a review the structure of the existing retirement benefits arrangements in the country. These include the occupational schemes, individual schemes, the National Social Security Fund and the Civil Service Pension Scheme.

In addition, a stakeholder assessment is also carried out by the Directors. The respondents recognized that it is in their interest to know the stakeholders who can influence its activities positively and negatively. In identifying its stakeholders, the RBA will be able to tie its

objectives to their needs. Consequently, they will be able to know how to serve them adequately and generate goodwill.

Stakeholder assessment is followed by an analysis of the macro environment. According to the respondents, the purpose of this analysis is to ascertain the current challenges and opportunities existing in the RBA's operating environment that are likely to impact on the operations of the organization. This is done through the PESTLE (Political, Economical, Socio-cultural, Technological, Legal and Ethical) model. The political environment is gauged by assessing the government and opposition activities as well as the political mood in the country. Economic indicators such as GDP, inflation rates, interest rates and money supply are the basis for the assessment of the economic environment.

Assessment of the socio-cultural environment involves a review of the social and cultural trends in the country that may impact the development of the industry. Technological environment is assessed by the advancement of technology, such as in communications industry that has an impact on service delivery. The legal and ethical issues that affect the industry are also used to gauge the legal and ethical environment. In assessing all the above factors, various forms of data are used such as the media and published reports.

The PESTLE model is similar to the other models prescribed for macro environment analysis such as PEST (Political, Economic, Social, and Technological) , STEER (Socio-cultural, Technological, Economic, Ecological, and Regulatory factors) and EPISTEL (Environment, Political, Informatics, Social, Technological, Economic and Legal) as noted by Hill and Jones

(2007) and Griffin (2008). However, the PESTLE model applied by the RBA is slightly unique as it involves ethical factors.

An internal analysis is also carried out based on the SWOT (Strength, Weakness, Opportunities and Threats) model. The BOD first and foremost objectively assesses the organization and identifies its strengths and weaknesses. In addition, it also identifies the environmental factors that influence the organization's ability to operate effectively. According to the respondents, the SWOT and PESTLE models enables the BOD to classify the organization's strengths and weaknesses as well as the opportunities and challenges that exist in the operating environment.

With the findings from the internal and external environment assessment, the respondents believed that the Directors are better placed to provide strategic direction for the organization in light of its current situation. The Directors critically review the organization in terms of where it is, where it wants to be and how it can get to its desired future state. Various suggestions of the vision and mission emerge which are discussed and critiqued amongst themselves. The end result is a vision and mission that presents the ideal future for the organization. In the view of the respondents, the vision derived describes the desired future state of the Authority while the mission describes its purpose and why it exists.

Core and supporting values for the organization are also formulated based on moral and ethical values that are perceived critical to the industry. The respondents however pointed out that the mission statement consisting of the vision, mission and values are not re-defined at every strategic planning exercise. Any modification on the mission statement is as a result of major

shift in the outlook of the industry or country. For instance, the mission statement has been modified once in order to align it with the objectives set out in the Kenya Vision 2030.

The outcome of the first phase is the vision, mission, values and objectives as proposed by the BOD which is communicated to all employees. According to the respondents, the second phase is a brainstorming session for all employees including the heads of departments. The brainstorming session is a series of workshop whereby employees are grouped into departments and different sessions are held for each group.

It was reported that the first workshop of the employees involves reviewing and critiquing the proposed mission statement and objectives. It is an open discussion, and comments and suggestions from all participants are taken down. The respondents advised that while employees may present differing views, common views are achieved through discussions and deliberations.

In the second workshop, the members of staff are required to discuss and propose the strategies to be implemented to achieve the objectives. An action plan is also designed after the setting of objectives and strategies. According to the respondents, the action plan is an operating plan that provides a framework matrix detailing the initiatives to be implemented in order to achieve the long term objectives, the expected output, indicators of performance and the monitoring and evaluation mechanism for each strategy.

The third phase of the process involves the incorporation of the comments and suggestions provided by employees into a strategic plan. This task is charged to the Technical Committee

which consists of the heads of department and is chaired by the Head of Research and Development. The Committee is tasked with preparing the draft strategic plan which provides the mission statement, strategic objectives and action plan. An estimated budget for the implementation of the strategic plan is also prepared. According to the respondents, the Committee is required to ensure that objectives and action plans meets the SMART criteria, that is, Smart, Measurable, Attainable, Realistic and Time-bound.

The respondents reported that the Technical Committee thereafter presents the draft strategic plan to the CEO for review. The CEO can request at this stage that the Technical Committee defend and support the draft strategic plan. If satisfactory, the CEO will present the draft strategic plan to the Technical Committee of the Board for discussion. At this stage, the Board Committee members review and where necessary may request for amendments to be made. Once the Board's Technical Committee is satisfied with the draft strategic plan, it is submitted to the main Board of Director for approval. Due to the rigorous process involved, the directors usually approve the strategic plan for implementation without further amendments.

The respondents described the strategic plan as a plan for driving the organization to its desired future. The strategic plan serves as a guide for all its activities. There are two versions of the strategic plan; a comprehensive version providing a detailed description of the results of each step in the strategic planning process while the summarized version is presented in the form a booklet which enables ease of reference.

In view of the information provided by the respondents, the strategic planning process at RBA can be summarized as follows:-

**Table 1: Key steps in RBA's strategic planning**

i)	Proposed vision, mission, values and objectives by Board of Directors
ii)	Brainstorming session to discuss the mission statement, objectives, actionable strategies, key success factors and action plan by members of staff
iii)	Preparation of the draft strategic plan and estimated budget by Staff Technical Committee
iv)	Review of the draft strategic plan and budget by CEO
v)	Review of the draft strategic plan and budget by Technical Committee of Board of Directors
vi)	Approval of strategic plan and budget by Board of Directors
vii)	Implementation

Source: Research data

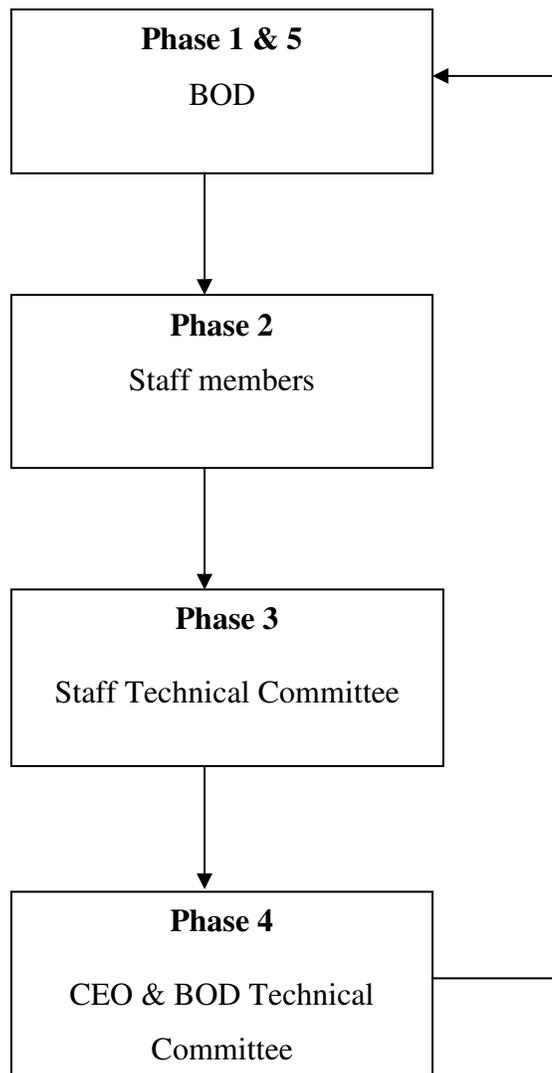
The respondents reported that strategic plans are reviewed half way through their term. The purpose of the review is to ensure that the strategic objectives are relevant in the prevailing environment. A review of the strategic plan will entail a similar process as the initial preparation of the plan. The review process is coordinated by the Research and Development Department and will also involve the use of consultants. It follows the five-phase process with the same players. Based on the findings of the internal and external environment analysis during the

review, the strategic objectives and action plan may be modified. Consequently, the strategic plan may be amended.

#### 4.5 Key Players in the Strategic Planning at RBA

The strategic planning in RBA is highly interactive as it involves the BOD and all levels of staff. The roles of the different players are distinct and well-defined and are complementary in ensuring that the planning is well coordinated and successful. According to the respondents, each of the five steps in the strategic planning process has its own set of players as shown below in Chart 1.

**Chart 1: Different roles in RBA's strategic planning**



Source: Research data

According to the respondents, the roles of the various players can be broadly classified as follows:-

**Table 2: Role of Strategy Players at RBA**

<b>Strategy Players</b>	<b>Roles</b>
Board of Director & CEO	Leaders
Technical Committee (Heads of Department)	Coordinators
Members of Staff	Participants

Source: Research data

As shown in table 2, there are several key players in the strategic planning process at RBA. Key players constitute the Board of Directors including the CEO and the heads of department who participate in more than one phase in the planning process.

The Board of Directors forms the apex in the strategic planning process. The Board provides guidance and direction in the process. In addition, it is responsible for reviewing and approving the proposed strategic plan. At times, through its Technical Committee, the Board shall constructively engage and challenge the recommendations of the Staff Technical Committee to justify and defend the proposed strategic plans. After a comprehensive review, the Board shall approve the proposed plan for implementation.

The respondents reported that the CEO plays a vital role in the strategic planning process. He provides the link between the Board of Directors and the staff including the heads of department and is able to gain the understanding of both sides. He is in charge of the strategy formulation as well as the day to day implementation. Together with the Chairman of the Board of Directors, he signs the strategic plan once it is approved.

According to the respondents, the heads of department wear two different hats during the strategic planning process as employees and as members of the Staff Technical Committee. They participate in the brainstorming session and offer their suggestions. They are also required to review all suggestions and develop the strategic plan. The Committee plays a vital role of combining the proposals submitted in the first and second phase and has to be objective in order to present an unbiased position.

Based on the views of the respondents, the time spent by the key players varies. The CEO spends the most time in the strategic planning process as a member of the Board of Directors as a member of staff. The heads of department also spent considerable amount of their time engaging in strategy and have to find a balance with their operational duties.

#### **4.6 Challenges of Strategic Planning at RBA**

The respondents reported that while strategic planning at RBA has been successful, it is not without a few challenges. The planning process involves the participation of various parties. The planning is usually done at workshops at an offsite location. The exercise also involves the use of

consultants. Strategic planning at RBA is therefore a costly, in terms of money and time, and has to be properly planned and budgeted.

Another challenge that has been witnessed by the respondents is resistance from employees. Some employees do not favor the top-bottom-top approach. The concerned employees feel that the approach which involves critiquing the proposals of those highest in the hierarchy is intimidating. Such employees advocate for a bottom-top approach with ideas being generated by those lower in the hierarchy. Furthermore, some employees also feel that they lack proper influence over the process since their comments and suggestions are subject to review and approval by the Staff Technical Committee, CEO, Board Technical Committee and the main Board of Directors. To counter this challenge, the Department of Research and Development and the strategy consultants have to sensitize members on the importance of their participation in the exercise.

According to the respondents, strategic planning at RBA also encounters political challenges that they are beyond their control. As a quasi-government institutional, RBA has to comply with government directives and policies. A challenge arises when the government formulates policies and legislation that are contrary to the objectives and strategies of the institution. For instance, in September 2011 the legislative arm of the government amended the compulsory preservation rule on employer's contributions to allow for partial access up to fifty per cent (50%). The RBA on the other hand had been promoting the preservation of benefits. Such political encumbrances tend to negate the positive results of the strategic planning activities of the institution.

## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATION**

### **5.1 Introduction**

The objectives of the study was to determine the strategic planning adopted by the Retirement Benefit Authority in Kenya and establish the challenges faced during its strategic planning. This involved an investigation of the strategic planning process and practices through interviews of various key players. This chapter summarizes the findings of the study, makes conclusions and recommendations based on the information provided, identifies the limitations of the study and gives suggestions for further research.

### **5.2 Summary of Findings**

The research findings revealed that strategy at RBA develops out of a logical process. The strategic planning at RBA depicts the rational model. The planning process is formal, highly systematic with a start and end point. It begins with strategy conception and moves to strategy implementation. Strategy planning at RBA is a one-time event currently carried out every five years with a review half way through the term.

The formal planning process at RBA reflects the planning school view as described by Mintzberg et al (2002) and Williamson et al (2004). In the planning school approach, strategy develops out of careful analysis and planning. This approach assumes that strategies can be developed in situations of complete knowledge where the business environment is certain. The

danger that lies with this approach is that it reduces the business environment to predictable outcomes which is not the case.

The strategic planning at RBA begins with a review of several issues; its history, significant events or major changes that may have occurred since the last strategic planning and successes and failures of the previous strategic plan. Situational analysis is also undertaken to be able to get a better understanding of the internal and external operating environment. This is done using two different tools; SWOT (Strengths, Weaknesses, Opportunities and Threats) and PESTLE (Political, Economical, Socio-cultural, Technological, Legal and Ethical). These analyses enables the strategy planners to be able to develop strategies that build on the firm's strength and correct its weaknesses in order to take advantage of external opportunities and counter external threats. The end result is the RBA strategic plan which serves as a road map to move it from its present to its desired future in five years.

The planning process at RBA is based on the top-bottom-top approach allowing participation of the BOD as well as all the employees. The BOD provides the strategic leadership and has the principal responsibility for strategic planning. The Board guides the development of the mission statement and objectives. It also considers and approves the strategic plan prior to implementation.

The engagement of employees in the process allows them to review and critique the Directors' proposals regarding the mission statement and objectives of the organization. This enables strategic thinking as the employees are able to ask themselves important questions regarding the

organization such 'where are we now?' 'where do we want to go?' 'how do we get there?'. The employees are also required to develop strategies and an action plan for achieving the set objectives. The involvement of employees in this process creates a sense of ownership. The employees also set the mechanism to measure output and performance and this promotes focus and goal-directed behavior.

The RBA faces a few challenges in its strategic planning. Firstly, the planning activities are costly due to the time and money spent. It involves the participation of all members of staff, Board of Directors as well as engagement of consultants. There is also some resistance from employees who criticize the top-down-top approach. The concerned employees advocate for the bottom-top approach which would allow for strategies to emanate from those lowest in the hierarchy and communicated to those in higher levels for consideration and approval. Lastly, as a quasi-government institution, it is subject to political interference and encumbrances. The RBA has put in measures to address some of the challenges.

### **5.3 Conclusions of the Study**

The findings of the research depict the strategic planning process at RBA as formalized and properly sequenced from one step to the next, each step with its own set of actors. However, there are certain dangers of having a highly rational planning process. Today's business environment is dynamic and turbulent. The future is very uncertain which makes it difficult to forecast it accurately. Many of the planned strategies may not be implemented because of unpredictable changes in the environment and this will result in some of the strategies been unrealized.

Strategic planning at RBA is an event that currently occurs every five years with a review being undertaken after two and a half years. The natural outcome of having strategy as an event would be that employees will tend to think about strategy during the end of the term of the strategic plan or during its review. Strategic planning should be treated a continuous process which forms part of the day to day function of managers.

While the top-bottom-top approach has its merits, it also has its demerits. The top-down approach whereby the Board's communicates the proposed vision, mission, values and objectives downwards can stifle creativity among employees. This approach still presents an opportunity for senior management decision to be imposed. Employees may also not be willing to provide ideas contrary to that of the Directors.

It is evident from the findings of the research that RBA has adopted a unique approach to strategic planning. Firstly, they have developed the top-bottom-top approach which involves the participation all levels of employees as well as the Directors. Secondly, its situational analysis involves an assessment of; its stakeholder, the industry through a review of the pension system in Kenya, the macro environment and internal operating environment. This confirms that there is no particular best approach to strategic planning. Different organization will develop different approaches to the strategy making process.

#### **5.4 Limitations of the Study**

The research was constrained by limited amount of time and resources. This limited the scope as well as the depth of the study. The researcher intended to interview all the eight(8) heads of departments as well as the CEO. However, the researcher was able to interview five(5) of the intended respondents. All the respondents were busy people and could only allocate a limited amount of time.

As the research design was based on a case study, the findings are case specific. The disadvantage of a case study is that it can offer no grounds for generalizations to be made. In view of this, the findings of the study cannot be generalized and applied to other organizations.

#### **5.5. Suggestions for Further Study**

The findings of this study will definitely contribute to the existing body of knowledge on strategy planning in Kenyan firms. It can form the basis for future research on the strategy making process at RBA. A further study can be carried out to investigate strategy implementation, control and evaluation at RBA.

A case study as a research design has its limitations in that findings cannot be generalized. To counter this limitation, a cross sectional survey on strategic planning could be conducted involving a number of public institutions to allow for generalization to be made.

## **5.6 Recommendations for Policy and Practice**

Based on the research findings, it is recommended that the Authority should allow for some informal planning to strategy whereby spontaneous ideas developed by employees at lower levels of the hierarchy are subjected to a review. In this way, creative ideas are considered in good time and not deferred for discussion at the strategy planning.

Secondly, strategy planning should be not an event. It should be a continuous process particularly for managers who are the lynchpin of the strategy making. Furthermore, it is recommended that in this turbulent times strategy should be reviewed on an annual basis by a sub-set of the actors to ensure that the strategies are relevant in the prevailing environment conditions.

In order to counter the demerits of the top-bottom-top approach, it is recommended that strategy planning at RBA should at times adopt a bottom-top approach. This approach tends to promote strategic thinking and encourages innovation and creativity from those who are lower down the hierarchy and closest to the business facts.

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## APPENDICES

### Section A: Respondent Profile

Name .....

Department .....

Position Held .....

How long have you served in the organization? .....

### Section B: Strategic Planning

- (1) Strategic planning is a component of strategic management. The classic approach of strategic planning consists of four main steps which are; formulation of the mission statement, environmental analysis, internal analysis, strategic choice and drafting of the strategic plan. Briefly explain how each step is undertaken within your organization;-
  - a. Formulation of the mission statement
  - b. External (environmental) analysis
  - c. Internal analysis
  - d. Strategic choice
  - e. Drafting of the strategic plan
  
- (2) What are the tools used in developing your current strategic plan? For example, external and internal analysis may use PEST, STEER and SWOT models.
  
- (3) What factors were considered in the preparation of the current strategic plan?

- (4) How is the data used for external and internal analysis in the collected?
- (5) Who are the actors involved in the strategic planning process?
- (6) What role do you play in the strategic planning within the RBA?
- (7) What approach is used in the strategy planning? Top-down or bottom-up approach?
- (8) Did you get any training before you handled the strategic planning within RBA?
- (9) Do you involve external parties such as experts and consultants in the strategic planning process?
- (10) How frequently are the strategic plans reviewed?
- (11) What does a review of the strategic planning entail?
- (12) When did you develop strategic plans within your organization?
- (13) Have you adopted any strategic planning practices from other organizations? If so, please provide what practices you have adopted from each organization?

### **Section C: Strategic Planning Challenges**

(1) There are various challenges encountered by strategy makers when carrying out strategic planning. These challenges can be classified as socio-cultural, economical, environmental, technical and technological. What are the challenges have you encountered in strategic planning within your organization?

- i. Socio-cultural challenges may include resistance from employees, lack of commitment from actors of the strategy planning process etc
- ii. Economical challenges may include the relatively high monetary cost incurred in the planning process etc
- iii. Environmental challenges may include the turbulent and dynamic nature of the business environment whereby the future may differ substantially from anticipated projections
- iv. Technical and technological challenges may include the lack of knowledge and expertise by strategy makers, lack of availability of information to assist strategy makers in the planning process etc.
- v. Any other

(2) To what extent have you tried to address these challenges?



**Thank you for your time**