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**Influence of Tactical Environment Fit and Performance of
Saving Schemes Organizations. A Critical Literature Review**

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Influence of Tactical Environment Fit and Performance of Saving Schemes Organizations. A Critical Literature Review

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Abstract

Purpose: Pension funds are the principal sources of retirement income for millions of people in the world. Pension schemes contribute significantly to the reduction in old-age poverty since a large proportion of the incomes of retirees is derived from their previous pension arrangements. These investments are key to attaining success thus ensuring increased firm valuation. The overall objective of this study was to examine influence of tactical environment fit and performance of saving schemes organizations.

Methodology: The paper used a desk study review methodology where relevant empirical literature was reviewed to identify main themes and to extract knowledge gaps.

Findings: The study concluded that essentially, an organization should work towards ensuring a continuous strategic fit to political, economic, socio-cultural and technological factors in its operating environment because the environment factors are highly dynamic factors and they are all related to each other.

Unique Contribution to Theory, Policy and Practice: The study recommended that organization should be keen on following technological changes because the field is highly dynamic and rapidly as compared to the political, economic and socio-cultural factors. The organization should also engage government more intensely for development of more legislation and sector related policy. Because environmental factors change continuously the researcher deems it worthwhile to conduct a related research in future on the retirement benefits authority to see if it yields similar results.

Keywords: *Influence, Tactical Environment Fit, Performance, Saving Schemes Organizations.*

INTRODUCTION

Tactical or strategic fit is a valued theoretical standard in theories of organizational adaptation (Chih, 2015) and is ever-present in strategic marketing and strategic management. Basically, the argument is that environment and strategy interact in a dynamic co-alignment process and the resulting fit between strategy and its environmental context has positive implications for performance. However, this assessment is derived almost exclusively from observations in western economies, where the firm in focus operates in a stable, market-based economy; the strategic fit paradigm is therefore promoted as a universal strategic framework (Assmusen, 2018). In addition, organizations/businesses operate in a rapidly changing environment which they must adapt to for their growth and development. This degree of change in environmental factors is known as the level of environmental turbulence. The more turbulent the environment the more aggressive the firm response must be; however, some firms take full advantage of the opportunities offered by turbulence while others lag behind (Pauwe, 2018).

The environmental turbulence is determined by a combination of numerous factors which include: changeability of the market environment; speed of change; intensity of competition; fertility of technology; discrimination by customers; and pressures from governments and influence groups implying that strategy is affected by a combination of factors in the environment (Wilden, 2015). The success of every organization is determined by the match between its strategic responsiveness and strategic aggressiveness and how these are matched to level environmental turbulence. This is because each level of environmental turbulence has different characteristics, requires different strategies and requires different firm capabilities. Therefore, each level of environmental turbulence requires a matching strategy and the strategy has to be matched by appropriate organizational capability for survival, growth and development (Drobyazako, 2019).

To be successful over time, an organization must be in tune with its external environment. There must be a strategic fit between what the environment wants and what the firm has to offer, as well as between what the firm needs and what the environment can provide. The environment is composed of various niches and hence the importance of making strategies aligned to these niches. Furthermore, recent trends in strategy formation process emphasis use of emergent methods that are flexible driven by organizational learning as opposed to prescribed long term planning. Under the emergent trend's strategy formation involves; judgmental designing, intuitive visioning and emergent learning (Moore, 2015).

This therefore enforces the notion that the effectiveness of any strategy is highly dependent on the manner in which the strategy has been implemented. No matter how brilliant or well aligned a strategy may be its successful outcome depends on how it is implemented. As such the strategy process is a progressive process and is not static hence the importance of strategic fit to operating environment and challenges thereof (Fillipeti, 2021). Strategic fit is crucial to an organization survival and those organizations which match their state of affairs to the environment improve

their performance, while those that do not often fail. The relationship between an organization and its environment, in the strategy-making situation impacts; the firm's basic mission or scope matching its environment and secondly at having a competitive advantage which other competitor firms are also trying to get (Kynxcski,2021). Strategies are designed to; adapt to, respond to, or shape the environment. Essentially with any major change in the level of turbulence, a change in strategy is required to keep the organization in harmony with its environment.

Therefore, environmental uncertainty is crucial to an organization strategy formulation because it not only affects the accessibility of resources to the firm and the significance of its competencies and capabilities, but also customer needs and requirements, and the competition as well hence importance of strategic fit (Bashir, 2017).

The relationship between strategic fit and an organization environment is a key element in successful implementation of an organization strategy and subsequently positive performance. An organization strategic fit which is the degree of co- relation between its strategy and its environment has major performance repercussions (Abong'o, Ojera, Ochieng and Aila, 2015). Strategic fit brings about organization superior performance as deduced from a study whose variables were strategy and governance systems done by Gachau, (2018). Also, from a study done by Dan et al., 1994 on a sample of 173 acute care hospitals it was deduced that compliance to an externally stated perfect strategy profile has a positive impact on firm performance; highlighting the importance of a strategic fit for an organization with its operating environment(Abong'o et al, 2015). Mathooko and Ogutu, (2014); organizations need to comprehend their external environment in terms of the challenges, opportunities and threats present, so that they come up with strategies which will capitalize on the opportunities and circumvent threats making the organizations successful in their business. This is because organizations operate in environments which change continuously and therefore present dilemma/unique challenges to organizations and their management and thus a need for designing relevant and sustainable response strategies which align to these environments. Therefore, strategy can be perceived as matching of resources and activities of an organization to the environment in which it operates and thus attaining a strategic fit.

Instability in an organization environment is caused by change in factors such as; technology, competition, globalization, economic, political, social, or organizational strategies of the company (Bando, 2015). This state of continuous change emphasizes the importance of an organization having a strategic fit with its environment. Strategic fit is a holistic approach which is construed as the degree of link between competing priorities, delivery channels, structure performance and is based on the integrated approach of strategic management as put forward by strategic management pioneers Clemence (2017); an approach aligning the organization to the open systems theory/approach where the organization is seen as a collection of interacting components which in turn interact with the environment for realization of business performance. If a fit or compatibility is found between strategy, the organizational and environment components then there is an increased business performance (Jaghoosii, 2014). Jantiffar (2020) argues that since firm's

performance depend on the fit between the firms and their external environments; changes of external environments require a firm to acclimatize to them through change in its response strategy. It is therefore critical that an organization understands these external environmental conditions because they affect their strategies. It is against this background that the study intended to examine influence of tactical environment fit and performance of saving schemes organizations. A critical literature review.

Statement of the Problem

The enrolment by workers into pension/retirement saving schemes has been quite low. Employee pension cover has stagnated at 15% in favour of the formal sector workforce as per retirement benefits authority statistics of 2007. For the pension sector to grow and develop it needed to focus more on; the considerably larger size of informal sector employees in comparison to the formal sector, high levels of unemployment, rural based populations and aging population (Raichura, 2008). In addition, Rono, Bitok & Asamoah, 2010 have also observed that pension sector challenges also include; inadequate regulatory structure and irresponsible scheme funds' investments leading to low yields. However, employee's retirement benefit schemes have made little progress in fostering growth of the sector since pension cover is still at 15% as per the Retirement Benefits Authority strategic plan of 2014-2019. Various studies have been carried out on the pension sector such as; (Raichura, 2008); Analytical review of the pension system in Kenya, (Muendo, 2013); Management of strategic change at Local Authorities Pension Trust, (Mulwa, 2012); Management of strategic change at NSSF, (Gichumbi, 2008); Strategic responses by NSSF to changing environmental conditions in Kenya. These studies on the Kenya pension sector have focused on strategic change in other sector players and not on the retirement benefits authority; the sector regulator and player posing a knowledge gap which this study sought to fill. It is against this background that the study intended to examine influence of tactical environment fit and performance of saving schemes organizations.

Objective of the Study

The overall objective of this study was to examine influence of tactical environment fit and performance of saving schemes organizations. A critical literature review.

Significance of the Study

The study will add to the existing body of knowledge on the facilitation and regulation of pensions sector and also provide areas for further research work. It will also guide policy makers and the relevant governments about how to further grow the scope of the pensions sector and enhance the sector contribution to mobilization of savings for use in capital intensive projects. This therefore underpins the need for this study that allowed for exploration of influence of tactical environment fit and performance of saving schemes organizations.

THEORETICAL REVIEW

The study will benefit from the open system theory that was proposed by Boulding (1956) and McKinsey 7'S Model that was proposed by Robert and Tom (1980).

Open system theory

Business organizations are highly dependent on their environment from where they get input resources such as information, ideas, raw materials, finance and labour among others and to where they get consumers of their finished goods or services. They therefore do not operate in a vacuum (Dauda and Ismaila, 2013). This view is affirmed by the General systems theory/ the open systems theory put forward by Boulding, 1956 and supported by Von Bertalanffy, 1968 as quoted from (Weber & Lawrence, 2008); which argues that organisms, human organizations and societies are open systems. They are systems because they consist of a number of component subsystems that are interrelated and interdependent. These systems are open to and have interaction with their external environments. Systems are made of subsystems while environment is made of systems where boundaries separate one system from another and a subsystem from another. Although most systems have clear boundaries, they cannot be understood in seclusion but only in relationship to their environs. As applied to management theory, the system concept implies that business firms (social organisms) are embedded in a broader social structure (external environment) with which they constantly interact. Corporations/organizations have ongoing boundary exchanges with customers, governments, competitors, communities and media where if these interactions with society are positive, they benefit a business firm.

However, businesses must adapt to changes in the environment since the key to business survival is often the ability to adapt effectively to changing conditions. Systems theory therefore provides a powerful tool to help managers conceptualize the relationship between their companies and their external environment. It helps us understand how business and society taken together form an interactive social system where each needs the other and also influences the other. Although business and society/environment are separate entities they are so connected that any action taken by one will surely affect the other (Weber & Lawrence, 2008). According to (Santala and Parvinan, 2007); strategic fit as observed on open system approach perspective sees the organization as a set of interdependent parts that form a whole and are in turn interdependent with the larger environments. Herein the theoretical framework suggests that attainment of an enhanced performance by a business is dependent on realization of a fit, match or congruence between a firm's strategy and environmental or organizational contingencies. Businesses operate in an ever-changing environment in which they must adjust and adapt to through strategic orientations; implying that a firm survival depends on its strategy.

McKinsey 7'S Model

This management model was developed by Robert Waterman and Tom Peters in 1980 as a model for McKinsey & Company. It was designed to enable an organization measure their internal capacity to cope with change. Under this approach the model assesses an organization internal capability in comparison to its environment. In the model; strategy which is an organization structured action and resources allocation should be synchronized to achieve the company goal. Structure entails determining whether the organization under study has capability to undertake its role/objectives. Systems entail its processes such as information systems. Style entails assessing how the management leads the organization in pursuit of its goal. Staff entails assessing whether staff/employees understand or are competent to execute the core mandate/role the organization will play or know the organization culture. Shared values assessing whether there is team work. Skills this is about the organization strength and weaknesses (Wehrich & Koontz, 1993). Although this model emphasizes on an organization internal competence, usually the attainment of such competence is usually a competitive advantage to the attainment of a certain goal. Also, the different 'S' components within an organization are what that makes the organization distinct. As a result, the McKinsey 7'S model is adopted in organization in the same respect as other theories such as systems and resource-based view and hence applicability under this study

Empirical Review

Ita (2016), conducted a study that sought to explore whether the size of the fund, experience of fund managers and the education levels of the trustees are determinants of the financial risk management strategies adopted by fund managers of pension schemes. The study design was descriptive survey and the target population was 19 pension fund management firms in Kenya. The study revealed that there was a positive relationship between the size of the fund and choice of risk management strategy adopted by pension fund management firms in Kenya. The study also revealed that there was a positive relationship between trustees' education level, experience of fund managers and choice of risk management strategy adopted by pension fund management firms in Kenya. Thus, the study concludes that the size of the fund, the experience of fund managers and the trustee education levels determine the financial risk management strategies adopted by pension fund managers in Kenya. Future research in the pension's industry can be done especially on the area of trustee education and what impact it has on the performance of schemes. There is also an opportunity to study more the risk appetites for the trustees and their impact on risk management in the pension schemes. The study presented a methodological gap as it was descriptive in nature while our study will be a desktop review approach.

Thiunguri (2014), conducted a study that sought to investigate the effect of pensions on national savings in Kenya. The study covers the Kenya Government's public pension schemes for its employees. The Granger causality test was employed to investigate the relationship between these two variables and it was found that there was no causal relationship between the two variables. The Vector Error Correction Model was employed to investigate these relationships. The results indicated that pension's expenditure had a negative impact on savings. It was also found that Gross Domestic Product has a positive impact on Gross Domestic Savings. The results also show a negative influence of inflation on Gross Domestic Savings in Kenya. The real interest rate and life expectancy have negative and statistically significant impact on Gross Domestic Savings, suggesting that income effects outweigh the sum of its substitution and human wealth effects. The old age dependency ratio has a negative but statistically insignificant impact on saving while the young age dependency ratio has a positive but statistically significant impact on savings. The study presented a conceptual gap as it investigated the effect of pensions on national savings in Kenya while our study will examine influence of tactical environment fit and performance of saving schemes organizations.

Ogot (2011) conducted a study to establish whether retirees had adequate income at retirement under defined contribution pension plan and its differential effects on income distribution among different categories of retirees. The two-thirds retirement model of Macdonald and Cairn (2006) was used to test adequacy of retirement income. If the DC was to yields a replacement ratio of forty percent, the retirement income was considered adequate for this study. To determine the inequality of income among retirees in the two pension's plans a gini coefficient was used. Using a sample of 118 employees of the Teachers Service Commission and 40 staff of the Jomo Kenyatta Foundation, the study established that employees with DB plans are likely to be more secure in terms of retirement income than retirees under the defined contribution pension plan. The results also showed that there is greater disparity of retirement income under the Defined Contribution Pension design than under the Defined Benefit plan. The study presented a conceptual gap as it sought to establish whether retirees had adequate income at retirement under defined contribution pension plan and its differential effects on income distribution among different categories of retirees while our study will examine influence of tactical environment fit and performance of saving schemes organizations.

Orina (2012) conducted a study on actors influencing saving for pension in the informal sector in Kenya and find out how these factors influence pension coverage in the informal sector. The research employed descriptive survey design because the design is relevant in assessing attitudes and opinions about events, individuals or procedures. The target population of the study was 721 jua kali sector workers in Kisii Municipality. The study revealed that the level of awareness on the

pension schemes in Kenya partly influences the savings for a pension scheme. The awareness of the 'Mbao' pension scheme is low and subsequently the membership. Legal Issues such as the by-laws applied by many local authorities and the lengthy process of dealing with the government agencies significantly ($P < 0.05$) affect the willingness of Jua Kali workers to save for pension. The level of education of the Jua Kali sector workers significantly ($P < 0.05$) influence their willingness to save in a formal pension scheme. Administrative process hinders ($P < 0.05$) the willingness and readiness of the Jua Kali sector workers to join a pension scheme. The study presented a methodological gap as it was descriptive in nature while our study will be a desktop review approach

Kiara (2012), conducted a study on ought to find out the factors affecting pension scheme in the Kenyan public sector. The study focused on the Teachers Service Commission. Descriptive and inferential statistics were used to analyze data. Data presentation was in form of tables, graph and pie charts. From these presentations' interpretations were made hence arriving at findings, conclusion and recommendations. Some of the major findings were that the national economy affects the administration of public pension scheme, decentralizing the processing of pension claims, corruption and inefficiency in the pension department also delayed pension payments. It was concluded that several reforms be undertaken to improve the public pension scheme. Among the recommendations include automating the process of public pension, allowing public pension to operate privately, updating pension records before retiring and consulting all stakeholders before any decision is undertaken has been coming under increasing pressure as a result of combination of factors. The study presented a contextual gap as it was conducted in the teachers service commission while our study will be conducted in the retirement schemes organizations.

METHODOLOGY

The study adopted a desktop literature review method (desk study). This involved an in-depth review of studies related to influence of tactical environment fit and performance of saving schemes organizations. Three sorting stages were implemented on the subject under study in order to determine the viability of the subject for research. This is the first stage that comprised the initial identification of all articles that were based on influence of tactical environment fit and performance of saving schemes organizations. The search was done generally by searching the articles in the article title, abstract, keywords. A second search involved fully available publications on the subject on influence of tactical environment fit and performance of saving schemes organizations. The third step involved the selection of fully accessible publications. Reduction of the literature to only fully accessible publications yielded specificity and allowed the researcher to focus on the articles that related to influence of tactical environment fit and performance of saving schemes organizations which was split into top key words. After an in-depth search into the top key words (influence, tactical environment, fit, performance, saving schemes organizations), the researcher arrived at 5 articles that were suitable for analysis. This were findings from:

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SUMMARY, CONCLUSION AND RECOMMENDATIONS

Conclusion

The study concluded that essentially, an organization should work towards ensuring a continuous strategic fit to political, economic, socio-cultural and technological factors in its operating environment because the environment factors are highly dynamic factors and they are all related to each other.

Recommendations

The study recommended that organization should be keen on following technological changes because the field is highly dynamic and rapidly as compared to the political, economic and socio-cultural factors. The organization should also engage government more intensely for development of more legislation and sector related policy. Because environmental factors change continuously the researcher deems it worthwhile to conduct a related research in future on the retirement benefits authority to see if it yields similar results.

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