INFLUENCE OF CORPORATE RESPONSE STRATEGIES ON PERFORMANCE OF COUNTY PENSION FUND, KENYA

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ABSTRACT

Pension funds are very important to raise funds for employees and employers. However, Kenya's county pension funds are struggling with challenges mainly due to low employee morale, declining efficiency, lower profitability at the fund level and customer dissatisfaction. The main objective of this study was to determine the corporate response strategies that affect the performance of the Kenya County Pension Fund. The specific objective of the study was to find out the effect of product diversification on performance of Kenya County Pension Fund. The research was based Porter's five forces model and resource-based view theory. This study adopted a descriptive design. The target group was 340 employees of the District Pension Fund. A sample size of 146 respondents was determined by proportional stratified random sampling. The research instrument of this study was questionnaires. A pilot test was conducted in Marsabit District to test the reliability and validity of the research instrument with Cronbach's alpha coefficients above 0.7. The collected data were presented in tables. Data analysis was performed using SPSS to generate descriptive statistics, which are means and standard deviations for regression and correlation analysis, as well as inferential statistics. Ethical considerations were followed at every stage of the study. Based on the results, the study concluded that there was a moderate positive and statistically significant correlation ($r = 0.579$; $p < 0.05$) between product diversification and performance of Kenya County Pension Fund. This means that the diversification strategy will improve the performance of the Kenya Pension Fund. The researcher recommends entering a new market the organization must respond to customer needs by developing new products and forming alliances with other organizations so that the organization can better serve the market and reduce costs. This study suggests that future research should be conducted to establish product diversification strategies for the performance of the Pension Fund of Kenya.

INTRODUCTION

Background to the Study

Retirement income is a very important part of everyone's life cycle around the world. Pension income comes from one of the four pillars of old age: non-accumulated state pension (i.e. transfers from the current working population through the tax system), accumulated pension (i.e. savings accumulated in private sector pension systems), direct private savings and installments. retirement work. For most people in developed countries, the most important sources of retirement income are public and private pension systems. Good governance of the pension system is crucial for pension systems to be able to meet their obligations to their payers/members (World Bank, 2019). Lui et al (2018) assessed online response strategies and their impact on competitiveness. The main observation was that responding to the changing environment is the only way to ensure the competitiveness of organizations and thus also the performance. In Kenya, Nyanumba, Katula, and Okari (2016), assessing strategic responses to competitive advantage in the Kenyan banking sector, found that commercial banks adopted concentration and diversification strategies in response to a turbulent operating environment.

Global perspective conflict resolution

Global indices show that pension assets are important for any economy. According to Alliance Global Investors (2017), pension assets in Australia are A$1 billion (equivalent to 20% of GDP), while pension assets in Belgium were €140 billion in 2016. In 2018, pension assets in Canada were CAD 1.3 trillion (30 % of GDP: sta), while pension assets in China were RMB 714 billion (24% of GDP) in the same year. Pension assets accounted for 14% of UK GDP (1.9 trillion GDP) in 2018, while US pension assets were worth US$14.5 trillion (37.7% of total household funding). assets). Closer to home, in Kenya and South Africa, pension assets were valued at KSH 130 billion in 2006, accounting for 30% of GDP (RBA 2017) and ZAR 1.098 billion in 2016 (Alliance Global Investors 2017).

Pension funds are therefore important contributors to the gross domestic product of countries and should therefore be managed effectively. Elderly poverty rates are increasing in the 21st century. The Institute for Pensions Regulators (IFPS) (2018a) estimates the elderly poverty rates in Ireland at 30.6%, Australia 26.9%, USA 23.6%, Japan 22%, UK 10.3%, Germany 9.9% and 8.8%. This figure is much higher in France and 56 percent in Kenya and other African countries. Studies show that poverty among the elderly is due to the fact that 85 percent of the world's over-65 population has no pension at all (Holzman and Hinz 2021; Stewart and Yermo 2018).

Regional Perspective on County Pension

In sub-Saharan Africa, less than 10% of the population uses a defined contribution pension plan to help them save for retirement (Palacios, 2020). Pension systems contribute significantly to reducing poverty among the elderly, as a large part of the income of pensioners comes from their previous pension arrangements (Kakwani, Sun, & Hinz, 2016). According to Alliance Global Investors (2017), 75 percent of the elderly population in South Africa depends on pension income, while 82 percent of pensioners in East African countries depend on it. Therefore, the organization of pension funds should be encouraged, so that a large population can save for retirement and thus reduce the level of elderly poverty.

Local perspective on county pension

In the Kenyan financial market, the pension fund sector is an important source of capital (Omondi, 2018). According to Ornondi, the pension funds invested in the amount of Ksh. 223 billion in Kenya's financial sector in 2007, of which Ksh. 77 billion euros were invested in government securities (22% of the balance of domestic debt). Kakwani et al (2016) reported that pension income accounts for 68% of the total income of Kenyan retirees. Therefore, pensions play an important role in breaking intergenerational cycles of poverty and thus increasing the life expectancy of older generations (Help Age International 2016; Keizi, 2017). Pension funds are therefore two important institutional investors and therefore must be effectively managed to fulfill their proper role in the national economy. In Kenya, the County Pension Fund (CPF) has experienced an unprecedented decline in recent years, reflected in losses for 2019 and 2020. Challenges highlighted included poor management and demotivated staff. Therefore, response strategies were created to assist the recovery plan. The value of the system continued to decrease, and the result has not yet fully recovered by 2018. Therefore, there is a need to evaluate the relationship between the response strategies and a company's performance. Although the literature suggests that there is a relationship between response strategies and organizational performance, this has received little attention among researchers, which is the basis of this study.

The county pension fund was established in 2011 and became operational in 2012. The former district pension fund Lap continues to fulfill its pension obligations for persons in the service of colonial and autonomous governments. Ponce changes to the administration of pension benefits have made the industry more efficient, but the pension sector needs to earn its rightful place in the economy, including not paying membership fees in certain cases. Lap trust currently has 83 sponsors, consisting of 47 two branches of the county government and 36 water companies and related organizations. The Governing Council of the ECB launched the County Pension Fund (CPF) as a contributory pension scheme for county employees, where both the employer and the employee contribute to the employee's benefits.

Corporate Response Strategy

Responsive strategies appear to change the future environment in which firms operate to maintain their competitiveness and thereby their performance (Pollanen, , 20).According to Ansoff (2019), response strategies require companies to slightly deviate from their already formulated strategies in order to effectively adapt to a changing environment. Any mismatch between the formulated strategies and the changing environment would negatively affect the competitive position and organizational performance. This would also expose the organization to operational risks that would greatly affect performance (Doh and Makhija, 2017). Organizations trying to overcome the challenges of a constantly changing environment require management to critically formulate strategies and their compatibility with the company's internal and external environment. Some of the main response strategies adopted by organizations when they perceive changes in their environment are product diversification, strategic alliances, employee training, product differentiation, new product innovation, mergers and acquisitions, technology integration and adoption (Isaac, 2016).

Statement of the Problem

Pension funds play an important role by mobilizing funds from employers and employees that are effectively managed by competent fund managers for realization of returns. This directly impacts on the growth of any economic system. Despite this crucial role played by pension funds, County Pension Fund (CPF) is faced with challenges arising from low employee morale, decline in efficiency, lack of employee satisfaction and lower fund level profitability. In addition, the ever changing environment that pension funds operate in has impacted on their ability to generate revenues for better performance. For instance, the County Pension Fund's value reduced by 3.4% from Kshs 22.65 to Kshs 21.8 billion for the financial years 2015 and 2016 respectively (CPF, 2017). Further, the years 2015 and 2016 recorded increase in losses from 3 million to 23 million. The recovery from the poor performance had not been fully realized by the year 2017-2018. Thus, for survival and improved performance in the environment that pension funds in Kenya operate in, there should be proper strategies to curb this.

Previous studies simply focused on responses strategies and did not link them with performance which creates knowledge gaps. In addition, the gross financial inefficiency that characterized most pension schemes in Kenya have resulted to higher costs of operation, low returns on investment and in extreme cases to the demise of the funds (Bikker and Dreu, 2019). Low investment returns and the closure of pension funds reduce the latter's contribution to the GDPs of countries. While previous empirical reports (Keizi, 2016; Rajan, 2013; Barrientos, 2017) have emphasized on the reasons for low coverage and suggestions to increase the coverage of pension schemes, they fail to explore the effectiveness of corporate governance practices and their effects on the growth of pension schemes in Kenya. This poses a knowledge gap which this study sought to fill. To fill these gaps, the current study sought to determine the effect of response strategies on performance at County Pension Fund, Kenya.

Purpose of the Study

The main purpose of the study was to determine the impact of corporate response strategies on the performance of the Kenya District Pension Fund.

Objectives of the study

Determine the influence of product diversification on performance of County Pension Fund, Kenya

Research Question

Does product diversification influence performance of County Pension Fund, Kenya?

LITERATURE REVIEW

Introduction

Product Diversification and Pension fund Performance

According to OECD (2019), pension systems have grown rapidly in many OECD countries in recent years in emerging markets relative to GDP and relative to banks. The rapid growth of pension funds in many countries and their stimulus to the growth of capital markets suggests that their activity as a financial intermediary deserves considerable attention. According to Bodie and Davis (2020), "the growth of pension funds is an important factor because they complement and thus stimulate the development of capital markets by acting as substitutes for banks. Since withdrawals are generally limited or prohibited, pension funds have long been fixed-term liabilities that allow high risk and have high yield instruments.

As a result, pension funds invest money in a variety of financial assets, including corporate stocks, government bonds, real estate, corporate debt (in the form of loans or bonds), securitized loans, foreign stocks and the money market instruments and deposits. As forms of liquidity (IOPS, 2017), Davis (2015) defined pension funds as forms of institutional investors that accumulate funds and invest funds donated by donors and beneficiaries to ensure the 8 future pension rights of beneficiaries. They therefore provide a vehicle for individuals to accumulate savings during their working careers to finance consumption in retirement, either through a lump sum or an annuity, and at the same time provide finance to end users such as businesses, other households (through securitization).

According to OEED (2019), pooling and diversification are key features of pension funds, due to their size and resulting economies of scale. In this regard, it is important to note that the mutually reinforcing development of the securitization of individual assets such as loans has produced ready assets in which pension funds can invest, instead of being held by banks on their balance sheets. In addition, lOPS (2017) notes that market participation costs can also play an important role in determining the demand for pension fund services.

Pension funds just like many other financial institutions are faced with very many difficulties in ensuring proper operations. Well trained human resource has been a major challenge to most pension funds which in turn has led to countless training on the staff (Omwaka et al*.,* 2020). This has been coupled with the fact that there is stiff competition and the customers' tastes and preferences keep on changing. Frequent changes both in political factors as well as legal factors have become a big issue to many institutions (Dira et al*.,* 2020).

Organizations differentiate their products to increase their market share and thereby increase available sales. Differentiation helps the company gain more market share. Through decentralization, the organization can grow and expand in other fields of activity that are slightly different from the current activity. Companies can use different growth strategies to gain competitive advantage in an increasingly turbulent business environment. Mumanyi (2019) conducted a study to identify the main challenges faced by SACCOs due to the current decentralization system in Kenya. The model used in this study was explanatory and it was documented that SACCOs played an important role in the promotion of youth credit in the country. However, this study analyzed SACCOS, while the present study looked at county pension funds, which have different institutional frameworks and contexts. In addition, the study used an explanatory research design while this study used a descriptive research design.

Hsu, Chen and Cheng (2018) conducted a study on the role of internationalization in firm performance. It was noted that Nation Media Group (NMG) has seen several product diversification strategies that include market expansion, which has included expanding the company's operations across borders, introducing new product lines to increase market share in the broadcast and digital industries. and find new users for the current product. Although this study provided useful explanations of product diversification in relation to income, it focused on the media industry, whose response strategies vary according to the strategy of pension funds. Second, the sampling method was cluster random sampling, while purposive random sampling was used in the present study.

Mukopi and Iravo (2018) investigated the role of inventory management in the performance of the purchasing function using the case of sugar manufacturing companies in Kenya. The results showed that the product diversification strategies used by Nzoia Sugar Company moved from 50 kilograms of generic sugar to packaged branded sugar of 5 kilograms, 1 kilogram, 2 kilograms, ½ kilogram and 10 kilograms. Package the company's by-product (molasses) is sold to other users to produce industrial products such as spirits and other commercial alcohol products, and it develops cane seedlings that are sold to farmers. Product diversification increased the company's sales, created a competitive advantage, increased the company's business portfolio and profitability, and improved the company's turnover.

However, the study was conducted in a manufacturing industry dealing with physical goods. This study looked at a county pension fund, which is a service, so there are a lot of differences in how you can get physical goods and how you can diversify services. Kang (2018) investigated the effect of corporate diversification on corporate performance in the social dimension. The results showed that diversification is very important for corporate social activities. However, the methodology used differed from the present study in that it was explanatory. This study used a descriptive research design. It was also more qualitative in nature, unlike the present study, which was mainly quantitative in nature.

Theoretical Framework

Porter’s Five Forces theory

The pioneer of the model was Michael Porter (1979). The level of competition is influenced and shaped by five main forces, namely competition, threats of new entrants and substitutes, and resources of buyers and suppliers (Grundy, 2006). Effective strategy development depends on how well an organization can understand these competitive forces. According to Porter, the intensity of these four competitive forces determines whether an organization can survive in terms of the profitability it produces in its industry. The composition of these five forces varies depending on the industry in which a particular company operates. Thus, each company must create unique strategies that are relevant and best suited for a particular industry.

Porter (1979) further considers that any change in power requires a reassessment of the business environment in order to formulate strategies that can contribute to its survival and competitiveness. In this case, companies must be able to apply their core competencies, networks and business models to achieve industry average profits. The development of this model was a reaction to the inherent gaps in SWOT analysis. When dealing with the threat of new entrants, substitutes, competition, bargaining power of buyers and suppliers, an organization can formulate response strategies that can be done by diversifying and differentiating its products and services (Dobbs, 2019). This model of Porter's Five Forces is an important tool that is important to diagnose the key forces of an organization's competitive advantage. The model also helps determine the strength of these competitive forces and how they affect a company's survival.

Pines (2016) believes that the correct analysis of these competitive forces helps the company to remain effectively and successfully viable in this field. According to Rice's (2019) empirical analysis, a general strategy framework can be improvised by critically examining focus, differentiation and costs. These are important elements in the company's strategic position. Therefore, companies should focus on these three strategies rather than taking them as separate strategies. In addition, the notion that seeking multiple sources of competitive advantage is desirable and possible has received strong support from several researchers (Narayanan and Fahey, 2018).

The research significance of this theory is that it helps explain how the environmental forces at work in the CPF affect its effectiveness. In particular, the study sought to examine the impact of diversification and diversification strategies on the performance of Kenya County Pension Fund. Evaluating the effect of product diversification in CPF, the model contributed to the conclusion that product diversification is useful in dealing with market forces such as the threat of new entrants entering the market. Second, when dealing with strengths, product differentiation is important because it ensures that the company maintains its competitive position and efficiency. Thus, this theory helped to find out the effect of both diversification and diversification strategy on CPF performance.

Conceptual Framework

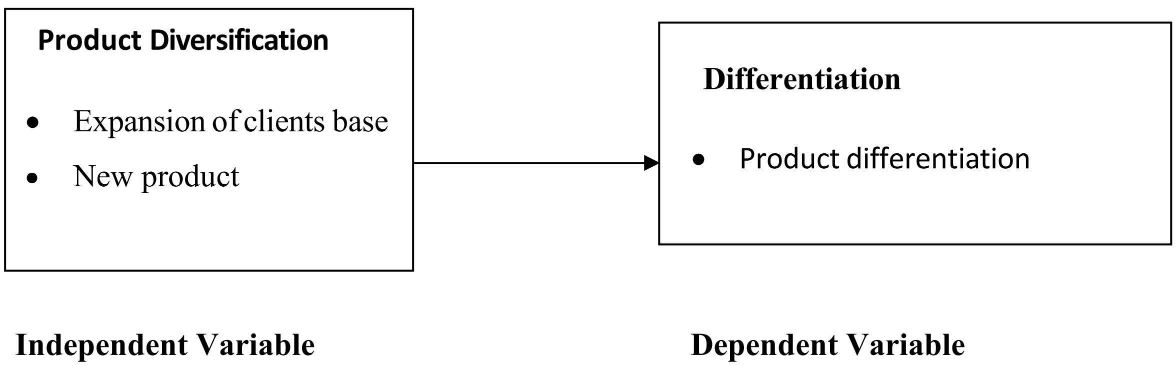

Figure 1: Conceptual Framework (Source researcher, 2023)

The conceptual framework is based on management strategies as independent variables product diversification and its affect the dependent variable which is CPF performance.

RESEARCH METHODOLOGY

Research design

A research plan is a detailed research plan that defines the methods and procedures for collecting and analyzing data on a specific topic and reporting the results (Lewis, 2018). Descriptive research was adopted in this study. Descriptive studies included various questionnaires and data collection studies. The main purpose of descriptive research design is to describe the current situation (Kothari, 2019). The researcher applied this model to investigate the current situation on the impact of corporate governance strategies on CPF performance in Kenya.

Target population

The target population refers to the elements of the population that would help generalize the discovery (Muller and MacLehose, 2019). It constitutes all the elements that have observable properties of interest for the researcher. Here, the unit of analysis is CPF. The population of this study included all 500 CPF employees from Finance, HR, Procurement, Marketing, Internal Audit, Strategy and Legal as of February 2024. The CPF Staff Handbook (2018) indicates that there are seven departments as shown in Table 1.

Table 1: Target Population

Department	Population	Proportion %
Finance and Administration	100	20
Human Resource	54	11
Procurement	80	16
Marketing	62	12
Internal Audit	48	10
Strategy	72	14
Legal and Corporate communications	84	17
Total	**5400**	**100**

Source: HR Manual of CPF (2024)

Sampling technique and sample size

A proportional stratified sampling method was used to stratify employees by department to ensure representativeness of the entire CPF organization. Kothari (2004) states that a sample size of 30% is sufficient to generalize the results to the entire population as long as the population is not large. Therefore, a sample of 146 employees was selected for this study as shown in Table 2 below**.**

Table 2: Sample Size

Department	Population	Sample proportion %	Sample Size
Finance and Administration	100	20	20
Human Resource	54	11	6
Procurement	80	16	12
Marketing	62	12	8
Internal Audit	48	10	4
Strategy	72	14	10
Legal and Corporate communications	84	17	14
Total	**500**	**100**	**146**

Source: HR Manual of CPF (2024)

Data Collection procedure

Information from primary sources was collected through questionnaires. Behind the popularity of questionnaires was economy and the ability to gather extensive information in a short time. The questionnaire consisted of both open and closed questions covering all variables of the study. The researcher received a letter of introduction from the university explaining the purpose of the study. The researcher can also obtain a permit from NACOST to collect data in the field. The researcher informed CPF management about the study. On the actual day of data collection, questionnaires were sent to survey respondents in person. This was to improve the response rate. Surveys were conducted after the agreed time using drop and pick method. This was important so that respondents had enough time to answer the questions. The researcher assured the respondents of the confidentiality of the feedback. Surveys were administered to all respondents during official business hours. This increased the response rate. Data collection lasted one month.

Data Analysis Techniques

The collected data were checked, edited and coded immediately after the questionnaires were returned. The Statistical Package for the Social Sciences (SPSS) was used to analyze the raw data for statistical inference. Both descriptive and inferential statistical techniques were used. In addition, qualitative data were analyzed using content analysis techniques. The information was presented in tables. Descriptive statistics used included frequencies, means, standard deviations and percentages, while inferential statistics were correlation analysis and regression.

The following regression model was applied;

$Y= \beta 0 + \beta 1PD1 + \varepsilon$

Where; Y = Development of county Pension Fund

PD1 = Product Diversification, e = Error term

Ethical Considerations

The researcher provided informed consent, which provided respondents with an explanation of the purpose and nature of the study. Respondents were informed in advance that they would not receive financial benefits from participating in the study, so the study was voluntary. All respondent information was protected with a high level of confidentiality, and respondents were not required to indicate their names in the documents. The researcher also received permission from the Ethical Review Committee (ERC).

RESEARCH FINDINGS AND DISCUSSIONS

Introduction

The chapter focuses on data analysis, presentation of results and processing of results. The main objective of the study was to determine the impact of corporate response strategies on the performance of the Kenya county Pension Fund.

Response Rate

The response rate is equal to the number of people who correctly completed structured questionnaires divided by the total number of people in the sample (Fowler, 2014). 146

questionnaires were collected in the survey. However, 141 forms were duly filled and returned. This represented a 97 percent successful response rate.

Length of work experience in the organization

Regarding the length of work experience, it was revealed that 15% of the respondents worked for less than a year, 1-5 years of work experience was 21%, and 5-10 years of work experience was 24%. and 40% work experience for 10 years. This means that most of the respondents in the study had more than 10 years of work experience. These indicated that most of the respondents therefore had extensive knowledge and experience of the Kenya County Pension Fund.

Descriptive statistics

Influence of Product Diversification on performance at County Pension Fund, Kenya

Respondents were asked to indicate their agreement with the impact of product diversification on the performance of the Kenya County Pension Fund. The results are according to Table 3.

Table 3 : Influence of product diversification on performance at County Pension Fund. Kenya

	S A	A	MA	D	SD	Mean	Std
Product diversification	%	%	%	%	⅟%%		
Entering new markets has increased our customer base	31	30	19	15	5	3.79	1.82
The company has entered new market segments	41	40	9	6	4	4.32	0.67
Diversity has enabled our organization to target new customers in new market segments	36	30	20	7	7	3.75	1.62
The company is diversifying by developing new products	32	39	19	8	2	4.39	0.73
Developing new products has helped us better meet customer needs	35	31	19	10	5	3.90	1.68
We meet customer needs, developing new products	34	41	16	8	1	4.23	0.96

(Source field data 2024)

The results of the survey revealed that the majority of respondents (31%) strongly agreed, 30% and 19% moderately agreed that entering new markets increased the customer base with a mean of 3.79 and a standard deviation of 1.82. In addition, the results showed that the majority of respondents (41%) strongly agreed, 40% agreed, while 9% moderately, 6% disagreed and 4% strongly disagreed that the company entered new market segments, mean 4.32 and standard deviation 0 , 67.The results further revealed that the majority of the respondents (36%) strongly agreed, 30% agreed, while 20% moderately, 7% disagreed and 7% strongly disagreed that diversification enabled the organization to target new customers market segments with a mean of 3.75 and a standard deviation of 1.62.The results further showed that the majority of respondents (32%) strongly agreed, 39% agreed, while 19% moderately agreed, 8% disagreed and 2% strongly disagreed that the company will diversify as it develops. new products with a mean of 4.39 and a standard deviation of 0.73.

The results further revealed that majority of respondents (35%) strongly agreed, 31% agreed, while 19% moderately agreed, 10% disagreed, while 5% disagreed that new product development helped the organization meet customer needs on average. 3.90 and a standard deviation of 1.68.The results further showed that the majority of respondents (34%) strongly agreed, 41% agreed, while 16% moderately, 8% disagreed and 1% disagreed that the organization is responsive to the customer. needs developing new products with a mean of 4.23 and a standard deviation of 0.96. These results showed that product diversification affects the performance of Kenya County Pension Fund.

Inferential Statistics

Correlation Analysis

Influence of product diversification on performance at County Pension Fund, Kenya

The purpose of the study was to determine the correlation between product diversification and the performance of the Kenya County Pension Fund. The results of the study are according to Table 4.

Table 4 Product diversification on performance at County Pension Fund, Kenya

		Performance at County Pension Fund
Product diversification	Pearson Correlation	.579**
	Sig. (2-tailed)	.000
	N	141

**. Correlation is significant at the 0.05 level (2-tailed).

As shown in Table 18, the study shows that there was a moderate positive and statistically significant correlation ($r = 0.579$; $p < 0.05$) between product diversification and performance of Kenya County Pension Fund. This means that product diversification will improve the performance of the Kenya County Pension Fund.

Table 5: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.051	.143		.284	.740
Product Diversification	.381	.141	.534	5.506	.016

Table 5 shows the overall significant test results for the hypothesized research model. The interpretations of the findings indicated follow the following regression model.

$$\mathbf{Y = \beta_0 + \beta_1 X_1}$$

$$\mathbf{Y = 0.051 + 0.381 X_1}$$

According to the intercept (β_0), when the four independent variables are held constant, the performance of county pension fund was 0.051. Also, holding all other independent variables constant, increasing the p-product diversification unit would result in a Kenya County Pension

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This chapter provides a detailed summary of the main results of the actual study; it then draws conclusions and discusses the implications of those findings. Finally, some recommendations and suggestions for areas for further research are presented. The impact of corporate response strategies on the performance of the Kenya District Pension Fund.

Product diversification on performance at County Pension Fund, Kenya

Based on the analysis, the research results revealed that entering a new market increased the number of customers. The results also showed that the company entered new market segments and diversification enabled the organization to target new customers in new market segments. The results also showed that the company is diversifying by developing new products, and the development of new products has enabled the organization to better meet the needs of customers. The results also showed that the organization responds to customer needs by developing new products. These results indicated that product diversification affects the performance of the Kenya County Pension Fund.

Conclusions of the Study

Based on the results, the study shows that the study shows that there was a moderate positive and statistically significant correlation ($r = 0.579$; $p < 0.05$) between product diversification and performance in Kenya County Pension Fund. This means that product diversification will improve the performance of the Kenya County Pension Fund

Recommendations of the Study

Based on the results of the study, the researcher recommends increasing the number of customers when entering new markets. The company must open new market segments and diversify so that the organization can target new customers in new market segments. The company must diversify by developing new products and developing new products so that the organization can meet the needs of the customers. The organization must respond to customer needs by developing new products. This study suggests that future research should be conducted to establish product diversification strategies for the performance of the Pension Fund of Kenya.

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