

# **EFFECT OF CORPORATE STRATEGY ON PERFORMANCE OF RETIREMENT BENEFIT FUND: A CASE OF LIBERTY LIFE ASSURANCE (K) LTD**

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## **ABSTRACT**

Corporate strategy is concerned with both the functioning of the organization and the distribution of power between different stakeholders. Corporate executives are therefore concerned with the orientation towards growth, coordination of cash flow among business units and building of corporate synergies through resource sharing and development. Literature on the effect of corporate strategies has reveals mixed findings. The introduction of Retirement Benefits Authority (RBA) in 2012 and the governing Regulations 2009 revolutionized the manner in which the retirement benefits business in Kenya is carried out. The industry has been registering high numbers of new entrants. As competition intensifies in the industry, only those providers with good competitive strategies survive. Liberty Life Assurance (K) Ltd face the challenges of stiff competition from an upsurge in the number of retirement benefit scheme fund players. This is coupled by the dwindling performance heralded by lack of appropriate investment vehicles and market liquidity knowledge and also expertise about these investments and their associated risks. This study sought to explore the effects of corporate strategies on the performance of retirement benefit funds in Kenya at Liberty Life Assurance (K) Ltd. The study adopted a descriptive research design, the target population for this study was management staff of the Liberty Life Assurance (K) Ltd. Stratified proportionate random sampling technique was be used to select the respondents. Primary data was obtained using self-administered questionnaires. The questionnaire is made up of both open ended

and closed ended questions. Mixed methods data analysis techniques that were employed in this study incorporated both descriptive and inferential data analysis. Non-parametric data were analyzed descriptively by use of measures of central tendency and measures of dispersion as the tools of data analysis. For the parametric data, Pearson's Product Moment Correlation Coefficient ( $r$ ) was used. A multiple regression analysis was computed for all the study variables to determine whether the independent variables together predict the dependent variable. Analysis of Variance (ANOVA) was also done to establish whether the whole model was significant fit of the data and therefore form the tests of significance. Quantitative data was presented using frequency tables and figures. Qualitative data were derived from the open-ended questions in the questionnaire and were presented in prose form. The findings identified that cost leadership affect performance retirement benefit funds in Kenya to a very great extent. According to the findings of the study, product innovation affects performance retirement benefit funds in Kenya to a great extent. Market focus was found to have great effects on performance retirement benefit funds in Kenya. The results from findings further shows that customer differentiation affects performance of retirement benefit fund in Kenya to a very great extent. The study established that product differentiation affect performance retirement benefit funds in Kenya to a very great extent. According to the findings of the study conclude that product differentiation strategy had the greatest effect on the on the performance of retirement benefit fund,

followed by cost leadership, and then product innovation while market focus strategy had the least effect on performance of retirement benefit funds in Kenya. The study recommends that Retirement Benefit Fund should aim at achieving above-average returns over competitors and also improves its performance through monitoring the costs of activities provided and maintaining low charges on services offered. In relation to market focus the Retirement Benefit Fund

should create marketing departments. Such departments need to be strengthened by employing people with the needed skills, knowledge and experience in marketing related functions. There is also the need to introduce new products on an incremental basis.

**Key Words:** *corporate strategy, performance, retirement benefit fund, Liberty Life Assurance (K) Ltd*

## **INTRODUCTION**

Corporate strategy is primarily about the choice of direction for an organization as a whole and the management of businesses or product portfolio for maximum value (Wheelen & Hunger, 2012). Corporate executives are therefore concerned with the orientation towards growth, coordination of cash flow among business units and building of corporate synergies through resource sharing and development. Corporate strategy is basically concerned with both the functioning of the organization and the distribution of power between different stakeholders (Johnson & Scholes, 2010). It is concerned with structures and processes for decision-making and accountability, controls, and behavior at the corporate office. It determines whom the organization is trying to serve and how the purpose and priorities of the organization should be decided.

The essence of corporate strategies include the promotion of efficient use of resources within the company and the larger economy, helping to ensure that the company is in compliance with the laws, regulations, and expectations of society, providing managers with oversight of their use of corporate assets. Supporting efforts to reduce corruption in business dealings and assisting companies and economies generally in attracting lower-cost investment capital by improving both domestic and international investor confidence that assets will be used as agreed (Gregory, Johnston, Pratt, Watts & Whatmore, 2011). Bertone and Clark (2009) claims that there are four generic strategies a company can choose from when crafting a corporate strategy, namely: cost leadership, product innovation, market focus and differentiation.

Retirement Benefit fund is a pool of resources contributed by the employees with the aim of having enough resources to cater for their needs after retirement (Nyakichi, 2009). Therefore, pension fund needs to be invested so as to meet the aim of the contributors. This study seeks to explore the effects of adopting corporate strategies by the Retirement Benefit Funds in Kenya. Retirement Benefit Funds are big investors which play a central role in ensuring the effectiveness, liquidity and robustness of capital markets around the world (Bertone & Clark, 2009). Retirement Benefit Funds play an important part in provision of adequate income in retirement. They are also important players in the wider economy, given their large asset and

liability bases thus it is in the public interest that they be managed efficiently and effectively, as well as in the interest of their beneficiaries and sponsors (Kemp & Patel, 2011).

Retirement Benefit funds perform diverse activities that are beneficial to both individuals and the economy at large. For instance the funds induce capital and financial market development through their substituting and complementary roles with other financial institutions, specifically commercial and investment banks. As competing intermediaries for household savings and corporate financing (Impavido, Musalem & Tressel, 2012), retirement benefit funds foster competition and may improve the efficiency of the loan and primary security markets.

This results in a lower spread between ending rates and deposit rates, and lower costs to access capital markets. On the other hand, Davis (2015) argues that retirement benefit funds may complement banks by purchasing long-term debt securities or investing in long-term bank deposits. Other potential impacts from the growth of retirement benefit funds include an inducement toward financial innovation, improvement in financial regulations and corporate governance, modernization in the infrastructure of security markets, and an overall improvement in financial market efficiency and transparency (Akinwale & Abiola, 2015). A basic decision must therefore, be made about how to allocate pension fund assets among the various asset categories and financial instruments available, both to ensure sufficient investment return over time and to ensure that unnecessary volatility does not result in a significant reduction in asset values at the time when the plan's need for liquidity increases. Such impacts should ultimately spur higher long-term economic growth.

Global indices indicate that retirement benefits funds assets are important to any economy. According to Alliance Global Investors (2015), retirement benefit assets in Australia amount to AU\$ 1trillion (equivalent to 20% of the GDP), while in Belgium pension assets amounted to 140 billion Euro in 2004. In 2011, the pension assets of Canada were worth CAD 1.3 trillion (30% of the GDP), while in China pension assets amounted to RMB 714 billion (24% of GDP) for same year. The contribution of pension assets to the GDP of the United Kingdom reached 14% (GDP 1.9 trillion) in 2003, while in the United States of America, the pension assets had a value of US\$ 14.5 trillion (37.7% of all household financial assets).

A Towers Watson (TW) pension's study report showed that the ratio of Global Pension Assets to Gross Domestic Product (GDP) declined from 75.5% in the year 2010 to 72.3% at the end of 2011 down from the peak of 78.9% in 2015 and on contribution to GDP the Netherlands had the highest percentage of pension assets contribution to GDP (88.8%) followed by USA (82.7%), Switzerland (78.1%), Malaysia (75%), UK (73%), South Africa (70%), and Canada (69%) from the year 2011 to 2011 (10 years) (TW, 2011), pension assets ratio to GDP grew the most in the United Kingdom at 25% growth rate and Hong Kong at 15% growth (TW, 2011). The DC pensions assets at the end of year 2011 was 43.1% of the total pension assets compared to 42.8% in 2011 and 38.3% in 2011 showing an established trend of growth on the performance of the

DC schemes assets due to the investment risk responsibility for pension funds being shifted from the sponsor to the members of the pensions schemes (GPAP, 2012).

On the other hand, the National Fraud Authority UK report (NFA) reported that a whopping 16.6 million pounds was lost due to poor risk strategies and in the UK between April 2011 and March 2012 (NFA, 2012). According to statistics available from the Ethical Investment Research Services (EIRIS), the year 2010 pension scandal in the UK led to debt of Great Britain Pounds (GBP) of four (4) billion and a GBP 441 million loss in its pension funds (EIRIS, 2012). In the United States of America, the pension landscape is in a state of transition and the population is exposed to retirement risk and the global financial crisis of 2008 worsened the matters as with the extent to which retirement benefit funds were exposed to risks, the public pension funds lost between 5 USD and 10 USD billion because of the financial crash which was particularly serious for older workers, who have less time to build up savings again, and have more trouble finding a new jobs (Stewart, 2010). The retirement fund nominal returns in 37 selected OECD and non OECD countries following the 2008 financial crisis was on average negative fifteen point four percent (-15.4%) with big economies such as Ireland, Hong Kong and United States posting the worst relative returns at -35%, -30%, -23% respectively (Stewart 2010).

These global pension crises have threatened to erode contributions that pension funds make to the world economies (OECD 2015). The crisis manifests in countries that have inadequate funds to cater for the retirement income of the ageing population as a result of depressed financial markets. OECD (2015) estimates that in 2008, pension fund assets reduced by 8.5% in Germany, 16.9% in Netherlands, 17.4% in UK, 20.1% in Japan, 21.4% in Canada, 26.2% in the United States of America, 26.7% in Australia and 37.5% in Ireland. In Kenya, the losses were estimated at 35% (RBA 2010). Effective retirement benefit fund investment strategies are needed to ensure that retirement fund assets are protected against externalities in the investment universe.

The greatest challenge of pension fund managers is to continue to maintain an appropriate level of investments and pay retirement benefits as at when due (BGL, 2010). However, this is difficult as a result of increasing pressures from regulations, governance, investment strategies and other related factors. Pension fund like every other investors are faced with the same basic issues regarding investments. And since industrial harmony is seldom realizable due to the complex nature of business environment, investment of pension fund is influenced by both internal and external environmental factors such as political, economic, social etc (Akinwale & Abiola, 2015).

The growth of retirement benefit funds has led to the increase in domestic savings in Africa. Dovi (2011) documents that between 2012 and 2015 the savings increased from 17.8% to 22.1% of the GDP in Sub-Saharan Africa and from 21% to 30% of the GDP in Northern Africa as a result of embracement of the funded pension systems. The pension system has further reduced the poverty trap ratio by 13% in South Africa and increased the income of the poorest 5% by 50% (Stewart, 2010). In Kenya, the pension system contributes to an estimated 68% of the total

income of retirees (Kakwani, 2011) and controls wealth estimated at Ksh. 397 billion, the equivalent of 30% of the country's GDP (RBA, 2010).

Proper corporate strategies of funded pension systems leads to continuous improvement by ensuring that pension plans regularly review their governance structures for operational risks, internal controls and compliance with appropriate legislations (Ambachtsheer, 2011; Clark and Urwin, 2015). It also ensures that the pension plan has the structures and processes in place to meet the required standard of fiduciary care and proper documentation of the due diligence (Moriarty & Zadorozny, 2015), improves performance of the pension plan, creates trust amongst the stakeholders and is vital to the efficient functioning of the private pension systems (Stewart, 2009) in addition to improving administrative efficiency (OECD, 2009). Inadequate pension corporate mechanisms result to poor, inefficient and irrational decisions that increase the costs of operating pension plans.

Retirement benefit funds in Kenya can be classified into four main categories. The first category is the pension fund that is sponsored by the state and operates in the name of National Social Security Fund (NSSF). This retirement fund is mandatory to all employees both in the public and private sector. The second category of retirement benefit funds includes the ones run by public service and are specifically meant to serve civil servants. The third category of pension funds is called occupational schemes and they draw their membership from private sector companies that operate pension schemes. The last category comprises of individual pension schemes that run as Trusts and membership is open to all (ROK, 2009).

Corporate strategy on the performance of retirement benefit fund is considered to be a relatively new concept in strategic and financial management control especially in Kenya, even though its practices are relatively well established. In Kenya, Corporate "governance" arose in the 1990s, a time when liberalization of the Kenyan economy had started taking shape in responses to the financial crisis of the 1990s (Mugambi, 2011). Corporate strategy in the management of retirement benefit funds is significant as recent regulatory changes have led to significant shift of management in terms of scheme conversions employees in Kenya. The Kenyan government instructed that all pensions' schemes sponsored by public service organizations to convert to defined contribution scheme from 1st July 2011 (RoK, 2010), so that the investment risk shifts from the sponsoring company to the members. Given this background, and the increasing impact of pensions on the business strategies of firms, it is natural to expect various management techniques used or available for use in the wider business and financial arena to be applicable to pension funds, this includes techniques associated with enterprise risk management.

According to International Organization of Pension Supervisors (IOP), the coverage in terms of pension provision in Kenya is less than 15% of the working population which is much lower than the leading countries such as Netherlands (80%), Australia 84% and Sweden 90% (IOPS, 2010).

According to the Centre for Governance and Development (CGD) the greatest challenge facing the NSSF has been its bad investment profile characterized by lack of diversity such that 42% of the total assets of the fund are held in real property as compared to 9% of the total assets of other occupational schemes in Kenya, and the recommended 30% (CGD, 2009). An additional 7% are invested in bank deposits with 16 financial banking institutions of which 10 have since collapsed, thus, locking up 4.6% of the total fund assets. In the year 2012, the NSSF fund lost Kenya Shillings 256 million in the Euro Bank scandal due the fact that the Board of Trustees of the fund, who makes investment decisions, has no comparative advantage in fund management and is vulnerable to political interference (Lagat, 2011).

## **STATEMENT OF THE PROBLEM**

A well-defined system of corporate strategies can be a powerful means for prioritizing corporate goals and achieving them (Kirkendall, 2009). Literature on the effect of corporate strategies has reveals mixed findings. Studies that report on the absence of the relationship include Cicotello and Grant (2012) and Walker (2011). In terms of risk management as a corporate strategy, Walker (2011) noted that portfolios of smaller funds are more risky than larger funds but found that smaller funds outperforming the larger funds. Malhotra and McLeod (2009) found contradicting results on the same issue.

Retirement benefit funds have registered a significant growth in most countries across the globe and they are expected to continue with further growth. The introduction of Retirement Benefits Authority (RBA) in 2001 and the governing Regulations 2009 revolutionized the manner in which the retirement benefits business in Kenya is carried out. The industry has been registering high numbers of new entrants. As competition intensifies in the industry, only those providers with good competitive strategies will survive. Heightened competition has meant that players have to go flat out for anything that differentiates them from the rest of the industry. The performance of pension funds largely depends on a number of factors such as the age of beneficiaries, income from contributions and the level of financial regulation alongside other factors them (Kirkendall, 2009).

Retirement benefit schemes in Kenya are usually faced with challenges that can affect their efforts in trying to grow (Kakwani, 2011). Governance issues in the public sector as well as poor financial management by the sponsor (employer) institutions resulting to non-remittance of contributions is a major challenge facing Public sector retirement benefit schemes. Sundeep (2015) observed that Kenya's current pension system is characterized by poor overall levels of coverage and benefit adequacy, small size of formal economy relative to informal economy, low levels of disposal income, insufficient insurance against longevity and competing priorities. In the past few years we have seen retirement benefit schemes especially Liberty Life Assurance (K) Ltd coming up with new products to fit a market that had not been tapped before. The company has been hiring sales representatives across the country to make more people aware of the products they provide as well as opening branches in almost every part of the country. All

this is because of the competition the schemes have to face both locally and globally. We are therefore increasingly seeing retirement benefit schemes and insurance firms changing tactics and strategies to enable them grow profitably.

Liberty Life Assurance (K) Ltd face the challenges of stiff competition from an upsurge in the number of retirement benefit scheme fund players in the four components: NSSF; Civil Servants Pension Scheme (CSPS); Occupational Retirement Schemes (ORS); Individual Retirement Schemes. This is coupled by the dwindling performance heralded by lack of appropriate investment vehicles and market liquidity knowledge and also expertise about these investments and their associated risks. The fund is also facing performance challenges due to adoption of red ocean strategies with minimal product and process diversification and product innovation as opined by their range of products and services. Just like most of the retirement fund management scheme (Ngetich, 2012), the Liberty Life Assurance (K) Ltd is also facing a daunting task of maintaining the very versatile customer base in the dynamic 21<sup>st</sup> century.

Locally, Njuguna (2011) carried out a study on the determinants of pension fund corporate governance in Kenya. The study established that pension governance is influenced by pension regulations, leadership, and membership age. Ngetich (2012) carried out a study on determinants of the growth of individual pension schemes in Kenya and it was established that that fund governance exerts a significant relationship on the growth of the pension schemes. Oluoch(2013) also did a study on the determinants of performance of pension funds in Kenya and the study established that Pension funds act as an important stimulus to capital markets in most countries where they exist through financial intermediation. None of the previous studies focused on the effect of corporate strategies. While previous empirical reports (Keizi, 2011; Barrientos, 2015) emphasize on the reasons for low coverage and suggestions to increase the coverage, they fail to analyze the key corporate strategies adopted by some of the successful retirement benefit schemes in the industry.

The Association of Kenya Insurers (AKI) publishes annually the results of Deposit Administration schemes performance through a journal released in August of the following year. In the last publication released in 2015 showed a below than average return posting a single digit return while the peers had a double digit returns while the industry average was 10.71%(Insurance Industry Annual report,2014)

Year	AP A	Brit am	ICEA Lion	Jubilee	Kenia	Liberty (Formerly Life)	Life CFC	Madison	Pan Africa	UA P	Annual Average
2013	14.0	16.0	12.00	14.0	15.0	10.00%		10.0	10.00	13.0	12.67%
2014	0%	0%	%	0%	0%			0%	%	0%	
2014	12.0	16.0	12.00	12.0	15.2	7.50%		12.0	10.75	12.0	12.17%
2014	0%	0%	%	0%	5%			0%	%	0%	

The performance in 2015 further dwindled to a 2% as compared to an industry average of 7.06% becoming the lowest recorded return in over ten years of the deposit administration industry. This study sought to establish the effects of corporate strategies on performance of retirement benefit funds in Kenya with reference to Liberty Life Assurance (K) Ltd in order to bridge this gap.

## **RESEARCH OBJECTIVES**

1. To establish how cost leadership strategy affect the performance of retirement benefit funds in Kenya.
2. To assess the effect of product innovation strategy on the performance of retirement benefit funds in Kenya.
3. To examine the effect of market focus strategy on the performance of retirement benefit funds in Kenya.
4. To determine how product differentiation strategy affects the performance of retirement benefit funds in Kenya.

## **THEORETICAL FRAMEWORK**

This study is anchored on stakeholder theory, game theory, Ansoff's product/ market growth strategies and the Porters generic model of competitive advantage.

### **The Stakeholder Theory**

The stakeholder theory was championed by Freeman (1985). Stakeholder theory looks at the relationship between an organization and others in its internal and external environment. It also looks at how these connections influence how the business conducts its activities. The theory considers a stakeholder as a person or group that can affect or be affected by an organization from either inside or outside the business. Examples include customers, employees, shareholders, suppliers, non-profit groups, government, and the local community among many others. Freeman (1985), the pioneer of stakeholder theory holds that the core idea of stakeholder theory is that organizations that manage their stakeholder relationships effectively will survive longer and perform better than organizations that do not.

Management of any firm considers each stakeholder group in any of the three different ways, namely; normative, instrumental, and descriptive. The normative viewpoint proposes that the firm considers the interests of the entire stakeholder group equally and not only of the customers or stockholders. As per this viewpoint, a firm must lay the framework of a comprehensive corporate social responsibility (CSR) initiative in a way that appeals uniformly to the entire stakeholder group if it is to gain competitive advantage. The instrumental viewpoint favors a firm's focus on improving economic performance arguing that the economic success is the key objective for companies this may be achieved through cost reduction or diversifying products or focusing on markets it has a competitive advantage. The descriptive viewpoint suggests that an

organization's behavior can be predicted by the organization's shareholders, their values and relative influence, and Stakeholder theory specifies the extent to which a corporation treats its stakeholders appropriately, and thus is linked to corporate social responsibility (Öberseder, Schlegelmilch & Murphy, 2013).

In contrast, Lee (2015) argued that within the stakeholder theory there is no difference between the social and the economic goals of a firm (Lee, 2015). In reference to studies of Hillman and Keim (2010) and Mitchell (2012), it is quite clear that the stakeholder perspective is the core conceptual approach within business and society (Porter, 2008a). This theory therefore supports the variable cost leadership strategy by postulating that based on the instrumental viewpoint that favors a firm's focus on improving economic performance arguing that the economic success is the key objective for companies this may be achieved through cost reduction. The retirement benefit authorities should therefore adopt a cost leadership strategy in order to improve their performance.

### **The Game Theory**

This theory deals with the process of competitive interaction. It involves making decisions when two or more intelligent and rational opponents are involved under conditions of conflict and competition. Instead of making inferences from the past behavior of the opponents the firms seeks to determine a rival's most profitable counter strategy to one's own best moves and to formulate the appropriate defensive measures. In game theory according to Gandoifo (2011), every firm has complete information about the rules of the game and the preferences of the other players for each result. They contain perfect information on the choices foregoing at the time of rival's decision. The firm is rational of decision process by taking decisions based on the maximization of the utility function. Every firm is rational and able to predict the choices of other firms thinking about what would be the rational choice it would take if it was in the same situation of the rival firm. They are also aware of competitive and non-cooperative behavior because of the previous assumptions; individual choices are based on the maximization of each individual utility function and not on that of all the competitors as a whole. There is a non-cooperative bias, which, from a systemic point of view, brings to non-optimal choices. There is dynamism in the environment and the result of each firm is mutually related with decisions of other players; thus, unilateral decisions are not possible.

The strategic conflict model portrays competition as war between rival firms with the saying that no battle plan ever survived the first encounter with the enemy (Mintzberg et al., 2009). To illustrate not just the dynamic nature of strategy but also the need to respond to competitors who do not always behave as anticipated. Central to this approach according to Burnes (2009) is the view that a firm can achieve increased profits by influencing the actions and behavior of its rivals and thus, in effect, manipulate the market environment. This can be done in a number of ways such as investment in capacity and advertising. However, such moves will have little impact if they can easily be undone, therefore, to be effective; they require irreversible commitment.

Further it is argued these various maneuvers are crucially dependent on what one firm thinks another firm will do in a particular situation. Therefore, the model incorporates the role of strategic signaling as an important mechanism for influencing or intimidating rivals (Burnes, 2009). This includes such practices as predatory pricing and limit pricing. Strategic conflicts are likely to be more appropriate in situations where there is an even balance between rivals in an industry rather than in situations where one organization has substantial competitive advantage over its rivals (Gandoifo, 2011). This theory therefore supports the variable differentiation strategy by indicating that through making the right decisions when two or more intelligent and rational opponents are involved under conditions of conflict and competition, a differentiation strategy can therefore go a long way in enhancing a company performance.

### **Ansnoff's Product/Market growth Strategies**

A product-market strategy, accordingly, is a joint statement of a product line and the corresponding set of missions which the products are designed to fulfill. Ansnoff (1957) created Product-Market Growth Matrix as a marketing tool to allow marketers to consider ways to grow the business via existing and/or new products and also in existing and/or new markets. There are four possible product/market combinations. This matrix helps companies decide what course of action should be taken given current performance. Pearce and Robinson (2010) the matrix includes market penetration, product development, market development and diversification.

The output from the Ansnoff product/market matrix is a series of suggested growth strategies that set the direction for the business strategy (Onyango, 2011). Market penetration is an effort to increase company sales without departing from an original product-market strategy. The company seeks to improve business performance either by increasing the volume of sales to its present customers or by finding new customers for present products. The company first considers whether it could gain more market share with its current products in their current markets (Kotler, 2010). Market penetration occurs when a company penetrates a market with current products. The best way to achieve this is by gaining competitors' customers other ways include attracting non-users of your product or convincing current clients to use more of your product/service, with advertising or other promotions. Market penetration is the least risky way for a company to grow.

According to Thompson and Strickland (2015),market penetration seeks to achieve four main objectives; Maintain or increase the market share of current products, Secure dominance of growth markets, Increase usage by existing customers and doing business as usual. Product development strategy, on the other hand, retains the present mission and develops products that have new and different characteristics such as will improve the performance of the mission. A firm with a market for its current products might embark on a strategy of developing other products catering to the same market although these new products need not be new to the market; the point is that the product is new to the company. According to Johnson and Scholes (2015) this strategy may require a commitment to high levels of research and development.

According to Pearce and Robinson (2010), product development strategy is based on the penetration of existing markets by incorporating product modification into existing or developing new products with a clear connection to the existing product line. When a firm creates new products, it can gain new customers for these products. Hence, new product development can be crucial business development strategy for firms to stay competitive. A successful product development strategy places the marketing emphasis on R & D, detailed insights into customer needs and how they change and being the first to market.

Market development is a strategy in which the company attempts to adapt its present product line (generally with some modification in the product characteristics) to new missions. Pearce and Robinson (2010) argue that this strategy involves the selling of present products with only cosmetic modification to customers in related marketing areas by adding channels of distribution or by changing the content of advertising or promotion. An airplane company which adapts and sells its passenger transport for the mission of cargo transportation is an example of this strategy. This theory therefore supports the variable market focus strategy by indicating that an established product in the marketplace can be tweaked or targeted to a different customer segment, as a strategy to earn more revenue for the firm. Also the market need not be new in itself; the point is that the market is new to the company. A market focus strategy can therefore go a long way in enhancing a company performance.

### **The Porters Generic Model of Competitive Advantage**

Awareness of the five forces helps a company understand the structure of its industry and stake out a position that is more profitable and less vulnerable to attack, Porter, (1980, 2008) Porter, (2008), notes that the five forces model helps one to look beyond his direct competitors. He notes four competitive forces that can hurt profits: savvy customers that can play you and your rivals, powerful suppliers who may constrain your profits by charging high prices, aspiring entrants armed with new capacity and hungry for market share, and substitute offerings that can lure your customers away. Porter (2008) says that for a firm to benefit from the five forces model it must be able to comprehensively define its industry. It states that, defining the industry in which competition takes place is important for good industry analysis, not to mention for developing strategy and setting unit boundaries, to this end he notes that the firm must determine the product and geographical scope and identify the players and segment under the four segments listed above. The analysis should also assess the strength and weaknesses of these competitive forces. It is also crucial to understand the industry profitability and the recent positive and negative developments in the industry.

Porter (2008) concludes that, the five competitive forces reveal whether an industry is truly attractive, and they help investors anticipate positive and negative shifts in the industry structure way before they are obvious. He also notes that this deeper thinking about competition is a more effective or superior method to achieve investment success than financial projections and trend extrapolation that dominates today's investment analysis (Howcroft 2015). This theory therefore

supports the theory product innovation strategy as the five forces model will make RBAs sensitive and reactive to what is happening in the banking and beyond. This will help the RBAs to adapt to changes and developments in their product innovations.

## **EMPIRICAL REVIEW**

This section contains review of literature by previous scholars on cost leadership, product innovation, market focus strategy and differentiation strategy.

### **Cost Leadership and Performance**

The strategy of cost-leadership catches the most charming issue (lower price) in emerging economies, offering the product or service to people with low level of disposable income (Muthiani, 2008). Cost leadership strategy helps firms to produce the standard, high-volume product or service at the most competitive price to customers. By emphasizing on a cost leadership strategy is largely to create higher financial performance for firms competing in emerging economies, as firms can gain a relative advantage because of their lower costs in labor recourse and manufacturing. If a firm can achieve and sustain overall cost leadership, then it will be an above-average performer in its industry provided it can command prices at or near the industry average. At equivalent or lower prices than its rivals, a cost leader's low-cost position translates into higher returns.

Muasa (2014) conducted a study on cost leadership strategy and sustainable competitive advantage of Naivas supermarket limited in Kenya. The study found that for cost leadership strategy to be effective, high investment in technology, customer focus, selling a wide range of products, improving employee morale, effective management and good relations with suppliers were all key success factors in actualizing the strategy to ensure a sustainable competitive advantage.

Kirimi (2012) conducted a study on the influence of cost leadership and differentiation strategies on the relationship between people oriented capital and competitive advantage of Kenyan firms certified by international standards organization. The conclusion reached was that people oriented capital has a significant relationship with competitive advantage. The study concluded that cost leadership and differentiation strategies do not have a moderating effect on the relationship between people oriented capital and competitive advantage. According to Palepu and Healy (2008), a firm may produce a relative low profit margin by adopting the strategy of cost leadership.

Lester (2009) argues that the main dimension of the cost leadership strategy is efficiency, the degree to which inputs per unit of output are low. Efficiency can be subdivided into two categories: cost efficiency which measures the degree to which costs per unit of output are low, and asset parsimony which measures the degree to which assets per unit of output are low. Together, cost efficiency and asset parsimony, capture a firm's cost leadership orientation. To

the extent that firms following an efficiency strategy succeed in deploying the minimum amount of operating costs and assets needed to achieve the desired sales, they would be able to improve their market sustainability. Such firms pay great attention to asset use, employee productivity and discretionary overhead. Their customers buy their products primarily because they are priced below their competitors' equivalent products, an advantage achieved through minimizing costs and assets per unit of output. To the extent that a cost leadership strategy is built on such generic solutions related to operational efficiency, we expect that such a strategy would be more susceptible to imitation by competitors and peers, implying that the comparative cost advantages would dissipate over time.

Kaliappen and Hilman (2014) maintain that cost leadership means the lowest cost of operation in the industry where the organization producing at the lowest cost in the industry enjoys the best profits. The cost leadership is often driven by company efficiency, size, scale and the length of operation by the organization.

According to Brooks (2013), producing at lower cost is a strategy that can be used by various firms so as to have significant competitive strategies that can be viable in the long term business environment. Having intelligence of this underlying source of competitive pressure provides the groundwork for strategic agenda of action. A low cost leader's basis for competitive advantage is lower overall costs than competitors. The need to manage costs is challenge to most organizations that struggle to successfully mitigate and control their operating expenses. Successful low cost leaders are exceptionally good at finding ways to drive costs out of their business.

### **Product Innovation and Performance**

Ngugi and Karina (2013) concluded that product innovations enable banks to increase their brands or products in the market hence create competitive advantage for the organizations. market innovation enables the banks create new markets hence increasing the competitive advantage, process innovation enables the running of the banks' operations thus increasing effectiveness and efficiency while technology innovation will encourage ease of flow of information and fast delivery to the intended persons.

Kamakia (2014) evaluated the effect of product innovation on performance of commercial banks in Kenya. using both primary and secondary data and descriptive statisticsthe study concluded that product innovation impacts on customer satisfaction and that the reputation in the market makes the bank stand out. Aspects relating to product innovation and competitiveness include: location and wide network, branch networks, range of products, cost (charges), reputation, product range, customer service, bank reputation, innovation and customer service, processes and systems, and discipline.

Von Hippel (2009) observes that an innovation strategy developed by a high technology business might entail the use of new methods or production processes and invention of new technologies

for example Information communication technology not previously used by competitors. The advantage of this strategy is that it might be difficult for other firms to imitate on the same products. Smaller firms wishing to innovate new products might face challenges due to lack of modern technology and resources to develop a new product in the market.

According to Kulkarni (2009) on the theory of product life cycle, states that a product goes through 5 stages in life where at some point unless modifications are done, the product becomes obsolete and irrelevant. It is important that businesses invest highly on market research programs in order to identify changes in consumer needs as the product advances through its productive life. He argues that like any living being, products go through various stages in their productive lives from invention, maturity to decline stage forming a unique cycle in the product life. These stages are characterized by specific features which determine the length of time a product spends in one stage depending on the marketing strategies applied.

Muyoka (2013) studied the relationship between financial innovations and financial performance of insurance companies in Kenya. A descriptive survey was carried out on all the 47 insurance companies registered in Kenya. The researcher used primary and secondary data covering a period of five years from 2015 to 2011. The data collected was analyzed using descriptive statistics and regression analysis. The study concluded that insurance companies in Kenya have introduced product innovations including agri- insurance products and process innovations such as office automation, telemarketing, virtual marketing and worksite marketing. Muthui(2013) studied the effects of information and communication technology (ICT) on corporate strategy among Saccos in Nyeri County. The study concluded that innovation and technology incentives influence corporate strategy most, followed by technological change while research and development offered the least influence on corporate strategy.

### **Market Focus Strategy and Performance**

Muriuki (2013) analyzed strategies adopted by commercial banks in Kenya in their retail banking. The study found that banks that adopted a differentiation focus or cost focus strategy accounted for 65% of the total, while those that adopted a broad strategy using cost leadership accounted for 35%. The reason why most banks adopted a focus strategy was that they had a medium size branch network that was only idle for a focus strategy.

Wanyonyi (2011) studied competitive strategies adopted by Kenyan commercial banks to attract and retain corporate customers. The study finds that commercial banks adopt different strategies in its efforts to attract and retain corporate customers, namely the competitive strategies and adaptation strategies. Competitive strategies include focus strategies, cost leadership and, differentiation while adaptation strategies include defender, prospector analyzer and reactor.

Getembe (2012) looked at the relationship between competitive strategies and performance of chartered private universities in Kenya. The findings showed a general positive relationship

between competitive strategies and performance. The strength of the relationship was positively strong on differentiation strategies than in focus strategies and cost leadership strategies; however, the latter showed a negative correlation with performance. Further the study found that there is a relationship between competitive strategies and performance of Private Chartered Universities in Kenya Universities therefore needs to adopt these strategies to remain more competitive in the market.

According to Naughton (2014), a focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes. In the focus strategy, a firm targets a specific segment of the market. The firm can choose to focus on a select customer group, product range, geographical area, or service line. For example, some service firms focus solely on the service customers. Focus also is based on adopting a narrow competitive scope within an industry.

McQuarrie (2014) stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. A successful focus strategy (Porter, 2008) depends upon an industry segment large enough to have good growth potential but not of key importance to other major competitors. Market penetration or market development can be an important focus strategy. Midsize and large firms use focus-based strategies but only in conjunction with differentiation or cost leadership generic strategies. But, focus strategies are most effective when consumers have distinct preferences and when the niche has not been pursued by rival firms.

### **Product Differentiation Strategy and Performance**

Muthiani (2015) evaluated product differentiation strategies adopted by oil companies in Kenya. The study analyzed data using descriptive statistics such as mean scores standard deviations and percentages. The study established that Shell has embraced broad based product differentiation focusing on customer values. The Independent petroleum dealers and National Oil differentiate their products to target price sensitive segments of the market, for example the 'matatu' market. Total differentiates its products through service (64%), Shell on quality (45%), Oilibya on Non-fuel offer (54.5%) and Independents on price (46%). All the Major oil companies ride on their brand name as a base of their strong foundation. Product differentiation is a more sustainable competitive strategy due to the inherent difficulty of imitation.

Awino (2011) conducted a study on challenges facing the implementation of differentiation strategy in the operations of the Mumias Sugar Company Limited and concluded that firms are faced with major challenges in the implementation among them resources, organization culture and government regulations. Tuva (2015) also studied the influence of differentiation strategy on performance of water bottling companies in Mombasa County, Kenya. The findings of the study

showed that there is a positive relationship between differentiation strategy and firm performance. Product differentiation strategy contributes more to the performance of water bottling companies than service differentiation strategy.

Prescott (2011) opined that a differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

Hyatt (2011) insists that anything that a firm can do to create buyer value represents a potential basis for differentiation. Once it finds a good source of buyer value, it must build the value, creating attributes into its products at an acceptable cost. These attributes may raise the product's performance or make it more economical to use. Differentiation possibilities can grow out of possibilities performed anywhere in the activity cost chain. Finally, Kosom (2011) studied competitive strategies employed by national oil corporation of Kenya. The findings from the study were that the company uses low cost strategy, differentiation, focus and resource based strategy in order to compete with other oil marketers. A product can be differentiated in various ways. Unusual features, responsive customer service, rapid product innovations and technological leadership, perceived prestige and status, different tastes, and engineering design and performance are examples of approaches to differentiation. Rather than cost reduction, a firm using the differentiation needs to concentrate on investing in and developing such things that are distinguishable and customers will perceive. Overall, the essential success factor of differentiation in terms of strategy implementation is to develop and maintain innovativeness, creativeness, and organizational learning within a firm.

### **Organizational Performance**

According to Kirkendall (2009), for an organization to be able to measure its performance there is needed to determine or identify the various performance measures that should be used. She further recommends a number of appropriate performance measures that can assist in measuring the performance of any organization. These include: efficiency which is measured as a ratio of the expected input to the actual input; effectiveness which is measured as a ratio of the expected output to the actual output. Productivity: which is measured using the inputs and outputs used; quality which can be measured at any point in the input/output chart and can include actual versus expected accuracy and timeliness; innovation which includes measuring the organization's success in creating change; the quality of work life which can be measured using employee attitudes and profitability of the organization.

According to Jones (2011), investing is a two-dimensional process based on return and risk. When a portfolio performance is evaluated, the total return to the investor is relevant. A proper measure of this return is the total return (TR), which captures both the income component and the capital gains (or losses) component of return. Forbes (2013), a survey conducted by Alexander Forbes Consulting Actuaries in December 2013 had 30 Schemes participating. The analysis was based on returns of pension funds invested in segregated vehicles with both discretionary and non-discretionary mandates.

Levy (2008) the higher the variance (or standard deviation) of the return on an asset, the higher the risk and therefore the higher the required risk premium. Hence the variance of the returns on an asset appears to measure the risk of that asset. Although this is true if an investor holds only one asset, the variance is not the sole measure of risk if the investor holds more than one risky asset in his or her portfolio (like the case of pension funds), in a portfolio, the risk of an individual asset is a function not only of its own variance but also of its degree of dependency with the other assets in the portfolio.

The degree of dependency measures how the returns on two assets move together. If both go up or down together, they are said to have a positive dependency, if one asset goes up when the other goes down, or vice versa, we say they have negative dependency. Sharpe et al (2003) the more negative the degree of dependency between the assets in a portfolio, the lower the risk of the portfolio, and hence the lower the required risk premium for each specific asset. Risk averse trustees will require a risk premium on the risky portfolio held. That decreases as the degree of dependency between the risky assets in the portfolio decreases. Bodie et al (2008) argue that to obtain reasonably reliable performance measures, we need to maximize the number of observations by taking more frequent return readings and specify the exact makeup of the portfolio to obtain better estimates of the risk parameters at each observation period. Rather than focus on risk adjusted returns, practitioners often want simply to ascertain which decisions resulted in superior and inferior performance.

## **RESEARCH METHODOLOGY**

The study was adopted a descriptive research design aimed at exploring the effects of corporate strategies on the performance of retirement benefit funds in Kenya. Based on the recommendations of Churchill and Iacobucci (2010) in defining the unit of analysis for the study, the target population for this study were management staff of the Liberty Life Assurance (K) Ltd. Management staff was drawn from the following departments: finance, marketing, operations, human resources, risk and compliance and ICT since all their functions are centralized. This included the departmental heads and their assistants at the headquarters. This adds up to a target population of 198 respondents from the company. A sample population of 131 was arrived at by calculating the target population of 198 with a 95% confidence level and an error of 0.05 using the below formula taken from Kothari (2004).

$$n = \frac{z^2 \cdot N \cdot \hat{p}^2}{(N-1)e^2 + z^2 \hat{p}^2}$$

$$n = \frac{1.96^2 \cdot 198 \cdot 0.5^2}{(198-1)0.05^2 + 1.96^2 \cdot 0.5^2}$$
$$\frac{190.16}{1.4529}$$
$$n=131$$

Where;  $n$  = Size of the sample,

$N$  = Size of the population and given as 198,

$e$  = Acceptable error and given as 0.05,

$\hat{p}$  = The standard deviation of the population and given as 0.5 where not known,

$Z$  = Standard variate at a confidence level given as 1.96 at 95% confidence level.

Stratified proportionate random sampling technique was used to select the respondents. Stratified random sampling is unbiased sampling method of grouping heterogeneous population into homogenous subsets then making a selection within the individual subset to ensure representativeness. The goal of stratified random sampling is to achieve the desired representation from various sub-groups in the population. In stratified random sampling subjects are selected in such a way that the existing sub-groups in the population are more or less represented in the sample (Kothari, 2004). The method also involves dividing the population into a series of relevant strata, which implies that the sample is likely to be more representatives (Saunders, Thornhill Lewis, 2009).

Primary data was obtained using self-administered questionnaires. The study used both face and content validity to ascertain the validity of the questionnaires. Content validity draws an inference from test scores to a large domain of items similar to those on the test. Content validity is concerned with sample-population representativeness. Reliability is concerned with the question of whether the results of a study are repeatable. A construct composite reliability co-efficient (Cronbach's alpha ( $\alpha$ )) of 0.6 or above is generally acceptable (Orodho, 2010). A co-efficient of 0.7 or above for all the constructs, was considered adequate in this study. Reliability coefficient of the research instrument assessed using Cronbach's alpha ( $\alpha$ ) which is computed as follows:

$$\alpha = \frac{k}{k-1} \times \left[ 1 - \frac{\sum (S^2)}{\sum S^2 \text{sum}} \right]$$

Where:

$A$  = Cronbach's alpha

$k$  = Number of responses

$\sum (S^2)$  = Variance of individual items summed up

$\sum S^2 \text{sum}$  = Variance of summed up scores

Mixed methods data analysis techniques that were employed in this study were incorporate both descriptive and inferential data analysis. Non-parametric data were analyzed descriptively by use of measures of central tendency and measures of dispersion as the tools of data analysis. The arithmetic mean was the measure of central tendency statistical tool that was used for data analysis while the standard deviation was the measure of dispersion statistical tool of data analysis that was used. Data collected was initially subjected to Factor analysis. Factor analysis is defined by Mugenda (2008) as a powerful statistical procedure often used to validate hypothetical constructs. It attempts to cluster those indicators or characteristics that seem to correlate highly with each other. Once data screening was completed, descriptive statistics for all variables were run. Initial descriptive analysis was performed using SPSS 22. Qualitative data were analyzed using content analysis, where the data was coded into theoretically derived categories for the identification of the critical aspects of management remuneration and financial performance. The quantitative data for all the three objectives was first analyzed using descriptive statistics and inferential statistics using Statistical Package for Social Sciences (SPSS). Descriptive statistics such as the means and standard deviations was calculated to summarize the data. This technique gives simple summaries about the sample data and present quantitative descriptions in a manageable form Gupta (2008). According to Kothari (2004), together with simple graphics analysis descriptive statistics form the basis of virtually every quantitative analysis of data.

For the parametric data, Pearson's Product Moment Correlation Coefficient (r) was used. In statistics, Pearson's Product Moment Correlation (r) is a measure of the linear dependence (correlation) between two variables and can give a positive or negative value of their relationship (Campbell & Stanley, 2015). Pearson's Product Moment Correlation Coefficient (r) was used in this study to analyze the linear relationship between the main predictor variable and the dependent variable. The data was then presented using frequency distribution tables, bar charts, and pie charts for easier understanding.

A multiple regression analysis was computed for all the study variables. Multiple regression models attempt to determine whether a group of variables together predict a given dependent variable (Blumberg, Cooper & Schindler, 2011). A multiple regression model separates each individual variable from the rest allowing each to have its own coefficient describing its relationship to the dependent variable. This model was therefore adopted because the study had more than one variable. Firm performance was regressed against the four variables of the management remuneration namely cost leadership, product innovation, market focus and product differentiation. The equation was expressed as follows:

$$Y_s = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y<sub>s</sub> = Performance of retirement benefit funds

β<sub>0</sub> = constant (coefficient of intercept)

X<sub>1</sub> = Cost leadership

$X_2$ = Product innovation

$X_3$ = Market focus

$X_4$  = Product differentiation

$\epsilon$  =Error Term

$B_1, \dots, B_3$  = regression coefficient of three variables

Analysis of Variance (ANOVA) was also done to establish whether the whole model was a significant fit of the data and therefore formed the tests of significance. ANOVA is a data analysis procedure that is used to determine whether there are significant differences between two or more groups of samples at a selected probability level (Mugenda&Mugenda, 2003).

Quantitative data was presented using Frequency tables and Contingency tables. Qualitative data was derived from the open-ended questions in the questionnaire. The responses were assessed thoroughly and organized in to various categories, distinct from each other and the relationship among the identified categories established. Codes were used to generate themes and categories. Once the themes, categories and patterns are identified, the study evaluated and analyzes the data to determine the adequacy of the information and the credibility, usefulness, study consistency and validity in answering the study question. From this information, the study develops narratives and interpretive report in order to explain and reflect the situation within Liberty Life Assurance (K) Ltd.

## **RESEARCH RESULTS**

### **Reliability Analysis**

A pilot study was carried out to determine reliability of the questionnaires. The pilot study involved 20 respondents.

**Table 1: Reliability Analysis**

	<b>Cronbach's Alpha</b>	<b>Number of Items</b>
Cost leadership	.829	6
Product innovation	.733	5
Market focus	.751	4
Product differentiation	.865	5
Performance of retirement benefit funds	.793	6

Reliability analysis was subsequently done using Cronbach's Alpha which measures the internal consistency by establishing if certain items within a scale measure the same construct. Gliem and Gliem (2012) established the Alpha value threshold at 0.7, thus forming the study's benchmark. Cronbach Alpha was established for every objective which formed a scale. This illustrates that all the five scales were reliable as their reliability values exceeded the prescribed threshold of 0.7. This therefore depicts that the research instrument was reliable and therefore required no

amendments.

### **Cost Leadership Strategy**

The findings identified that cost leadership affect performance retirement benefit funds in Kenya to a very great extent. This concurs with Brooks (2013) who indicated that producing at lower cost is a strategy that can be used by various firms so as to have significant competitive strategies that can be viable in the long term business environment. According to Palepu and Healy (2008), a firm may produce a relative low profit margin by adopting the strategy of cost leadership.

The study enunciated that cost advantages influences performance of the retirement benefit fund to a very great extent. Furthermore, the research found the following cost leadership aspects to have a great effect on the performance of retirement benefit fund; operation cost, capacity utilization, marketing expenses and economies of scale. However, the study found that interrelationships affects performance of retirement benefit funds in Kenya to a moderate extent. Low cost leader in any market gains competitive advantage from being able to produce at the lowest cost. The findings were supported by Burnes (2009) that low cost leader in any market gains competitive advantage from being able to produce at the lowest cost.

### **Product Innovation Strategy**

According to the findings of the study, product innovation affects performance retirement benefit funds in Kenya to a great extent. This is in line with Mulgan and Albury (2013) who maintains that successful innovation is the creation and implementation of new processes, products, services and methods of delivery, which result in significant improvements in outcomes efficiency, effectiveness and quality.

Improved product was noted to have a great influence performance of the retirement benefit fund. Technological advancement and new product/services were also found to have a great influence on performance of retirement benefit funds. However, the study explored that product modification and research and development have moderate effects on performance of retirement benefit fund. Product innovations enable banks to increase their brands or products in the market hence create competitive advantage for the organizations. market innovation enables the banks create new markets hence increasing the competitive advantage, process innovation enables the running of the banks' operations thus increasing effectiveness and efficiency while technology innovation will encourage ease of flow of information and fast delivery to the intended persons. Ngugi and Karina (2013) concluded that product innovations enable banks to increase their brands or products in the market hence create competitive advantage for the organizations. market innovation enables the banks create new markets hence increasing the competitive advantage, process innovation enables the running of the banks' operations thus increasing effectiveness and efficiency while technology innovation will encourage ease of flow of information and fast delivery to the intended persons

## **Market Focus Strategy**

Market focus was found to have great effects on performance retirement benefit funds in Kenya. This agrees with Thompson and Strickland, (2015) who argues that for the market focus strategy to be attractive the target market niche should be big enough to be profitable and offers good growth potential and the industry leaders do not perceive the niche as crucial to their own success. The results from findings further shows that customer differentiation affects performance of retirement benefit fund in Kenya to a very great extent. However, entering new market niche, market segmentation and customer recognition affects performance of retirement benefit fund to great extent. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements. According to Naughton (2014), a focus strategy based on low cost depends on there being a buyer segment whose needs are less costly to satisfy than the rest of the market. On the other hand, a focus strategy based on differentiation depends on there being a buyer segment that demands unique product attributes. In the focus strategy, a firm targets a specific segment of the market. The firm can choose to focus on a select customer group, product range, geographical area, or service line. For example, some service firms focus solely on the service customers. Focus also is based on adopting a narrow competitive scope within an industry. McQuarrie (2014) stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements.

## **Product Differentiation Strategy**

The study established that differentiation affect performance retirement benefit funds in Kenya to a very great extent. This agrees with Varian (2013) who observes that firms may find it profitable to enter an industry and produce a similar but distinctive product. Moreover, Promotion activities, product specification and quality product were found by the study to greatly influence performance of retirement benefit fund. However, creative branding and unique packing have a moderate effect on performance of retirement benefit fund as found by the study. Differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. The findings were supported by Kulkarni (2009) which indicated that differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support.

## **Pearson Correlation Analysis**

Pearson correlation coefficient was used determine the strength and the direction of the relationship between the dependent variable and the independent variable.

**Table 2: Pearson Correlation Analysis**

		Performance of RBF	Cost leadership	Product innovation	Market focus	Product differentiation
Performance of RPF	Pearson Correlation Sig. (2-tailed)	1				
Cost leadership	Pearson Correlation Sig. (2-tailed)	.756 .026	1			
Product innovation	Pearson Correlation Sig. (2-tailed)	.675 .014	.711 .068	1		
Market focus	Pearson Correlation Sig. (2-tailed)	.567 .037	.542 .066	.440 .083	1	
Product differentiation	Pearson Correlation Sig. (2-tailed)	.825 .029	.565 .043	.771 .073	.715 .030	1

From the table cost leadership has a strong and positive correlation r-value of 0.756 with performance of retirement benefit fund and is significant at 0.026. The implication is that there exists a significant positive relationship between cost leadership and performance of retirement benefit fund. This reveals that any positive change in cost leadership would enhance performance of retirement benefit funds. This concurs with Brooks (2013) who indicated that producing at lower cost is a strategy that can be used by various firms so as to have significant competitive strategies that can be viable in the long term business environment.

Product innovation also had a strong and positive correlation with performance of retirement benefit fund with 0.675 and significant at  $0.014 < 0.05$ . This implies that any positive change in product innovation would enhance performance of retirement benefit fund. The findings further concur with Mulgan and Albury (2013) who maintains that successful innovation is the creation and implementation of new processes, products, services and methods of delivery, which result in significant improvements in outcomes efficiency, effectiveness and quality.

Market focus also correlates positively with performance of retirement benefit fund with 0.567 and also significant with 0.037. This implies that market focus had a positive significant effect on performance of retirement benefit fund. This depicts that any positive change in market focus would enhance performance of retirement benefit fund. The findings are consistent with Thompson and Strickland, (2015) who argues that for the market focus strategy to be attractive the target market niche should be big enough to be profitable and offers good growth potential and the industry leaders do not perceive the niche as crucial to their own success.

Product differentiation has a strong and positive correlation with performance of retirement benefit fund with 0.825 and was also significant with 0.029. The implication is that there exists a

significant positive relationship between product differentiation and performance of retirement benefit fund. This reveals that any positive change in product differentiation would enhance performance of retirement benefit fund. This corresponds with Varian (2013) who observes that firms may find it profitable to enter an industry and produce a similar but distinctive product.

### **Regression Analysis**

Regression analysis shows how independent variable is influenced with independent variable. Table 3 is a model fit which establish how fit the model equation fits the data.

**Table 3: Model Summary**

<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
1	0.881	0.776	0.767	2.168

The  $R^2$  was used to establish the predictive power of the study model and it was found to be 0.776 implying that 77.6% of performance of retirement benefit fund is attributed to changes in the following variables; cost leadership strategies, market focus strategies, product differentiation strategies and product innovation strategies leaving 22.4% unexplained. Therefore, further studies should be done to establish the other factors (22.4%) that influence the performance of Retirement Benefit Fund.

**Table 4: ANOVA results**

<b>Model</b>	<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	1625.82	4	406.455	83.900	.000
Residual	469.92	97	4.845		
Total	2095.74	101			

The P-value of 0.000 <0.05 indicates that the regression relationship was significant in determining how cost leadership strategies, market focus strategies, product differentiation strategies cost and product innovation strategies influence the performance of retirement benefit fund. The F calculated at 5 percent level of significance was 84.765. Since F calculated is greater than the F critical (value = 2.4645), this shows that the overall model was significant in explaining the relationship between the study variables.

**Table 5: Coefficients of Determination**

<b>Model</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	0.987	0.432		2.285	.0245
Cost leadership	0.754	0.293	0.714	2.573	.0116
Product innovation	0.638	0.144	0.619	4.431	.000
Market focus	0.584	0.239	0.472	2.444	.0163
Product differentiation	0.827	0.278	0.782	2.975	.0036

The established model for the study was:

$$Y = 0.987 + 0.754 X_1 + 0.638 X_2 + 0.584 X_3 + 0.827 X_4$$

The regression equation above has established that taking all factors into account (cost leadership strategies, market focus strategies, product differentiation strategies and product innovation strategies) constant at zero corporate strategy the performance of retirement benefit fund is 0.987. The findings presented also show that taking all other independent variables at zero, a unit increase in the cost leadership would lead to a 0.754 increase in the performance of retirement benefit funds. The relationship was also significant with p-value 0.0116 <0.05. The findings were supported by Burnes (2009) that low cost leader in any market gains competitive advantage from being able to produce at the lowest cost. Factories are built and maintained; labor is recruited and trained to deliver the lowest possible costs of production.

In addition, a unit increase in the scores of product innovation strategy would lead to a 0.638 increase in the performance of retirement benefit fund. The relationship was also significant with p-value 0.000 <0.05. in line with this, Ngugi and Karina (2013) concluded that product innovations enable banks to increase their brands or products in the market hence create competitive advantage for the organizations. market innovation enables the banks create new markets hence increasing the competitive advantage, process innovation enables the running of the banks' operations thus increasing effectiveness and efficiency while technology innovation will encourage ease of flow of information and fast delivery to the intended persons.

Further, the findings shows that a unit increases in the scores of market focus would lead to a 0.584 increase in the performance of retirement benefit fund. The relationship was also significant with p-value 0.0163<0.05. In line with this, McQuarrie (2014) stressed that focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors. These niches arise from a number of factors including geography, buyer characteristics, and product specifications or requirements.

The study also found that a unit increase in the scores of product differentiation strategy would lead to a 0.827 increase in the performance of retirement benefit fund. The relationship was also significant with p-value 0.0036<0.05. The findings were supported by Kulkarni (2009) which indicated that differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support.

Overall, product differentiation strategy had the greatest effect on the on the performance of retirement benefit fund, followed by cost leadership, and then product innovation while market focus strategy had the least effect on performance of retirement benefit fund. All the variables were significant (p<0.05).

## **CONCLUSIONS**

According to the findings of the study conclude that cost leadership strategy affect performance retirement benefit funds in Kenya. The study enunciated that cost advantages influences performance of the retirement benefit fund. The aspects of cost leadership such operation cost, capacity utilization, marketing expenses, economies of scale and interrelationships were found to affects performance of retirement benefit funds in Kenya.

The study also concludes that, product innovation strategy affects performance retirement benefit funds in Kenya. Improved product was noted to have effect on performance of the retirement benefit fund. The research further discovered that product innovation aspects similarly affects performance of retirement benefit funds, this aspect includes; technological advancement, new product/services, product modification and research and development.

Furthermore, the study established that market focus strategy affects the performance of retirement benefit funds in Kenya. The results from findings further shows that customer differentiation affects performance of retirement benefit fund in Kenya. Other aspects which noted by study to have an influence on the retirement benefit fund were, entering new market niche, market segmentation and customer recognition.

The study finally concludes that product differentiation strategy affect performance retirement benefit funds in Kenya. Moreover, Promotion activities, product specification and quality product, creative branding and unique packing have been also confirmed to influence performance of retirement benefit fund.

## **RECOMMENDATIONS**

The study recommends that Retirement Benefit Fund should aim at achieving above-average returns over competitors and also improves its performance through monitoring the costs of activities provided and maintaining low charges on services offered. The study recommends that Retirement Benefit Fund should incorporate new technology in the industry so as to ensure that they improve on quality and efficiency in performance of Retirement Benefit Fund. The study recommends that Retirement Benefit Fund need to come up with policies that aim at delivering their services to customers who are in remote areas. By doing this, the organization will be able to expand the customer outreach and thus remain competitive in the industry as well improving its quality of customer delivery.

There is also the need to introduce new products on an incremental basis. This ought to be done by introducing one or very few at a time, so that RBF staff and clients can manage, monitor and understand them properly. Product innovations should not be a one-stop gap measure, but an on-going program to improve the quality of financial services being made available to clients. So as to adequately address customers need the clients should be involved in product innovation.

Research has shown that customer preferences keep changing, which translates into a guiding principle that products must keep changing so as to ensure sustained customer satisfaction.

In relation to market focus the Retirement Benefit Fund should create marketing departments. Such departments need to be strengthened by employing people with the needed skills, knowledge and experience in marketing related functions. This will ensure revenue growth, customer satisfaction and financial sustainability. This is because marketing is the core of the forces that drive business success and profit. It is necessary for Retirement Benefit Fund to fashion out customer service packages that include product availability and innovations. The nature of each component requires research as different service offerings with different interest rates are likely to be needed by each of them and different marketing strategies and approaches are likely to be essential. Retirement Benefit Fund needs to strengthen their marketing planning capabilities especially in the area of environmental awareness.

Furthermore, product differentiation appears as a critical driver for Retirement Benefit Fund, which could perform the role of a bridge that links the positive influence of customer satisfaction to organizational performance. Therefore, management ought to focus and invest more on product differentiation as it could be used as a major competitive advantage tool against competitors in the industry and it is capable of guaranteeing the long term survival of the organization. The Retirement Benefit Fund should adopt product differentiation strategies that address needs of specific market segments. To achieve this, clients' needs must be identified by way of continuously seeking customer feedback and promptly addressing them.

It is evident that competitor keep changing their approach in bid to win and keep the clients. In response to this, Retirement Benefit Fund must not only scan the environment to identify the strengths and weaknesses of the competitors but also keep improving the quality of their personnel, systems, facilities and the feature of the existing products. Product differentiation equally serves to cushion the banks from competition in the industry. Products with superior features ensure that customer loyalty is guaranteed which ensures a wider customer base. When the foundation of the business is a clientele that keep growing high profits are reported hence strengthening the brand. A sizable market share enables the bank to compete effectively with other financial institutions in the country. Since customer's tests and preferences keep on changing, there is need for Retirement Benefit Fund to study the market to understand what the customers want and change with the changing times. It should offer products that are competitive and that attract customers.

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