# CHALLENGES OF STRATEGY IMPLEMENTATION IN THE PUBLIC SECTOR IN KENYA: THE CASE OF RETIREMENT BENEFITS AUTHORITY (RBA)

BY:

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## DECLARATION

This management research project is my original work and has not been submitted for a degree in any other University.

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

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## DEDICATION

This research work is dedicated to: my dear mom and dad- Florence Cheptai and Samuel Namenge, my brothers, sisters-Gloria and Anne, and in memory of adorable sister Lillian, and, all those who aspire to further their education.

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## ABSTRACT

This is a case study of Retirement benefits Authority (RBA). The Study investigates the challenges experienced in strategy implementation at RBA. The specific objectives of the study are to establish the challenges of strategy implementation in RBA and to determine how RBA is addressing the challenges.

The research got information on the study by carrying out face to face interviews with the top management of RBA. As this is a case study the presentation of the findings is in qualitative form.

From the findings, RBA faces challenges both at the micro and macro level. At macro level, the challenges are institutional and within its control; while at macro, they are national and global with few and complex options for the Authority to intervene and control. Respondents indicated that the structure is not adequate enough to handle growth and diverse specialties of the Authority. Generally, the relevant quality skills and knowledge in pension industry is lacking in Kenya. The educational institutions do not offer courses and training on pension and retirement benefits. Also, political factors define the legal and regulatory parameters within which the Authority operates in. Further, technological challenges are likely to be an obstacle in the Authority's product diversification agenda especially in the informal sector.

The Authority continues to learn to adapt to these challenges. Notwithstanding its tremendous achievements, it is also clear that the Authority needs to make crucial adjustments to its long term strategy in order to effectively discharge its mandate.

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# LIST OF ACRONYMS

| | |
|---|---|
| ICT | Information Communication Technology |
| ISO | International Standards Organization |
| MDGs | Millennium Development Goals |
| NSSF | National Social Security Fund |
| RBA | Retirement Benefits Authority |
| UoN | University of Nairobi |

# CHAPTER ONE: INTRODUCTION

## 1.1 Background

New approaches to management in the public sector are imperative as governments world over enter the new millennium. Market dynamics have created challenges for public organizations. The emergence of global economy, advances in technology, increased social demands and the need to provide more social services with fewer resources calls for strategically managed processes (Kernaghan & Siegel, 1999). Kenya is no exception, while current public policy models have started reflecting a shift away from traditional thinking about organizational design and public management, a systematic process for creating and sustaining improved performance that reflects changes in the environment is clearly weak and ineffective. While the operating environment for Retirement Benefits Authority, (RBA) has largely been conducive and the progress on strategy implementation commendable, the management acknowledges the threats that the external environment presents and weaknesses within the institutional framework pose challenges to its strategy implementation.

The techniques that managers employ would be critical for the survival of their organizations. Strategic management has been applauded as the best management approach geared towards the establishment of structures that ensures the alignment of organizations to their environment (Scholes, 1999, Pearce and Robinson, 1997; Kiliko, 2000). The world over, emphasis is being placed on Strategic management. This reflects the proposition that there are significant benefits to gain through strategic planning, though; government influence can have significant and tangible impact on industry structural change.

### 1.1.1 Strategy Implementation Challenges

In addition to the internal challenges that an organization faces, the management must also respond to the challenges posed by the organization's immediate and remote external threats. 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 (Pearce & Robinson, 2000).

Porter, (1980) states that every firm competing in an industry has a competitive strategy, whether explicit or implicit. He elaborates that this strategy may have been developed explicitly through a planning process or it may have evolved implicitly through the activities of the various functional departments of the firm. He further asserts that left to its own devices, each functional department will inevitably pursue approaches dictated by it professional orientation and the incentives of those in charge. However, the sum of these departmental approaches rarely equals the best strategy. Therefore, the need for an organized integrated approach in strategy formulation, implementation and control. The challenges and threats facing an organization are ever increasing in various facets. Therefore, according to Porter to deal effectively and spur growth; managers ought to employ management processes that they feel will position the firm in optimizing its potential by anticipating environmental changes and preparing for the unexpected internal and external threats.

Generally, Lomash and Mishra (2006), Pearce & Robinson, (2000) and Johnson and Scholes (2002) concur that strategic management issues require top-management decisions and adequate availability of resources, both tangible and intangible. The decisions reached ostensibly are future oriented and expected to result to the organization's long-term stability and prosperity. Strategic decisions can be complex and may impact differently on the various departments or structural units of the organization.

While the benefits of strategic planning cannot be overstated, it is imperative to cultivate team spirit. Lomash and Mishra (2006) and Pearce & Robinson, (2000), indicate that, in the decision making hierarchy, there exist three levels namely: top, middle and bottom level. At the bottom is the functional level that is composed of managers of product, geographic and functional areas. This level is concerned with the development of annual objectives and short-term operational strategies in various areas of the firms operations. The managers at this level are more concerned with implementation of the strategies set at middle and top level in order to ensure the realization of the organizational short and long-term objectives. In the middle of the hierarchy is the business level, composed of business and corporate managers. At this level the managers translate the statements of direction and intent generated at the corporate level into concrete objectives and strategies for individual business divisions. They determine how the firm fairs in the given business environment. The top hierarchy consists of corporate managers; these are mainly, a board of directors, the chief executive and administrative officers. They are responsible for the financial performance and attainment of the non- financial goals such as corporate social responsibility and corporate image. Using strategic management approach, managers at all levels of the firm interact in planning and implementation of strategic decisions.

### 1.1.2 Retirement Benefits Industry in Kenya

The retirement benefits sector comprises of four distinct categories of schemes organized and streamlined under the supervision of the Retirement Benefits Authority. These include the National Social Security Fund (NSSF), the

Occupational Benefits Schemes, the Individual Retirement Benefits Schemes and the Civil Service Pension Scheme.

***The National Social Security Fund (NSSF)*** is a mandatory scheme where all private sector employers and employees in establishments with five or more staff are mandated to make joint contributions to the Fund on a monthly basis. It is a funded provident fund run by a Board of trustees. The managing trustee is appointed by the government, while the Board of Trustees are drawn from the various stakeholders- employee and workers associations. The contributions are a flat Kes. 400.00 in total with the employer and employee making equal contributions.

On the other hand, the ***Occupational Retirement Benefits Schemes*** are employment based. The schemes are voluntarily established by employers for the benefit of their employees. Currently there are 1342 active schemes in the country with a net worth of about Kes. 180 Billion. Occupational Retirement Benefits Schemes vary in design, majority however are defined contribution pension schemes that enable members earn a stream of income in their retirement. In majority of the schemes both the employer and employees make joint contributions. In other cases the employer or the employees alone make the contributions.

The third category is the ***Individual Retirement Benefits Schemes***. These are established by corporate institutions commonly known as the insurance companies. These schemes are open to the general public and are convenient channels of retirement benefits savings for those in employment but whose employers have not established occupational schemes for them. Those in self employment and those who wish to make additional voluntary contributions also contribute to these schemes. All individual retirement benefits schemes must be licensed by the RBA to operate and must also be funded. Contribution amounts are flexible hence members can make varying amounts depending on their income positions above the minimum which is Kes. 500.00.

The last category is the ***Civil Service Pension Scheme***. This has been in existence since the colonial times to provide retirement benefits for all civil servants employed by the government. It was established by an Act of Parliament which regulates it. It is a pay as you go non-funded and non contributory scheme. The scheme liabilities are funded from government revenue collections. Every year the government makes budgetary allocations for the payment of benefits to retired civil servants. The government has established a department within the Ministry of Finance to oversee the civil servants retirement benefits matters.

### 1.1.3 Retirement Benefits Authority, RBA

The Retirement Benefits Authority was established under an Act of Parliament in 1997 known as the Retirement Benefits Act. The Act provided for the establishment of the Retirement Benefits Authority to implement the Act and to oversee overall compliance to the Act. The Retirement Benefits Act (1997) enthrones RBA with sufficient powers to manage and oversee all occupational retirement benefits schemes and mandatory National Social Security Fund. The Authority can invoke the court of law in cases where its powers are challenged.

The Retirement Benefit Act was thus enacted to provide a regulatory framework for the retirement benefits industry. The Authority was also mandated to streamline the industry and restore confidence of stakeholders and members to enable them save more for retirement and contribute towards the national effort of raising the domestic savings rate. However, it was only after the gazettement of the Retirement benefits Regulation (2000) on the 9th October 2000, that the

Authority was bale to fully operationalise the law. The mandate of the authority is five fold: a) regulate and supervise the establishment and management of retirement benefits schemes; b) protect the interest of members and sponsors of retirement benefits schemes; c) promote the development of the retirement benefits sector; d) advise the Minister for finance on the national policy to be followed with regard to the retirement benefits sector, and, e) to implement all government policies relating thereto.

The Authority's operations are vested in an independent Board of Directors with a majority private sector representation. The Board comprises of the incumbent office bearers- the Minister for Finance and the Permanent Secretary, Treasury. Others are the Chief Executive officer of the Capital Markets Authority; Commissioner of Insurance; five positions are held by private sector experts appointed by the Minister for Finance based on their knowledge in law, banking, pension, insurance or actuarial studies. The Chairperson of the Board is appointed by the Minister for Finance from among the five sector experts. The Board is directly answerable to the Minister for Finance and indirectly to the retirement benefits industry players.

The Authority is headed by a chief Executive who is answerable to the Board of Directors. The authority is structured under the support of six departments headed by Heads of department. The departments are Legal affairs and corporate, compliance, Research and Development, Finance, Human capital and Administration and Corporate Communications. The Internal Audit and Risk Management reports to the Board Audit Committee and is answerable to the Board.

RBA has adopted an open door policy and thus it discloses its public undertakings. It publishes its annual reports, quarterly newsletters and circulates them to the industry. It also uses the media: print television and radio to disclose and disseminate information to the public.

### 1.1.4 Strategic Planning at Retirement Benefits Authority

The first corporate plan for RBA covered the period 2003-2006. Not withstanding its achievements, the management recognized the challenges manifested in implementation of the plan.

The Authority acknowledges that this plan basically represented a learning process for the Authority and therefore experienced challenges in implementation and monitoring. Staff also failed to relate the stated vision and mission to their daily work. While great achievements were made in the mandate of: increasing the level of coverage of retirement benefits in Kenya; improving the benefits replacement rates; bringing all retirement benefits stakeholders to full compliance to the Retirement Benefits Act; lean well skilled, motivated, efficient and effective staff establishment. Implementation of time and cost effective operational systems including outsourcing non core services, and, lobby for a more harmonized, workable and transparent legislative framework for the retirement benefits industry was a challenge.

Monitoring and evaluation of programmes to assess the effectiveness and efficiency has always posed a problem even to the most established institutions. Going by the enquiries made, it was reckoned that a number of Kenyans were more sensitized and more willing to join schemes they deem(ed) comfortable to save with. However, the Authority did not keep records of individuals who joined retirement benefits schemes.

On the mandate of improving the Benefits replacement rates, the Authority lobbied the government for favorable tax incentives in order to increase the replacement rate. Replacement rate is the ratio of retirement benefit income retiree earns in relation to the average salary earning during years. This is crucial in determining and securing an individual's standard of living in retirement. The higher the replacement rate, the more able a person is to maintain their living standards in retirement. The replacement rate in Kenya is 20% which is far below the World Bank and International Labor Organization (ILO) recommended 40%. The reason for this has been attributed to easy access to retirement benefits fund by members upon changing jobs. The Authority has advised the government on the importance of preservation of the retirement benefits funds.

Bringing stakeholders to compliance is the core business mandate of the Authority. At the inception of the first plan period, only 128 out of the 1200 schemes were fully compliant. By the end of the plan, the number of compliant schemes had increased to 700 out of the 1346 registered schemes. The major reason for the low compliance particularly those affiliated with public institutions have not been able to comply due to past un-remitted contributions by employers. The Authority has drawn up remedial plans with the non compliant schemes and closely monitors them. Secondly, the delays in approving documents such as the Trustee Deeds by the Authority. Other than the process of approval being lengthy, every time legislative changes are made, schemes are required to amend their trust deeds accordingly which demands a repeat of the approval process. This is compounded by the fact that there is lean legal staff to provide the much needed support to the Compliance department.

The poor performance of the domestic and global economy impacted negatively on the performance of retirement benefits funds investment more so because of their long term nature. Returns on debt market investments suffered as big blow in 2003/4 when the interest rates on the 91 day treasury bills dipped to 2% and inflation soared to double digits to 16% in 2005.The 91 day treasury bill rate is a prominent benchmark used in guiding other debt market investment performance. Further, with the reduction in global economic growth from 2.5% in 2008 to 0.9% in 2009 adversely affected saving potential. Consequently, the Kenyan economic growth rate shrank to 2.5% in 2009 against the forecasted 3.5% in 2008.

The savings culture in Kenya did not improve much during the plan period. This has been evident by strong resistance from the industry and individual members to embrace recently introduced policy proposal to have retirement savings locked until retirement age.

As stated earlier, the first corporate plan did not clearly spell out the implementation, measuring and monitoring framework. Consequently, the plan minimally guided the day to day operations at the functional level, posing a problem of measuring what was achieved.
It is indicated that the first plan lacked general ownership at all staff levels despite its intended purpose of creating a sense of ownership and leadership. The lean staff establishment also stifled impressive achievement of the corporate objectives.

On the political front, the aftermath of the post election violence led to many Kenyans becoming Internally Displaced persons (IDPS) hence affecting economic activities in some areas with a negative impact on savings for retirement. Corruption scandals in the public sector also adversely affected the schemes operations during the period. Delays in the passing of critical legislations negatively impacted on the schemes management- such as the national pension's policy. There is a risk of parliamentarians passing populist policies for political convenience. Political interference of schemes management - NSSF, has the negative impact on remittances as well a replacement rates due to low investment incomes. These challenges posed a threat to strategy implementation for the Authority.

## 1.2 The Research Problem

Kenya's Vision 2030 is a long-term development blueprint for the period 2008-2030 and it focuses in creating a globally competitive and prosperous country with a high quality of life by 2030. It aims to transform Kenya into a newly industrializing, middle-income country providing a high quality of life to all its citizens in a clean and secure environment. Simultaneously the vision aspires to meet the Millennium Development Goals (MDGS) for Kenyans by 2015. The Vision 2030 highlights the following as the main challenges facing the country; faster job creation to address the high unemployment of youths leaving school; majority of Kenyans live in poverty; high inequality in income distribution; gender imbalances; considerable disparities in development among the different regions of the country; **low savings and investment rates**; insecurity; persistent corruption and weak governance; poor infrastructure; and slow progress in achieving structural changes in the economy, such as over reliance on agriculture and export of primary products. The First Medium Term Plan (2008-2012) of Vision 2030 recognizes the statutory mandate of RBA. Under Vision 2030, Kenya aims to increase the annual growth rate to an average of 10% over the Vision horizon. Retirement Benefits Sector (RBS) will definitely play a big role in the achievement of this growth.

Strategic planning is a fairly recent concept in the public sector in Kenya; with the first Strategic plan of RBA being initiated for the period 2003-2006, and thereafter the second plan for the period 2006-2009. The Authority has just launched the third plan that covers the period 2009-2014. The Corporate Plan 2003-2006 and 2006-2009 did not provide a comprehensive output-and performance oriented strategy. Furthermore, RBA recently launched the third plan that spelt out a number of strategies covering the period 2009-2014. Six years have elapsed into the strategic planning process, while key objectives have been partially achieved, a number of obstacles both at macro and micro level stifle the growth of the retirement benefits industry. The reason for the failure could be due to problems and challenges in implementation of the plan; hence this study seeks to establish the challenges.

While a number of studies have been carried out on the subject of strategic implementation within the public sector, few if any have dealt with public healthcare delivery within the country. Kagiri (2007) and Ongaro (2004), in their studies did not address strategy implementation challenges in the Retirement benefits sector or RBA. Others (Koske, 2003; Machuki, 2005) addressed the challenges of strategy implementation in other sectors. Studies on strategy implementation challenges on RBA were not found.

Consequently, in this era of public service reforms and their performance implications, this study expands such efforts with the overall goal of assessing in a comprehensive manner the challenges of strategy implementation and will make an important contribution to re-thinking policy and strategic directions. The challenges of strategy implementation in the Retirement benefits scheme appear to be a knowledge gap. Hence this study seeks to address the following research questions:

What challenges does RBA face?

What is the best way of responding to them?

### 1.3 The Research Objectives

The study was undertaken to understand and establish the challenges of Strategy implementation within RBA.

The specific objectives of the study were:

i. To Establish the challenges of strategy implementation in RBA, and
ii. To determine how RBA is addressing the challenges.

## 1.4 Importance of the Study

The study documented the strategy implementation challenges and the mitigating measures being undertaken to overcome the challenges at RBA. Therefore, managers in the retirement benefits sector and within RBA will use the findings in the formulation, review, implementation and control of the strategic planning and management process; policy makers can refer to the study for future policy, management decisions and direction; for the academicians, the findings will also provide a firm benchmark for future studies on strategy management of in the public sector to spur efficiency and competence within the sector. The study aspires to bridge the gap in knowledge on effective strategy implementation and make recommendations for further research.

# CHAPTER TWO: LITERATURE REVIEW

## 2.1 Concept of Strategy Implementation

As a tool, different researchers and authors have defined strategy. Ansoff (1965) defined strategy as a pattern of decisions in an organization that determines and reveals the objectives, purpose or goals, produces the principal policies and plans for achieving those goals and defines the range of business an organization is to pursue, the kind of economic and human organization it is or intends to be and the nature of the economic and non-economic contribution it intends to make to its shareholders, employees, customers and communities. The definition of strategy by Ansoff (1965) provided an inclusive and exhaustive coverage of strategy.

The other definitions, not withstanding, are directed towards the ability of the organization to give a bird's view of its plan of allocation of resources in order to be able to sustain the bombardment of the environment (Porter, 1980). Thompson (2007) further states that the importance of strategy and proper strategy development is critical for value addition. Most of the time, company's strategy evolves incrementally from management's on-going efforts to fine-tune this or that piece of strategy and to adjust certain strategy elements in response to unfolding events. However, there are times when major strategy shifts are called for, such as when a strategy is clearly failing and the company faces a financial crisis, when market conditions or preferences change significantly, or when important technological break throughs occur.

They explain that the evolving nature of a company's strategy means that the typical company strategy is a blend of (1) proactive actions to improve the company's financial performance and secure a competitive edge and (2) as needed reactions to unanticipated developments and fresh market conditions; with the bigger proportion arising from previously initiated actions and business approaches that are working well enough to merit continuation and newly launched initiatives aimed at boosting performance and edging out rivals. Thompson (2007) reckons that strategy formulation is done first and subsequently, implementation. A company's strategy consists of the competitive moves and business approaches that managers are employing to grow the business, attract and please customers, compete successfully, conduct operations, and achieve the targeted levels of organizational performance.

Implementation is one of the most critical components of strategic management. A strategy that is not implemented is no strategy at all (Rowe A J et al 1994). Bonoma (1984) observed that a good execution may save a poor strategy, whereas poor implementation ensures trouble or failure regardless of how appropriately the strategy has been formulated. Rowe A J et al (1994) contend that astute managers start thinking about implementation at the very outset of strategy development. Accordingly, each step in strategy formulation, evaluation and choice should be undertaken with the implementation requirements clearly in mind.

According to Aosa (1992), once strategies have been developed, they need to be implemented since they are of no value unless they are translated to actions. An excellent implementation plan will not only ease the success of an appropriate strategy, but can also salvage an inappropriate strategy (Hunger & Wheelen, 1994).

## 2.2 Challenges of Strategy Implementation

In studying strategy implementation we need to look at the whole process of strategy management which includes formulation, implementation and evaluation, which are inseparable and continuously influencing each other.

Strategy formulation involves doing a situation analysis both internal and external, both micro and macro environmental, concurrent with this assessment, objectives are set. This involves crafting vision statements, mission statements, overall corporate objectives and tactical objectives. These objectives should in the light of situation analysis, suggest a strategic plan (Mintzberg and Quinn, 1991).

Strategy implementation involves allocation of sufficient resource, financial, personnel, time and computer support, establishing a chain of command or some alternative structure such as cross functional teams and assigning responsibility of specific tasks or processes to specific individuals or groups. When implementing specific programmes, this involves acquiring the requisite resources, developing the process, training, process testing, documentation and integration with and/or conversion from legacy process. Managers are encouraged to consider analysis of organizational structures and systems before strategy implementation, as well as analysis of culture, power and conflict (Pearce & Robinson, 1998).

Strategy evaluation is the final strategy management process. This is necessary to ensure that stated objectives are being achieved. It involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling the variance and making adjustments to the process as necessary (Pearce & Robinson, 1998).

Top managers need to recognize that they can not plan every thing (Taylor, 1986). The assumption that mangers can plan strategy implementation at the top then cascade down through the organization is not tenable. It should be recognized that how top managers conceive strategies are not the same as how those lower down in the organization conceive them (Johnson & Scholes, 2007).

Therefore, there needs to be ways of relating the strategic direction to the every day realities of people in the organization. It is therefore vital that middle managers are engaged with and committed to such strategies so that they can perform this translation process (Kazmi, 2002).

Thompson and Strickland (1989) state that what makes the job of the strategy - implementer so complicated is the multiplicity of tasks combined with the variety of ways to approach each task. Strategy implementation has to be custom -tailored to the organization's overall condition and setting, to the nature of the strategy and the amount of strategic change involved (shifting to a bold new strategy poses different implementation problems than fine tuning a strategy already in place).

Peters and Waterman (1982) came up with 7 S framework popularly known as McKinsey 7 S framework which stand for Strategy plan of action for allocation of resources to achieve specified goals ; Structure, main feature of organization chart and how various parts are linked; Systems organization, formalized procedures and processes; Staff composition of workforce; Style behaviour of managers and cultural style of the organization; Shared values, guiding concepts and meaning that hold together the organization members and Skills distinctive capabilities possessed by individuals, groups and organizations.

They classified the first three as hard S and the last four as soft S which they said hold the key to success of any organization since it gives both managers and employees freedom to challenge strategy and experiment with different solutions if the organization were to achieve excellence. The organization needs to be value driven to encourage rapid and appropriate response and customers to be treated as partners with the ability to dictate product quality, quantity and service. The only way for an organization to survive is to constantly reinvent itself through the process of innovation and change (Burnes, 2004).

The structure that served the organization well at a certain size may no longer be appropriate for its new or planned size. The existing structure and processes support the current ways of doing things and if the strategy indicates that the organization needs to behave in different ways, there is likely to be problems should the existing structures be used to implement the changes ( Campbell et al, 2002). The current structures may as well distort and dilute the intended strategy to the point where no discernible change takes place. McCarthy et al (1996) affirms that creating that structure and attendance behavior changes is a formidable challenge. The fundamental challenge for managers is the selection of the organization structure and controls that will implement the chosen strategies effectively. Structures dictate how policies and objectives are established. Resource allocation of an organization is dependent on the kind of structure the organization has. There is no optimal organization design or structure for a given strategy or type of organization (David, 1997; Pearce & Robinson, 1994).

Owen (1982) confirms that in practice there are four problem areas associated with successful implementation of strategy. He contends that at any time strategy and structure need to be matched and supportive of each other. Products and services need to be managed independently, or in linked groups or business units, if they are to be matched closely and effectively with their environments. He states that structures can not be created and activated independently of the people involved; their individual skills may provide either opportunities or constraints. Secondly, he indicates that the information and communication systems are inadequate for reporting back and evaluating the adaptive changes which are taking place, and hence the strategic leader is not fully aware of what is happening. Hence the performance of the existing structure is not monitored properly, and as a result control mechanisms may be ineffective. Thirdly, implementing strategy involves change, which in turn involves uncertainty and risks. Apart from new skills being necessary, managers may agree in meetings to make changes, but may be more reluctant in practice to implement them. Motivation of managers to make changes is therefore a key determinant. Finally, he states that management systems, such as compensation schemes, management development, communication systems and so on, which operate within the structural framework will have been developed to meet the needs of past strategies. They may not be ideal for the changes which are taking place currently, and again it is difficult to modify them continually. While strategy should be chosen in a way that it fit the organization structure, the process of matching structure to strategy is complex (Byars et al, 1996).

Alexander (1985) argues that additional factors are also significant, especially: the failure to predict the time and problems which implementation will involve; other activities and commitments that distract attention and possible cause resources to be diverted and the bases upon which the strategy was formulated changed, or were forecast poorly, and insufficient flexibility has been built in. All these problems presuppose that the formulated strategic change is sound and logical. A poorly thought out strategy will create its own implementation problems (Thompson, 1994).

Rowe et al ( 1994) and Byars et al (1996) state that the ideal in strategy implementation is to reach a state in which everyone in the organization understands what she or he is to do and why. Lack of understanding of strategy is one of the obstacles of strategy implementation (Aaltonen & Ikavalko, 2001). They indicate that although it is the only state in which implementation can be secured for an extended period of time, few organizations fully achieve it. They assert that each step in strategy formulation, evaluation and choice should be undertaken with implementation requirements clearly in mind. They further identify four possible relationships that can exist between strategic managers and those that they plan for and that the relationships depend on how well the managers understand the needs, wants and capabilities of the organization's members and on how well the members understand the goals, objectives, tasks and the assumptions of the plan. If the managers do not understand the members and the members do not understand the plan, then they are acting at cross purposes. They state that managers can attempt to implement the plan by fiat, drawing on their authority, but this approach is unlikely to succeed. They contend that if on the other hand, the managers understand the members but the members do not understand the plan, the managers must sell the plan to members and motivate them by means of rewards and incentives. Because the members do not understand the reasons for the plan, however, it is unlikely that the plan will be fully implemented or that the organization will achieve its maximum potential. If the managers do not understand the members but the members are educated to understand the plan and its underlying assumptions-a condition reached because of participation and education activities that the organization has engaged in, some of the plan will be implemented and some of the organization's potential realized. Consequently, the only way to ensure full realization of an organization's potential is for its managers to understand its members well and for the organization's members to understand and believe in the plan fully. They affirm that organizations are composed of people, and unless the managers can introduce a strategy in a way that leads people to accept and support it, the strategy may be doomed to failure. Therefore, social change being key to strategy implementation.

**Table 1: Understanding strategic change**

| | Members don't understand the plan | Members do understand the plan |
|---|---|---|
| Managers do not understand the members needs, wants and abilities | ***Failed Implementation*** Power and authority are the only available approaches | ***Partial implementation*** Participation and education are possible approaches |
| Managers do understand the members needs, wants and abilities | ***Partial Implementation*** Motivation and selling are possible approaches | ***Full Implementation*** Requires full use of the social change process |

***Source: Rowe et al (1994)***

They contend that creating an organizational culture which is fully harmonized with strategic plan, offers a strong challenge to the strategy implementation, administrative and leadership abilities. Aosa (1992) observes that lack of compatibility between strategy and culture can lead to high organization resistance to change and de-motivation which can in turn frustrate the strategy implementation. Management should strive, emphasize and build upon aspects of an existing culture that support new strategic choices. Culture may be a factor that drives the strategy rather than the other way round (Kazmi, 2002). If the existing structure is antagonistic to a proposed strategy, then it should be identified and changed to be supportive. People can be captured by their collective experience, organizational and institutional norms (Johnson & Scholes, 2002). Changing a firm's culture to fit new strategy is usually more effective than changing a strategy to fit existing culture (David, 1997).

## 2.3 Effective Strategy Implementation

To counter all these problems Owen (1982) suggests that clear responsibility for the successful outcome of planned strategic change should be allocated. Secondly, the number of strategies and changes being pursued at any one time should be limited. The ability of the necessary resources to cope with the changes should be seen as a key determinant of strategy and should not be overlooked. Thirdly, necessary actions to implement strategies should be identified and planned, and again responsibility should be allocated. Fourthly, Milestones or progress measurement points should be established, and finally measures of performance should be established and appropriate monitoring and control mechanisms.

These, Owen further argues, can all be achieved without necessarily changing the structural framework but rather changing the way people operate within it. In addition, Alexander contends that the involvement and support of people who will be affected by the changes in strategy must be considered, and that the implications of the new strategies and changes should be communicated widely, awareness created, and commitment and involvement sought. Incentives and rewards systems underpin this.

Rowe et al (1994) state that there are four factors that affect the effective implementation of strategy. They explain that the style of the executive who is the change agent; the corporate culture i.e. the norms, values and beliefs that guide the organization; the values held by the individuals in the organization, and the fit, or match or corporate and individual values.

The prospects for the effective strategy implementation are clearly dependent upon the appropriateness, feasibility and desirability of the strategy, (Thompson, 1994). Reed and Buckley (1988) suggest that new strategies are selected because they offer opportunities and potential benefits, but that their implementation, because it involves change, implies risk. Implementation strategies should seek to maximize benefits and minimize risks. Thomson (1994) contends that the major themes concern organization structures, policies, control systems related to the management of resources; and the management of change.

For successful strategy implementation, an organization should understand the impact on strategy of external environment, internal resources and competences and expectations and influences of stakeholder (Johnson and Scholes, 2002). The organization exists in the context of a complex commercial, political, economic, social, technological, environmental and legal world. This environment is not static and keeps changing and is more complex for some organizations than others (Thompson, 1997). For successful strategy implementation, it is important for the company to understand the historical and environmental effects as well as expected potential changes in environmental variables in which it operates (Johnson and Scholes, 2002).

The resources and competences of an organization make up its strategic capability, which enables success in the implementation of the chosen strategies. Just as there are outside influences on the organization and its choices and strategy implementation of strategies, so there are internal influences (Reed & Buckley, 1988). These internal influences constitute strengths and weaknesses. Competences such as skills and know-how enhance successful strategy implementation.

Thompson (1994) explains that it was suggested that the overall mission and corporate strategy should be used to develop a series of competitive strategies for each business unit, product/market and service/market. Functional strategies are designed to implement the competitive strategies, and related to these will be a series of action plans.

At the same time, he contends that the structure of the organization is designed to break down the work to be carried out, the tasks, into discrete components, which might comprise business units and functional departments. People work within these divisions and functions, and their actions take place within a defined framework of objectives, plans and policies which are designed to direct and control their efforts.

Thompson (1994) emphasizes that the information and communication systems within the organization should ensure that efforts are co-coordinated to the appropriate and desired extent and that the strategic leader and other senior managers are aware of progress and results. He elaborates that the structure is designed to enable the implementation of strategies; or the structure in existence should be capable of implementing strategic decisions. Resources are managed within the framework provided by the structure, results are measure, and control mechanisms are used to establish where changes might be needed.

However, he cautions that there will be need for adaptive strategic change in response to environmental opportunities and threats, and the climate within the organization should encourage and allow managers to make necessary changes. Furthermore, the activities and decisions which take place within the structure , as a result of the way managers behave individually and work with each other , lead to emergent functional, competitive and in turn corporate strategies. Hence, whilst structures are designed to implement strategies, and should be capable of implementing strategic decisions effectively, the behaviour of people within the structure leads to emergent strategies.

With the changing environment, there emerge a number of influences on an organization's purpose. Questions on who should an organization primarily serve and how should managers be held responsible influences strategy implementation. The changing expectations of different stakeholders affect the purpose and focus of the strategy (Johnson and Scholes, 2002).

According to Koske (2003) leadership is considered to be one of the most important elements affecting organization performance. Leadership is needed for the effective strategy implementation as this will ensure that the organization effort is united and directed towards achievements of its goals (Pearce & Robinson, 1998). Leadership of the organization should be at the forefront in providing vision, initiative, motivation and inspiration to the team members. The management should cultivate team spirit and act as a catalyst in the whole strategy implementation process. As much as possible, the leadership of the organization should fill relevant positions with qualified people committed to the change efforts (Bryson, 1995).

Thompson (1994) notes that the outcome, in terms of effective strategy management and organizational success, is dependent upon: the direction provided by the strategic leader; the culture of the organization; the extent to which managers throughout the company understand, support and own the mission and corporate strategy, and appreciate the significance of their individual contribution; the effectiveness of the information, monitoring and control systems.

Thompson goes ahead to state that the success of the strategic leader in managing both the direct and indirect aspects influences the effectiveness of the implementation of strategies and the strategic changes which are determined through the planning and entrepreneurial modes of strategy creation and the ability of the organization, its managers, to respond to changes in the environment and adapt in line with perceived opportunities and threats. Accordingly, aspects of the implementation which can be changed directly are the organization structure, the management systems, policies and procedures, action plans and short term budgets and management information systems. On the other hand, aspects of the implementation which are changed indirectly include communication systems, managing and developing quality and excellence, manifested values and organization culture, and the fostering of innovation. Those aspects which can be changed directly, according to Thompson, generally imply physical changes in the way that resources are allocated. Behavioral aspects, which imply changes in belief and attitudes, can only be modified indirectly.

Cultural influences from within the organization and from the world around it also influence the strategy (Pearce & Robinson, 1994). According to Rowe et al (1994), social change must be considered part of any strategic change. Subsequently, the phases in implementing a strategy should include: determining what social change is required for a proposed strategy and then introducing that change; obtaining commitment to the change; carrying out the implementation, utilizing managerial controls that balance behavioral and technical requirements to achieve specified objectives. They contend that this phase often requires re-evaluation of the original strategy or its adaptation to the new environmental demands.

Judson (1966) delineated five phases of managerial action necessary to implement change, these included: analyzing and planning the change; communicating the change; gaining acceptance of the required changes in behaviour; making the initial transition from the status quo to the new situation and consolidating the new conditions and continuing to follow up.

Gibson, Ivancevich and Donnelly (1988) elaborate on these phases. They state that its imperative to examine the internal and external forces that require change; diagnose the reasons for change; determine an appropriate intervention to introduce the change; identify the performance objectives and outcomes; apply methods (as those suggested by Judson) to implement the change, and provide means for evaluating the effectiveness of implementation and feedback mechanisms to correct the implementation required.

## 2.4 The Role of Leaders in Strategy Implementation

Although the role of top management in implementing strategy successfully is crucial, nevertheless, top management is often seen to fail in this task. For example, some do not even encourage idea generation as a key part of the job requirements of their employees (Ponnu, 2008).

Reid (1989) points out that major opportunities will be missed because those most closely involved with the market will not be expected to contribute ideas. These ideas, in limbo, represent wasted collateral as they could have been turned into achievable strategy by those most knowledgeable in those activities or areas of operation.

Another problem is the lack of top management support. This is evident when top management treats planning as an additional rather than as an integral part of management. Hence, they feel that they can delegate planning to the planning department (Hussey, 1984; Coulson-Thomas 1992).

Additionally, Ward and Willis (1990) observe that top management may lack sufficient training in dealing with employee fear and apprehension created by the threat of a new strategy on their previously held positions and responsibilities. In view of the above issues, top management has to take measures to overcome these problems, such that implementation can be expedited. Quinn (1987) asserts that top management can improve the success rate of strategy implementation if they can artfully blend formal analysis with behavioral techniques and power politics, so as to bring about a cohesive, step-by-step movement toward achieving the ends. Quinn states that only by this comprehensive process can top management secure the needed support from the employees, which is crucial for successful strategy implementation.

Furthermore, Chakravartky and Lorange (1984) suggest that the style of the CEO must be compatible with the anticipated changes in the structure and systems used by the firm. They recommend that there must be a matching of management style with the organizational units. This is also noted by Khandwalla (1976), who suggests that for successful implementation to ensue, managers should be replaced or re-trained, if their skills or styles are deemed inappropriate.

Ponnu (2008) finally states that, the key factor of top management is interrelated with various areas such as climate, communication, control systems, departmental interface, motivation and training, resistance to change and managing change. All these issues are closely tied to the top management factor because of the extensive responsibility of top management.

## 2.5 Power, Politics and Strategy implementation

Pearce and Robinson, (2007) explain that the direction and stability of political factors are a major consideration for managers on formulating and implementing of company strategy. Political factors define the legal and regulatory parameters within which firms must operate. Political constraints are placed on firms through fair-trade decisions, antitrust laws, tax programmes, minimum wages legislation, pollution and pricing policies, administrative jawboning, and many other actions aimed at protecting employees, consumers, the general public and the environment. However, some political actions are designed to benefit and protect firms. Thus political factor either may limit or benefit the firms they influence. It is imperative to identify key political issues that might impinge on an organization's strategy implementation process. Thus a question that might not escape managers: is the strategy implementation likely to be adversely affected by the by the current political framework and environment?

Johnson and Scholes (2007) affirm that a consideration of the environment, strategic capability, the expectations and the purposes within the cultural and political framework of the organization provides a basis for understanding the strategic position of an organization. Such an understanding needs to take into account the future into account. They contend that strategies are more or less successfully implemented through people since their behaviors is not determined by plan but the cultural and political dimensions of the organizations. Moreover, public sector managers and civil servants are likely to be especially concerned with changes in public policy, public funding levels and demographic changes.

Lomash and Mishra (2006) contend that as a strategy manager, one would be more interested in various provisions made by the government. The functionaries of political systems take certain actions within the basic framework of constitution, which are more important to be understood by the strategist.

There is also the political process of bargaining and negotiations since conflict and disagreements will occur, but this is an inevitable outcome of diversity and variety in organizations and should not necessarily be regarded as negative in the process of strategy development and implementation. The dangers are at the extremes; that conflict and disagreement become so pronounced that they get in the way of benefits of diversity. Managers often suggest that the strategy being followed by the organization is really the outcome of the bargaining and power politics that go on between important executives. Such executives are continually trying to position them such that their views prevail or that they control the resources in the organization necessary for future success. They further contend that managers typically reconcile different views through negotiation and political activity, or by falling back on established ways of doing things, or routines (Johnson and Scholes, 2007). Managers need to acquire skills in preparation of political decisions, lobbying, coalition formation, bargaining and the use of propaganda. Firms will need to build relationships and frameworks in which political action takes place; they need to define their political market place (Ansoff and Mc Donnell, 1990)

Johnson and Scholes, (2007) explain that different views prevail in the organization and different parties are exercising their political muscle, compromise may be inevitable. It is also possible that it is from the pursuit of the current strategy that power has been gained by those wielding it and therefore might perceive any changes as threats to their power in such circumstances it is likely that search a compromise solution which accommodates different power bases may well end up with a strategy which is an adaptation of what has gone on before.

It may well be that there will be a need for the reconfiguration of power structures in the organization, especially if transformational change is required. In order to effect this reconfiguration of power, it is likely that the momentum for change will need powerful advocacy within the organization, typically from the chief executive, a powerful member of the board or an influential outsider:

indeed, an individual or group combining both power and interest (Johnson and Scholes, 2007).

Information is not politically neutral, but rather can be a source of power for those who control what is seen to be important, so the withholding of information, or the influence of one manager over another because that manager controls sources of information, can be important. Powerful individuals and groups may also strongly influence the identification of key issues and indeed the strategies eventually selected and implemented. (Johnson and Scholes, 2007). Therefore, planning and strategy implementation, in this sense, political, or at least has a political dimension. Ansoff and Mc Donnell, (1990) explain that a political delay may occur if certain managers, whose domain contributes to the crises, feel that recognition of a crisis will reflect on their reputation and or/ will cause them to lose power.

Powerful groupings in the organization are of crucial importance and may correspond to powerful stakeholder groupings. Building up alliances and a network of contacts and sympathizers, even though may not be powerful themselves, may be important in overcoming resistance of more powerful groups. The danger is that powerful groups in the organization may regard the building of such a team, or acts of marginalization, as a threat to their own power, and this may lead to further resistance to change (Johnson and Scholes, 2007). The conflicts are resolved through compromises, bargains and power shifts (Ansoff and Mc Donnell, 1990).

Political aspects of management in general are unavoidable, and the lessons of organizational life are as important for the manager, as they are, and always have been for the politician. One problem in building a power base is that the manager may have to become so identified with existing power groupings that he or she either actually come to accept their views or perceived by others to have done so, thus losing support amongst potential supporters of change. Building a power base is a delicate path to tread (Johnson and Scholes, 2007).

# CHAPTER THREE: RESEARCH METHODOLOGY

## 3.1 Research Design

This was a case study aimed at establishing challenges experienced in strategy implementation at RBA, and the measures being adopted in addressing these challenges by the institution. The method allowed the researcher to get deeper into the how and why of the phenomena under study. Similar research done by Ateng (2007) and Koske (2003) proved to be a reliable design for studies within the public sector.

## 3.2 Data Collection

The study relied on primary data which was collected by an interview guide. (See appendix). Apart from the respondent details, the guide had sections covering: the Structure; Information and Communication systems, Human resources; Culture and Values; Politics and Power; Economy; Technology; Policy and Legal framework, and the Environment and Climate.

The researcher interviewed Heads of Department of Compliance, Research, Finance and Administration, Human Resource and Corporate Communication Departments. It is these top managers who implement policies, co-ordinate and plan activities within functional areas for the attainment of stated hospital objectives.

## 3.3 Data Analysis

Content analysis was used in this study. Content analysis of the data was based on analysis of meanings and implications emanating from the respondents information and documented data on strategy implementation challenges. This approach allowed meanings of data collected to be extracted from the information collected and relate them to the core areas of the study. The data collected was qualitative requiring analytical understanding, rendering the approach appropriate. The approach also took cognisance of secondary data.

# CHAPTER FOUR: FINDINGS AND DISCUSSIONS

The researcher carried out face to face interviews with Heads of Department at RBA. The tool was divided in sections addressing issues on: the Structure; Information and Communication systems, Human resources; Culture and Values; Politics and Power; Economy; Technology; Policy and Legal framework, and the Environment and Climate. Below is an analysis of the findings of these interviews.

## 4.1 Structure

### 4.1.1 Challenges

Byars et al (1996) contends that while strategy should be chosen in a way that fit the organization structure, the process of matching structure to strategy is complex. The Authority has a well established structure that has been existent since the Authority was established. The Authority is expanding in delivering its mandate in a dynamic environment. So far a new department has been established to handle corporate communication known as the Corporate Communication department. The views of top managers were that the structure needs to be reviewed in line with the emerging challenges presented by this scenario. It was indicated that the structure is not adequate enough to handle growth and diverse specialties of the Authority.

It was reckoned that the reporting structure is not clear and properly implemented. This has posed a problem in communication and smooth running of the Authority.

The respondents were of the view that departmental mandate is not properly structured. Respondents indicated that other than certain units operating as sub-units within the departments, the units should be relocated to user departments or be established as independent departments. ICT for instance is a sub unit of

Research and Development yet the Compliance department is the main user if ICT. Human resource is also a sub unit of finance and administration.

The researcher was informed that there is lack of harmonization of the budgeting process and the corporate planning process. As such, procurement procedures are sometimes changed mid stream. Performance monitoring and evaluation was perceived as subjective by some members of staff. It was indicated that the evaluation tool was not standardized hence a challenge to fairness in the evaluation process.

#### 4.1.2 Mitigating measures:

At any time strategy and structure need to be matched and supportive of each other (Owen, 1982). Respondents explained that the Authority should recruit more staff to enable the creation of various divisions/ departments to handle and discharge different aspects of the institution's strategy. On the issues of planning and budgeting, it was reported that procurement and programmes implementation is usually rescheduled. Programmes are scaled down to the very essential ones.

Moreover, the evaluation tool has been reviewed especially the qualitative aspect of the tool and staff training is on-going. Respondents also stated that the reporting structure needs be clearly and communicated.

### 4.2 Human Resources

#### 4.2.1 Challenges

The organization's training and education programmes ought to be adjusted and harmonized with the organization's values and mission. Generally the relevant quality skills and knowledge in pension industry is lacking in Kenya. Initially, staff were transferred from the parent ministry and the Treasury, thus they had no prior knowledge on pension issues. Respondents states that there is lack of adequate job skill since the pension industry is a specialized industry with very few institutions offering this specialized knowledge. Respondents further explained that the pension concept is new and therefore scant information is available even in terms of training programmes. Thus there is lack of adequate skills and qualifications in the industry to tap from.

Further, most departments operate on very lean establishment with some operating with one or two members of staff. This has presented problems in implementation of certain programmes. For instance, the outreach and sensitization programmes have not been fully implemented due to inadequate staffing. In addition to inadequate staff, the institution has not benefited from a professional human resource representation at the higher management level; the finance manager doubles up as a human resource person. There is no independent Human resources department and the Authority has not had a human resources specialist since inception. Respondents also indicated interference in the recruitment process regardless of whether the process is internal or outsourced.

### 4.2.2 Mitigating measures

The managers interviewed indicated that there was dire need to recruit more staff for the department. A plan is on course to do so. It was also indicated that the institution is restructuring.

So far training of staff is on going and they have also been exposed to international standards by being offered training opportunities abroad. It was indicated that there is need to train the staff in communication, and pension industry more so since the industry is dynamic it is imperative to benchmark against best practices. Currently, training is need driven and the staff has been encouraged to pursue individual training and reimbursement – 50% is done upon completion of the course.

Competitive recruitment of experienced and qualified personnel has been effected. Plans are underway to recruit a qualified Human resource person with requisite competence and qualifications.

## 4.3 Culture and Values

### 4.3.1 Challenges

At a macro level, the lack of a saving culture in the country among the citizens has been an impediment to the growth of the pension industry. Educational programmes are not geared towards inculcating the saving culture among the young working Kenyans hence the youth lack a saving culture.

Aosa (1992) observed that lack of compatibility between strategy and culture can lead to resistance to change. This results to de- motivation and dissent of the staff thus curtailing strategy implementation. At the micro level, in the first strategic plan, it was reported that the corporate values were not shared by the entire staff establishment. The vision and values did not cascade to the lower cadres of staff. As such, there was mistrust among the staff especially of management decisions, such as availability and selection for training opportunities abroad. Respondents reckoned that this could have bred some indiscipline and improper reporting.

### 4.3.2 Mitigating measures

The Authority is attempting to mainstream the pension curriculum in to the school curriculum; the authority intends to start with the university in order to inculcate a saving culture and also churn out skilled graduates in the pension industry.

At micro level a new strategy and approach in the formulation of the third strategic plan was initiated in order to encourage ownership and buy-in by the entire staff. The management also pursued programmes to create cohesion among the staff such as team building, fun day, and sports day to enhance and promote trust among members of staff. Further, the management initiated culture change exercise and sensitization of staff.

## 4.4 Politics and Power

### 4.4.1 Challenges

The direction and stability of political factors are a major consideration for managers on formulating and implementing of company strategy. In Kenya, political factors define the legal and regulatory parameters within which a public institution must operate.

Parliamentarians are the law makers, the threat of politicians changing/ reversing policies and legislation without sound and empirical backing is a possibility. At present there is a real threat of law makers reviewing the Preservation rule that seeks to "lock in" retirement benefits until the contributor attains the age of 55 years. There are occasions when the approval of bills is delayed in parliament.

The unpredictability of the leadership as concerns the strategic leaders in the institution such as the change in the leadership and the constitution of board members as the appointment to the board is perceived as political.

Politicians also tend to influence on employment of ordinary staff. The engagement of consultants has not solved the challenge since politicians still wield some power over them. Respondents indicated that unethical consultants who also happen to have vested interests in the recruitment.

The 2007 Post election violence affected the economic performance and subsequent level of savings. High inflation rates eroded the disposable income thus reducing saving. The post election violence also affected a few members of staff psychologically and physically.

### 4.4.2 Mitigating measures

The involvement and support of staff who implement the strategies must be considered. The respondents indicated that counseling of the staff was carried out on the aftermath of the post election violence. On the issue of sourcing, the Authority has constituted a tender board to handle all procurement issues. It is also established that stringent procurement procedures have been set and are largely adhered to.

## 4.5 Information and Communication Systems

### 4.5.1 Challenges

Information and communication systems within the organization should essential enable co-ordination of appropriate and desired objectives. In under this area, the researcher explored weaknesses in the information and communication systems involving human and non human aspects. On being asked if the information and communication systems presented challenges in the implementation of identified strategies, respondents explained that the potential of ICT is not fully utilized since there is no full fledged ICT department to support the institution. Information technology is not interlinked in all processes within RBA. The organizational system is not compatible and integrated. While the infrastructure is available, the human interface at times proves a problem.

The lean staff establishment within the department is a problem especially in corporate communication. The open door policy has also been a subject of abuse resulting to witch hunting in some cases. It was further stated that there is a misconception that pension education is only for the elderly above fifty years. This area also lacks adequate budget allocation.

### 4.5.2 Mitigating mechanisms

The managers indicated that an ICT department is to be established in due course. It is believed that this will provide the much needed profiling of the unit. The IT system is being reviewed in order to enhance process intelligence and integrate the entire process. It is believed a new IT system is to be inaugurated upon completion of the exercise. The budgetary allocation for communication and IT has been increased in the new strategic plan.

The researcher was informed that the Authority has established a staff representation council that seeks appointment with management with a view to address any grievances. Managers also advised that clear channels of communication be set up to avert parallel reporting that may be perceived negatively.

The researcher was informed that the authority intends to embark on grass root education and sensitization for the masses more so in the informal sector in order to inculcate the saving culture in the citizenry and change the mind set on saving for old age. The sensitization programmes are currently targeting Kenyans below the age of fifty as well and as such, the planned programmes are targeting schools where a financial training is proposed. There is a plan to translate collateral material (information, education and communication material) into Kiswahili and vernacular. As a strategy, the multi media has been engaged.

### 4.6 Policy and Legal Framework

#### 4.6.1 Challenges

It is imperative that the basic framework of constitution be understood by strategic planners. Moreover public sector managers need to be concerned and alive to changes in public policy. Public sectors Respondents indicated that the legal and policy framework has presented major challenges in the implementation of strategy. The pension industry has operated without a policy document since RBA came into existence. So far there is a draft document awaiting presentation to the Finance Minister. The unpredictable legal and policy environment also poses a challenge to the pension industry; the regulations have been revised and amended severally in the recent years. This is attributed to the fact that the industry is dynamic. Legislation and policies are changed and formulated arbitrarily; some are detrimental to the saving culture and encourage leakages of funds already saved. There is the threat to reverse the "lock in" policy so that contributors access their benefits before retirement. Respondents indicated that the lack of clear policy and legal framework may have contributed to the alternative investments like saving through the Savings and credit co-operative societies (Saccos) and pyramids. Respondents also noted that Policy making process is not participatory and therefore a threat to savings. There is also perceived lack of trust in pension funds due to weak legal structure governing the pension industry, some service providers are not genuine and defraud contributors

The legal and policy framework issues cause delays in the implementation of programmes for instance, the mortgage law was passed in 2007 and the regulation known as Mortgage Regulations was only passed in 2009 for implementation. The researcher was also informed that the legal framework is not adequate to support informal sector and encourage growth.

Another challenge identified is the fragmented approach to pension funding. For instance, the civil service pension scheme is not under RBA- the government has about 400,000 members of staff under this scheme.

Change of procurement procedures and regulations mid stream greatly impacted on the implementation of programmes.

Inadequate knowledge on pension in the area of prosecutions has stifled prosecutions and enforcement of regulations in the sector. So far the Authority is employing sanctions as a way of enforcing compliance rather than pursue criminal prosecutions that are not very feasible under the current setting.

### 4.6.2 Mitigating measures

The managers indicated that there has been lobbying of the various stakeholders, policy makers and law makers. There is also on-going ssensitizations of stakeholders and trustees. Further, media campaigns have been launched and intensified. Members are also encouraged to pool resources and form associations/ trustee. In order to limit the fragmentation of policies and programmes in the sector, the Authority is spearheading the formulation of a policy framework to harmonize the industry stakeholders.

It was reported that an Appeals Tribunal is being set to arbitrate conflicts and disagreements between service providers and members of the scheme.

### 4.7 Economy

#### 4.7.1 Challenges

The Authority acknowledges that the current distress in global financial system has adversely affected the economic performance of the country and thus negatively impacted on savings. It is reported that during the current recession, the equity market dropped by over 30%, thus reducing value of savings. Due to the economic crisis, remissions on savings were reduced as they were not a priority. Recession/ poor performance of the economy also led to the closure of a number of businesses hence interfering with pension schemes. Poor infrastructure in some parts of the country has led to low productivity and economic activity. As a result of poor performance of the equity market, there were heavy losses in the pension fund investments. Some firms laid of staff resulting to job losses therefore impacting on contributions and investments in the pension scheme. Consequently, poverty and unemployment levels are high therefore limiting savings. High inflation rates reduced disposable income thus eating into savings for retirement.

Respondents indicated that there are limited investment opportunities for the Kes. 300 billion pension's industry. So far, it was stated that the investment options are Treasury bill and shares.

#### 4.7.2 Mitigating Measures

There has been an introduction of new products for the different segments of the economy such as products for the informal and also new ones for the formal sector. The product differentiation based on market segmentation is taking place. As such as, the informal sector- Jua kali members contribute Kes. 20.00 per day towards the newly introduced Jua kali retirement benefits scheme. There has been an initiative to develop new products such as the Mortgage scheme that can be guaranteed by pension contributions. The Authority is advising for the diversification of investments.

Sensitization to change the mindset of stakeholders so that they can prioritize saving for old age has been intensified.

The Authority has initiated surveys and research in order to understand the market. RBA is also collaborating with Universities to come up with research findings to support new products and innovation in the Pension sector.

Respondents confirmed that the Authority is working with the government to come up with alternative investment options such as the infrastructure bonds. The return on such bonds is to be pegged on the market rate.

## 4.8 Environment and Climate

### 4.8.1 Challenges

Climate change is now the most pressing developmental concern globally. Climate change threatens to any achievement the country could have made in increasing incomes and reducing poverty. Also under threat include those gains related to MDGs on eliminating poverty and hunger by ensuring food security. Respondents explained that diverse climatic changes impacted on productivity and the economic performance. Inflation due to drought resulted in reduced contributions and savings. Industries also closed down thus affecting contributions. All this led to the winding up of some pension schemes.

### 4.8.2 Mitigating Measures

Sensitization programmes such the Open Day to advise and encourage investment in pension scheme has been intensified.

## 4.9 Technology

### 4.9.1 Challenges

Managers who were interviewed indicated that the institution is technologically savvy; however, the optimum utilization of the technology has been limited by the fact that there is no ICT department. Also challenges are experienced with the interface of the entire IT sub -systems (connectivity). Respondents indicated that the Authority has not leveraged on modern technology. It was explained that implementation of the informal programmes might present serious challenges. It was also indicated that there is too much paper work from the institutions that the Authority collaborates with in the sector. This has tended to increase the cost of administration of the pensions schemes.

### 4.9.2 Mitigating measures

Respondents indicated that the World Bank is supporting the infrastructure improvement through the financing of legal sector technical assistance programme The Authority is setting up an ICT department. Currently there is an evaluation of the ICT is underway and the website is being reviewed

# CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

## 5.1 Summary

The research was a case study on challenges of strategy implementation. A case study was chosen in order to get in-depth information regarding challenges of strategy implementation at RBA and establish the mitigating measures the authority has put in place in view of the dynamic pension industry. Respondents indicated that the structure is not adequate enough to handle growth and diverse specialties of the Authority. Generally the relevant quality skills and knowledge in pension industry is lacking in Kenya. The educational institutions do not offer courses and training on pension and retirement benefits. Also, compatibility between the organizational strategy and culture both at the national level and to some limited extent institutional level is a challenge. In Kenya, political factors define the legal and regulatory parameters within which a public institution must operate. Environmental and climatic change threatens to any achievement the country could have made in increasing incomes and reducing poverty. Technological challenges are likely to be an obstacle in the Authority's product diversification agenda especially in the informal sector.

Various mitigating measures have been put in place. The Authority has strengthened the existing structure and is in a process to restructure the organization. RBA has and continues to strengthen the institutional capacity and aspires to benchmark against best practices. The Authority continues to train staff both locally and internationally. Further, the management has initiated culture change exercise and sensitization of staff and the citizenry. The involvement and support of staff who implement the strategies has been considered in the formulation of the Strategic Plan 2009-2014. The IT system is being reviewed in order to enhance process intelligence and integrate the entire process. In order to limit the fragmentation of policies and programmes in the sector, the Authority is spearheading the formulation of a policy framework to harmonize the industry stakeholders. Authority is working with the government to come up with alternative investment options such as the infrastructure bonds. Currently there is an evaluation of the ICT is underway and the website is being reviewed

## 5.2 Conclusions

RBA has experienced tremendous growth and achievements both at institutional and national level notwithstanding challenges experienced in the implementation of its strategy. The Authority continues to learn to adapt to these challenges. It is clear that the Authority needs to make crucial adjustments to its long term strategy in order to effectively discharge its mandate.

## 5.3 Limitations of the Study

The study was limited to challenges of strategy implementation at one state corporation. Therefore, the results may not be generalized as being representative of all state corporations.

## 5.4 Suggestions for Further Research

A study to confirm to what extent the lessons learnt from the previous experiences translated into success of subsequent strategy should be considered RBA has just launched its Strategic Plan 2009-2014. In the new plan, the vision and mission were realigned to the country's Vision 2030.

## 5.5 Implications for Policy and Practitioners

The identified challenges to strategy implementation will make an important contribution to re-thinking policy and strategic directions. Practioners can refer to the findings in the formulation, review, implementation and control of the strategic planning and management process in public sector.

Clearly, the implementation of the national pension's policy needs to be fast-tracked. The Authority also needs to restructure and review some of its processes and practices. Key among these is the structure, recruitment and communication, both internal and external. There is also need for the Authority to work with other players such as Capital market Authority, Association of Retirement Benefit Scheme, policy makers and other stakeholders to come up with more investment options. There is need for establishment of financial fraud unit with trained personnel on prosecution in the pension sector.

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# APPENDICES

## Appendix 1: Interview Guide

### Key informant Interview Guide for the Retirement benefits Authority

**Section A: Respondents Personal Details**

| | |
|---|---|
| **1. Position held** | |
| **2. Department** | |
| **3. Number of years in the position** | |
| **4. Level of Education** | |

**Section B: Strategy Implementation challenges and measures to address the challenges.**

**a. Structure**

1. In your opinion, have you experienced strategy implementation challenges as a result of your organizational structure? a. Yes b. No. If Yes,
2. What challenges has the current structure posed in implementation of strategy?
3. What structural adjustments have you made or intend to make in order to ensure the successful implementation of Strategy?

**b. Human Resources**

4. Do you experience challenges in the human resources in terms of competences and capacity that could be an obstacle to the implementation of the organizational strategy?
5. If yes, what are the challenges the human resources pose?
6. What mitigating measures have you put in place to address the challenges?

**d. Culture and Values**

7. Has the organizational culture and values presented any challenges to the strategy implementation?
8. If so, what are the various challenges that the existing organizational culture and values has presented in day to day operations of strategy implementations
9. What measures have you put in place to deal with these challenges?

**d. Politics and Power;**

10. Does the politics of the day and office holders present challenges to the strategy implementation process?
11. If so, what are the challenges?
12. What measures have you put in place to address these challenges?

**e. Information and communication systems**

13. Does the current information and communication system pose a challenge to the strategy implementation? A. Yes b. No
14. If yes, what challenges does the information and communications system present?
15. What mechanisms have you put in place to address these challenges?

**f. Policy and Legal Framework**

16. Is the policy and legal framework a challenge to the strategy implementation?
17. If so, what are the challenges posed to the strategy implementation?
18. What measures have you taken in addressing these challenges?

**g. Economy**

19. Are there economic challenges to strategy implementation?
20. If so, what are the challenges?
21. How is RBA addressing these challenges?

**h. Environment and climate**

22. In your opinion are there environmental and climatic challenges that could impede the implementation of the strategies?
23. What are the challenges?

24. How is the institute addressing these challenges?

<u>i. Technology</u>

25. Are there challenges that the technology poses in strategy implementation?
26. What challenges are they?
27. What measures have you adapted in addressing the challenges?
28. What is your general comment on Strategy implementation within the public sector in Kenya

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DATE: 10/07/09

**TO WHOM IT MAY CONCERN**

The bearer of this letter Ms. NANCY K.C. NAMENGE

Registration No: D/61/P/7954/01

is a Master of Business Administration (MBA) student of the University of Nairobi.

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

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

Thank you.

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DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM