IMPLEMENTATION OF STRATEGIC CHANGE TO SUSTAIN DEFINED BENEFITS PENSION SCHEME OF THE LOCAL AUTHORITIES PENSION TRUST IN KENYA.

BY

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DECLARATION

This management project is my original work and has not been presented for a degree in any other university.

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

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Dr. JOHN YABS

DEDICATION

This project is dedicated to my wife Jane Mitei, my sons Kipkoech and Kipmutai for their encouragement, patience, understanding and support without which I would not have been able to undertake the study. Also to my parents Francis and Hellen who taught me the virtues of respect, patience and hard work.

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ABSTRACT

Local authorities Pension Trust, like any other organization whether in public or private organization is directly or indirectly affected by the changes taking place in the environment in which they operate. It therefore becomes apparent for organizations to prepare themselves by formulating and implementing strategies that will enable them to exploit the opportunities and keep threats at bay.

Strategic change management is now a bell weather event hence is a routine management issue that requires concentration for its benefits to be realized. Laptrust has undergone substantial metamorphosis and has lived to see the challenges so much so that during the period of liberalization in the late 1990's through early 2000 in Kenya saw it readjust its operational activities in the quest of establishing a viable fit in the retirement benefits industry. There were challenges such as cut throat competition, high customer expectations, inflation and in the late 2002, the birth of regulator (RBA) which came with stringent rules regarding investment portfolios by the players in the industry.

The global trend in the social security industry where pension schemes are shifting from defined benefits to defined contributions owing to the challenges associated to the former than the later such as; liability remaining with the sponsor (scheme) in case of underfunding, the predetermination of benefits, the use of formula to compute benefits, and the incorporation of period of service rather than contributions received to establish the payable benefits, all poses a challenge to the scheme to warrant strategic change process.

The study therefore sought to establish how strategic change management has been implemented to sustain the defined benefits pension scheme by Laptrust. The study involved collection of both primary and secondary data from various sources in the organization. The findings were that, the change management process is planned. The entire organization owns it both bottom up and top down. A task force was appointed in 2005 which carried out a sample survey of the business processes vide a pilot SWOT analysis and some of the areas under study were, business processes, employee working relations, working tools sufficiency, staff competences, membership records update, debtor status among others.

With the help of consultants, the findings were discussed and proposals made and presented to the board of trustees whose receptive support made the project see the light of the day. As a ground breaking exercise to pave way for the reforms, the schemes name was ceremoniously changed from the very long KLGOSF to LAP Trust, followed by other crucial internal changes. Lap Trust launched its vision, mission and strategies to address the critical issues threatening the sustainability of the defined benefit scheme. Despite the various constraints, change management made considerable gains ranging from; increased membership from 10,000 to 27,000 within a period of three years; enhancement of human resource from 30-70 competent staff; effective and efficient ICT; effective customer care; enhanced business portfolios hence growth of asset base from Ksh 3 billion to 7 billion.

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ABREVIATIONS

CEO	Chief Executive Officer
DB	Defined Benefits
DC	Defined Contributions
NSSF	National Social Security Fund
LAP TRUST	Local Authorities Pension Trust
LAPROFUND	Local Authorities Provident Fund
RBA	Retirement Benefits Authority
KRA	Kenya Revenue Authority
KLGOSF	Kenya Local Government Officers Superannuation Fund
ICT	Information, Communication and Technology
SWOT	Strengths, Weaknesses, Opportunities and Threats.
ILO	International Labour Organization
SACCOS	Savings Account Co-operative Societies

CHAPTER ONE: INTRODUCTION

1.1 Background

In the last decades, there has been an acceleration of the magnitude and pace of change across the globe. These changes, be they political, economic, social and or technological have not spared Kenya. Organizations have reacted in a variety of ways including strategy re-formulation to ensure their continued relevance (Mbogo, 2003). Galbraith (1967 pg.171) alludes that there is nothing so compelling as the need to survive. However, there is little doubt as to how, overwhelmingly, this choice is exercised, it is to achieve the greatest possible rate of growth as measured in sales.

For a longer period, the retirement benefits industry has been less talked off in the business environment in Kenya yet it has some impact in both economic and social framework. There is therefore need to focus on the operations in this industry more especially the future of the pension schemes and the strategies behind their survival. The retirement benefit schemes manage pension funds and are also referred to as pension fund schemes. Pension funds are contractual agreements that provide benefit payments upon the participants' retirement. A pension fund can also be seen as a pool of assets forming an independent legal entity that are bought with contributions to a pension plan for the exclusive purpose of financing pension plan benefits. The main objective of pension schemes is the provision of cash benefits for members upon their retirement at a specified age and relief for the dependants of the deceased members. It operates as per the provisions of a trust deed and rules. By January 2008, pensions funds worldwide held in excess of US$20Trillion in assets; making them the largest category of investors.

There are two main types of pension scheme arrangements. The defined benefits (DB) schemes are where the retirement benefits are determined in advance. It is based on given factors such as number of years of service, last salary, actuarial factors etc. The risk of actuarial deficit (net of assets and liabilities) is assumed by the sponsor. On the other hand, defined contribution (DC) schemes are arrangements where the benefits are determined by the level of contribution and returns on investments, (Fabozzi and Modigliani, 2005).

These schemes can either be a pension fund or provident fund. Pension provides a series of payments (income) to beneficiaries upon retirement usually until death while provident funds provide a onetime lump sum payment. They can also be contributory or non-contributory. Contributory schemes are where both the employer and the employee contribute to the scheme. In non-contributory schemes, only the employer contributes. Some schemes are funded while others are unfunded. Funded schemes maintain sufficient assets to meet its obligation in favor of beneficiaries. Unfunded schemes do not maintain separate assets to back the maturing pension liabilities. Most government pension schemes are unfunded.

This study focused on the defined benefit contributory schemes while the other categorized scheme shall remain possible studies for other scholars in future. The choice made was deemed an appropriate study for the various reasons just to mention but a few are; the uniqueness of the scheme and it's response to the regulator's demands (RBA), competition from defined contributory schemes such as (Provident funds, NSSF and insurance companies), among others.

1.1.1 The Concept of Defined Benefits Scheme

In the recent years there has been something of a panic on the part of employers as they frantically attempt to reduce new employee's access to final salary pension schemes. Under a final salary scheme, the pension holder has a good idea of the benefits that they will receive when their pension reaches maturity. As a result of the decline of these schemes more employees are increasingly uncertain about what they will actually receive on retirement.

Final salary pensions fall under the umbrella term of "defined benefit schemes' in contrast to defined contribution schemes. Essentially, a defined benefit pension scheme can be thought of as a pension in which the ultimate benefits that will be made available to the pension holder are clearly defined in the agreed rules of the scheme. This means that from the outset the pension holder will know what they expect to get when their pension reaches maturity and for this matter at retirement age.

In the vast majority of cases, the contributions made by employee/employer to fund the schemes are not sufficient to cover the costs charged by the provider for running the scheme. One of the advantages of a defined benefit scheme, however, is that the responsibility for making up any such deficit rests entirely with the provider as long as the contributions have been remitted hence such schemes offer a highly attractive option to employees. On the contrary the advantage is one sided since it exposes the provider with high risk of collapse should the investments fail to match the liabilities incurred.

In a defined benefits scheme, benefits are computed based on; salaries of the employee, contributory service (period) that is how long and not how much, the average mortality rate, the varying value of the fund as a result of inflation and perhaps other factors in which the holder has no control over them. Inevitably, there are times at which these variables will have negative effect on the funds themselves. This has been brought into stark relief in recent years as gradually increasing life expectancies, coupled with a significant reduction in the overall value of accumulated pension funds, has meant that the cost of running defined benefits schemes have spiraled. As a result, many pension holders have been "priced out" of their pensions as they no longer represent an economically viable option. In turn, this has meant that employers have began en masse to phase out their defined benefit schemes in favor of their alternative, defined contributions schemes.

The statutorily imposed players in the Industry include;- Trustees who are scheme members drawn from the sponsor and the employees appointed/elected to the board of trustee of the schemes. They are the ultimate guardians and legal owners of the scheme fund and will be directly accountable to members to ensure that their benefits are safeguarded; Fund managers are investment advisors whose main objective is to manage scheme funds and other assets for investment purpose, pursuant to a contract or other arrangement. They are also consultants advising on investment of scheme funds or reporting and disseminating information concerning the assets available for investment of scheme funds; Custodians are companies whose business includes taking responsibility for the safe custody of funds, securities, financial instruments and documents of title of the asset of scheme funds. They are charged with the safe custody of the scheme assets and title documents; Administrators who the trustees may hire or employ, keeps and maintains records of individual members and further assists in the administrative affairs of the scheme; Actuaries who offer valuation services of the Schemes to determine whether the schemes are properly funded and give solutions on possible ways of reducing the deficits.

The sponsors are the employers who voluntarily set up the schemes for the benefit of their employees. Pension contributions are treated as a form of deferred compensation for the employees. Employees become the members of these schemes, as contributing members and later as pensioners.

Other important players are: the regulator (Retirement Benefits Authority), Kenya Revenue Authority (KRA), suppliers, pensioners among others. Of great importance are the competitors in the industry who pose threats, invoke opportunities and triggering strategies to each other. They are, NSSF, Pension schemes such as (Local Authorities Pension Trust, Civil Servants pension scheme), Provident funds such as (Local authorities Provident Fund), Insurance schemes among others.

The pension funds industry plays a significant role in the economy. This is because it enables the pensioners to transfer and manage financial risks as a pool of resources. The sector plays a crucial role in the financial system by indemnifying using financial risk in the economy. The pension schemes serve as institutional investors for both money and capital markets, (Mutua, 2003).

Other roles played by pension funds include mobilization of savings from members which is in turn put to productive uses. Pension funds help improve the corporate governance of publicly traded firms. Because pension funds are large, they can use their influence to monitor insiders and improve shareholder legal protections. In defined benefits plans, the accumulation of assets by pension funds bolsters the domestic market, which in turn leads to more efficient allocations of moneys to productive investments in the domestic economy.

They trade frequently at the stock market thereby increasing the liquidity of the markets, or introduce innovations and new financial instruments to reduce costs. They provide income to retirees in old age. They provide awareness for the need to save for retirements. Play a role in earning foreign exchange through investment in offshore markets.

It is also crucial to demystify the concept of strategic management which plays a major role in this study. Strategic management is defined as the set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives. Robinson R. (2005 pg 3).

Robinson,(2005) asserts that, strategic management comprises of nine critical tasks namely: Formulate the company's mission including broad statements about its philosophy and goals, conduct an analysis that reflects the company's internal conditions and capabilities ie internal SWOT analysis, assess the company's external environment, including both the competitive and the general contextual factors, analyze the company's options by matching its resources with the external environment, identify the most desirable options of evaluating each option in light of the company's mission, select a set of long term objectives and grand strategies that will achieve the most desirable options, develop annual objectives and grand strategies that are compatible with the selected set of long term objectives and grand strategies, implement the strategic choices by means of budgeted resource allocation in which the matching of tasks, people, structures, technologies and reward system is emphasized, and last but not least evaluate the success of the strategic process as an input for future decisions.

According to Robinson (2005), strategy is a company's game plan that provides current and future framework for managerial decisions. It reflects a company's awareness of how, when and where it should compete; against whom it should compete, and for what purpose it should compete.

Professor Aosa in his class notes on strategic management seminar (23rd wed.2008) described strategic management as a concept about winning; it is a unifying theme that gives coherence and direction to the actions and decisions of an individual or organization".

It is also worth highlighting Strategic implementation which is also paramount in this study which as an activity embraces all those actions that are necessary to put to strategy into practice. It involves identification of the key tasks to be performed, allocation of these tasks to individuals, providing for coordination of separated tasks, the design and installation of appropriate management system, the drawing up of a specific program of action including a time schedule down to the level of operating budgets or standards, setting up of systems for comparing actual performance with the standards and the design of a system of incentives, controls and penalties appropriate to the individuals concerned and the tasks to be performed, (Howe, 1993).

Crafting and formulating a strategy represents just but the easy part, implementing it does pose tremendous challenges. Implementation of strategies ultimately translates to changing the way things are done and may evoke sensitivities as any change in an organization disrupts the status quo, (Fred, 1979). He argues that, it is always more difficult to do something (implement) than to say you will do something (formulation), as much more effort, resources and commitment are required at the implementation phase.

The concept of organizational change being one of the issues addressed in this study is about making alterations to the organization's purpose and culture. Change is pervasive in our society and a fact of life in organizations, (Good Fellow, 1985). The impetus to change comes from the environment. Effective strategic leadership understands that change in the strategic environment is a continuous process. A part of strategic leadership entails having an understanding of when environmental change implies a need for organizational change and when it does not. Making internal changes to accommodate external change is reactive, and strategic leadership should be proactive. This is where a well crafted, and when managed strategic vision can help balance reactive and proactive changes (Senge, 1990).

Strategic change implementation therefore is about leveraging vision to get at fundamental aspects of the organization, including the organization's direction and its culture. Its implementation is about forging organizational robustness in the face of environmental pressure; hence an accurate and rightful view of the current reality is as important as a clear vision (Senge, 1990).

1.1.2 Local Authorities Pension Trust (LAP Trust)

Lap Trust was initiated by the colonialist in the early 1960's trading under the name Kenya Local Government Officers Superannuation fund (KLGOSAF). It was meant for the Europeans and Asians and not for Africans. Later after independence, Kenyans were allowed to be contributors of the scheme but only the senior employees of the Local Authorities. The trust operates a Defined Benefit Scheme and more particularly a contributory scheme. Owing to cut throat competition in the past few years, KLGOSF saw the need to increase its capital base and investments by opening up their membership to all local authorities employees regardless of status.

The sponsors are all local authorities such as city councils, municipal councils, county councils, town councils, water companies and related organizations all adding up to approximately one hundred and seventy eight (178), organizations with closer to 40,000 members contributing to LAPTRUST(Laptrust 2004-2009 strategic plan). The rates of contributions have graduated from period to period as follows; between inception upto 30th June 1985, employee's was 7.5% and employer's 9.5% of the basic salary. From 1st July 1985 upto 31st December 2001, the rates changed to 9% and 12% simultaneously still on the basic salary. However, from January 2002 to date following the implementation of collective bargaining agreement of July 2002, contributions were pegged on both basic salary and house allowance at the rates of 12% on employee's and 15% on employer's (Trust Manual 2005, Legal Notice 50, 2006).

As a strategic move, the trust re-launched its name in December 2005 and changed it from the very long KLGOSF i.e. Kenya Local Government Officers Superannuation Fund to LAPTRUST. It also adopted their customer care charter as part of implementation of the strategic plan 2005-2009 through rigorous training of staff. The Trust launched its Logo in 2006 for the first time since inception which is a gesture of strategic change. There was no logo earlier instead was an oval headed letter head with the words Kenya Local Government Officers superannuation fund with its postal addresses and telephone numbers.

KLGOSF was initially headed by a Treasurer up to the year 2000. However, new strategic thinking took place and it was decided that the trust should be headed by a General Manager.

In 2006, a major paradigm shift occurred bringing about a new designation: Managing Trustee; that was more in line with the current organizational objectives.
Owing to competition from other pension schemes, the trust has increased its staff capacity by over 40% during the change process more especially in marketing, corporate affairs, property, ICT and debt recovery departments.

The change process was administered through change agents and training consultants for a period of three months. Functional units such as benefits, accounts, audit, marketing and debt recovery were initially headed by a treasurer but each unit has been allocated a manager after the change induction and implementation process. The change process met a lot of internal resistance more especially from old employees who had gotten used to the old way of doing things hence perceived the change as a way of weeding them out of the organization. Resistance was characterized by internal politics, direct confrontation, tribal teams and gutter press publications among other vices. However, the management treated the problem with a lot of diligence through: leading by example. Hiring of visionary managers, provision of incentives to the unsatisfied group, salary increments commensurate to the difficult tasks necessitated by change, threats to those who persistently resist change. As part of change implementation all the departments have been fully computerized with the most current software and hardware to enhance efficiency in service delivery. Performance contracting has also been adopted in the recent past as a way of improving service delivery and also cutting on costs in labor force.

1.2 Statement of the Problem

The defined benefits pension schemes from its definition depend mostly on the predetermined formula and therefore its sustenance is at the discretion of the players and not the economic performance of the industry and or the country and since they guarantee returns to their customers upon retirement, it still remains a question on how sustainability of these schemes are maintained in the midst of liberalization, stringent RBA regulations, unemployment for the contributory schemes, competition from defined contributory schemes such as NSSF and provident funds among others .

Most pension fund schemes are shifting from defined benefits (DB) to defined contributory schemes majorly because of the fact that the later shifts liability to the contributor/ beneficiary and or the sponsor whereas the former leaves liability with the scheme. The central Government are in the process of introducing contributory schemes to the civil servants through the Public Service Superannuation Fund bill already tabled in parliament to be implemented in January 2010.

Previous studies by various scholars embarked on other issues in strategy implementation in the retirement industry for instance, Salim.A.M (2006) focussed on the implementation of ICT strategies by retirement benefits schemes in Kenya, Nyororo (2006), embarked on strategic change management and performance of NSSF, while Mathuiya (2005) looked at the strategic implementation and its challenges in non profit making organizations in Kenya.

The study of LAPTRUST offered a suitable avenue in developing an in-depth understanding of change management in a private organization operating in a turbulent environment marred with colossal challenges such as competition and RBA regulations. How has Laptrust therefore implemented strategic change in order to sustain the defined benefits scheme? “Better a first class implementation procedure for a second class strategy than vice varsa” (Howe (1993).

1.3 Objectives of the study

To establish how pensions industry has implemented strategic change to sustain defined benefits schemes in Kenya.

1.4 Importance of the study

The study will contribute to knowledge of scholars interested in strategic change management particularly in organizations operating in the business industry in the midst of the turbulent environment where competition is inevitable. It is also an eye opener to retirement benefits industry more especially the managers, trustees, actuary and the pensioners.

The study is also a great inspiration to the researchers to investigate the strategic change programs implementation, to learn and contribute to the industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter focuses on the review of implementation of strategic change through presentation of literature on the concepts of strategy, strategic change management, theoretical foundations of change management, models of strategic change, organizational culture and change management, implementation of strategy and factors that influence implementation of change management practices.

Strategy is explained as the link between an organization and its environment and explains the need for all organizations, be they private or public to develop and manage strategy in order to fit in the changing environment (Nyororo, 2005). Owing to the difficulties experienced in implementation of strategic change management, various scholars have proposed change management approaches and models which are yet to be presented in this section of the study. The literature found in this section was mainly sourced from journals, books, references quoted in books, periodicals and internet.

2.2 The Concept of Strategy and Change Management

Johnsons And Scholes (1999) states that strategy is the direction and scope of the organization over the long-term, which achieves advantages for the organization through its configuration of resources within the changing environment to meet the needs of the market and fulfill stakeholders expectations. Neither strategy nor change management would be considered particularly important if products and markets were stable and organization's change was rare (

Burnes, 2002). The organization's environment is always changing and for an organization to enhance its competitive advantage, it must configure its resources to match the changes. The changes could be mild or turbulent but they must be matched accordingly by appropriate strategy.

Aosa (1992) states that strategy is creating a fit between the external characteristics and the internal conditions of an organization to solve a strategic problem. The strategic problem is the mismatch between the internal characteristics of an organization and its external+ environment. The matching is achieved through development of organization's core capabilities that are correlated to external environment well enough to enable the exploitation of opportunities existing in the internal environment and to minimize the impact of threats from external environment. The strategy of an organization must continuously and actively adapt the organizations to meet the demands of an ever-changing environment.

Strategic change management is defined as the actions, processes and decisions that are executed by an organization's members to realize their strategic intentions. Strategic change is about managing the unfolding non linear dynamic processes during strategy implementation in policy, systems, values, staff and skills of an organization to realize strategy (Hardy, 1986).

Hill and Jones (2001) see strategic change as a process of moving an organization away from its present state towards some desired future state to increase its competitive advantage. They observe that most organizations have gone through some kind of strategic change as their management have tried to strengthen their existing core competences and build ones to compete more effectively.

Implementation of strategic change has been seen through pursuance of re-engineering, restructuring and innovation. Strategic change aims at aligning structures, systems, processes and behavior to new strategy.

Ansoff and Mcdonnel (1990) observe that changes are becoming increasingly complex, novel and discontinuous from past experience. Equally the change challenges have increasingly become simultaneous; the need for revival of entrepreneurship for response to the increasing intensity of global competition and for societal involvement is determining how firms are to be run is more critical now than before.

Strebel (1995) says that change management is not working as is should. He contends that the widespread difficulties have at least one common root, that is, that managers and employees view change differently. Both groups seem to know that vision and leadership drive successful change, but far too few leaders appear to recognize the ways in which individuals commit themselves to bring about change. Top level managers are said to see change as an opportunity to strengthen the business by aligning operation with strategy, to take new professional challenges and risks and to advance their careers. For many employees, however, including middle level managers, change is neither sought after nor welcomed. It is disruptive and intrusive. It upsets the balance. Strebel (1995) concludes that, employee often misunderstands or worse ignores the implications of change.

Kanter et al (1992) proposes effective implementation of strategic change and explains that the need for strategic change is to create a change adept organization that anticipates, creates, and responds effectively to change. Organizations that embed change capabilities in everyday operations and empower stakeholders to serve as agents of change are less likely to be blindsided by surprises due to highly turbulent environment or to face resistance from the stakeholders. Therefore organizations should aim at attaining these levels in their strategic change process (Ongaro, 2004).

According to Burnes (2000), change management comes in all shapes, sizes and forms and for this reason, it is difficult to establish an accurate picture of the degree of difficulty organizations face in managing change successfully. However, there are three types of organizational change, which because of their perceived importance have received considerable attention namely; the introduction of new technology in the 1980's, the adoption of Total Quality Management (TQM) over the last 15 years, and from the early 1990's the application of business process re-engineering (BPR). All three in then time, were hailed as revolutionary approaches to improving performance and competitiveness.

2.3 Models of Strategic Change Management

Change management is the use of systematic methods to ensure that the organization and its employees move from the old unwanted behavior to the new desired behavior for the survival of the organization, while retaining some of the key competences. Major scholars have therefore proposed a number of models for strategic change management.

Kotter (1996) suggest eight steps model as shown in diagram 1.0 in which he says if implemented systematically, one step after another, will lead to successful change. This practice in change management consist of the following stages; establishing a sense of urgency; creating a guiding coalition; developing a vision and strategy; communicating the change vision; empowering employees for broad based action; generating short term wins;

consolidating gains and producing more change; and anchoring new approaches in the culture. Kotter (1996) further summarized his experience of more than 100 companies trying to make fundamental change in order to cope with the environment thus " a few of these have been utter failures. Most fall somewhere in between, with a distinct tilt towards the lower end of the scale" (see appendix I).

Ansoff (1998) recommends four approaches to managing discontinuous change, namely; coercive method, the adaptive method, the crisis method, and the managed resistance method. The coercive method is applicable where there is high urgency. It has the advantage of speed but has shortcoming of being highly resisted. Adaptive method is applicable where there is low urgency. Its main advantage is low resistance but the method is very slow. Crisis management method ia applicable where there is threat for survival. Its advantage is low resistance but has the shortcoming of extreme pressure and risk of failure. The managed resistance is applicable under conditions of moderate urgency. Planning and implementation of strategy are done concurrently. It has the advantage of low resistance because it is tailored to time capability change. The disadvantage is that it is more complex than the other three methods.

Kenter et al (1992), on their part presents a model dubbed The Ten Commandments to executing change successfully namely; analyzing the organization's need for change; creating a shared vision and a common direction; separating from the past; creating a sense of urgency; supporting a stronger leader role; lining up political support; crafting an implementation plan; developing an enabling structure; communicating; involving people and being honest and reinforcing and re-institutionalizing changes. These are actually the said scholar's prescriptions for implementation of successful strategic change.

Kurt Lewin from his work on change management came up with the three models which involves going through the steps of un-freezing, moving and re-freezing. Un-freezing involves removing those forces that maintain the organization's behavior at its present level. Moving involves acting on the results of un-freezing that is taking action to move to the desirable state of affairs while re-freezing seeks to stabilize the organization at the new set of equilibrium (Burnes, 2000).

No single approach is recommended for a particular organization to ensure effective strategic change implementation. However, owing to the uniqueness of organizations, change experts propose that a successful change process involves three stages that is; preparing for change, beginning the change process and lastly cementing the change (Burness, 2000)

2.4 Strategy Implementation

Howe (1986) argues that strategy implementation entails the translation of strategy into administrative and operating decisions that are constantly undergoing monitoring and evaluation. Steward (1986) on his part defines strategy implementation as an activity that embraces all those actions that are necessary to put a strategy into practice. It involves identification of key tasks to be performed, allocation of tasks to individuals, providing for inclination of separated tasks, design and installation of appropriate management systems and drawing up specific programs of action.

Strategic management is vital to survival in a turbulent business environment, organizations exist in a complex commercial, economic, political, cultural and social environment, more complex to some organizations than others. The success of every organization is therefore determined by its responsiveness to the environment. To obtain and retain a competitive advantage, organizations have found it necessary to examine their environment both internal and external and respond accordingly by formulating appropriate strategies as well as ensuring their successful implementation.

For successful strategy implementation, there are interrelated themes that play a crucial part these include, identification of measurable mutually determined annual objectives, development of functional strategies, communication of concise policies to guide decisions, coupled with this is the organization's structure, it's leadership and corporate culture play a significant role too Johnson and Scholes (2004).

2.5 Structure and Strategic Change Implementation

Howe (1986) notes that other than selecting the right people to carry out the strategic change implementation, it requires organizations to adopt the right organizational structure, to neglect the importance structure plays is to jeopardize the likelihood of achieving the firm's goals and objectives.

Hill and Jones (2001) argue that implementing a strategy requires the allocation of roles and responsibilities for different aspects of the strategy to different managers and subunits within the company. Organizational structure maps out roles and responsibilities a long with reporting relationships, success of strategic change implementation is very closely linked to the type of structure in existence, the leaner the structure the easier the strategic change execution and vice versa.

Heinz and Harold (1993) defines organizational structure as being the grouping of activities and people into department. Bateman and Zeithaml (1990) also argue that structure is the division of tasks for efficiency and clarity of purpose and coordination between interdependent parts of the organization to ensure organizational effectiveness. Structure balances the need for specialization with the need for integration; it is through structure that strategist attempt to balance internal inefficiency and overall effectiveness within a broader environment. Bateman and Zeithaml further argue that effective organization does not always mean someone is in charge of ensuring a job gets done, but rather that authority is shared and that workers rely on their own initiative guided by a stable structure in place.

Richard (1997) expounds the view that every organization needs to build and maintain optimal organizational structure to generate and develop its strategies, every organization is unique in size, products and services, people, leadership and culture, thus for effective strategic change implementation there is need to avoid creating parallel structures but rather adapt and work with the existing ones for coordination and integration of operating units.

2.5.1 Leadership, Culture And Strategic Change Implementation

Hill and Jones (2001) view strategic leadership as the ability of one to articulate strategic vision for the company or a part of the company and to motivate others to buy into that vision. A strategy leader is an individual upon whom strategy development and change are seen to be dependent on, they are individuals personally identified with, and are central to the strategy of their organizations (Johnson and Scholes, 2002).

Johnsons and Scholes (2002) further argue that strategic change implementation success is directly linked to the unique characteristics, orientation and actions of the chief executive officer (CEO), the leadership in an organization will to a large extend determine the success or failure of strategic change implementation. The role of CEO is crucial, he/she is the catalyst in the strategic change management process thus his/her role is both symbolic and substantive especially if the strategy represents major changes that only the CEO can deliver such kind of commitments.

The role played by organizational culture cannot be downplayed in the implementation of strategic change management process. According to Schein (1984), culture is the pattern of basic assumptions that a given group has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration.

Pearce and Robinson (2004) define organizational culture as the set of important assumptions that members of an organization share in common, every organization has its own culture. These assumptions, values and beliefs dictate the pattern of activities in the organization. Culture gives employees a sense of belonging, how to behave and react to changes, what they should do and where to place priorities at the time of emergent strategies.

Bateman and Zeithaml (1990) argues that changing a company's culture is difficult but the usefulness of understanding culture lies in attempting to manage it, culture can be a powerful instrument for success in the sense that it eases communication, facilitates organizational decision making and control and may generate higher levels of cooperation and commitment in the organization.

Culture can also be a source of weakness when important shared values and beliefs interfere with the needs of the business, its strategy and the people working on the company's behalf, such as influencing people to think and act inappropriately thus leading to inefficiency.

It is therefore important to note an organization's culture can be a major strength when it is consistent with strategy hence can be a powerful tool in the implementation of strategic changes. On the other hand culture can be major bottlenecks to strategic change implementation as it manifest itself in some cultural aspects that hinder behavior change such as stereotypes on gender that women make poor leaders, tribal groupings in work place among others.

2.6 Factors That Influence Implementation of Change Management

Resistance to change, culture, leadership, teamwork and politics are some of the remarkable factors that affects the implementation of change. They can either be an enhancement or a detriment to the change process.

2.6.1 Resistance to Change

Willets (1996), observes that the reason change is so uncomfortable is because it is "the roller coaster ride of unfamiliarity". The change phenomenon itself manifest in phases notable of all is the (holding phase) which is the stage of anticipation of change and at this stage people exhibit negative reactions like, denial, anger, anxiety and withdrawal directed either at management, the impersonal organization and even co-workers more especially to those who are positive about change.

According to Ansoff and Mcdonnel (1990), resistance to change is a multi-faceted phenomenon, which introduces delays, additional costs and instability into a change process. Resistance can either be behavioral or systemic. Behavioral resistance is exhibited by individuals, managers or groups because of parochial self interest, misunderstanding and lack of trust or perhaps low tolerance to change. To overcome these, there is need for those managing change to understand the needs of employees and also employees to understand the change plan.

Systemic resistance originates from passive incompetence in managerial capacity to carry out the change. The capacity required to implement change is normally more than the existing capacity. To overcome this, management needs to plan and integrate processes as much as possible.

Bolman and Deal (1991) highlights four main effects of change on human behavior as; self confidence, confusion, loss and conflict. Change can cause people to feel incompetent, needy and powerless hence loss self confidence. With this in mind, people resist change as a way of extricating themselves from the negative effects of change.

Marrioti (1985), identifies two levels of resistance to change which have to be recognized when implementing strategic change namely; resistance based on the lack of information and secondly resistance based on an honest disagreement over the facts. Goodfellow (1985) suggests that one way to decrease resistance is to plan for and allow people participate in decision which affects them. Participation in decision making gives people a sense of involvement and enhances commitment to embracing change.

2.6.2 Leadership

Johnson and Scholes (1999) contend that the management of change is often directly linked to the role of strategic leader. Leadership is the process of influencing an organization in its effort towards achieving an aim or a goal. A leader is someone who is in a position to influence other hence change agents/ champions provide leadership role. The leader's role includes creating vision, empowering people, building team work and communicating the vision.

Thomson (1997) while stressing the importance of effective leadership in managing change gave the qualities of an effective leader as being visionary, skilled, competent, motivate, analytical, persistent, enduring and flexible.

2.6.3 Politics of the Organization

Hill and Jones (2001) see organizational politics as tactics that strategic change managers and stakeholders engage in to obtain and use power to influence organizational goals and change strategy and structure for their own interests.

Kanter et al (1992) argues that the first step to implementing change is coalition building, which involves those whose involvement really matters, specifically stakeholders such as contributors, employees and sponsors such as local authorities must support any change program in the pension industry for it to see the light of the day. A good example is the extension of retirement age from age 55 to age 60 which has elicited much politics among the retirees who look at it as delaying tactics by the government and the pension scheme to deny pensioners a longer period of enjoying pension since death may strike shortly after or before age 60.

2.6.4 Teamwork

The complexity of most of the processes, which are operated in industry, commerce and service, place them beyond control of any individual. The only way to tackle problems concerning such processes is through the use of some form of teamwork yet building effective teams is not an easy task. Oakland (1993) define a team as a group of people with the appropriate knowledge, skills and experience who are brought together specifically by management to tackle and solve a particular problem usually on a project basis. They are cross functional and multi-disciplinary.

Rowe et al (1994) argue that team approach to change implementation removes artificial organizational barriers and encourages openness. Teams share common goals and help to focus energy by emphasizing self control on the participants. Teams that are cohesive, that interact co-operatively with members possessing compatible personality characteristics and that are operating under mild to moderate pressure appear to be most effective.

2.7 Retirement Benefits Industry in Kenya

The principle of setting aside resources for retirement or earlier exit is not new in Kenya or in the world. Early global developments can be traced to 1686 in the United Kingdom customs and excise department where formal pension arrangements were made for employees. In 1770 a trust fund was set up by the central bank of England for relief to military personnel and their dependants in the event of demise. The U.K civil service scheme was then set up in the 1810 and other private and public sector firms then followed suit (Raichura, 2004).

In Kenya, the trend of providing pension for employees was to a large extend borrowed from the British during the colonial era. The civil service scheme was set up in 1940's followed by private sector companies which were largely multinational and foreign owned firms. Over time other parastatal schemes were then set up as they broke off from the main civil service scheme. The National Social Security Fund (NSSF), was set up in 1965 with a view of providing a basic social security benefit to members on retirement (Raichura, 2004).

The pension sub-sector in Kenya consists of the following components:- The public service pension schemes which cover Civil Servants, Teachers, Members of the Disciplined Forces, Armed Forces, the Judiciary, the National Assembly and the President, are administered by the pension department of the Ministry of Finance and paid from the consolidated Funds (CFS);- The National Social Security Fund (NSSF) which is a provident fund established in 1965 through an act of parliament. Its membership is mainly drawn from private sector companies, parastatals and public employees who are not under the civil service pension scheme. There are an estimated 1.1 million workers contributing to the NSSF. The required rate of contribution is capped at 10% of the wages, which is divided equally between the employer and the employee at Kshs 400 per month. The NSSF had assets of Ksh 81 billion as at June 30^{th}, 2007

Further, Occupational Retirement Benefits Schemes are tax-advantaged schemes created voluntarily by employers to cater for retirement benefits for their workers such as LAP Trust. These schemes have varying contribution rates and by law are required to have an independent board of trustees, including member representatives, and independent fund managers and custodians. There are approximately 1200 occupational schemes in Kenya, which had assets of over 181 billion as at September 30^{th}, 2007; - Individual Retirement Benefits Schemes are tax-advantaged schemes created by financial institutions and whose membership is open to members of the public interested in saving for retirement. These schemes provide a savings vehicle for those whose employers have not started occupational schemes, those who want to top up occupational savings, those in small firms including professionals and the self-employed and those who opt to transfer preserved benefits from other schemes. There are currently 14 individual schemes in Kenya with assets of Ksh 2 billion as at December 31^{st} 2006. The last three categories of schemes are regulated by the Retirement Benefits Authority under the Retirement Benefits Act. (Ministry Of Finance Draft Medium Term Plan, 2008-2012, for the Financial Services Sector October 2008).

2.7.1 Defined Benefits Vs defined Contributory Systems

The nature of pension schemes are widely categorized by structure, design and type of benefits they provide (Raichura, 2004). If retirement benefits are categorized by the type of benefits paid then where benefits are paid as cash lump sum payments then the arrangement is referred to as a provident fund. On the other hand, if benefits are paid as regular annuity payments then the arrangement is referred to as a pension scheme (Raichura, 2004).

Provident funds liabilities are a one off lump sum payment to a member on exit. Hence this structure is also referred to as a "money back" arrangement. Members tend to prefer provident funds due to the attraction of receiving a lump sum payment. The associated risk of squandering or mismanaging the retirement benefits however make this type of arrangement unattractive to government and employers, hence government have punitive tax on them to discourage members from it.

Pension schemes provide a regular income at retirement and are more common or preferred. It is argued that members of a pension scheme are better able to plan for their retirement as they are already used to planning with a regular salary income. Pension plans also provide greater flexibility in payment of benefits as a member may opt to commute their benefits in form of lump sum and the remaining in form of monthly pension, for example commute a third of gross pension and the remaining two third spread as residual monthly pension earned for life. This therefore reduces the risk of squandering benefits hence better financial planning (Raichura, 2004).

In Kenya there are more pension schemes than provident funds, however the number of provident fund schemes is increasing as members opt for lump sum payouts and employers seek to reduce administration costs by paying one off lump sum. Until the introduction of the dubbed Mwiraria rule read in the budget of 8^{th} June 2005, most pension schemes allowed members early access to benefits on withdrawal hence blurring distinction between provident funds and pension schemes (RBA Newsletter, 2006).

There are therefore two extreme design types of benefit schemes namely; the defined benefit scheme (final salary based pension scheme) and the defined contribution scheme (provident or money back scheme). All other scheme designs may be viewed as hybrid schemes formed by merging the two in certain proportions (Raichura, 2004).

The public service minister Hon. Dalmas Otieno announced that the government of Kenya is in the process of converting the unfunded central government DB pension scheme through the public *service pension bill already tabled in parliament, but has since been postponed to* January 2010 pending the passing of the bill in parliament. However, he highlighted that the same shall be defined contributory scheme . Employees shall contribute at 7.5% of their basic salary, *and the Government contributes at 15% of the same.* , *Daily Standard News paper (4th* July 2009. pg.4). This is a hint to the retirement benefits industry that the former is far much easier to manage than the later. That notwithstanding, the global economic meltdown has catapulted the shying away of investors from risky involvements to lesser risky investments.

A member's benefits in defined benefit schemes are pre-determined using a formula say the last three years average salary multiplied by the contributory service in months divide by a pension factor gives gross pension. Lump sum is then obtained by commuting part of gross pension say a third and the remaining two thirds into residual pension earned monthly. The scheme guarantees the benefits in this arrangement hence full liability lies with the Trust. The Trust is therefore exposed to risks arising out of inflation, salary escalation and investments risks inherent in the defined benefits schemes (Raichura, 2004).

Unlike in defined benefits schemes, the level of benefits from defined contribution scheme is not guaranteed. The defined contribution (DC) operates similar to a bank account into which fixed amount of contributions are accumulated and used to purchase a benefit on exit from service, literally saying total contributions plus interest. It is also known as " money purchase" schemes. The level of benefits has no direct relationship with the employee's salary or length of service. The member therefore bears all the risks inherent by this arrangement since a lower interest rate can be declared at retirement by the scheme (Raichura, 2004).

In Kenya, most new schemes are set up as defined contributory and the existing defined benefits schemes are now converting to defined contributory schemes. This trend is largely attributed to the fact that most employers are no longer grace or favor driven but instead are focusing on improving their profit margins hence prefer the predictability of costs offered by defined contributory schemes (RBA News letter 2004).

2.7.2 The Retirement Benefits Authority (RBA)

As earlier put across in the previous discussions, early developments in the retirement benefits industry were largely favor and grace driven. There were very little regulatory requirements on the management of retirement benefit schemes. In Kenya, until the late 1990's with the introduction of the RBA Act, 1997, only the income tax (Retirement Benefits Rules and Regulations, 1994) were applicable to retirement benefit schemes (Raichura, 2004).

With the setting up of the RBA through the retirement benefits act, 1997 and subsequent introduction of the retirement benefits rules and regulations in 2000, the level of regulation of the pension industry in Kenya has increased. The provisions of the retirement benefit rules and regulations have had an impact on the way in which retirement benefits schemes are managed and administered. In particular, the regulations have placed onerous requirements on trustees of retirement benefit schemes and particularly in the area of investments and funding levels of the schemes.

The primary objective of RBA as the regulator of retirement benefit schemes in Kenya is to safeguard member's benefits. The trustees of retirement benefits schemes have two fundamental obligations to members in managing their retirement benefits schemes (or trust assets). The first one being to ensure sufficient assets are available to meet the liabilities as they fall due; and secondly to maximize the return on funds subject to acceptable degree of risk (Kiwanuka, 2005).

Table 2.0: RBA Maximum Guidelines on Asset Classes

Asset Class	RBA Maximum % Limit
Property	30%
Treasury Bills And Bonds	70%
Shares and collective investment schemes	70%
Commercial Paper, corporate bonds and approved loan stocks	15%
Unquoted Equities in Kenya	5%
Cash and Demand Deposits	5%
Fixed Deposits	30%
Offshore Investments	15%
Other Approved Assets	5%
Guaranteed Funds	100%

Source: RBA Rules, 2000.

This means therefore that all schemes in Kenya need to have an asset allocation that adheres to these maximum limits. Generally Accepted Accounting Principles (GAAP) also has to be considered when making investment decisions. GAAP provide for investment to be recorded at historical costs and any loses to be recognized immediately in the books of accounts. These principles may prohibit a portfolio manager from divesting from an asset and taking a loss yet the corresponding opportunity cost of the foregone investment may be higher. It is therefore important for trustees to give the portfolio manager adequate mandate when developing the investment policy to make certain decisions with a view to optimistic returns (Raichura, 2004).

2.8 Conclusion

Organizations whether in private or public sector, business oriented or non-profit making cannot down play the importance of strategic change in the modern turbulent environment characterized by competition, undercutting, downsizing, and economic meltdown among others. To be successful in the current rapidly changing world, organizations need to maximize the productivity of all their resources; physical, financial, information and human resources. The nature of strategic management is so dynamic that no one particular description can explain it since it is a process bound concept that depends on the environment, change, technology among others. It is therefore a phenomenon that organizations embrace not only to gain a viable fit but also seize a competitive advantage in the turbulent market.

For strategy to be successful there is need for frameworks such as strategy, structures, systems, skills and shared values. Mahatma Gandhi was perhaps the ultimate change agent to apply the principle of living embodiment. He put it best when he said, "We must become the change we want to see." You will have a much better chance of convincing others to change if you, like Gandhi, embody those changes in your actions. This is the principle Laptrust management applied to overcome opposition to change.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter a brief description of the methodology used in conducting the study is given, the chapter is organized into four main parts namely research design, data collection, data analysis and data analysis procedure. Of great importance in this chapter is a brief description of the chosen research design used to achieve the objectives of the study which was to establish how pension industry has implemented strategic change management to sustain defined benefits schemes in Kenya.

3.2 Research Design

A case study was considered appropriate design for this study given that the population of interest is small that is the Local Authorities Pension Trust. Mugenda and Mugenda (1999), asserts that, a cases study is an in-depth investigation of an individual, group, institution or phenomenon. The primary purpose of a case study is to determine the factors and relationships among the factors that have resulted in the behavior under study.
This study was therefore intended to enable the researcher to have an in-depth account of how Lap Trust has implemented strategic change management to sustain a defined benefits pension scheme.

Both Young (1960) and Kothari (1990) concur that a case study is a very powerful form of quantitative analysis that involves a careful and complete observation of a social unit, be it a person, a family, an institution, a cultural group or even the entire community. It is therefore a method that drills down rather than casts wide. From this study therefore, data generalizations and inferences were made (Muchui, 2006).

3.3 Data Collection

The study involved using both primary and secondary data. These methods were deemed most appropriate as it ensured that the information collected shall be comprehensive (Cooper & Schindler, 2001). The primary data was administered through presentation of open-ended questionnaires, personal interviews and focused group discussions. The open-ended questionnaires were generally meant for all the stakeholders within Lap Trust Organization just to mention but a few were; Junior employees, Pensioners and Contributors. The personal interviews were directed to senior managers namely; the head of sections, the head of departments and the chief executive officer (Managing Trustee). The later approach was used since these are the decision makers who ensured that strategic change policies were implemented to the later.

The primary data was also obtained from focus group discussions categorized into departments such as; Benefits & Risk, Finance, Administration, Information and Communication Technology (ICT), Internal Audit, Corporate Affairs And Marketing and finally the Human Resource Department. The nature of discussions entailed having recorded sessions with different individuals in the mentioned departments particularly on their views regarding the implementation of the changes enlisted in the organization's strategic plans.

This methodology was used to yield optimal results from the interviewees deemed by the researcher to be the raw source of crucial information.

The secondary data was collected from various sources including the organization's financial statements, strategic plans, operation manuals, retirement benefits acts, organization's trust deeds, Human resource data, change program reports, staff training manuals, change agents and consultant's reports. Any other document that highlights on how change management practices were implemented and perhaps the impact on the organization's performance was looked into.

3.4 Data Analysis

The data was analyzed using the conceptual content method; hence the findings emerging from the analysis were used to compile the report. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends.

Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers then quantify and analyze the presence, meanings and relationships of such words and concepts, then make inferences about the messages within the texts, the audience and even the culture and time of which these are a part (Carley 1992).

This approach has been used previously in similar researches such as that of Mbogo (2003) and Nyororo (2005). They argue that, this method is scientific as the data collected can be developed and verified through systematic analysis. The qualitative method was used to uncover and understand what lied behind phenomena under study. It was also used to gain quite some fresh material even in what thought to be unknown (Nyororo, 2005).

Data collected was analyzed using descriptive methods. Data interpretation was based on the use of single descriptive statistics such as frequency distribution and percentages. Tables used in the study illustrated the comparison and summarization of various sets of data.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

The information contained in this study reflects the reforms undertaken by Lap Trust and covers period 2005-2009. The period is characterized by commitment by the pension scheme to reform itself internally. The information gathered from personal interviews and secondary data was collected from various sources mentioned in this report. The findings are discussed in light of the change models highlighted in chapter two. The findings also focus on the areas identified to determine the strengths and weaknesses of the change management models as adopted by Lap Trust and what impact has it on the sustainability of the defined benefit scheme.

4.1.1 The Current Status of Lap Trust

Lap Trust has 70 permanent employees and close to 10 interns hired for specific tasks whose contracts end on completion of the tasks. There are 27000 members (contributors) recruited from 178 local authorities and water companies and 5000 active pensioners in the organization's payroll. The closest competitor (Laprofund) has 7,000 members (contributors). The functional departments include: Benefits and Risk handling the company's core business, Administration, ICT, Internal Audit, Corporate Affairs and Marketing, Finance and the Property department. Each department is headed by a manager who reports to the CEO (The Managing Trustee) who in turn reports to the board of trustees. The Trust's asset base stands at Kshs 7 billion as at 30th June 2009.

4.2 Forces Necessitating Change

The factors that led to need for change at Lap Trust were both internal and external. The internal forces included; lack of strategic plans; unrevised policies on benefits payment; improper human resource placement; political teams at work place; manual processes and record keeping; leniency to debtors among others. External forces included; competition; change in technology; high customer expectation; non remittance of contributions by sponsors; entry of the regulator (RBA); and to some extent political interference. These therefore led to a paradigm shift in the organization in the quest of obtaining a viable fit in the turbulent environment.

4.2.1 Internal Forces of Change

a) Manual processes and incomplete records.

Most respondents cited the manual processes, poor record keeping and most staff were seen as been less enthusiastic in embracing ICT as one of the factors that called for immediate change. This resulted in inefficiency in membership registration, record keeping, processing of payments and maintenance of accurate accounts more especially the debtors cited by the respondents as wanting such that by the time of initiating the change process, the organization was owed over Ksh 2.5 billion and there was no certainty of which debtor owed exactly how much. The world is moving towards a global village and the customer expectations are high so much so that they would one to be served within the shortest time possible. Lap Trust had its records in paper form and in some instances the same papers were not even kept in folder files hence made record tracing a cumbersome exercise. Aggressive reforms were therefore launched and an integrated ICT system was put in place cutting across all the functional departments. The tracking of contribution defaulters has also been enhanced through ICT and to a great extends debt reduced by Ksh 2 billion.

b) Improper Placement of Human Resource Function

Majority of the respondents felt that Lap Trust was facing the challenge of having unqualified staff in some departments such as benefits and risk and in finance. A rigorous hiring of new staff and training of existing staff exercise was carried out to curb this problem. With the help of consultants, a good organization structure was put in place in line with the objectives highlighted in the 2005-2009 strategic plan. The entire organization was headed by a Treasurer then later a general manager. A new strategic twist took place in the change period since a managing trustee became the CEO and all the functional areas allocated a manager each namely; benefits and risk, finance, audit, administration, ICT, property and the corporate affairs and marketing department. A formal organization structure has also been put in place to enhance effective succession plans and a competitive staff hiring process under facilitation of the Human Resource department.

4.2.2 External Forces Of Change

a) Competition

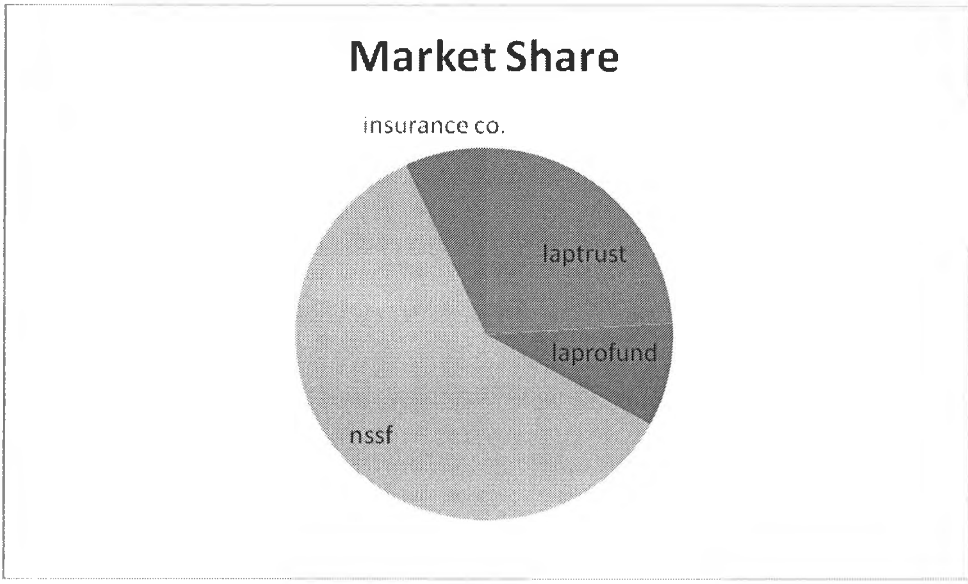
According to the managers interviewed from benefits and risk department which handles the core business of the organization, rivalry with Laprofund who happens to be the biggest challenger was contributing to the woes of the organization. They said that, the competitor operates a DC scheme and obtains the contributions from the same members from local authorities and in some instances they use negative publicity to weed out Lap Trust in the market. The competitor uses marketing gimmicks such us telling the contributors that Lap

Trust pays retirement benefits in bits whereas they themselves pay a one off lump sum. This therefore necessitated change and to address this problem, Lap Trust hired field executives to go round the entire republic and carry out membership education and recruitment exercise via a task force dubbed Merrup (membership education and recruitment programme).

The concept of competition was also identified to be posed by other players such as NSSF and Insurance companies. NSSF were in the process of changing from a provident scheme to a pension scheme and owing to its popularity in the market, there were signals that they could easily weed out Lap Trust in the retirement benefits industry. Those retirees whose employer's contributions had been deferred pending attainment of retirement age were now transferring the same to insurance companies such as British American Insurance Company hence denying Lap Trust the propensity to retain cash and invest. Figure 4.1 highlights the place of Laptrust in comparison with other players in the industry competing for the same contributors.

Adjustment of policies regarding vesting of benefits have also been addressed in the legal notice 50 and in some instances, new products favouring the pensioners have been introduced such as payment of lump sum to survivor's and declaration of interest in both employee's/ employer's contributions at the current market rates as opposed to prior periods where interest was pegged on employee's contributions only and no lump sum paid to survivors. These milestones have enhanced the scheme's image in the retirement benefits industry by guaranteeing full benefits to retirees both in retirement and in death.

Figure 4.1 Laptrust Position in the Market



Source: RBA Newsletter.

b) Retirement Benefits Authority (RBA) Regulations

By January 2005, Laptrust had an asset base of around Ksh 4 billion and over 50% of this value was in real estate and property investments. The RBA as a regulator came in strongly to push for streamlining of asset investments as shown in table 2.0 whereby retirement benefit schemes asset investments should not exceed 30% in property portfolio. Regulations regarding maximum waiting period of a claim to be settled was also highlighted not to exceed 60 days by the same regulator. Other RBA rules which necessitated the change process included; the maximum number of board of trustees to stand at nine competitively vetted members, the CEO barred from being the chairman of the board of trustees, appointment of an independent fund manager to invest the scheme funds, benefits to fully vest in a member within a contributory service of one year down from the previous ten years among others. Considering the slow processes at Laptrust, the above issues became an eye opener hence demanding need for change. In consultation with experts, the trust has since set its internal rules entrenched in legal notice 50 of 30th march 2007 which stipulates that claims should be settled within a period of 30 days.

c) Economic Forces

The global economy has gradually deteriorated and its impact felt by each organization more especially in Africa. The skewed distribution of wealth in Kenya has also led to the worsening conditions of life to employees who are also contributors to retirement schemes which implies that the cost of running the retirement benefit schemes has also gone up since they have to stretch their budgets to pay higher benefits, higher salaries and associated tax as catapulted by inflation.

The respondents concurred with the ILO convention that provision of social security is a basic human right hence contribute to the growth of the economy. It was therefore imperative for Laptrust to exercise its mandate in management of member contributions and prudently invest the same to make a positive contribution to the national economy. This factor therefore necessitated change since it called for a new business strategy and continuous restructuring of operations to maximize synergies, gain economies of scale and improve organizational effectiveness. Table 4.0 below indicates economic growth pattern of Kenya since independence, showing fast growth rates in the sixties and seventies and declining trends in recent years.

Table 4.0: Kenya's Economic Growth Rate since Independence

Year	Growth	Year	Growth	Year	Growth	Year	Growth	Year	Growth
1963	6.1	1973	6.9	1983	5.1	1993	0.1	2000	-2
1964	5.9	1974	2.0	1984	0.9	1994	3.0	2001	1.2
1965	3.6	1975	1.2	1985	4.8	1995	4.8	2002	1.8
1966	11.9	1976	6.1	1986	5.6	1996	4.6	2003	4.0
1967	4	1977	8.8	1987	4.9	1997	2.4	2004	4.8
1968	7.8	1978	6.7	1988	5.1	1998	1.8	2006	6.6
1969	6.7	1979	3.8	1989	5.1	1999	1.4	2007	6.8

4.3 Strategic Objectives of Lap Trust in the Change Process

Taking account of the historical and legal mandate of LAPTrust, and responding to the changed business environment, the strategic direction of the organization revolved around the following objectives; to optimize member contributions; to invest prudently the pensioner's trusts; to make prompt payments of benefits. The creation of a more efficient, effective and sustainable corporation was identified by the interviewees as the main objective of the organization. Others included enhancement and maintenance of the fund capacity to develop and provide a wide range of benefits for increased membership and last but not least is to establish the institutions sense of purpose and legitimacy in the well being of the Kenyan society and guaranteed continuity.

The Vision is the strategic intent; the desired future state of the organization. The leadership and management of LAPTrust are committed to the creation of a successful pension organization with a country wide domestic outreach. The defining character of LAPTrust is quality pension products and superior customer services. The vision of LAPTrust was, therefore articulated as: "To be the leading provider of comprehensive retirement benefits nationally."

Mission is the over-riding reason for the existence of the organization. The evolution of LAPTrust as a pension company has been guided by the mandate. The mission seeks to create the business meaning of the organization in the competitive environment. It answers to the question: what business are we in? The core business of LAPTrust is to collect and invest in most prudent manner contributions from members and to make prompt payments when due. This is in line with LAPTrust mission, which is: "To optimize member contributions, conduct prudent investments and make prompt payments to beneficiaries through use of sound management practices thereby meeting stakeholder expectations."

Core Values are fundamental beliefs that will shape LAPTrust culture, will seek to achieve dominance in the marketplace through a clearly structured program of quality customer service. At institutional level, operational processes and systems will be rationalized to deliver value to the customer. Teamwork and effective communication will be the hallmarks of a highly performing organization. In implementing the Strategic Plan LAPTrust was guided by the following core values. Institutional culture was also developed arising from these values.

(a) A strong commitment to superior customer service. Customer service excellence will be the basis of the competitive advantage for LAPTrust.

(b) Commitment to transparency and accountability in the leadership and management of LAPTrust. The board and management will integrate good corporate governance at all levels of the organization. Transparency and accountability will generate staff commitment to organizational success and will be the basis of interaction between LAPTrust, the customers, stakeholders and the society at large.

(c) Adherence to competence and performance. Human resource competence will be enhanced through structured programs of human resource development. Compensation policies will reward superior performance. Opportunities will be provided for staff to develop potential in their given interest and that of LAPTrust.

(d) Recognition of individual contribution to organizational success. The human resource is the most important asset at LAPTrust. High achieving staff is motivated by a reward system that recognizes merit and outstanding achievement. This approach will be structured into human resource policies at LAPTrust.

(e) Commitment to public policy and ethics. Ethics and integrity are central to the success of the organization. Ethics must extend beyond the organization into the wider society. LAPTrust will adhere to public policy that promotes the welfare of society.

(f) Commitment to teamwork and collaborations with others. LAPTrust will work to build an organization that recognizes the value of teamwork, networking and collaborations in achieving objectives for all participants.

(g) Commitment to innovation and continuous learning. The search, acquisition and use of knowledge to improve the organization and the individual will be encouraged and supported within LAPTrust.

4.4 Change Management process

Laptrust has been implementing change over the last five years in response to the forces of change posed by the turbulent environment. The climax of the change process was experienced with the implementation of the 2005-2009 strategic plan. Internal processes were now inclined towards addressing the customer care issues while minimizing administration costs. The expertise of the senior managers and consultants came in handy during this reform period but it was not bread and butter since various challenges within the system popped up as witnessed in political camps by staff who saw the change process as a way of eliminating them in their comfort zones hence they resisted change. The change process at Laptrust took place as discussed below in comparison with the change models highlighted in chapter two.

4.4.1 Establishing a Sense of Urgency

The information obtained from the respondents is clear that, the organization underwent a rebirth process through internal scanning exercise that recommended that, the future of Lap Trust depends on how effectively it responds to the emerging critical issues and rising public expectations. Practically, the defined benefit scheme was wanting owing to its technical nature.

The concentration of investments on real estate and properties was causing a serious concern in the funding level of the organization. The organization's structure, manual processes and unproductive work culture and attitudes allowed little room for increased speed in business processes hence in-effective management and higher operational costs. The membership was alarmingly low, unremitted contributions relatively high given the big market size hence the strategic initiative was to attract new members, motivate them to boost the level of contributions, *penalize for unremitted contributions and investing the same prudently.*

4.4.2 Creating The Guiding Coalition

Most of the respondents concurred that the board of trustees, the CEO and the senior management were responsible for initiating change at Laptrust. All the stakeholders led by employees, pensioners, suppliers and sponsors applauded the reform initiative. Laptrust therefore took advantage of the existing goodwill of stakeholders to spearhead the change management in its operations and provide a more sustainable social security system. A task force was initiated to oversee the reform process by setting up targets and ensuring that the same are achieved within a particular time frame in each functional department. The respondents cited one of the teams dubbed Darru(debt audit and recovery unit) which orchestrated the reduction of debt owed to the Trust by approximately Kshs 2 billion as one of the remarkable teams which earned its credit for the work done. The best performing teams were rewarded at the close of each financial year in form of promotions and financial tokens. Other teams were the Merrup (membership education and recruitment programme) which was later graduated to a department known as corporate affairs and marketing.

4.4.3 Developing a Vision and Strategy

All those interviewed were in a position to quote the Lap Trust's vision "To be the leading provider of comprehensive retirement benefits nationally." Lap Trust developed its strategic plan 2005-2009 in the quest of addressing the strategic issues facing the organization. The vision was very explicit and focused on the organization's core business of providing social security at retirement in a more sustainable way.

Strategic objectives were developed to address the strategic issues such that the department in charge of debt were charged with the responsibility of reducing debt through issuance of demand notes and where possible use debt collectors at a fee, the marketing department had the objective of educating and recruiting all members in the 178 local authorities within a period of one year, and both benefits/ risk and finance department had the objective of prompt payment of benefits to enhance the organization's corporate image. Other departments such as ICT and administration embraced team work by providing total support and staying focused to the company's vision.

4.4.4 Communicating The Change Vision

The senior managers interviewed revealed that change was communicated through memorandums; training and word of mouth vide supervisor's face to face conversations with employees. The respondents were unanimous that communication within the organization has considerably been enhanced through intranet and internet services and employees are updated on emergent strategies aimed at addressing the change process. Communication fosters motivation by clarifying to employees what ought to be done, how well to be done and feedback on work done.

The various training programs which took place at the initial stages of the reform process were used as good forums to deliver the message the "the staff ought to change or change will change them". Most of the respondents concurred that Lap Trust's employees from the implementation of the strategic plan are all in evening classes to enable them match with times lest they be weeded out of the system. Indeed it is one of the institutions where the vision is well communicated so much so that, everybody is kept running with the organization.

4.4.5 Empowering Employees for Broad Based Action

The respondents revealed that employees underwent intensive training on customer care and the need to embrace team work in preparation for coping with the change process. This was done through the expertise of change agents. A website was also installed to enable customer's access to contributor's statements, launching of claims and general queries. For those who embraced change and met the set targets within the set time were rewarded through increment of salaries and or promotion, whereas those who resisted change were equally disciplined and or dismissed.

Apart from the major changes made in the organization's structure aimed at streamlining processes to achieve the objectives, there were also the office renovation and expansion such that the organization currently occupies three floors from the previous one floor in the ultra-modern cannon house being one of their assets. The employees have also been given comprehensive medical covers and the general staff remuneration has been enhanced to match the market standards and surpass inflation constraints.

4.4.6 Generating Short Term Wins

The management team was mandated with the responsibility of setting short term targets aimed at addressing the strategic issues. The ICT department was very particular with the hustle associated with manual records and processes hence they curbed this problem through purchase of second hand computers and the organization hired interns to key in all the historical records while also updating the data base. This exercise was completed within a period of six months and saw the organization prepared for complete automation.

All other functional areas to date are still exploring the importance of hiring interns for short periods to address short term targets and this reduces the administration costs of hiring permanent staff. A policy requiring that each department submits a weekly report to the CEO was put in place to benchmark against the targets and where possible reward performers and encourage non performers to improve through continuous training programs.

4.4.7 Participation and Involvement

The findings from the research revealed that the board of trustees, the CEO and the management initiated the change process. However, the entire staff were brought on board to own the process and feel that they are indeed part of the decision making team. Various workshops were organized coupled with team building forums done outside the office. Resources were provided by the management in form of working tools, conducive working space through renovation of office space, adequate remuneration and financial support for all the programs which were running concurrently.

Identification of individual talents was also done to ensure that correct staff were allocated and delegated the relevant task to carry out and where possible given full mandate to invent and innovate. The CEO requested for proposals randomly from staff on various projects deemed relevant to address the strategic issues such as; debt reduction, increase in contributor membership, best investment portfolios among others. New staff were also competitively recruited and the explicit slogan for each new staff was to embrace change.

4.4.8 Anchoring New Approaches To Culture

The organization structure was reviewed with the help of human resource consultants and the aim was to streamline the functional departments to ensure that the right people are in the right places. A culture of team work was therefore imparted to all employees and financial rewards were awarded to the best team players at the yearend parties. Departments initially headed by one manager have been subdivided and each allocated a manager with relevant skills to run those departments. Those employees who resisted change were also reprimanded and where coercion method could not work then dismissal was applied and replacement was done through competitive recruitment exercise.

The internal processes such as payment of benefits which were initially executed manually are now done through an integrated system all the way from receiving claims, computation of benefits, certification, authorization, approval and posting to individual customer's account by way of electronic fund transfer popularly known as EFT. Managers have also been advised to type their own correspondences to eliminate the costs of hiring secretaries. All the employees in the organization in the spirit of team work have owned the virtue of collective responsibility more especially in customer care issues such that, when a customer meant for property department incidentally visits benefits department, he/she can be served by the benefits staff on a one stop shop basis without reference to property section.

4.4.9 Planned And Emergent Change

The respondents were unanimous that the change process was planned in response to the overriding challenges deemed by the management as wanting. A task force was formed to scan the environment and forward the findings to the board of trustees. However, as change progressed, emergent change took root in response to emerging issues hence the organization continuously came up with emergent strategies. Most of the properties in form of buildings were very old hence it became necessary that all the buildings be renovated to befit the ultra-modern standards. The tenants played a major role in demanding for better services from the said buildings and to date Lap Trust's buildings are among the best selling office spaces in the central business district of Nairobi. Laptrust offices have also been renovated and widened up to provide enough space for the increasing numbers of new employees.

The Lap Trust 2005-2009 strategic plan is also a confirmation to this research that, the organization planned for the reform process. The respondents revealed that, the organization has slotted a budget for continuous staff training through the human resource department with the aim of strengthening the going concern of the Trust. Some of the areas addressed are; business continuity plans and strategies, balance score card, performance contracting and the future of Lap Trust with its unique defined benefit scheme in the midst of competitors, RBA rules and the customer demands.

4.5 Impact of Change

The change process has positively contributed to the sustainability of the defined benefit scheme in Lap Trust as indicated by both qualitative and quantitative factors. However, most employees were skeptical about the change process and so some resisted the change process through, sabotage of the new strategies, formation of political camps, gutter press publications, tribalism among other vices. The management stood firm and focused on the vision to enable the organization address the strategic challenges. It was therefore unfortunate to those staff members who explicitly fought against change since most of them were either demoted or fired.

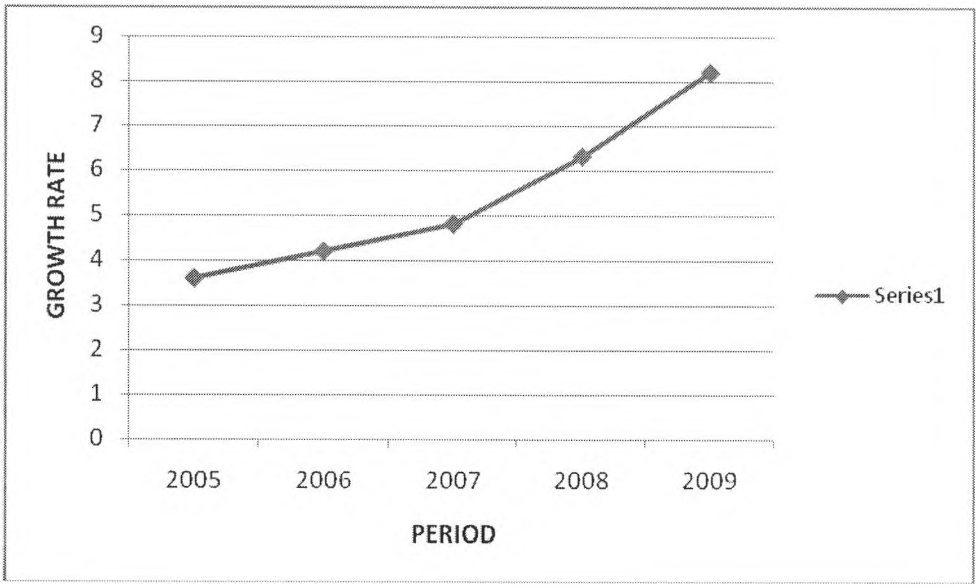
4.5.1 Impact of Change on the Quantitative Factors

The information obtained from the secondary sources such as Lap Trust's financial reports shows that the organization has undergone a metamorphosis in the period 2005-2009. During the period under review membership rose from a staggering 11600 to 27000 that is an increment of 132%. In the last two years, contributions have also increased and yearly collections were approximately Ksh 1.2 billion. Return on investment also registered a surplus of 13%. The Trust's investment on real estate has considerably dropped by 20% and the investment in the stock market registered impressive dividends of Ksh 600 million in the past two years compared to Ksh 250 million in 2005/2006.

Lap Trust's asset base now stands at 8 billion out of which 8% is in government securities, 30% in real estate, 10% in cash and short term deposits, 35% in equities, 5% in offshore and

3% in unquoted equities. Lap Trust has therefore grown drastically during the period under review as shown in Figure 4.2 below.

Figure 4.2: Lap Trust's Asset Base Growth (Ksh Billions)

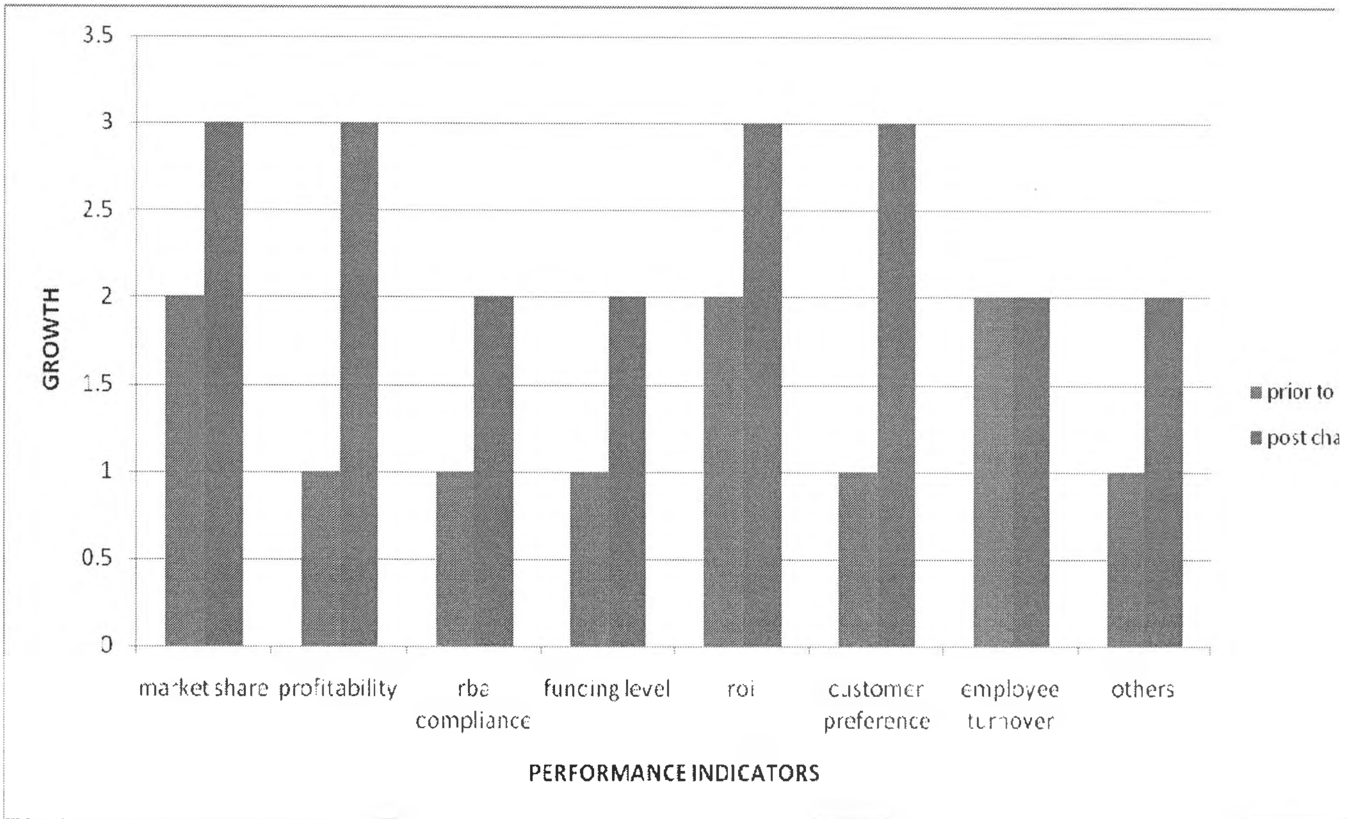


Source: Lap Trust's Financial Statements.

The growth in assets base is attributed to intensive membership (contributors) recruitment exercise done by the organization under the auspices of the corporate affairs and marketing department which has twice in 2005/2006 been rated as the most performing departments. The respondents also gave sufficient credit to the benefits and risk department for rigorously collecting outstanding debts from the sponsors and last but not least, the finance department whose prudent investment practises led to the organization's success.

Some of the respondents pointed out the capability of the leader (CEO) who is seen to be vigorously orchestrating change process by providing an enabling environment to all the functional areas in the organization. Most of the changes have concurrently taken place during his tenure and all the stakeholders have drummed up support for him.

Figure 4.3: Lap Trust's Performance Prior and Post Change



Source: Lap Trust Financial Statements.

This research focused on some performance indicators such as, market share, profitability, RBA compliance, funding level, Return on investment, customer preference and employee turnover. It was therefore evident that prior to change period, Lap Trust's performance as gauged by the said indicators was literally lower compared to the post change period. The great achievement is attributed to the commitment of the organization to address the strategic challenges posed by both internal processes and the external environment. The assumption was that all factors kept constant at scale one to four where one refers to low performance in growth and four the highest performance.

Table: 4.1: Contributions Received Vs Benefits Paid Between 2005-2009

Year End. 30th June	2005	2006	2007	2008	2009
Contributions(Ksh)	520,000,000	680,000,000	795,600,000	1,280,000,000	1,325,000,000
Benefits paid(Ksh)	960,000,000	996,000,000	1,083,000,000	1,268,000,000	1,290,000,000
Surplus/Deficit	deficit	deficit	Deficit	Surplus	surplus

Though member's contributions have grown tremendously in the period under review, it is evident that, all the other periods except the last two years recorded a deficit when compared with payments made to retirees in form of monthly pension and lump sum. This reveals the positive impact of change which has gradually enhanced the sustainability of the scheme.

4.5.2 Impact Of Change On Qualitative Factors

The response from the senior management indicated that, as part of the change process there are chances of Lap Trust to merge with its closest competitor (Laprofund). This is a process in the pipeline which requires reviewing internal systems within the defined benefit schemes vis a vi the defined contribution schemes and thorough consultations with the regulator, the government and the actuaries. The aim is to eliminate unnecessary competition for the same market share as experienced in the constant undercutting by the two players which implies waste of resources through marketing.

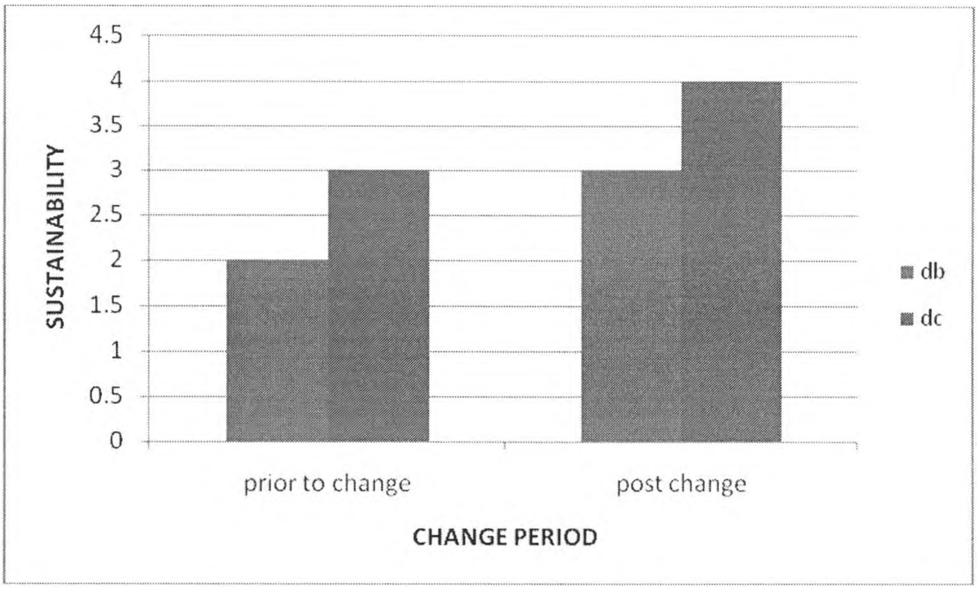
Notwithstanding the merger, the managers revealed that there are also plans to come up with a hybrid scheme composed of a DB and a DC with the aim of optimizing member's benefits. There are also chances of opening up the scheme to other members not necessarily working with local authorities or water companies such as those from SACCOS and financial institutions. This is aimed at enhancing contributions hence a bigger capital base for investments. This strategy has already been put on a pilot test by inviting the councillors as members of Laptrust who contribute on the same rates of 12% and 15% of the basic salary plus house allowance on both member's and employer's respectively.

The human resource function has been empowered and has a running schedule of training programs for employees. The entire organization has also developed a team work spirit by embracing the customer care charter, clear definition of roles, responsibilities and targets in a process driven design and observing the virtue of collective responsibility. Every staff is on high alert status that, their livelihood really depends on the survival of the organization and this was confirmed by one of the respondents who cited that the official reporting time to the office is at 8.00 am yet majority of the staff report at 6.30 and begins official work and as if that is not enough, they leave past 7.30 pm still on office work as opposed to official 5.00 pm witnessed in the period prior to change and perhaps in most Kenyan public offices.

4.6 Sustainability of a DB Scheme

Most respondents were of the opinion that a DB scheme is proving more difficult and technical to manage compared to a DC scheme owing to the fact that the liability in case of underfunding remains with the scheme and or the sponsor. It came out clear therefore that the sustainability of a DB scheme lies in the balance. However, with proper management, the scheme can be sustained though not to the level of a DC as shown in figure 4.4. Lap Trust is therefore a case in point where the DB scheme is still hanged onto in spite of the colossal challenges and as per the findings, the implementation of strategic change has contributed positively to the sustainability of the DB scheme by Lap Trust.

Figure 4.4: Sustainability of Lap Trust's DB Scheme Prior and Post Change



Most respondents voted in favour of a DC scheme in regard to its sustainability as opposed to a DB scheme and some of the cited reasons were: that employment is now on contract basis instead of permanent and pensionable hence benefits should not be guaranteed; that the RBA rules are very particular with the type of investments to venture into (see table 2.0) thus it would be advisable to run a DC scheme since liability lies with the contributor and not the sponsor or scheme in case of poor investment returns or underfunding. Others also cited the fact that life expectancy has since improved thus guaranteeing benefits to retirees may not be viable project to run. The initiative by the government to increase the retirement age from 55 to

60 was also discussed by the respondents as a plus to the DC schemes since the funds will remain longer in the scheme hence more period of investment.

It is therefore apparent that, the global trend of shifting from DB to DC schemes shall sooner than later be echoed by all other pension schemes in Africa and Kenya in particular. Lap Trust has already taken safety measures to curve its niche in the industry by restructuring its processes including the formulae for benefits computation, reduction of administration costs and enhancement of contributors.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction

This is the final chapter of this project and a summary of the results are highlighted. The limitations encountered in the research process are also looked into and last but not least give a summary of the recommendations for further research.

5.2 Summary

Social security has been pointed out by the ILO convention as one of the human rights and this concept formed the basis of this study since the retirement benefits industry has from time to time being given low profile yet it contributes a lot to the society and the economy as well. The objective of this study was to establish how Laptrust being one of the players in the retirement benefits industry has implemented strategic change to sustain a defined benefit scheme. In the quest of arriving at the results to address this strategic question, the study examined the key strategic change practices by use of in-depth interviews directed at senior managers who were involved in the change process. Gathering of secondary information seen as indicators to the change process was also carried out and it eventually became clear that change at Laptrust was not only timely but also inevitable.

The change process was initiated by the board of trustees, the CEO and the managers hence the approach was planned change. As time went by, emergent change took place as necessitated by dynamic environment though it varied from top-down to bottom up since the organization brought all the stakeholders on board to own the change process. Policies were developed by the top management and passed to junior staff for implementation under the supervision of section heads.

The sense of urgency was well articulated to address the underlying forces of change such as competition, customer expectations and RBA compliance demands through immediate sensitization of staff members by training them with the help of consultants and other experts in the industry. Adequate support was demonstrated by the management to see the change process into success through financial and moral support. Lap Trust therefore launched its strategic plan 2005-2009 as a way of building the guiding coalition and in a remarkable ceremony changed its name from the very long Kenya Local Government Officers Superannuation Fund to the current Lap Trust. They communicated the vision, mission statement and the core values to all the stakeholders through rigorous training, workshops and internal memorandums.

5.3 Conclusions

Indeed Laptrust has achieved most of its strategic objectives aimed at addressing the strategic issues as entrenched in its strategic plan. However, the respondents were very sceptical on the sustainability of the DB scheme given the fact that the scheme is salary dependent yet employee salaries are moving towards a higher side and the formula used by the organization to compute benefits is deemed generous enough hence exposing the scheme at a risk in the near future. Furthermore, the board of trustees has been from time to time reviewing the monthly pension for example in April 2006, there was an increment of 15% and in July 2008 another increment of 7.5% hence all these poses a risk to the funding level of the scheme.

The recent reforms made by the Kenyan government to extend the retirement age from 55 to 60 years is a blessing in disguise for Laptrust since they will now have more time to invest on contributions before the contributors retire. The Lap Trust's policies regarding survivor's benefits is an advantage to the scheme since they are lower than payments made to the principal pensioner. Considering the current life expectancy rate, we can conclude that those contributors who will be unlucky to see their sixtieth birth day shall contribute to the sustainability of the DB scheme.

There are opportunities for Laptrust to sustain the DB scheme since the market size is big hence rigorous membership education and recruitment ought to be done. The regulator plays a major role in pushing for retiree's benefits but plays minimal role in pushing the sponsors to remit contributions. The same regulator does not intervene to arbitrate conflicts with the competitors hence unfair competition practices are demonstrated. Though Laptrust is independent from the government, there is some element of political interference in appointment of board of trustees which may expose the scheme to dangers associated with politics.

5.4 Limitations of the Study

The study could not have come to completion without experiences of challenges such as limited time, scarce resources and perhaps the need for more personnel to aid in collection of data. This insufficiency therefore limited the scope of the study to one retirement benefits scheme and also the number of respondents.

The nature of the topic seemed new to most of the respondents who at one time during the interview were not able to differentiate between a DB and a DC scheme. It was also difficult to access crucial information such as financial statements, audited balance sheets as the respondents were not sure on the confidentiality of the reports upon being exposed to the researcher. Some respondents completely evaded the questions relating to management and their response to those staff who resisted change. It would also have been prudent enough to seek the views of other stakeholders such as pensioners, suppliers, custodians and fund managers regarding the impact of change on the sustainability of the DB scheme to enable the researcher have a wider perspective of the study.

5.5 Recommendations of the Study

Change is inevitable to any individual, family or organization since the environment poses many challenges and also offers opportunities. This study was specifically skewed to retirement benefits industry and particularly Laptrust hence a similar study can be carried out in other industries or in similar industry but different organization. The study focused on a DB scheme thus leaving a DC scheme a possible study by other future researchers. It would also be prudent to carry out a study on the perception of retirees and or contributors towards implementation of strategic change in defined benefit schemes and solutions there from used to enhance the management process of the same schemes.

It is also recommendable for the policy makers to speed the merger between the rival retirement schemes that is Laptrust and Laprofund to enhance the capital base by consolidating contributions and minimizing administration costs.

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APPENDIX I

Figure 1.0: Kotter's Eight Steps To Leading Successful Change

Activity	
Establishing a Sense of Urgency	
Involves examining market and competitive realities	1
Identifying and discussing crises, potential crises, or major opportunities	
Forming a powerful Guiding Coalition	
Assembling a group with enough power to lead the change effort	2
Enhancing the group to work together as a team	
Creating a Vision	
Creating a vision to help direct the change effort	3
Developing strategies for achieving that vision	
Communicating The Vision	
Using every vehicle possible to communicate the new vision and strategies	4
Teaching new behavior by the example of the guiding coalition	
Empowering Others To Act On The Vision	
Getting rid of obstacles to change	5
Changing systems or structures that seriously undermine the vision	
Encouraging risk taking and non-traditional ideas, activities and actions	

Planning For and Creating Short term Wins

Planning for visible performance improvements 6

Creating those improvements

Recognizing and rewarding employees involved in the improvements

Consolidating Improvements and Producing Still More Changes

Using increased credibility to change systems, structures and policies that don't fit the vision

Hiring, promoting and developing employees who can implement the vision

Reinvigorating the process with new projects, themes and change agents 7

Institutionalizing New Approaches

Articulating the connections between the new behavior and corporate success 8

Developing the means to ensure leadership development and success

Source: Kotter J. Leading Change HBS 1996

APPENDIX II

SEPTEMBER, 2009

LETTER OF INTRODUCTION

Dear Respondent,

RE: MBA RESEARCH PROJECT

I am a post graduate student at the University Of Nairobi. This questionnaire is designed to gather information on the implementation of strategic change to sustain defined benefit pension scheme by Local Authorities Pension Trust in Kenya. This study is being carried out for a management project as a requirement in partial fulfilment of the degree of Master of Business Administration, University Of Nairobi.

The information gathered will be used for academic purposes and treated with utmost confidentiality. There are no correct or wrong answers to these questions.

Your co-operation will be highly appreciated.

Yours Faithfully,

CHISTOPHER K. MITEI

APPENDIX III

The guide is designed to collect views and opinions on the implementation of strategic change to sustain defined benefits scheme by the Local Authorities Pension Trust.

Section A

Interviewee name (optional)...

Position...

Section B: Forces of change and strategic objectives:

1. What forces necessitated change at Lap Trust?

   a) ....

   b) ....

   c) ....

   d) ....

2. Does Lap Trust have a strategic plan and if yes, what period plan is it?..

....

3. What were/ are the strategic objectives of the change programme?..................................

....

....

Section C: Approach to change management.

1. Who in the organization initiated the change efforts? Please tick where appropriate

   a) The Board of Directors ☐

   b) The CEO ☐

   c) Senior management ☐

   d) Employees ☐

   e) Others ☐

2. Describe how, if at all the changes have been initiated by staff (heads of departments and sections). ....

....

....

3. Have external consultants been involved in the change programme? Please explain the involvement if at all ....

....

....

4. Were the following preparations made before implementing change? Briefly explain where appropriate.

   a) Assessment of the environment

   b) Assessment of the resources to initiate change practices

   c) Forming of task force or change committee

   d) Communicating to all stakeholders

Section D: Change Content

1. Has the change programme affected either, structures, systems, processes, products or behaviour? Please explain ....

....

....

....

2. What specific elements of the changes have/ are affecting strategies, structures, systems, processes, products and behaviour?

   a) ....

   b) ....

c) ....

d) ....

Section E: Change Implementation

1. How was urgency built to get employees to co-operate and participate in the reform process?

   ....

   ....

2. Was a vision, mission and core values developed? ....

   ....

   If applicable, how was the vision, mission and core values communicated to all those involved in the reform program? ....

   ....

3. Was strategy developed? ....

4. Please describe the process of strategy developed and state the position of those who implemented it

   ....

   ....

   ....

5. Was there any task force or specific teams mandated the responsibility to implement the changes? Please provide details...

   ....

   ....

6. What were the role and powers of the teams?...

   ....

7. How were those involved in the change process empowered?....................................

....

8. What steps have the management taken to ensure that the change momentum is achieved and maintained?..

   ....

9. Did you have short term targets to monitor the changes? Please provide details...

   ....

10. Were those who achieved targets a rewarded? Please provide details.........................

    ....

11. What level of resources were allocated to the change programme?............................

    ....

Section F: Factors that have influenced the change outcome.

1. How have the following factors influenced the implementation of strategic change at Lap Trust?

   a) Resistance..

      ....

   b) Culture...

      ....

   c) Stakeholder Politics ....

   d) Team work..

   e) Leadership..

2. How/ what was the management response to the above challenges?...........................

   ....

3. How does the top management indicate its support to the change practices?.............

....

Section G: Sustaining A Defined Benefit Scheme.

1. How do you compare a defined benefit scheme versus a defined contributory scheme in terms of viability in the current retirement benefits industry?..

   ....

2. Lap Trust runs a D.B scheme, were there any challenges faced by Lap Trust prior to implementation of strategic change?..

   ....

3. Who were/ are Lap Trust competitors and what challenges did/ do they pose?...........

   ....

4. How did the management respond to the threats and challenges posed by the competitors?..

5. Apart from being a D.B scheme, Lap Trust is also a contributory, does the government guarantee benefits to pensioners in case of underfunding?.....................

   ....

6. How has the change process enhanced the sustainability of the D.B scheme in Lap Trust?..

7. What opportunities are there for Lap Trust to explore to sustain a D.B scheme?........

   ....

8. Kindly rate the sustainability position of the defined benefits scheme as measured by the following indicators prior to the change process (1 unsustainable(dog), 2 average(dilemma child),3 sustainable(cash cow) , 4 highly sustainable (star)

Markert share	1	2	3	4
Profitability	1	2	3	4
RBA compliance	1	2	3	4
Funding level	1	2	3	4
Return on Investment	1	2	3	4
Customer preference	1	2	3	4
Employee Turnover	1	2	3	4
Others	1	2	3	4

9. Kindly rate the sustainability position of the defined benefit scheme as measured by the following indicators after the change process (1 unsustainable (dog), 2 average (dilemma child), 3 sustainable (cash cow), 4 highly sustainable (star). Please tick where appropriate.

Market share	1	2	3	4
Profitability	1	2	3	4
Funding level	1	2	3	4
Return on investment	1	2	3	4
Customer preference	1	2	3	4
Employee turnover	1	2	3	4
Others	1	2	3	4