

**STRATEGIC RESPONSES BY NATIONAL SOCIAL SECURITY  
FUND TO COMPETITION FROM OTHER PENSION FUNDS IN  
KENYA**

**BY**

**SOPHIE KOIMUR**

**A l t e r**

**RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS  
ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI**

**NOVEMBER, 2011**

**DECLARATION**

This research project is my original work and has not been submitted for examination in any other university.

SIGN:  ..... DATE: **j S l i l J ^ U .**

**SOPHIE KOIMUR**

**D61/70222/2007**

This research project has been submitted for examination with my approval as university supervisor.

SIGN: ..... DATE: **.. I ' L L z l f U l**

**DR. JOHN YABS**

**SCHOOL OF BUSINESS**

**UNIVERSITY OF NAIROBI**

## **ACKNOWLEDGEMENTS**

I wish to acknowledge my supervisor, for the great insight, encouragement and guidance throughout the research process. I also appreciate the entire administration of the University of Nairobi for their support during my studies. I sincerely acknowledge my husband Koimur and children, Faith, Davies, Emmans and Linda for the support they accorded me throughout my studies. Finally, I would like to acknowledge friends especially Keziah, Mwikuyu and colleagues who tirelessly contributed to this study in terms of time, insights and moral support. God bless you abundantly.

## **DEDICATION**

I would like to dedicate this work to my parents for the love and sacrifice they made for me to be what I am today, husband Haron for paying my school fees and providing other support, to my children, Jesire, Monir, Bowen and Jerop as a motivational tool in getting the best in life. Thank you.

## **ABSTRACT**

Organizations operate within an environment that influences its business operations positively or negatively depending on the nature of its business. The environment is not only dynamic but also turbulent, discontinuous and unpredictable. The survival and success of an organization is only possible when the organization creates and maintains a match between its strategy and the environment, and also between its internal capability and the strategy. Organizations formulate strategies that help them meet the requirements of the stakeholders. Every organization has competitors who influence strategy process and consequently determine the organization's purpose that result in terms of its achievement.

The National Social Security Fund (NSSF) was established in 1965 by an Act of Parliament under cap 258 Laws of Kenya and serves as a first pillar of social security for Kenyan workers. The Kenyan social security sector has recently been growing at high rate due to the inclusion of new player in social security services, which was previously solely managed by NSSF. This has led to a competitive situation where social security institutions are searching for ways to manage in this competitive sector. This study, therefore, sought to determine the strategic responses adopted by NSSF in competing with other pension funds in Kenya. The study used interview guides to collect the data from five general managers who are the heads of the five divisions in the N.S.S.F. Content analysis was used to analyze the data.

The study findings indicate that NSSF has stipulated strategic plans aimed at enhancing competitive advantage in response to internal and external environmental forces. The strategies include increasing membership base, improving range and level of benefits, business process and

organizational structures, management of human capital, information management and corporate imaging. The study recommends continuous monitoring and evaluation of the process of implementation of strategic plans, increase in the scope of available benefits and membership coverage and adherence to recruitment of highly qualified staff.

## TABLE OF CONTENTS

Declaration..... f.....	ii
Acknowledgements.....	iii
Dedication.....	iv
Abstract.....	v
List of Tables.....	x
List of Figures.....	xi
<b>CHAPTER ONE: INTRODUCTION.....</b>	<b>I</b>
1.1 Background of the study.....	I
1.1.1 Strategy Management.....	2
1.1.2 Concept of Strategic Response.....	3
1.1.3 Strategic Decisions by Ansoff.....	4
1.1.4 The National Social Security Fund.....	6
1.1.5 Other Pension Funds in Kenya.....	7
1.2 Research Problem.....	8
1.3 Research Objectives.....	10
1.4 Value of the study.....	10
<b>CHAPTER TWO: LITERATURE REVIEW.....</b>	<b>12</b>
2.1 Introduction.....	12
2.2 Development and Nature of Pension Funds Market.....	12
2.3 Strategy Management concept.....	13
2.4 Strategic Responses.....	14

2.5 Competitive Advantage Response.....	i 7
<b>CHAPTER THREE: RESEARCH METHODOLOGY.....</b>	<b>21</b>
3.1 Introduction.....	21
3.2 Research Design.....	21
3.3 Data collection.....	21
3.4 Data Analysis.....	22
<b>CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS.....</b>	<b>23</b>
4.1 Vision, Mission and Mandate of NSSF.....	23
4.2 Core Business of NSSF.....	24
4.3 Environmental forces that trigger changes at NSSF.....	24
4.3.1 Internal Triggers.....*	24
4.3.2 External Triggers.....	25
4.4 Competitive strategies at NSSF.....	26
4.5 Achievements of NSSF strategic plan.....	29
4.5.1 Effects of strategic plans on financial performance of NSSF.....	30
<b>CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS.....</b>	<b>33</b>
5.1 Summary of the Findings.....	33
5.1.1 Vision, Mission and Mandate of NSSF.....	33
5.1.2 Environmental forces that trigger changes at NSSF.....	34
5.1.3 Competitive strategies at NSSF.....	35
5.1.4 Achievements of NSSF strategic plan.....	37
5.2 Conclusion.....	38



5.3 Recommendations.....	39
5.4 Areas for further study.....	39
5.5. Limitation of the Study.....	40
5.6 Implication on Policy Theory and Practice.....	40
<b>REFERENCES.....</b>	<b>42</b>
<b>APPENDIX: INTERVIEW GUIDE.....</b>	<b>48</b>

## **LIST OF TABLES**

**Table 4. 1: Income and Assets Growth for the Six Years (2004 to 2009)**

## **LIST OF FIGURES**

**Figure 4.1: Trend of Investment Income Received For the Period 2004 -2009**

## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background of the study**

All organizations operate within an environment that influences its business operations positively or negatively depending on the nature of its business. Within the environment of the firm, there are many stakeholders that include clients and competitors. Many firms formulate strategies that help them meet the requirements of the stakeholders. Every organization has competitors who influence strategy process and consequently determine the organization's purpose that result in terms of its achievement. The extent to which organizations competitors are interested in or are able to influence an organization's purposes vary and their different powers and interests underscores these various variations.

The survival and success of an organization is only possible when the organization creates and maintains a match between its strategy and the environment, and also between its internal capability and the strategy. The environment is not only dynamic but also turbulent, discontinuous and unpredictable (Grant, 2000)

The National Social Security Fund (NSSF) as an organization has its values and expectations that define its purpose and relevance in the society that need to be guarded in order to remain relevant to its expectations of the different competing groups that play an important role in the strategy process. It is on this premise that the study is designed so as to determine the strategic responses that NSSF has taken to combat competition from other pension funds in Kenya.

### **1.1.1 Strategy Management**

Strategic management is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments (Nag *et al.*, 2007). A strategy is a general plan of action that indicates the objectives of a firm and the means of realizing those objectives (Pierce and Robinson, 2004).

Strategic management involves examining both present and future environments, formulating the organizations objectives, implementing and controlling decisions focused on achieving these objectives in the present and future environments. In strategic management a firm's internal strengths are deployed to take advantage of external opportunities and minimize external threats/problems (Adeleke, Ogundele and Oyenuga, 2008).

The strategic process can be divided into three main areas of activity: strategic formulation, strategic implementation and strategic evaluation (Thompson and Martin, 2005). Strategic formulation includes the setting of the mission, goals and objectives for the organization, the analysis of the external environment as it affects the organization, together with its internal resources and the choice of strategic alternatives. Assessment of stakeholder power and the impact of the organization's culture on strategic decision-making are also important areas for analysis. Strategic choice is based on factors such as what is desirable for the organization, what it is feasible for it to achieve with the available resources and competences and what is the desirability of potential strategies.

The external business environment and industry structures are prone to a high degree of change. Globalization, demographic changes, changes in social structure and economic-related activities has changed dramatically in the past decade and this level of change is set to continue. Added to these trends are the problems associated with producing or delivering services into an increasingly complex marketplace (David Pollard and Sabine Hotho, 2006). Such notions of accelerating change and increasing complexity have resulted in increasingly skeptical comment on the appropriateness of the rational approach to strategy (Stacey 2003). In the face of increasing organizational dynamics and complexities, the rational approach is limiting as it remains more focused on the present and past successes.

### **1.1.2 Concept of Strategic Response**

According to Johnson and Scholes (2002) three development strategic responses can be distinguished: Internal development strategy; an organization develops through its own management new products, enters new markets. Disadvantage is the possible high costs because the organization has to finance all by itself. Advantage is that the organization will be able to attract all profits and no expertise will flow away outside the company. Acquisition strategy; a merger is the fusion of two more or less equivalent companies. A takeover concerns the acquisition of full ownership of another company. The acquired company becomes a part of the own organization and by that all aspects within that company. A threat can be that the acquired company has a business culture which should be transferred to the culture of the organization itself. That requires a lot of energy and time (Frambach and Nijssen, 2005). An advantage is that companies are able to operate fast in new markets (Johnson and Scholes, 2002).

Joint development strategy; the objectives of a company can also be realized by cooperating with another company. Product development or entering new markets are a joint effort. The essence of this strategy is the cooperation of organizations while the company on its own has not sufficient know-how, materials, finance etc, and therefore is looking for the input of another company Johnson and Scholes,( 2002). An important disadvantage is that cooperation bonds do have limited stability owing to difference in business cultures, insufficient support for the cooperation between parties, opportunistic behavior by one of the parties involved (Frambach and Nijssen, 2005). Validating the aforementioned strategy types through empirical evidence is limited to medium sized organizations.

These organizations have to operate with limited means (equity, size of staff, etc) in a turbulent and dynamic environment. Moreover, strategies of corporate real estate organizations have already been subject of research (Dorenbos, 2007). Organizations scan the environment in order to understand the external forces of change so that they may develop effective responses which secure or improve their position in the future. It is also to avoid surprises, identify threats and opportunities, gain competitive advantage and improve long-term and short-term planning (Sutton, 1988).

### **1.1.3 Strategic Decisions by Ansoff**

Ansoff (2002) identified four standard types of organizational decisions as related to strategy, policy, programmes, and standard operating procedures. The last three of these, he argued, are designed to resolve recurring problems or issues and, once formulated, do not require an original decision each time. This means that the decision process can easily be delegated. Strategy

decisions are different, however, because they always apply to new situations and so need to be made anew every time. Ansoff developed a new classification of decision-making, partially based on Alfred Chandler's work. *Strategy and Structure* (Cambridge, Mass., MIT Press, 1962). This distinguished decisions as either: strategic (focused on the areas of products and markets); administrative (organizational and resource allocating), or operating (budgeting and directly managing).

Ansoff's decision classification became known as Strategy-Structure-Systems, or the 3S model. (Sumantra Ghoshal has since proposed a 3Ps model, purpose- process and people to replace it). Ansoff argued that within a company's activities there should be an element of core capability, an idea later adopted and expanded by Hamel and Prahalad. To establish a link between past and future corporate activities (the first time such an approach was undertaken). Ansoff identified four key strategy components: product-market scope, a clear idea of what business or products a company was responsible for (predating the exhortations of Peters and Waterman to "stick to the knitting") growth vector as explained in the section below on the Ansoff matrix, this offers a way of exploring how growth may be attempted competitive advantage. Those advantages an organization possesses that will enable it to compete effectively, a concept later championed by Michael Porter. Ansoff explained synergy as "2+2=5", or how the whole is greater than the mere sum of the parts, and it requires an examination of how opportunities fit the core capabilities of the organization. (Ansoff,2002).



#### **1.1.4 The National Social Security Fund**

The National Social Security Fund (NSSF) as an organization has its values and expectations that define its purpose and relevance in the society that need to be guarded in order to remain relevant to its expectations of the different competing groups that play an important role in the strategy process. The National Social Security Fund was established in 1965 by an Act of Parliament under cap 258 Laws of Kenya. The Fund was intended to serve as the first pillar of social security for Kenyan workers. The International Labor Organization (ILO) defines Security as the protection which society provides for its members through a series of public measures against the economic and social distress that otherwise would be caused by stoppage, or substantial reduction of earnings resulting from sickness, maternity, employment injury, unemployment, invalidity, old age, death and the provision of subsidies for families with children. Social security is important for the well being of workers, their families and the entire community. It is a means of creating social cohesion, thereby helping to ensure social peace and social inclusion. It is an indispensable part of the government social policy and important tool to alleviate poverty. It can through national solidarity and fair burden sharing, contribute to human dignity, equity and social justice. It is also important for political inclusion, empowerment and the development of democracy (ILO, 2001).

The push for achieving competitiveness by pursuing a corporate strategy intensely dependent on ICT is a familiar theme, paralleling the view that technology acts as an external change agent both in society and in organizations. A firm's competitive strategy specifies the potential products and markets, long-term objectives, and policies for achieving the objectives.

Organizations must continuously review their strategies to identify the aspects of market priority, product structure, manufacturing configuration, and investment. Improvement programs should match operational goals and objectives (Ansoff, 1999).

For the social security providers to grow from local to world class status, their actions need to be undertaken. This includes recognizing and exploiting market opportunities through the use of advanced technology, creating new contribution and collection channels, product services and customer segments. World class IT resellers develop themselves through diversification and extended networks. They can outperform local and transition companies with regards to the development of networks and markets (Corbitt, 2000).

### **1.1.5 Other Pension Funds in Kenya**

A Pension Scheme is an investment vehicle whose aim is to provide an individual with a sufficient and consistent source of income after retirement. There are four main types of pension schemes in Kenya, they include: The Civil Service Pension Scheme: This type of pension scheme caters specifically to employees of the Government. Its operations are legislated in Parliament. National Social Security Fund (NSSF): This is a fund to which both the employer and employee make statutory contributions. The statutory contribution amount is Kshs.400, with the employee contributing Kshs.200 and the employer adding the remaining Kshs.200. Private Occupational Schemes: This is a scheme that is set up by the employer and caters to the employees of the company only. Most employers who operate occupational pension schemes make contributions to the scheme as an addition to the amounts paid by the member. A major feature of an occupational scheme is that if an employee resigns from employment, she can

access her part of the contributions. However, the employer's contributions remain with the employer until the employee reaches retirement age. Although an employee cannot access the employer's contribution if she leaves employment, she is able to transfer these contributions to another pension scheme of her choice.

Individual Retirement Benefits Schemes: This type of scheme is suitable to individuals who are self employed or those who are employed but are not members of an occupational scheme. Zimele Personal Pension Plan is an example of such a scheme. In an Individual Pension Plan, both the contribution of the employer and the employee are consolidated and can only be accessed upon retirement, severe ill health and permanent emigration to another country. Retirement plans may be classified as defined benefit or defined contribution. This classification is according to how the members' benefits are determined. It is estimated that about 1300 registered pension schemes exist in Kenya covering less than 15% of the population.

## **1.2 Research Problem**

Firms have to respond strategically to environmental factors in order to be sustainable (Hamel and Prahalad, 1993). One of the environmental influences to a business arises from competition. Increased competition threatens the attractiveness of an industry and reducing the profitability of the players. It exerts pressure on firms to be proactive and to formulate successful strategies that facilitate proactive response to perceived and actual changes in the competitive environment. A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces (Thompson & Strickland, 2002). Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the

company. The services sector is increasingly becoming a dominant force in the world economy and therefore deserves as much attention. The objective of this study is to determine the strategic responses to competition by NSSF.

The Kenyan social security sector has recently been growing at high rate due to the inclusion of new player in social security services, which was previously solely managed by NSSF. This has led to a competitive situation where social security institutions are searching for ways to manage in this competitive sector. In addition, insurance companies are now considered as a competitive threat. The increased competition in Kenya's liberalized market has forced firms to come up with strategic responses to counter competition. The rate at which firms respond productively to the ever changing environment forms the basis of competitive advantage which enables firms to formulate responses within time and space (Pearce and Robinson, 2003). The competitive advantage is the unique and valued positions created by a firm to satisfy customers better than competitors and in a less costly way.

In Kenya, although NSSF has lived to enjoy a large market share in provision of pension fund, it is currently facing great competition from other pension fund providers in the industry, especially, the stiff competition from insurance companies. This has increased competition in pension provision industry, creating a need to establish competitive strategies for coping with the changing turbulent environment by the firms involved.

Previous studies done on pension fund include: A study by Kinyanjui (2004) on the risks and returns of real estates on pension funds investment portfolio in Kenya. Ndirangu (2001) carried a study on the implication of retirement benefits Act (1997) on investment performance of

provident pension funds in Kenya. Other studies conducted included a study by Rotich (2003) on the factors influencing liquidity of occupational pension funds in Kenya and Kihunyu's (2005) research on effects of retirement benefits Authority Act on risks of investment held by pension funds in Kenya. There is no known study that has ever been done on strategic responses adopted by NSSF to curb competition from other pension fund providers. Therefore, this study is motivated by the need to bridge this gap in knowledge on the strategic responses by NSSF by determining the strategies been used by NSSF in fighting off competition from other pension funds in Kenya. The study will seek to answer the research question: what are the strategic responses adopted by NSSF in competing with other pension funds in Kenya?

### **1.3 Research Objectives**

The objective of this study was to determine the strategic responses adopted by NSSF in competing with other pension funds in Kenya.

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

The findings of this study are of benefit to the market regulators and policy makers owing to the pivotal role played by pension providers in Kenya. It is a guide to the kind of policies to be made that benefits the stakeholders. It is of use to the Ministry of Labor and other government organs considering that they are the intermediaries between the public and the government. The findings of this study will also help the management of NSSF in designing strategies to cushion the firm from growing competition and gain a competitive edge in the market of pension. The findings of

the study contribute towards theoretical foundation in academia and research institution. It will contribute to the body of knowledge in policy, theory and practice.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter analyzes theoretical and empirical literature the concept of strategic management. It explores the strategic responses used by organizations to deal with the ever increasing competition.

### **2.2 Development and Nature of Pension Funds Market**

Pension funds exert both quantitative and qualitative effects on financial markets (Davis 2006; Yermo 2005). Quantitative effects relate to asset allocation decisions while qualitative effects relate to corporate governance decisions. Pension funds increase offshore investments, which grow international financial markets thus contributing to greater stability of the economies as a result of increased capital flows (Davis 2006). In addition, pension funds increase equity market capitalisation (Catalan Impavido and Musalem 2000) and bond market capitalisation (Impavido Musalem and Tressel 2003).

Raddatz and Schmukler (2008) suggest that since pension funds face regulatory requirements and are required to allocate more funds to domestic investments, they are the most important institutional investors within a country. Furthermore the pooling of pension fund assets boosts the stock market and increases the stock market's liquidity (Catalan 2004). As holders of large amount of bank deposits, government paper and short-term assets, pension funds are important institutions that control the flow of funds in the financial markets (Raddatz and Schmukler 2008).

Catalan (2004) and Davis (2006) suggest that pension funds contribute to the growth of the financial markets through the corporate governance channel. Pension funds lobby for enactment of pro-investor laws, increase intensity of their monitoring activities thus exposing corporate crimes and are capable of initiating legal claims against managers when crimes are detected (Catalan 2004). Strengthening pension funds can therefore shape corporate governance principles applicable to the corporations as to where they invest their money. In Latin American countries pension reforms contributed to the growth of capital markets and resulted in these economies opening their markets to trade and foreign investments and reducing their national budget deficits (Andrade, Farrell and Lund 2007).

### **2.3 Strategy Management concept**

The term strategy has been defined by several authors differently but all driving to the same meaning. The positioning and relating of the organization to its environment in a way which will assure its continued success and make it secure from surprises (Ansoff 1984). A unified comprehensive and integrated plan that relates to strategic advantages of the organization to the challenges of the environment and that is designed to ensure that the basic objectives of the enterprises are achieved through proper execution by the organization (Glueck and Javeh, 1984)

One of the earliest definitions of strategy comes from the Greek writer Xenophon who defined strategy as knowing what you propose to carry out (Hugh and Tompoe, 2000). This definition stresses that strategy requires knowledge of the business and intention for the future and an orientation towards action. The definition also emphasizes the link between leadership and strategy formulation. The pattern of major objectives purposes or goals and essential policies on



plans for achieving those goals, stated in such a way as to define what business the company is in or to be in and the kind of company it is or to be. This strategy definition is concerned with both purpose and the means by which purpose will be achieved. It implies that strategy must address the fundamental nature of the business in the future. This suggests that strategy will be sensitive to value and culture as well as to business opportunity it also implies that managers will be able and responsible for making deliberate choices about the future nature and scope of their business.

The way in which a corporation endeavors to differentiate itself positively from its competitors using its relative strengths to better satisfy customers needs (Ohmae, 1983). The definition addresses both the competitive aspects of strategy and the need to build capabilities.

## **2.4 Strategic Responses**

Conceptualizing environments as dynamically heterogeneous suggests a need for corresponding conceptualizations of strategy that can help a firm sustain its competitive advantage. As discussed, existing strategy frameworks fall short in this respect. Most of the suggested ^conceptualizations (Morgan, 1983; Daneke, 1990; Mitroff, 1990; Prahalad and Hamel, 1990; Loasby, 1991; Nonaka, 1991; Quinn, 1992; Fransman, 1994) emphasize, in one way or another, the view that organizational knowledge and learning are important sources of sustained performance in turbulent environments. There is need to take that argument a step further by explaining the specific strategic responses that makes it useful for survival in turbulent environments.

Starbuck (1992) has argued that the esoteric nature of organizational knowledge affects long-term success, and March (1991) has demonstrated the importance of exploratory learning over

exploitative learning in assuring relative advantage. Continuing this detailed examination of organizational knowledge, the focus here is on its variety generating property, which is labeled dynamic competence and it is suggested how this property facilitates successful adaptation in turbulent environments. Strategic response is also dependent on competence. There are multiple meanings of competence, as well as multiple types of competence. A particular type of competence is highlighted, and its strategic importance for developing and sustaining competitive advantage in turbulent environments explicated. According to the dictionary (*Webster's*, 1984), competence is defined as having the capacity to respond (as by producing an antibody) to an antigenic determinant, or having requisite or adequate ability or qualities.

If dynamic competence is a means to superior firm performance in turbulent environments, the role of strategy is recast into one of selecting the kinds of competences that need to be developed. Specifically, decisions need to be taken on two dimensions of dynamic competence: type (technological and marketing) and extent (breadth and depth). Competence affects an 'organization's ability to control its own future behavior' (Selznick, 1957, p. 35). Given limited resources, dynamic competence in one domain may mean lack of competence in another domain an issue particularly salient in the technology domain, as it is populated by a plethora of scientific and engineering fields. Firms are forced to choose a subset of fields in which to develop competence. But they need to guard against a natural tendency to develop knowledge solely in their current or contiguous domains (Cohen and Levinthal, 1990; March, 1991). This could have disastrous consequences in turbulent environments when a competence destroying technical change takes place (Tushman and Anderson, 1986; Cohen and Levinthal, 1990). Thus, selections of domains for dynamic competence and of the extent of competence sought in each

by firms have resulted in efforts to appropriately reformulate existing theories of the firm, and in efforts to develop new ones. This has led to analyzing the nature of dynamism and flexibility.

The push for achieving competitiveness by pursuing a corporate strategy intensely dependent on ICT is a familiar theme, paralleling the view that technology acts as an external change agent both in society and in organizations. A firm's competitive strategy specifies the potential products and markets, long-term objectives, and policies for achieving the objectives. Organizations must continuously review their strategies to identify the aspects of market priority, product structure, manufacturing configuration, and investment. Improvement programs should match operational goals and objectives (Ansoff, 1999).

For the social security providers to grow from local to world class status, their actions need to be undertaken. This includes recognizing and exploiting market opportunities through the use of advanced technology, creating new distribution channels, products, services and customer segments. World class IT resellers develop themselves through diversification and extended networks. They can outperform local and transition companies with regards to the development of networks and markets (Corbitt, 2000).

Competitiveness of a company is mostly dependent on its ability to perform well in dimensions such as cost, quality, delivery, dependability and speed, innovation and flexibility to adapt itself to variations in demand (Carpinetti *et al.*, 2000). Four widely accepted competitive priorities are cost, delivery, quality and flexibility. Competitive priorities might be used as measures of competitiveness (external) and competence (internal). According to Fleury and Fleury (2003), organizations should optimize the quality/price ratio for operational excellence. Quality and

lower cost are the top ranking competitive factors among US electronics and computer industries. Therefore, competitive priorities will have to be decided very carefully because it will set the direction for adoption of different processes or management practices by the organization (Chepkwony, 2001).

For sustainable growth in highly competitive global market, performance measurement has become an essential component of strategy development by service providers. Effective performance measurement system plays an important role in supporting managerial development in the organizations. Performance measurement is defined as the process of quantifying the efficiency and effectiveness of a system. Performance of an enterprise is often measured as a ratio of output to input. The outputs constitute the products/services of the enterprise and the inputs are the resources used by the enterprise. It is highly essential that all the factors, both tangible and intangible, should be included in analyzing organizations performance (Wanjohi, 2008).

## **2.5 Competitive Advantage Response**

Organizations respond to pressure from competition by formulating competitive strategies. A competitive strategy, from a business level perspective, is the achievement of competitive advantage by a business unit in its particular market (Johnson, Scholes & Wittington, 2006). Sidorowicz (2007) views competitive strategies as more skill-based and involving strategic thinking, innovation, execution, critical thinking, positioning and the art of warfare. Strategic responsiveness is described by the degree of discontinuity of new product/services from the past of the firm's new product/service competitive environment and marketing strategy. The scale of

discontinuity ranges from the no change to incremental change to change which is discontinuous for the firm but observable in the environment to creative change which has not been observed previously. Timeliness ranges from reactive to anticipatory to innovative to creative. Responsiveness of the firm capability must also be matched to the environmental turbulence. Successful market driven firms are extroverted and future oriented. The focus is on serving the future needs of the historical customers using the historical strengths of the firm (Ansoff, 1998).

A competitive strategy directs an organization in gaining a competitive advantage above its rivals (Porter, 1986). Michael Porter's famous Five Forces of Competitive Position model provides a simple perspective for assessing and analyzing the competitive strength and position of a corporation or business organization (Porter, 1986). The porter's five forces include the existing competitive rivalry between suppliers, threat of new market entrants, bargaining power of buyers, power of suppliers, and threat of substitute products (including technology change). Porter's Five Forces model provides suggested points, by which a broad and sophisticated analysis of competitive position can be developed, as might be used when creating strategy, plans, or making investment decisions about a business or organization. Michael Porter provided a framework that models an industry as being influenced by five forces (Porter, 1986). The strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates.

The intensity of rivalry among firms varies across industries, and strategic analysts are interested in these differences. When a rival acts in a way that elicits a counter-response by other firms, rivalry intensifies. In pursuing an advantage over its rivals, a firm can choose from several competitive moves. This includes changing prices by rising or lowering prices to gain a

temporary advantage, improving product differentiation by improving features, implementing innovations in the manufacturing process and in the product itself (Porter, 1986). It also includes creatively using channels of distribution like using vertical integration or using a distribution channel that is novel to the industry and by exploiting relationships with suppliers.

Strategy is about ensuring the survival and prosperity of a firm (Grant, 2005) by implementing strategies to fulfill stakeholder expectations in an uncertain future. Firms that engage in strategic planning and have appropriately designed and applied competitive strategies tend to have higher performance than those that do not. Competitive strategies can lead to high organisational performance, customer satisfaction, and increased competitiveness in the face of other rival businesses. However, achieving competitive advantage and increased market share in a competitive environment is rather complex in several aspects as businesses would need to operate with distinguished principles and characteristics in order to continually adapt to change.

Researchers have determined to view companies as autonomous entities, striving for competitive advantage from either external sources, or from internal resources and capabilities (Gulati *et al.*, 2000). Surely, the objective of a company's strategy is to achieve competitive advantage, but additionally, the strategy itself is a source of competitive advantage (Luffman *et al.*, 1996).

Accelerating changes in industries and economies resulting in global competition have led to an increased popularity of strategic planning (Rigby, 2001). An understanding of how technology and globalization affects a company's competitive positioning and creating global competitive advantage are the most important determinants of strategic management today. With the liberalization of international trade and financial markets, an increasingly interconnected global

economy has been emerging. Nowadays, companies are facing more radical changes than ever before to which they must adapt to survive and prosper. These changes have been widely felt across many sectors of industry and commerce.

Competitive strategies have been classified into three types: cost reduction, innovation and quality-enhancement (Schuler and Jackson, 1987). It has been argued that all three strategy types can be used simultaneously to gain domestic and international competitive advantage, regardless of industry. Others argue that there is only one essential factor in determining a competitive advantage - i.e. the ease with which competitors can enter or expand in a given market (Greenwald and Kahn, 2005). If a company can erect strong barriers to entry, through customer captivity, lower production costs, or economies of scale, it can manage these advantages, anticipate competitors' moves, or achieve stability through bargaining and cooperation. It is claimed that addressing barriers to entry is by far the most important activity in business strategy, and avoiding competition is the only way to escape an open playing field in which only the best survive and prosper.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the methodology adopted for the study. It describes the research design, data collection method and data analysis.

### **3.2 Research Design**

The research designed used was a case study. A case study was chosen because it is a detailed analysis of a single unit of study desired as it provides focused and detailed insight to phenomenon that may otherwise be unclear. This is advocated by Young (2000) who acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It is a method that drills down, rather than cast wide.

This study adopted a purposive sampling design. This was because the information needed for the study is with some specific individuals in the parastatal. Hence, the study interviewed the managers at NSSF who included the general manager for Social Security, manager for investment, strategy and development, operations and corporate affairs. These categories of managers are more familiar with the operations of the organizations business.

### **3.3 Data collection**

This study used primary data. Interview guide was used to collect the data. An interview guide is a set of questions that the interviewer asks when interviewing (Mugenda and Mugenda. 2003). It



makes it possible to obtain data required to meet specific objectives of the study. In this study, the interview guide was administered to five general managers who are the heads of the five divisions in the NSSF. These were General Manager Social Security, Investment, Strategy and development. Operations and Corporate Affairs. This is because the managers were versed with the management of the NSSF.

### **3.4 Data Analysis**

Since the collected information was qualitative in nature, content analysis was used to analyze the data. The data was analyzed on the aspects that highlighted the company's response strategies to competition from other pension funds in Kenya. Previous studies that have successfully used content analysis include: Mwathi (2003), Ngunjiri (2005) and Kiptugen (2003).

## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF RESULTS**

This chapter entails presentation, analysis and interpretations of primary data collected for the study whose main objective was to determine the strategic responses adopted by NSSF in competing with other pension funds in Kenya. The respondents were managers for Social Security, Investment, Strategy and development, Operations and Corporate Affairs. The data was collected using interview guides and analyzed through content analysis.

### **4.1 Vision, Mission and Mandate of NSSF**

The study sought to find the vision, mission and mandate of NSSF. Vision and mission are important tools in communicating goals and objectives of the company. The vision of NSSF is to be a world class centre of excellence in the provision of social security. The mission of the organization is to provide quality service to all members through timely registration, collection and prudent investment of contributions, and timely payment of benefits when they fall due.

The organization plays an important role in provision of social security protection to workers in the formal and informal sectors. It registers members, receive their contributions, manage funds of the scheme, process and undertakes the responsibility to secure the future of all Kenyans against economic and social distresses such as sicknesses, invalidity, old age and death.

## **4.2 Core Business of NSSF**

The organization provides various benefits to protection to workers in the formal and informal sectors. The benefits include: 1) Age benefit through which members are paid their savings plus interest upon retirement at the age of 55 years or above, 2) Withdrawal benefit through which members get their savings plus interest at the age of 50 upon early retirement, 3) Invalidity benefit which is paid when employee cannot work due to injuries, incapacitation through accidents or disease, 4) Emigration grant which covers Kenyans who are leaving the country for good, 5) Funeral grant which is paid to the next-of-kin upon death of a contributing member. 6) Survivor's Benefit; Paid to dependants of a deceased member.

The clients of NSSF are all employers, all workers on permanent employment in the private and public sectors, the self employed who can subscribe to voluntary contributors scheme which caters for all Kenyans age 16 years upwards and Kenyans living, studying and working in the Diaspora.

## **4.3 Environmental forces that trigger changes at NSSF.**

The study sought to find environmental triggers of changes at NSSF. The triggers are categorized into internal and external triggers.

### **4.3.1 Internal Triggers**

The internal triggers of change include: increased member base, increased importance of the fund, more dependence, the need to avoid confusion in the management of the fund with other

functions of the Ministry of Labor, demand from the stakeholders, the need to take services closer to the customers, the need for effective and efficient management of the fund. There is a need for computerization to increase accuracy, transparency customer satisfaction by reducing claim processing period and to enhance record management. There is voluntary contribution within the organization to increase membership for instance; suggestions have been made to allow for inclusion of members of the informal sector and casual employees. Besides, changes within the organization have been triggered by the need to improve transparency, the need for outsourcing to help the organization in focusing on its core activities, expectation for corporate social responsibility, poor public image and the need for reorganization of investment portfolio to maximize investment income and enhance return to members.

### **4.3.2 External Triggers**

The external triggers of change include: outcry from female employees from member companies and suggestions from public to the organization to increase membership base. Changes at NSSF are triggered by socio-economic development because of life expectancy, employment change pattern and evolving interpersonal norm. Change of the regulatory requirements and amendment of NSSF Act and Pension Act have also triggered changes in the organization. Moreover NSSF has undergone change due to stakeholder activism and demand for quality services, competition from Pension Fund, Provident Fund, Unity Trusts and Insurance companies.

#### **4.4 Competitive strategies at NSSF**

NSSF has adopted various strategies in order to remain competitive after the liberalization of the pension industry. The organization has adopted the following change management approaches: increasing membership base, improving range and level of benefits, business process and organizational structures, management of human capital information, information management and corporate imaging. NSSF has also adopted investment portfolio management in compliance with Retirement Benefit Authority, cost management aimed at increasing customer value in competitive environment, change in legal instruments, publication of annual financial statements, creation of awareness and understanding among all stakeholders, change in leadership style, and solidification of process tactics and integration of new processes.

The organization has stipulated various guidelines on core values, work culture, good corporate governance, organizational standards, customer expectation, customer responsibilities, correspondence, and customer experience. NSSF is commitment to continually provide a high quality, efficient, effective and helpful service to its customers. In order to achieve its goals the organization upholds the following core values: integrity, efficiency, effectiveness, transparency, accountability, good members corporate citizenship, zero tolerance on corruption, sensitivity to views and opinions of customers, equal opportunity in employment practices, corporate social responsibility and teamwork.

In regard to work culture, the organization has enhances team work among all stakeholders. There is a conducive and healthy work environment in adherence to local and global tenets of corporate governance. The organization educates the public and customers on the importance of

social security. Moreover, all stakeholders in NSSF are encouraged to promote a collective responsibility and create a discrimination free environment.

The organization is guided by the following standards: recognition of customers as the organization's most important resource, promotion of effective, open and positive communication that encourages teamwork, respect and equitable treatment of all individuals, a guarantee of quality service to all citizens, the organization undertakes to complement efforts of government and other stakeholders in alleviating poverty and resolving the needs of contributors and beneficiaries.

The organization meets customer expectation by delivering secure and prudent investment; efficient resource utilization; professional, honest and reasonable dealings; accountability and transparency, ensuring a responsive and customer friendly environment and settlement of all valid claims in a professional and timely manner. The management of the National Social Security Fund is committed to good corporate governance; results based management styles and devolvement responsibility.

The organization maintains good channel of communication with customers. When a customer write to the organization a response to is delivered within seven (7) working days from the day of receipt. If the matter is complicated the organization acknowledges customer's communication within five working days. Responses to E-mails are delivered within 24 hours. When customers have problems they can speak to the customer care officer or the branch manager. There are telephone contacts for officer responding to customers' queries. Whenever a customer visits NSSF offices, there is a staff member who attends the customer within five

minutes. In order to continually improve services offered, the organization welcome customers' comments which are delivered through suggestion boxes, emails or direct talk to staff members. NSSF also conduct periodic customer service surveys in which all customers are encouraged to participate.

Customers are encouraged to constantly obtain their statement and ensure that contributions are properly credited into the accounts. The organization advices customers to report in confidence to the nearest NSSF office if employers fail to registered them or fail to remit their contributions. The organization efficiently deal with requests form customers. Whenever claims are filed correctly the customer is informed of his or her rights, obligations and responsibilities as far a s the claims and benefits are concerned. Payments are the made within 12 working days.

With respect to customer responsibilities the organization request customers to complement its efforts by ensuring that employer submit employees' returns data electronically using diskette, flash disk or CD. The employers are urged to pay contributions for each month before the 15<sup>th</sup> day of the ensuing month, ensure that all employees are registered and contributions paid on their behalf. Employers are also advised to avoid discrimination on accounts of referring to some employees as casual or permanent and not to use contributions deducted on behalf of employees as a new investment in your business.

NSSF invests member's contributions to improve on customer benefits and interest. The organization has shares in the Nairobi Stock Exchange and has invested in treasury bills and bonds, equity shares, bank deposits and real estate.

NSSF has adopted strategies that promote social marketing. The organization conducts research on the needs and wants of customers. The organization divides its customers into subgroups with similar needs and want and tailor make service that satisfies them. The organization run promotion programs on print and electronic media in which the public is informed of the need for social security. NSSF offer regular training to the staff members on strategic management. Besides, there is continuous evaluation of program initiated by the organization to enhance its competitive advantage.

#### **4.5 Achievements of NSSF strategic plan**

The strategic plan at NSSF has resulted in various achievements which include: registration of female employees as members, change from a department in the ministry of labor to a parastatal. computerization and networking (Information and Communication Technology), introduction of voluntary contributions, introduction of customer service department, open work station layout and introduction of returns through soft copies. NSSF outsource security services, tea for staff, estate management, information technology maintenance services car park management and cleaning services. The organization has initiated corporate social responsibility programs such as supporting children's home, health runs to support freedom from causes of hunger, sight savers and HIV7AIDS campaigns. Other achievements include regular reorganization of portfolio, introduction of Tenant Purchase Scheme (TPS) and change of the organization culture.

The decentralization of NSSF operations from the headquarters to branches countrywide has drastically reduced the processing time of benefit claims from 60 days to 12 days currently. The



strategic plan led to maintenance of an average return on investment at 14% since 2004 culminating in improvement of the NSSF value from 50 billion shillings in 2004 to 82.2 billion shillings in the year 2007. Creation of a special programmes department has helped in the fight against corruption and alleviation of stigmatization and spread of HIV/AIDS at the work place. Implementation of strategic plan has led to the introduction of voluntary membership to cover workers in the informal sector and of information technology to network all NSSF branches countrywide. Customers can now be paid in any part of the republic and can access their statements whenever there is an NSSF office.

#### **4.5.1 Effects of strategic plans on financial performance of NSSF**

National Social Security Fund has embarked on restructuring its investment portfolio mainly for purposes of maximizing members' returns. In the year 2010 the organization conducted an assessment of trend of investment for the period 2004 -2009. Table below 4.1 shows trend of Income and Assets growth for the six years (2004 to 2009).

**Table 4. 1: Income and Assets Growth for the Six Years (2004 to 2009)**

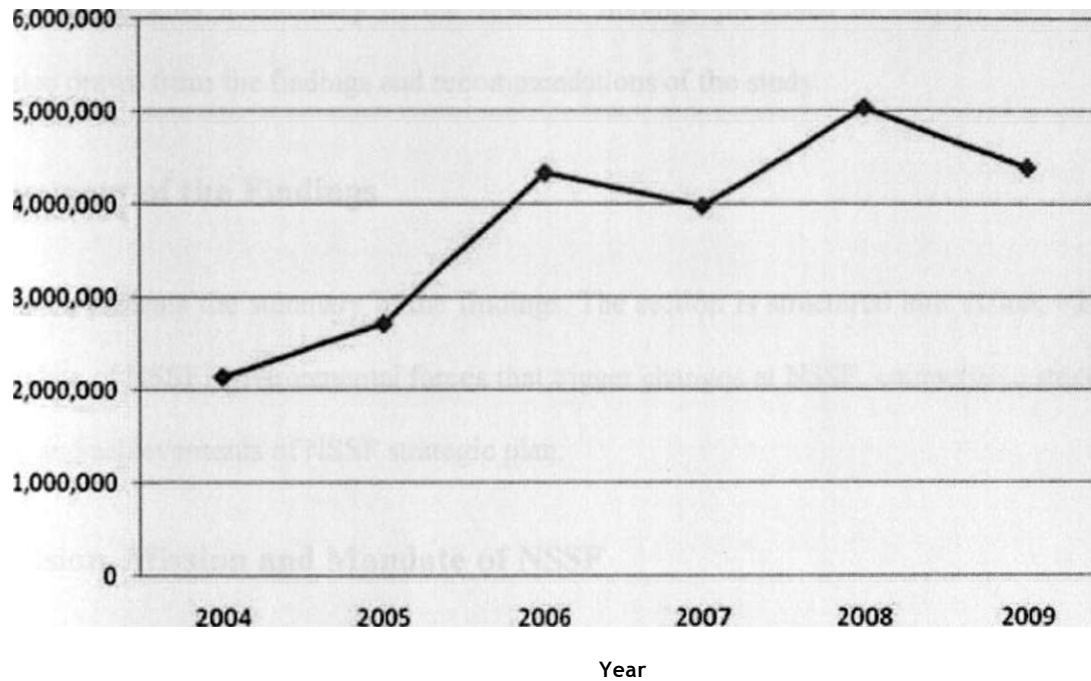
<b>PERIOD</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Interest on Deposit and Government	578,365	563,376	476,015	732,641	1,022,504	1.816.424

Securities						
Rental income on real estate	476,956	532,054	507,518	676,598	615,176	543,179
Interest on Tenant purchase	509,866	524,273	452,111	374,659	486,991	419,573
Dividend from equity	569,461	1,084,592	1,020,369	1,198,496	1,191,263	1,074,031
Gain on stock	0	0	1,865,383	982,877	1,688,781	501,811
Other income	14,591	16,734	11,997	14,746	30,964	33,295
TOTAL	2,149,599	2,720,993	4,333,393	3,980,015	5,035,684	4,388,277

The data in table 4.1 above indicates that there is a remarkable growth in income from year 2005.

This growth has been achieved due to innovative investments strategies by NSSF.

**Figure 4.1: Trend of Investment Income Received For the Period 2004 -2009**



The data in figure 4.1 above on the trend of investment income received for the period 2004 - 2009 indicates that there is a remarkable increase growth in investment income. This trend can be attributed to financial investments strategies by NSSF.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

This chapter presents a summary of the research findings presented in chapter four above, conclusion drawn from the findings and recommendations of the study.

### **5.1 Summary of the Findings**

This section presents the summary of the findings. The section is structured into vision, mission and mandate of NSSF, environmental forces that trigger changes at NSSF, competitive strategies at NSSF and achievements of NSSF strategic plan.

#### **5.1.1 Vision, Mission and Mandate of NSSF**

NSSF has a vision of being a world class centre of excellence in the provision of social security. The organization aims at providing quality service to all members through timely registration, collection and prudent investment of contributions, and timely payment of benefits when they fall due. The organization register members, receive their contributions, manage funds of the scheme, process and undertake the responsibility to secure the future of all Kenyans against economic and social distresses such as sicknesses, invalidity, old age and death.

The organization provides various benefits such as age benefit through which members are paid their savings plus interest upon retirement at the age of 55 years or above; withdrawal benefit through which members get their savings plus interest at the age of 50 upon early retirement; invalidity benefit which is paid when employee cannot work due to injuries, incapacitation

through accidents or disease; emigration grant which covers Kenyans who are leaving the country for good; funeral grant which is paid to the next-of-kin upon death of a contributing member and survivor's benefit which is paid to dependants of a deceased member.

### **5.1.2 Environmental forces that trigger changes at NSSF.**

Regarding the environmental forces that trigger changes at NSSF, the study found that there are internal and external triggers of change. The internal triggers of change include: increased member base, increased importance of the fund, more dependence, the need to avoid confusion in the management of the fund with other functions of the Ministry of Labor, demand from the stakeholders, the need to take services closer to the customers, the need for effective and efficient management of the fund. There is a need for computerization to increase accuracy, transparency customer satisfaction by reducing claim processing period and to enhance record management. There is voluntary contribution within the organization to increase membership for instance; suggestions have been made to allow for inclusion of members of the informal sector and casual employees. Besides, changes within the organization have been triggered by the need to improve transparency, the need for outsourcing to help the organization in focusing on its core activities, expectation for corporate social responsibility, poor public image and the need for reorganization of investment portfolio to maximize investment income and enhance return to members.

The external triggers of change include: outcry from female employees from member companies and suggestions from public to the organization to increase membership base. Changes at NSSF are triggered by socio-economic development because of life expectancy, employment change

pattern and evolving interpersonal norm. Change of the regulatory requirements and amendment of NSSF Act and Pension Act have also triggered changes in the organization. Moreover NSSF has undergone change due to stakeholder activism and demand for quality services, competition from Pension Fund, Provident Fund, Unity Trusts and Insurance companies.

### **5.1.3 Competitive strategies at NSSF**

With respect to competitive strategies, the study established that NSSF has adopted various strategies in order to remain competitive after the liberalization of the pension industry. The change management approaches in the organization include: increasing membership base, improving range and level of benefits, business process and organizational structures, management of human capital information, information management and corporate imaging. NSSF has also adopted investment portfolio management in compliance with Retirement Benefit Authority, cost management aimed at increasing customer value in competitive environment, change in legal instruments, publication of annual financial statements, creation of awareness and understanding among all stakeholders, change in leadership style, and solidification of process tactics and integration of new processes.

The organization has stipulated various guidelines on core values, work culture, good corporate governance, organizational standards, customer expectation, customer responsibilities, correspondence, and customer experience. Core values at NSSF include integrity, efficiency, effectiveness, transparency, accountability, good members corporate citizenship, zero tolerance on corruption, sensitivity to views and opinions of customers, equal opportunity in employment practices, corporate social responsibility and teamwork. Work culture is enhanced through team

work among all stakeholders, conducive and healthy work environment in adherence to local and global tenets of corporate governance, encouragement of all stakeholders in NSSF to promote a collective responsibility and create a discrimination free environment.

The organization is guided by the following standards: recognition of customers as the organization's most important resource, promotion of effective, open and positive communication that encourages teamwork, respect and equitable treatment of all individuals, a guarantee of quality service to all citizens, the organization undertakes to complement efforts of government and other stakeholders in alleviating poverty and resolving the needs of contributors and beneficiaries.

The organization meets customer expectation by delivering secure and prudent investment; efficient resource utilization; professional, honest and reasonable dealings; accountability and transparency, ensuring a responsive and customer friendly environment and settlement of all valid claims in a professional and timely manner. The management of the National Social Security Fund is committed to good corporate governance; results based management styles and devolvement responsibility. The organization maintains good channel of communication with customers. Customers are encouraged to constantly obtain their statement and ensure that contributions are properly credited into the accounts. With respect to customer responsibilities the organization request customers to complement its efforts by ensuring that employer submit employees' returns data electronically using diskette, flash disk or CD.

NSSF has adopted strategies that promote social marketing. The organization conducts research on the needs and wants of customers. The organization divides its customers into subgroups with

similar needs and want and tailor make service that satisfies them. The organization run promotion programs on print and electronic media in which the public is informed of the need for social security. NSSF offer regular training to the staff members on strategic management. Besides, there is continuous evaluation of program initiated by the organization to enhance its competitive advantage.

#### **5.1.4 Achievements of NSSF strategic plan**

The achievements of competitive strategies at NSSF include: registration of female employees as members, change from a department in the ministry of labor to a parastatal, computerization and networking (Information and Communication Technology), introduction of voluntary contributions, introduction of customer service department, open work station layout and introduction of returns through soft copies. NSSF outsource security services, tea for staff, estate management, information technology maintenance services car park management and cleaning services. The organization has initiated corporate social responsibility programs such as supporting children's home, health runs to support freedom from causes of hunger, sight savers and HIV7AIDS campaigns. Other achievements include regular reorganization of portfolio, introduction of Tenant Purchase Scheme (TPS) and change of the organization culture. The decentralization of NSSF operations from the headquarters to branches countrywide has drastically reduced the processing time of benefit claims from 60 days to 12 days currently.



## **5.2 Conclusion**

The study concludes that NSSF has strategies aimed at enhancing competitive advantage in response to internal (e.g. increased member base, increased importance of the fund, more dependence, the need to avoid confusion in the management of the fund with other functions of the Ministry of Labor, demand from the stakeholders, the need to take services closer to the customers, the need for effective and efficient management of the fund) and external environmental forces (e.g. socio-economic development because of life expectancy, employment change pattern and evolving interpersonal norm, change of the regulatory requirements and amendment of NSSF Act and Pension Act).

The competitive strategies at NSSF include increasing membership base, improving range and level of benefits, business process and organizational structures, management of human capital information, information management and corporate imaging, investment of portfolio management in compliance with Retirement Benefit Authority, cost management aimed at increasing customer value in competitive environment, change in legal instruments, publication of annual financial statements, creation of awareness and understanding among all stakeholders, change in leadership style, and solidification of process tactics and integration of new processes. The competitive strategies have led to achievements such as registration of female employees as members, change from a department in the ministry of labor to a parastatal, computerization and networking, introduction of voluntary contributions, introduction of customer service department, open work station layout, introduction of returns through soft copies and improved financial performance.

### **5.3 Recommendations**

The study recommends continuous monitoring and evaluation of the process of implementation of strategic plans. This will enable the organization to assess the effectiveness of the formulated strategic plans. The organization will be able to identify the challenges met in the implementation of strategic plans.

The study recommends an increase in the scope of available benefits and membership coverage. Expanding the scope of the available benefits and membership coverage will provide customers with a wide range of services. Besides the organization will be able to will register improved performance due to increase in the number of customers.

To ensure that the change program is successfully implemented, the study recommends that the organization retains adherence to recruitment of highly qualified staff. Employment of highly qualified staff will improve the quality and the efficiency of services offered by the organization.

### **5.4 Areas for further study**

The study recommends further studies on organizational factors that influence strategic management at NSSF. The study will inform the organization on the factors that promote or hinder strategies adopted by the organization.

The study also recommends further study on the impact of leadership style on effectiveness of strategic management at NSSF. The study will provide valuable information to the managers

who will be able to identify leadership styles that contribute to successful implementation of strategic plans.

### **5.5. Limitation of the Study**

The study encountered various limitations. Some respondents were unwilling to respond to the questions on the interview guide. This resulted from respondents' concern on confidentiality of the information provided. However, the researcher overcame this limitation by assuring the respondents" that the information provided would be treated with high confidentiality and the information provided would be for academic use only.

The study was also limited by time. The respondents had busy work schedules that limited time available for other activities. This limitation was overcome by booking appointments with the respondents in advance. This allowed the respondents to choose their own convenient time for the interviews.

The study was also limited by restrictions on access to managers' offices. Some of the offices cannot be accessed without appointments or authorization letters. To overcome this limitation, researcher obtained an introductory letter from the University of Nairobi. The letter was a proof that the researcher was a student in the university and was authorized to collect data for academic research project. The letter allowed the researcher to access respondents' offices.

### **5.6 Implication on Policy Theory and Practice**

The Governments of Kenya plays an important role in regulating the operation of NSSF. This study recommends that government should continuously review policy guidelines on social

security. This will enable the government to help the management of NSSF in tackling the challenges encountered by the organization. The policy guidelines should create a conducive business environment that ensures successful of implementation of strategic plans at NSSF and protect the organization from adverse competition from insurance agencies.

A clear and properly communicated strategic plan ensures that all stakeholders in an organization understand their roles. The study recommends that the management at NSSF should regularly review its strategies with a view to enhancing the effectiveness of mode of communication for the adopted strategic plans. This can be enhanced through engagement of all stakeholders in formulation, implementation, monitoring and evaluation of strategic plans. Besides, more funds should be used in facilitation of the implementation process through training and seminars.

During strategic planning, the management at NSSF should priorities the following: engagement of all stakeholders, the need to increase membership base, availability of human capital, advances in information communication technology, availability of finances, changes in legal instruments, customer relationship and marketing.

## REFERENCES

- Agrawal, A and Knoeber, CR (1996) Firm Performance and Mechanisms to Control Agency Problems Between Managers and Shareholders *Journal of Financial and Quantitative Analysis*, vol. 31, No. 3, 377-97.
- Ansoff, H. (1969), Business Strategy. Harmondsworth: Penguin Books.
- Ansoff, H. (2002), strategic management Harmondsworth: Penguin Books
- Argyris, Chris, and Donald A. Schon (1978). *Organizational Learning: A Theory of Action Perspective*. Reading, Mass.: Addison-Wesley.
- Asher, M. & Nandy, A. 2006a. *Governance and Regulation of Provident and Pension Schemes in Asia*. Edward Elgar.
- Baker, A., Logue, D. & Rader, J. And Clap, N. 2005. *Managing Pension and Retirement Plans: A Guide for Employer, Administrators and other Fiduciaries*. Oxford University Press.
- Barrientos, A. & Boussofiane, A. 2005. How efficient are pension fund managers in Chile? *Revista de Economia Contemporanea*. (2):289-311.
- Barros, C.P. & Garcia, T.M. 2006. Performance Evaluation of Pension Funds management Companies with Data Envelopment Analysis. *Risk Management and Insurance Review*. (2): 165-188.
- Bikker, J., & Dreu, J,. 2009. Operating Costs of Pension Funds: The impact of scale, governance and plan design. *Journal of Pension Economics and Finance*. (8)63-89.
- Canadian Treasury Board. 2009. Effective Spending to Create Value. Available: [www.tbs.sct.gc.ca](http://www.tbs.sct.gc.ca). [Accessed 7 July 2009].

- Catalan M. 2004. Pension Funds and Corporate Governance in Developing Countries: What do we know and what do we need to know? *Journal of Pension Economics and Finance*. (3): 197-232.
- Catalan M., Impavido G. & Musalem, A.R. 2000. Contractual Savings or Stock Market Development. Which one leads? *World Bank. Social Protection Discussion Paper Series*. No. 0020.
- Cinca, S.C, Mar Molinero, C. & Garcia, F.C. 2002. On Model Selection in data Envelopment Analysis: A Multivariate Statistical Approach. *Discussion Papers in Management* M02-7.
- Clark. G. 2006. Regulation of Pension Fund Governance: *The Oxford Handbook of Pensions and Retirement Income*. Oxford University Press.
- Coffee, J.C., (1991) Liquidity versus Control: The Institutional Investor as Corporate Monitor, *Columbia Law Review*, vol.91, No. 6, 1278-367.
- Davis E. P. 2005. The role of pension funds as institutional investors in emerging market economies. Korean Development Institute Conference. *Population Ageing in Korea: Economic Impacts and Policy issues*. March.
- Davis E. P. 2006. *How will Ageing Affect the Structure of Financial Markets?* G20 Workshop on Demography and Financial Markets. Sydney. July.
- Diamond, D.W. (1984) Financial Intermediation and Delegated Monitoring, *Review of Economic Studies* 51, 393-414.
- Financial Times. 2003. *How not to seize the moment in pensions*. Sep 1

Gekaros, J. 2007. *CEO Pensions: Disclosure, Managerial Power, and Optimal Contracting*. Pension Research Council. PRC WP2007-05.

Gethard G. (2009) *Falling Giant: A Case Study of AIG*. Retrieved May 29, 2009 (<http://www.investopedia.com/articles/economics/09/american-investment-group-aigbailout.asp>).

Grant, R.M. (2005), *Contemporary Strategy Analysis*, Blackwell, Oxford. 34, 312-324.

Greenwald, B., Kahn, J. (2005), *Competition Demystified - A Radically Simplified Approach to Business Strategy*, Portfolio, New York, NY. 15, 98-112

Gulati, R., Nohria, N., Zaheer, A. (2000). Strategic networks. *Strategic Management Journal*, 21 (3), 203-215.

Help Age International 2006

Henon, E. & Kanouse, D. 2004. *Efficient Administration: Achieving Winning Results*. Available: Diversified Investment Advisors Report on Retirement Plans. [www.divinvest.com](http://www.divinvest.com) [Accessed 1 March 2009],

Herbertsson, T. 2001. *Design of a pension system*. <http://www.pensions-research.org> [Accessed 12 May 2009].

Hinz, R. & Van Dam, R. 2006. *Risk Based Supervision of Pension Funds in the Netherlands*. World Bank. Washington DC.

Holzmann, R. & Hinz, S. 2001. *New Ideas about Old Age Security*. World Bank. Washington DC.

- Hughes, G. & Stewart J. 2004. Reforming Pensions in Europe: *Evolution of Pension Financing and Sources of Retirement Income*. Edward Elgar.
- Hustead, E. 2008. Administrative Costs of State Defined Benefit and Defined Contribution Systems. Pension Research Council. PRC WP2008-18.
- Impavido G. 2002. On The Governance of Public Pension Fund Management. World Bank.
- International labour law (ILO, 2001) Geneva
- Johnson, G., Scholes, K. & Whittington, R. (2006). *Exploring corporate strategy: Text and cases*. 7<sup>th</sup> Ed. New Jersey, Prentice Hall.
- Johnson, K.L. & Graaf, F.J. 2009. Modernizing Pension Fund Legal Standards for the 21 Century. Rotman International Journal of Pension Fund Management. Spring 2009. pp.44-51.
- Johnson,G. en Scholes,K. (1993), *Exploring corporate strategy; text and cases*, third edition. Hertfordshire: Prentince Hall.
- Kakwani, N., Sun, H. & Hinz, R. 2006. Old-Age Poverty and Social Pensions in Kenya, International Poverty Center, Working Paper No. 24.
- Luffman, G.A., Lea, E., Kenny, B., & Sanderson, S. (1996). *Strategic Management: An Analytical Introduction*, 3rd ed., Blackwell, Oxford.
- Maug, E. (1998) Large Shareholders as Monitors: Is There a Trade-Off between Liquidity and Control? *Journal of Finance*, vol. 53, No. 1, 65-98.



- McKinsey & Co. (2002) Global Investor Opinion Survey: Key Findings. London: McKinsey & Co.
- Mitchell, O. & Tang, N. 2008. The efficiency of pension plan investment menus: Investment choices in Defined Contribution Pension Plans. Pension Research Council. WP-2008-176.
- Mugenda, O.M. and Mugenda, A.G. (1999) *Research Methods; Quantitative and Qualitative Approaches*. Nairobi; Acts Press
- Myners, P. (2004) Review of the Impediments to Voting UK Shares, Report to the Shareholder Voting Working Group.
- Nathaniel Lichfield, Peter Kettle and Michael Whitbread (1975), Evaluation in the Planning Process. Oxford: Pergamon Press.
- National Treasury. 2004. Retirement Fund Forum: A Discussion Paper. Republic of South Africa.
- O'Neill, L. 2007. Regulating Pension Fund Disclosure of Environmental, Social and Governance Practices. Submission to the Ontario Expert Commission on Pensions. Shareholder Association for Research and Education. Ontario.
- Odundo, E. 2006. Reforming DB Funds: The Case of Kenya. OECD/IOPS Global Forum on Private Pensions. Istanbul. November, pp. 7-8.
- Porter, M. (1986). *Competitive Strategy*. Harvard Business School Press, Boston, MA.
- Rigby, D. (2001). Management tools and techniques: a survey. *California Management Review*, 43 (9), 139-160.

Schuler, R.S., & Jackson, S.E. (1987). Linking competitive strategies with human resource management practices. *The Academy of Management Executive*, 1 (3), 207-219.

Sidorowicz, R. (2007). *Competitive strategy*. *Refresher Publications Inc.* Toronto

Sutton, Howard. (1988). *Competitive intelligence*. New York, NY: The Conference Board.

**UNIVERSITY OF NAIROBI**  
**SCHOOL OF BUSINESS**  
**Mba programme**

Telephone 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 8/8/

**TO WHOM IT MAY CONCERN**

The bearer of this letter. .C,t?.fi.lxsCSL... . j S p ^ ^ G S ^ .

Registration No...

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

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

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

Thank you.

  
**JUSTINE MAGUTU**

^

ASSISTANT q 1  
MBA OFFICE.,AWtBAMK h t d U S r

## **APPENDIX: INTERVIEW GUIDE**

### **TOPIC: STRATEGIC RESPONSES BY NATIONAL SOCIAL SECURITY**

### **FUND TO COMPETITION FROM OTHER PENSION FUNDS IN KENYA**

1. What is the scope of your division's operation?
2. What are the company's mission and vision statements?
3. How many employees are there in your division both management and union?
4. What would you define as the core business of NSSF?
5. How would you define competition?
6. How has competition from other pension funds affected the operations of NSSF?
7. To what extent do you think other pension funds competing with NSSF have reduced the market share in the provision of social security services in the industry?
8. What is your division doing to respond to competition from other pension funds?
9. How would you define strategy?
10. What strategy do you think has been put in place by the organization, in order to remain competitive after the liberalization of the pension industry?
11. How does the strategy put in place fit into the vision and mission statements of the fund?

12. Every organization keeps on scanning the environment to remain competitive. What are the main threats to organizations' survival now and in future?

13. What do you suggest NSSF can do to define, understand and identify its competitor's strengths/weaknesses to strategically respond to them?

14. Strategically how does NSSF wish to position itself to remain competitive considering the ever changing and turbulent environment in the pension industry?

15. What do you suggest NSSF can do to carry out proper strategic responses to competition?

16. What are the challenges NSSF is facing as a result of competition?

17. What recommendations would you suggest NSSF should take in response to competition from other pension funds in Kenya?

**THANK YOU**