CHANGE MANAGEMENT PRACTICES BY COMMERCIAL BANKS

IN KENYA

BY

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DECLARATION

This research project is my original work and has not been submitted for the award of a degree in any other university.

Signed   Date

………………..   ……………..

Janet Rotich
D61/71108/2009

This research project has been submitted for examination with my approval as the university supervisor

Signed   Date

…………………   ……………….

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October 2012

DEDICATION

This research is dedicated to my Father John Rotich who sacrificed everything he had to ensure we got quality education that he could afford and to my mother Mary Rotich who always sacrificed her sleep by sitting at the corner of the study room to ensure that we did our homework and studied. Without you two I wouldn't be where I am today.

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I would like to acknowledge the support I received from my brothers Ken, Linus and Cyrus to ensuring that I finished my project

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To Mr. Jeremiah Kagwe my supervisor thank you so much for your guidance and sacrifice in ensuring this project became a reality

Lastly to the almighty God for His amazing Grace in my life

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LIST OF ACRONYMS AND ABBREVIATION

CBK   Central Bank of Kenya

Org   Organization

ABSTRACT

This research was designed to investigate change management practices in commercial banks in Kenya. The study had two objectives to be analyzed. First objective was to establish change management practices in commercial banks Kenya. The second objective was to establish the challenges commercial banks in Kenya encounter in implementing change. The design of the research was descriptive with questionnaires distributed to the 43 commercial banks. The data was thereafter analyzed using percentages, mean scores and standard deviations.The findings indicated that environmental assessment plays a key role in managing the change process. Development of a vision and strategy and the empowerment of employees played a major part in influencing change management practices. 80% of the resistance to change in the organization was caused by employee/managers with perception being a key contributor to resistance. Technology is a key factor in contributing to change. The researcher recommends that caution should be taken by organizational heads to stabilize the new practice into the culture.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Change management practices involve the activities practiced by managers as they encounter the various aspects of change in an organization. It is therefore that living and symbolic embodiment of how we cope and do business now and in the future. The change process should aim at successful implementation of a strategy. A critical factor for the success of a change process is top management credibility (Simons, 1999). Therefore, as they design the change, an organization's top management must ask itself, 'what can we credibly implement?' and 'what change can we really commit to?'

The feeling that a change is right for an organization and the necessary sense of urgency to secure its realization will only occur if it is clear that the change has been tailored to the organization and its particular business situation (Bruch and Ghoshal, 2003). Change is only possible when it is contextualized against the backdrop of an organization's particular past and present (Pettigrew, 1987)

Banks in Kenya, like all other sectors in the economy, are finding themselves in an extremely turbulent environment characterized by increased competition and the ever changing technology. To mitigate these challenges, the managers in the organization should take appropriate actions towards a desirable state of affairs, stabilize the organization at the new set of equilibrium and reinforce the change in the organization.

1.1.1 Change Management Practices

Change management practices are related to various activities managers do as they handle various aspects of change. Change processes are by nature complex, but they must have clear priorities in order to be manageable. Change programs and projects have to make sense from the beginning, when the actual idea of change came into place. The feeling that a change is right for an organization and the necessary sense of urgency to secure its realization will only occur if it is clear that the change has been tailored to the organization and its particular business situation (Bruch and Ghoshal, 2003).

Managers involved in the change process should recognize the need for change and that change occurs slowly and moves through a series of stages. The main stages of the change process are coined from Kurt Lewin's three-step model of unfreezing, moving and refreezing. This mainly involves removing those forces

maintaining organization's behavior at its present level, taking action on desired state of affairs and refreezing to stabilize the organization at the new set of equilibrium.

In the implementation of strategic change, managers are faced with various challenges both from within the organization structure and the employees themselves. The challenge mainly represents itself in terms of resistance. Those arising from the organization are mainly managerial capacity incompetence, people's knowledge and skills, while behavioral is within the employee at individual or team level. Folger and Skalicki (1999) claim that "organization change can generate skepticism and resistance in employees, making it sometimes difficult or impossible to implement organizational improvements"

1.1.2 The Banking Industry in Kenya

The most central function of a bank from the point of view of society and the economy is its role on the payment system. They supply the accounts through which payment transactions are made. They are specialists at assessing and monitoring credit risk due to their long term relationships with customers. Banks also contribute to the supply of liquidity on the economy as deposit can be converted very quickly into cash or used for payments. The economy as a whole cannot afford easily the costs of disruptions on these services (Market Intelligence, 2006)

In Kenya, the CBK is entrusted with the supervision of commercial banks in order to ensure sufficient and sound financial system, on the interest of depositors and the economy as a whole. It also provides commercial banks with clearing facilities in order to promote the smooth operation of payments, clearing and settlement systems (CBK 2006)

The banking industry in Kenya has witnessed entries and exits of both local and foreign players, successful mergers e.g. between CFC Bank and Stanbic Bank, and failed mergers and acquisitions, growth in assets, deposits, profitability and products offering. This is mainly due to an industry wide branch network expansion and automation of large number of services. The banking industry in Kenya has been liberalized since the early nineteen nineties. The CBK is the regulator of the industry and carries out control measures, supervision and implements monetary policies.

1.1.3 Commercial Banks in Kenya

A bank is a financial institution and a financial intermediary that accepts deposits and channels those deposits into lending activities, either directly or through capital markets. A bank connects customers that have, to customers with capital deficits. The banking Act chapter 488 laws of Kenya defines a bank as a company, which carries on banking business in Kenya and includes Co-operative Bank of Kenya Limited but does not include the Central Bank. According to the Act, banking business means: the accepting from members of the public money on deposit repayable on demand or at the expiry of a fixed period or after a notice, the accepting from members of the public money on current account and payment on and acceptance of cheques; and the employing of money held on deposit or in any other manner for the account and at the risk of the person so employing the money. Thus a bank is a financial institution that basically accepts deposits from the public and lends the same to persons that require credit the so Called intermediation. As at June 2011, the Central Bank of Kenya (CBK) monthly economic review indicates that the banking sector comprised of forty three licensed commercial banks and one mortgage finance.

Players in this sector have nevertheless experienced increased competition over the last few years resulting from within the players in the industry, New regulations; For instance, the Finance Act 2008, which took effect on 1 January 2009 requires banks and mortgage firms to build a minimum core capital of KShs 1 billion by December 2012. This requirement, it's hoped, will help transform small banks into more stable organizations. The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge in order to comply. Global financial crisis experienced in late 2008 affected the banking industry in Kenya especially in regard to deposits mobilization, reduction in trade volumes and the performance of assets. Declining interest margins, emergence of new technology, existence of substitute services e.g. MPESA has widely affected the deposits and money transfers within the banks. In light of these challenges banks have no otherwise than to change in order to compete effectively in the sector, maximize shareholders wealth, and develop a competitive advantage and above all to ensure its survival in the industry

1.2 Research Problem

The biggest challenge to managers today is the issue of how organizations can cope with the dynamic environment in which they operate given the constraints, challenges and threats they face. Organizations are therefore operating with uncertainty of change which varies from company to company, industry to industry

and country to country. Unprecedented changes could be due to economic, political, technological, cultural or social factors (Burnes, 2003;Boddy and Parton,1998). Organizations have therefore introduced change management practices through use of systematic methods to ensure that change in organizations can be guided in the planned direction, conducted in cost effective manner and completed within the targeted time frame and with the desire result in response to environmental changes.

Due to harsh economic conditions prevailing in Kenya, increased competition, existence of substitute services and entrants of new players, commercial banks in Kenya have been faced with serious reduction in their market share and eventually their profitability. This scenario has forced the individual banks to begin to adapt to change in order to compete in the new and turbulent business environment.

Change management practice is a subject studied extensively in Kenya. Most studies in this area have focused on the process of change management. Mbogo (2003) studied strategic change management process in Kenya Commercial Bank. He concluded that the main factors that adversely affected the change effort were "non-supportive organizational culture". Ogwora (2003) studied on strategic change management at the National Cereals and Produce Board. He concluded that change management has tremendously improved the efficiency of service delivery in the company. Rukunga (2003), on his part looked at change management at the Nairobi Bottlers Ltd and concluded that It has successfully embraced change management as a strategy and that it has affected the operations in a positive way.

A number of studies have been conducted on the banking industry. Some studies (Mbogo, 2003; Goro, 2003 and Okutoyi, 1988) have focused on strategic change management processes and strategic responses of banks to factors in the environment. None of the above studies has focused on change management practices in commercial banks in Kenya. It is important for a study to be carried out to determine on how managers in Kenyan banks are coping with the changes and start to develop a body of knowledge on change management practices. This study therefore attempted to answer the following question; what change management practices have commercial banks adopted and what challenges do they encounter?

1.3 The Research Objective

The objectives of the study were:

i. To establish change management practices in commercial banks in Kenya

ii. To establish the challenges commercial banks in Kenya encounter in implementing change

1.4 Value of the Study

The study will provide useful insights to the banking industry managers into their understanding of change management practices especially in determining factors that facilitate the change process. With the findings of this study, the commercial bank heads will understand better the lead factors that contribute to resistance to change and how they can minimize them. The understanding of the environment in the study will help banks during the change management process.

Secondly, scholars in the field of strategic management for further research in the area of change management and in particular the practices that will contribute to successful implementation of change in organizations.

The government and its regulating bodies-in formulation of policy that will create conducive operating environment within the banking industry .The research information will help them in ensuring the policies they create do not pose a threat to the banks operations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This Chapter, entails the literature review of the research, it includes the change process, approaches to change management, Lewin's Three Step model, Kotter's Eight Stage Model, Beer *et al* Ten- step Change process and challenges of implementing change.

2.2 Organizational Change

 Organizational Change is the movement of an organization away from its present and toward some desired future state to increase its effectiveness (Lunernberg, 2010). The environment provides the resources and opportunities for the organization's existence and also determines what organizations can and cannot do (Nzuve, 1999).if organizations want to remain prosperous, they must adapt to the demands of the environment and since these demands are constantly changing, organizations must also change.

To achieve organizational efficiency, the assumption on the work of Kurt Lewin is critical. Kurt Lewin proposed a "force field" analysis method to understand organizational change. Force field analysis proposes that an organization is typically in a state of equilibrium. There are two forces which maintain organizational stability: driving forces and restraining forces. The driving forces are those elements of the organization which support a desired organizational change. Keeping the organization in equilibrium are the restraining forces. If the two forces are equal, the organization will remain static. Change occurs when one of these two forces becomes stronger than the other (disequilibrium). Once the change has occurred, the organization reverts to a new state of equilibrium which reflects the desired change. The driving forces for change are environmental changes which include increased competition, supplier's trade unions and government regulation that affect the operation of the organization. Technology, economic conditions and markets are also some of forces of change. the restraining forces of change are uncertainty, parochial self interest, group resistance, dependence and awareness of weakness in the proposed change.

2.3 The Change Process

The process of change has been characterized as having three basic stages: unfreezing, changing, and re-freezing. This view draws heavily on Lewin's (1951) adoption of the systems concept of homeostasis or dynamic stability. This view has shortcomings in that it doesn't allow for change efforts that begin with the organization in extremis(i.e already 'unfrozen'), nor does it allow for organizations faced with the prospect

of having to 'hang loose' for extended periods of time(i.e staying 'unfrozen'). In other words, the beginning and ending point of the unfreeze-change-refreeze model is stability which, for some people and organizations, is a luxury. For others internal stability spells disaster.

To cope with this complexity, Pettigrew and Whipp (1993) proposed a model of strategic and operational change which involves five interrelated activities: environmental assessment, leading change, coherence, linking strategic and operational change, and developing human resources. By undertaking these activities, organizations can cope with uncertainty by becoming open learning systems, with strategy developments and change emerging from the way the company, as whole acquires, interprets and processes information about its environment. Clarke (1994) took a similar view, arguing that an organization's survival and growth depends on identifying environmental and market change quickly, and responding opportunistically. However, as Benjamin and Mabey (1993:181) pointed out.

"…while the primary stimulus for change remains those forces in the external environment, the primary motivator for how change is accomplished resides with the people within the organization."

Change in the external environment, therefore, require appropriate responses within organizations. It a response, the supporters of the emergent approach state, that should promote extensive and deep understanding of strategy, structure, systems, people, style, and culture and how these can function either as sources of inertia that can block change, or alternatively, as levers to encourage an effective change process (Dawson, 1994; Pettigrew and Whipp, 1993). A major development in this respect is the move to adopt a 'bottom up' rather than 'top down' approach to initiating and implementing change. The case in favor of this move is based on the view that the pace of environmental change is so rapid and complex that it is impossible for a small number of senior managers effectively to identify, plan and implement the necessary organizational responses. The responsibility for organizational change is therefore of necessity becoming more devolved.

Pettigrew and Whipp (1993:6) conclude that there are no universal rules with regard to leading change; rather it involves 'linking action by people at all levels of the businesses. Nevertheless, though the concepts of universally applicable rules for change are rejected, supporters of the emergent approach do tend to stress, features of organizations that either promote or obstruct success these are structures and cultures.

2.4 Approaches to Change Management

Change has always been a feature of organizational life, though many argue that the frequency and magnitude of change are greater now than ever before, Burnes (2000) observes that the way Organizational changes are managed, and the appropriateness of the approach adopted, have major implications for the way people experience change and their perception of the outcome. In spite of the vast amount of literature on the subject, all suggested models of managing change in organizations fall under two main approaches: planned and emergent approaches.

 Planned change is a term first coined by Kurt Lewin to distinguish change that was consciously embarked upon and planned by an organization, as averse to types of change that might come about by accident, by impulse or that might be forced on an organization (Marrow, 1969). The planned approach to change is most closely associated with the practice of Organizational Development (OD). According to French and Bell (1995), Organizational development is about people and organizations and people in organizations and how they function. It is also about planned change, which is, getting individuals, teams and organizations to function better.

For proponents of the emergent approach, change is a continuous, dynamic and contested process that emerges in an unpredictable and unplanned fashion. The rationale for the emergent approach stems according to Hayes (2002), from the belief that: the key decisions about matching the organization resources with opportunities, constraints and demands in the environment evolve over time and are the outcome of cultural and political processes in organizations. (Pettigrew, 1997:338) pointed out, "…. In terms of emergent change, a process is a sequence of individual and collective events, actions, and activities unfolding over time in context." For Wilson (1992), it is the increasingly dynamic and uncertain nature of the business environment that undermines the case for planned change and underlies the appropriateness of the emergence approach.

2.4.1 Lewin's Three-Step Model Change

Lewin (1947) offered a three step model that proposes going through the steps of unfreezing, moving, and refreezing. Unfreezing involves removing those forces maintaining the organization's behavior at its present level. Moving involves acting on the results of unfreezing i.e. take action to move to the desirable state of affairs. Refreezing seeks to stabilize the organization at the new set of equilibrium. A feature of this model is

that it recognizes, and takes into account, the important fact that, with many change programs, things may revert back to what they were, unless permanence of the new level is included in the objective.

Managers wanting to introduce change should recognize that change occurs slowly and moves through a series of stages. In the first instance, the need for change must be recognized. Then it is necessary to define where the organization stands relative to the problem, where it wants to be, and how it is going to get there. Lewin's (1947) three-step model can be expanded to show that the following sequential set of activities needs to take place: recognizing the need for change, defining the problems, identifying where the company is relative to the problem, searching for alternatives, defining goals (identifying where the company wants to be after the change), preparing for change, unfreezing (loosening the organization so it can change), moving(consciously managing the process of change), arriving (realizing when the goals have been met), and refreezing (stabilizing and reinforcing the change)

2.4.2 Kotter's Eight Stage Model

In developing this model, Kotter (1996) contends that often, creating value requires significant change. Kotter (1996) created the following eight change phase model consisting of eight steps: Establishing a sense of urgency; Creating a coalition; developing a clear vision; Sharing the vision; Empowering people to clear obstacles; Securing short term wins; Consolidating and keep moving; Anchoring the change. According to Kotter (1996), it is crucial to follow the eight phases of change in the above exact sequence. The description is as follows; the first stage involves establishing a sense of urgency which is crucial to gaining the needed co-operation. With low urgency it's difficult to bring together a group with enough power and credibility to guide the effort or to convince key individuals to spend necessary time to create and communicate a change vision. By examining the markets and competitive realities, identifying and discussing key issues, crises or opportunities establishes a sense of urgency.

The next stage is creation of a guiding coalition; a strong coalition composed of the right members with high level of trust and having a shared objective and vision is needed. The coalition should be able to work as a team with enough responsibility and authority. Developing a vision and strategy is the third stage, this is necessary to help direct the change effort for effective and successful implementation of the change. An effective vision should be imaginable, desirable, feasible, focused, flexible and communicable. The firm should also develop strategies for achieving the vision, which should be clear and well understood by all

members of the organization. Fourthly there is need to communicating the change vision; all means possible should be used to communicate the new vision and strategies. Such means include employee bulletins, staff meetings, memos, formal or informal interactions. The team leading the change should be role models to the employees with exceptional behavior. The senior management behavior is carefully monitored so as to identify and address inconsistencies between words and actions.

The next stage is empowering employees which involves getting rid of obstacles, changing systems or structures that undermine the change vision and encouraging risk taking and no traditional ideas, activities and actions. Empowering employees involves, providing the necessary training, making structures compatible with the vision and aligning information and personnel systems to the vision. Generating short term wins comes next, this is basically running a transformation without serious attention to short term wins is extremely risky. One should plan for visible improvements in performance or wins and also create those wins. In addition, the people who make the wins should be visibly rewarded and recognized. The other stage in this model is consolidating gains and producing more change: this involves changing all systems, structures and policies that do not fit in the transformation vision. Hire and promote people who can implement the change vision. The system is reinvigorated with new projects, themes, and change agents. Lastly anchoring new approaches in the culture is also important; this include creating better performance through better customer and productivity oriented behavior, more and better leadership, and more effective management. Articulate the connections between the new behaviors and organizational success. Also develop means to ensure leadership development and succession. Kotter (1996) says that the change process takes time and goes through several different phases in a successful change effort and that a mistake made during any phase of the change effort can have a negative impact on the organization.

2.4.3 Beer *et al* Ten- Step Change process

Beer *et al* (1990) gives a more practicable approach to change management. This process first starts with establishing a sense of urgency. Once the members of the organization have been sensitized on the need to change, the management proceeds to the second step of mobilizing commitment through joint diagnosis of problems. Having established a sense of urgency, leaders then create one or more taskforces to diagnose the problems facing the company. Such teams can produce a shared understanding of what they can and must improve, and therefore mobilize the commitment of those who must actually implement the change. The

third step involves creating a guiding coalition. No one can really implement such changes alone. Most companies create a guiding coalition of influential people, who work together as a team to act as missionaries and implementers.

Development of a shared vision is the fourth step. Organizational renewal requires a new leadership vision, a general statement of the organization intended direction that evokes emotional feelings in the organization members. The fifth step involves communicating the vision. Beer *et al* (1990) asserts that the real power of a vision is unleashed only when most of those involved in an enterprise or activity have a common understanding of its goals and direction. To do this, the management has to communicate the vision. The key elements in doing so include; keeping it simple, use of multiple forums which entails using every channel possible-big meetings and small, memos and newspapers. Lastly managers need to lead by example by walking their talk, always making sure their behaviors and decisions are consistent with the vision they expose.

The sixth step involves helping the employees to make change. It is futile to communicate your vision and to have employees want to make it a reality, if they haven't the wherewithal to do so. Perhaps lack of skills stands in the way; or policies, procedures, or some bosses may actually discourage employees from acting. This will be followed by a seventh step which involves generating short term wins. Changes such as redesigning a firm's control system may take time, but the teams working on them need some intermediate reinforcement. The eighth step involves consolidating the gains to produce more change. Such short term wins can generate the credibility to move ahead such as to change all the systems, structures, and policies that don't fit well with the companies' new vision. Leaders continue to produce more changes by hiring and promoting new people; by identifying selected employees to champion the continuing change; and by providing additional opportunities for short term wins by employees. The ninth step is to anchor the new ways of doing things in the company's culture. This is followed by monitoring progress and adjusting the vision as required. Finally, continuous monitoring and evaluation is undertaken and corrective measures put in place.

2.5 Challenges of Implementing Change

Challenges to implementation of change management in organizations manifests mainly through the resistance phenomenon. Resistance is a multifaceted phenomenon, which introduces unanticipated delays, costs and instabilities into the process of a strategic change (Ansoff and Mc Donell, 1990). Resistance manifests itself throughout the history of change and during the change process all of the following may occur: procrastination and delays in triggering the process of change, unforeseen implementation delays and inefficiencies which slow down the change and make it cost more than originally anticipated, and there are efforts within the organization to sabotage the change. After the change has been installed, the following may occur: there is typical performance lag, the change is slow in producing the anticipated results and there are efforts within the organization to roll back the effects of the change to the pre-change status.

Resistance to change could either be behavioral or systemic resistance Beer *et al* (1990). Behavioral resistance is both by individuals (employees or managers) or groups, for example unions. People may resist change either due to self interests, misunderstanding and luck of trust, different assessments or low tolerance for change. Systemic resistance refers to incompetence by the organization represented by the difference between capacity requirement for new strategic work and capacity available to handle it (Ansoff, 1994).

Behavioral resistance could be caused by organizational loyalty, perception verses reality, and cultural-political field. Ansoff and McDonell (1990) point out that causes of resistance can be traced to reactions by individuals on one hand and common actions by groups of individuals on the other. Both experience and literature on psychology show that individuals will resist when it makes them insecure. Groups will resist a change in proportion to which it: threatens the power of the group; violates accepted values and norms; and is based on information that is regarded as irrelevant. In conclusion the level of resistance to change is determined by the following factors: the degree of discontinuity in the historical culture and power implied by the change; the strength of positive/negative loyalty towards the organization felt by the participants; and the strength of the culture and power drives at the respective power centre's Pettigrew and Whipp (1993). They conclude by noting that because of distorted perception, resistance will always be higher than is justified by the facts of the situation.

To minimize resistance, managers must define the terms and persuade employees to accept them. Leadership must drive the process of change to alter the employees' perception and bring about revised personal

impacts. The following change tactics are useful in minimizing resistance to change: timing, job losses and de-layering, and visible short term wins. With respect to timing, change implementation should be built on perceived crises, capitalize on 'windows of opportunity' in the change process, and the message about the timing of change should be clear. Job losses and de-layering involves tactical choices where job losses must take place. However, 'creeping' job losses must be avoided and where job losses are to take place, there should be visible, responsible and caring approach to those who lose their jobs. Lastly, visible short term wins involves some tasks in the strategy being seen to be successful quickly. Such demonstration of wins will galvanize commitment to strategy (Johnson and Scholes, 1999)

CHAPTER THREE: RESEARCH METHODOLOGY.

3.1 Introduction

This chapter deals with the research methodology, it consists of the research design, population, data collection and data analysis.

3.2 Research Design

The proposed study was modeled on a descriptive design as it attempted to collect data from members of the population to determine its status with respect to one or more variables. It determines and reports how things are; at that point in time (Mugenda & Mugenda, 2003). Descriptive survey was suitable as the researcher was able to gather information from broader category on change management practices by commercial banks in Kenya.

3.3 Population

The research was a census study involving a survey of all commercial banks in Kenya. Population of interest in this study consisted of all the 43 commercial banks in Kenya. All the 43 banks were studied to provide an overall picture of the change management practices by commercial banks in Kenya.

3.4 Data Collection

Data is anything given or admitted as a fact and on which a research reference can be based (Shively, 1980). The study made use of primary data which was mainly quantitative. Data was collected using a self administered semi structured questionnaire that was designed to elicit specific responses for quantitative analysis.

The respondents were corporate strategy heads and middle level managers in the respective bank as they are the ones mandated to develop strategies and implement change. The questionnaire was administered through 'drop and pick later' method depending on the availability of the respondents so as to ensure high response rate. The questionnaire was divided into three parts. Part A contained questions on general information of the respondent and the bank; part B intended to collect information on how the individual firm is practicing change; part C intended to collect information on challenges facing the firm in the implementation of change.

3.5 Data Analysis

Data analysis entails the separation of data to constituent parts or elements or an examination of data so as to distinguish its component parts or elements separately and in relation to the whole (Conyers and Hills, 1984). Data analysis enables a researcher to reduce the field of information to a usable size.

In this study, descriptive statistics was used to analyze the data and the analysis was guided by the objective of the study. The first objective being change management practices in commercial banks which was analyzed using frequencies and percentages to point out the appropriate practice adopted to manage changes and the second objective being the challenges that commercial banks experience in implementation of strategic changes which was analyzed using frequencies and percentages to reveal and describe the challenges experienced in the implementation. The data analyzed was presented in tabular and graphical forms for ease of interpretation and reporting.

CHAPTER FOUR

# DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study based on the data collected from the field. The overall objective of the study was to establish change management practices in commercial banks in Kenya and to establish the challenges that they encounter in implementation of change. The data collected was analyzed using descriptive statistics. This involved the use of percentages, mean scores and standard deviation. The findings of the research have been presented in tabular form as per the questionnaire.

4.2 Organizational Demographics

The organizational demographics studied were the size of the banks in terms of branches, the ownership of the company and the respondents' number of years in the organization. All the above factors influences the change management practices and the challenges experienced.
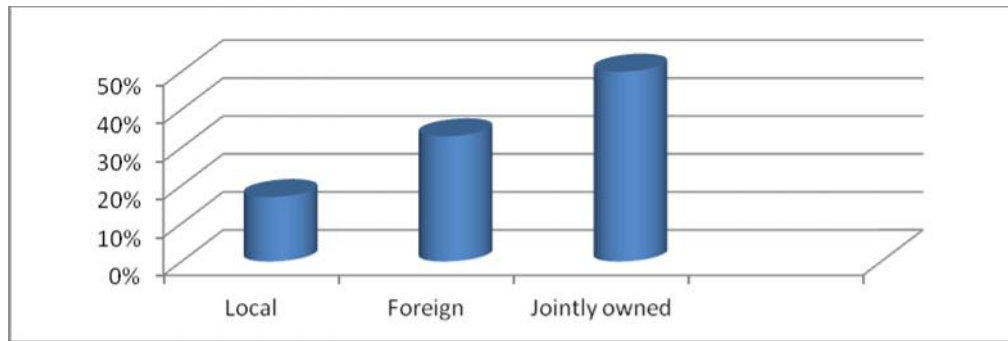
Table 4.1 Size of the bank
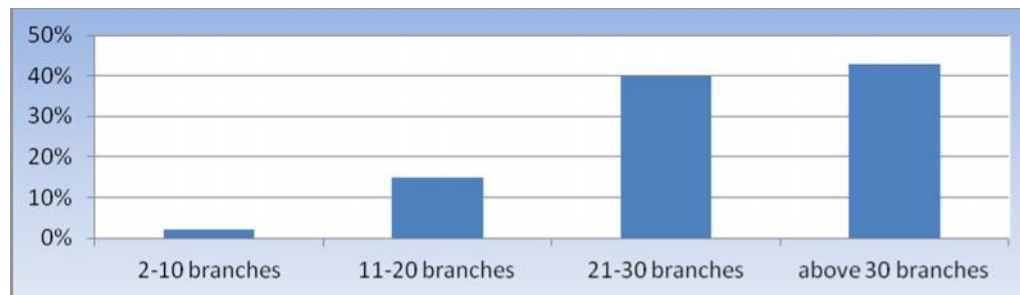
Source research data

43% of banks have more than 30 branches. 40%have between 21-30 branches 15% have 11-20 branches while 2% have 2-10 branches.
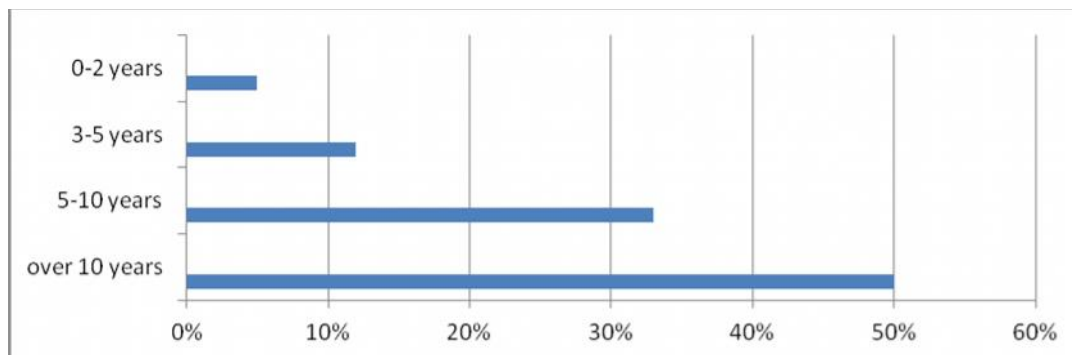
Table 4.2 Company ownership

Research data

50% of the banks covered in the survey were jointly owned foreign banks constituted 33% and locally owned

banks formed 17%

Table 4.3 Number of years in the Company

Research data

50%of the respondents had worked for more than 10 years, 33% 5-10 years, 12% 3-5 years and 5% 2-5 years

4.3. Change Management Practices

This is meant to determine different CMP by commercial banks

Table 4.4 Company vision for change
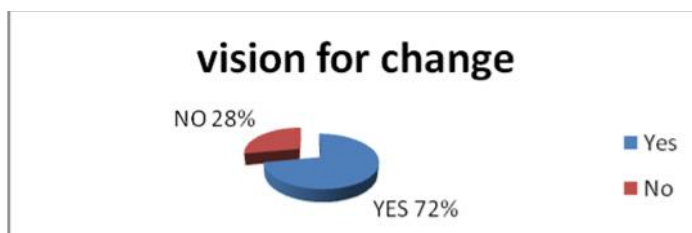
 Source Research data

72% of the respondents agreed that there was a vision of change in their organization whereas 28%

disagreed.

Table 4.5 Factors that contributed to the need for Change

	Means	Standard deviation
Technology	4.33	0.970
Financial Loss	3.5	1.294
Loss of Market Share	3.333	1.283
Customer demand	2.833	1.098

From the data, Technology necessitated to the need for change with a mean score of 4.33 followed by financial loss with a mean of 3.5, then loss of market share and lastly customer demand with a mean of 2.833

Table 4.6 How the following factors facilitated management of the change process

	Percentages
Environmental assessment	37%
Leading change	11%
Coherence in management of change	13%
Linking strategies and operational change	9%
Developing human resources	30%

Source Research data

Environmental assessment greatly facilitated management of change with 37% of the respondents, followed by development of human resources, coherence in management of change, leading change then lastly linking strategies and operational change.

Table 4.7 Type of change in the Organization
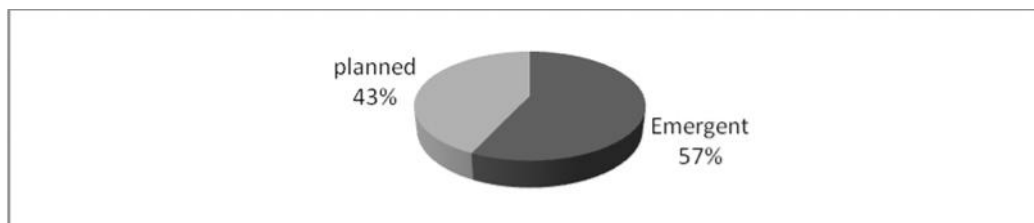
Source; Research data

Most respondents 57% felt that change in their organization was emergent as they faced various challenges whereas 43% said that change was planned and embarked on by their top management.

Table 4.8 Rating of Change Management practices

	Mean	Standard Deviation
Removing forces maintaining organization behavior	4.012	0.92
Recognizing the need for change in the organization.	4.228	1.00
Defining problems	4.336	0.96
Identifying where the company is relative to the problem	4.128	0.97
Loosening the organization	3.669	0.87
Managing the process of change	3.558	0.78
Stabilizing and reinforcing change	3.229	0.72

Source; research data

According to the research data, defining an organization's problem is a critical practice in managing change with a mean score of 4.336 followed closely by recognizing the need for change. The least cited practice was stabilizing and reinforcing change as most respondents felt the organization did not put so much effort.

Table 4.9 Extent to which the various factors influenced change management practices

	Mean score	Standard deviation
Establishing a sense of urgency	2.60	0.63
Creating coalition	2.80	0.64
Developing a vision and strategy	3.60	0.89
Communication of change vision to staff	3.40	0.72
Empowerment of employees	3.60	0.89
Generating short term wins	3.0	0.68
Consolidating gains	2.80	0.64
Anchoring new approaches to the culture	3.20	0.70

Source; research data

The respondents were asked to rate extent to which the various factors influenced change management practices in a 5-point Likert scale. Mean scores were computed and the higher the mean score the greater the

extent to which the factor influenced. According to the study, empowerment of employees and the development of a vision and strategy had a great impact in influencing change management practices both with a mean score of 3.60 and a standard deviation of 0.89. The least influencing factor was consolidation of gains with a mean score of 2.80.

Table 4.10 Extent to which the change management practices influenced implementation of change

	Mean	Standard deviation
Establishment of a sense of urgency	2.00	0.49
Mobilizing commitment	2.20	0.80
Creating a guiding coalition	1.60	0.49
Development of a shared vision	2.20	0.80
Communication of the vision	2.40	0.49
Helping the employee to make change	2.60	0.80
Generating short term wins	1.80	0.49
Consolidating the gains	1.80	0.49
Anchoring new ways to company culture	1.60	0.49
Monitoring of progress	2.00	0.80

Source; research data

As shown in the table, helping the employee to change greatly influenced the implementation of change with a mean score of 2.60.the least influencing factor is anchoring new ways to company culture with a mean score of 1.60.

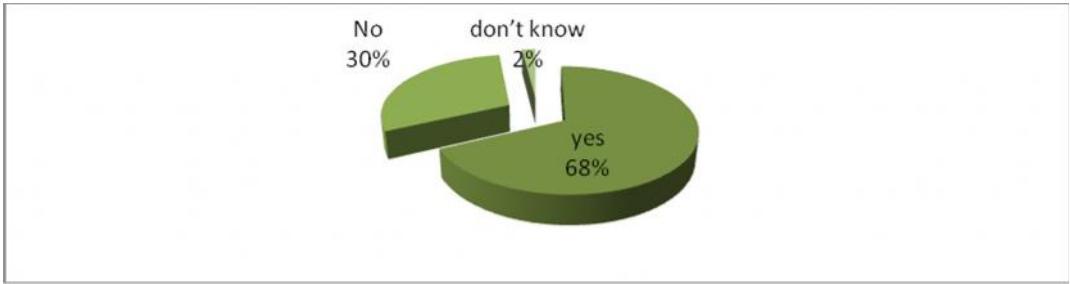## 4.4 Challenges of Change Management Practices

Table 4.11 Necessity of change in the organization
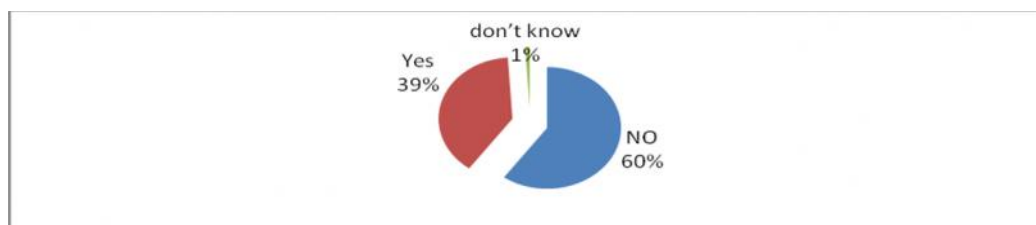
Source; research data

60% of the respondents felt that there was no need for change in their organization whereas 39% felt there was need for change.1% were indifferent to change

Table 4.12 Resistance to change

Source research data

68% of the respondents confirmed that there was resistance to change as 30% said there was no resistance to change.2% were not sure whether there was resistance.

Table 4.13 Extent to which they influenced resistance to change

	Percentage
Employee/Manager/Union	80%
Organizational incompetence	20%

Source; research data

As per the table, employee/management/unions greatly contributed to the resistance to change in the organization with a percentage of 80. While only 20% of the respondents felt that the organizational incompetence led to resistance to change.

Table 4.14 Extent to which the various factors contributed to behavioral resistance
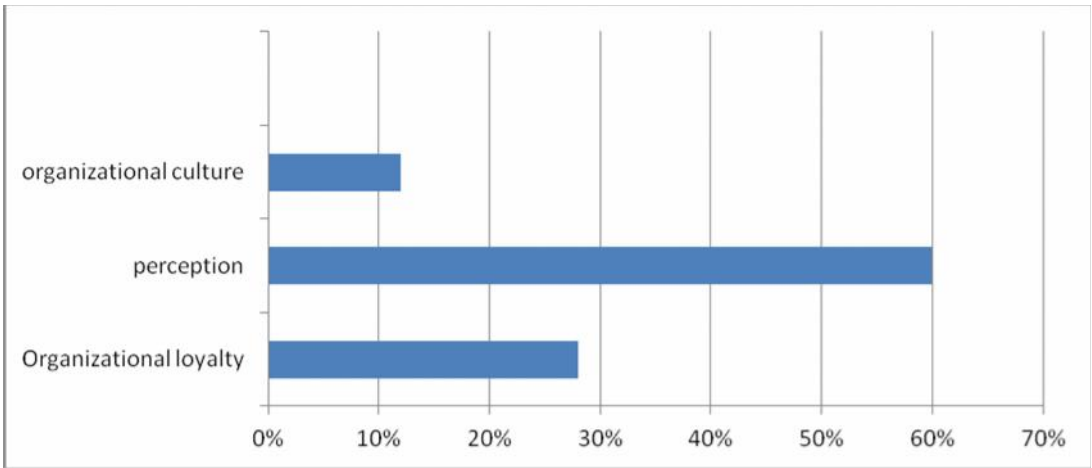
Source; research data

From the data, people's perception in regards to change played a crucial role in the resistance to change with 60% of the respondents confirming so. Organizational loyalty contributed to resistance to change by 28%. The least contributing factor was organizational culture with 12%.

Table 4.15 Minimization of resistance to change by management

	Percentage
Leadership Management	48%
Timing	18%
Visible short term wins	30%
Delayering	4%

Source; research data

According to the data, management employed leadership management to minimize the resistance to change with 48% of the respondents feeling so. This was followed by generation of visible short term wins at 30%, then timing at 18% and lastly delayering at 4%.

4.5 Discussion

According to the survey, technology was the main force of change in banks. This is due to the fact that organizations are finding themselves in a rapidly changing technological environment. Majority of the respondents felt that environmental assessment played a key role in managing the change process this is because an organizational survival and growth depends on identifying environment and market change quickly and responding opportunistically.

According to the survey, in the rating of change management practices, majority of the respondents concurred that definition of an organizations' problem and recognizing a need for change is very key in change management practice. It is necessary to define where the organization stands relative to the problem, where it wants to be, and how it is going to get there Lewin's (1947).

CHAPTER FIVE

SUMMARRY, CONCLUSION   AND RECOMMENDATIONS

5.1 Introduction

Results of the study are summarized, discussed and conclusion drawn. The chapter also presents the limitation of the study, recommendations for further research and implication of the study for policy and practice.

5.2 Summary of Findings

The main purpose of the study was to establish change management practices in commercial banks and the challenges encountered in the implementation of change. This study targeted middle to high level management as they are the ones mandated to carry out change management in their organizations. It used primary data which was collected using a questionnaire. The study involved all commercial banks in Kenya.

The researcher established that majority of the banks had a vision for change; this was confirmed by 72% of the respondents. The study found out that technology was the key contributor of change in most banks; the researcher attributes this to the existence of rapid technological change in the environment. Findings of the research also show that environmental assessment plays a key role in facilitating the management of change. Change in most organizations was emergent and was not actually planned or embarked on by the management this is according to 57% of the respondents.

Findings of the research also indicates that definition of an organizations problem is a critical change management practice the researcher attributes this to necessity to define where the organization stands relative to the problem. Empowerment of employees and development of a vision and strategy had a great impact in influencing change management practices.

Findings of the study shows that 60% of the respondents did not see a necessity of change in their organization, 68% of the respondents confirmed that there was resistance to change in their organization. The main cause for resistance was behavioral with perception playing a key role in influencing behavioral

resistance. According to the research most organizations pursued leadership management in minimizing resistance to change.

5.3 Conclusion

In conclusion, the findings of the study have shed light to draw pertinent conclusion about change management practices and challenges of implementing change in commercial banks in Kenya. The study established that banks exist in an extremely turbulent technological environment. Technology was a key factor in contributing to change. Environmental assessment is important in determining challenges facing the organization to ensure its growth and survival. Change management practices in commercial banks follows Lewin's three step model, which involves removing those forces maintaining the organizations' behavior at its present level, moving the organization towards the direction of change and then stabilizing the organization at the new set of equilibrium. Caution should be taken by organizational heads to stabilize the new practice into the culture, according to the survey, most managers after achieving change, failed to stabilize and reinforce the change leading to instabilities in processes.

Majority of the commercial banks experienced resistance in the implementation of change which mainly manifested itself in terms of behavioral resistance by both employees and managers due to perception of the new processes. Leadership played a key role in minimizing resistance by altering employees' perception and brought about revision of personal impacts by the change process.

5.4 Limitation of the Study

The major limitation was on the questionnaire administration. Most of the respondents from different banks were reluctant to give the needed information on the research questions due to their organization policies of giving the firms data to outsiders. Some respondents were too busy hence not able to respond to the questions all this limited the extent of my data collection.

5.5 Recommendations for Policy and Practice

Change is such that it can never be said to have been mastered because the environment in which organizations operate is very dynamic, turbulent and unpredictable; and therefore presents new challenges, opportunities and other peculiarities. Commercial banks should therefore establish a central information bureau to share on change and challenges facing them in the environment so as to enable individual banks to anticipate them and counteract any challenges facing it.

5.6 Suggestions for Further Research

The study explored on the change management practices and challenges to implementation of change in commercial banks in Kenya. I therefore recommend that a further research can be conducted focused on each specific bank.

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Appendix 1

List of commercial banks in Kenya

1. African Banking Corporation   Ltd .

2. Bank of Africa Kenya Ltd .

3. Bank of Baroda (K) Ltd.

4. Bank of India .

5. Barclays Bank of Kenya   Ltd.

6. CFC Stanbic Bank Ltd .

7. Charterhouse bank Ltd.

8. Chase Bank (K) Ltd.

9. Citibank N.A Kenya .

10. Commercial Bank of Africa Ltd.

11. Consolidated bank of Kenya Ltd

12. Co-operative Bank of Kenya Ltd.

13. Credit bank Ltd.

14. Development Bank of Kenya

15. Diamond Trust Bank Kenya Ltd.

16. Dubai Bank Kenya Ltd.

17. Ecobank Kenya Ltd

18. Equatorial Commercial Bank Ltd   .

19. Equity Bank Ltd   .

20. Family Bank Ltd .

21. Fidelity Commercial Bank   Ltd

22. Fina Bank   Ltd.

23. First Community Bank Ltd   .

24. Giro Commercial Bank Ltd.

25. Guardian Bank ltd.

26. Gulf African Bank Ltd.

27. Habib Bank A. G Zurich.

28. Habib Bank Ltd.

29. Imperial Bank Ltd.

30. I&M Bank Ltd.

31. Jamii Bora Bank Ltd

32. Kenya Commercial Bank   Ltd.

33. K-Rep Bank Ltd.

34. Middle East Bank (k) Ltd.

35. National Bank of Kenya Ltd.

36. NIC Bank Ltd.

37. Oriental Commercial Bank   Ltd.

38. Paramount Universal Bank   Ltd.

39. Prime Bank   Ltd.

40. Standard Chartered Bank Kenya Ltd.

41. Trans-National Bank Ltd.

42. UBA Kenya Bank Ltd.

43. Victoria Commercial Bank   Ltd.

(Source: CBK Supervision Annual Report, 2011)

APPENDIX II: LETTER OF INTRODUCTION

August 2012

Dear Sir/Madam,

I am an MBA student from School of Business, University of Nairobi. I am conducting a management research on **"Change Management Practices by Commercial Banks in Kenya"**

To this end, I kindly request you to respond to the attached questionnaire to the best of your knowledge and as soon as you can, to facilitate this research. I would like to give you an assurance that all the information provided will be treated with utmost confidentiality and will be used solely for the purpose of this research. Furthermore, your name will not be disclosed in the research finding or anywhere in the report. A copy of the final report will be available to you upon request. Your assistance and cooperation will be highly appreciated.

Yours Faithfully,

Janet Rotich(MBA Student)   Mr. Jeremiah Kagwe (Project Supervisor)

APPENDIX 111: QUESTIONNAIRE

This questionnaire seeks to collect information on the change management practices and the challenges to implementation of change in commercial banks in Kenya.

PART A: Background information

1. Name of the bank _____

2. Size of the bank (tick as appropriate)

   a. 2-10 branches ( )

   b. 11-20 branches( )

   c. 21-30 branches ( )

   d. Above 30 branches( )

3. State whether your company is foreign ( ) state owned( ) private ( )

4. Number of years in the company

   I. 0-2 years

   II. 3-5 years

   III. 5-10 years

   IV. More than 10 years

PART B: Change Management practices

6. Does the company have vision for change? Yes ( ) No ( )

7. Indicate if any of the following contributed to need for change and to what extent   choose from (not at all, slightly, moderately, greatly)

	Not at all	slightly	moderately	greatly
i. Technology				
ii. Financial loss				
iii. Loss of market share				
iv. Customer demand				
v. Any other (specify)				

8. How did the following facilitate the management of the change process? Choose from (not at all, slightly, moderately, greatly)

    I.   Environmental assessment

   II.   Leading change

  III.   Coherence in management of change

  IV.   Linking strategies and operational change

   V.   Developing human resources

9. How would you describe change in your organization? (Tick as appropriate)

Planned ( )   Emergent   ( )

10. In your opinion how would you rate the following change management practice in your organization. On a scale of 1 to 5(1-not at all 2-little extent 3-moderate extent 4-great extent 5-very great extent)

    i.   Removing forces maintaining organization's behavior

   ii.   Recognizing the need for change in the organization

  iii.   Defining problems

  iv.   Identifying where the company is relative to the problem

   v.   Loosening the organization

  vi.   Managing the process of change

 vii.   Stabilizing and re-enforcing change

11. Kindly indicate on a scale of 1 to 5 how the following influenced change management practices (1-not at all 2-little extent 3-moderate extent 4-great extent 5-very great extent)

    a) Establishing a sense of urgency

    b) Creation of coalition

    c) Developing a vision and strategy

    d) Communication of the change vision to staff

    e) Empowerment of employees

    f) Generating short term wins

    g) Consolidating gains

h)Anchoring new approaches to the culture

12. How would you rate the following change management practices in your company in the implementation of change? Indicate on a scale of 1 to 5(1-not at all 2-little extent 3-moderate extent 4-great extent 5-very great extent)

   i.   Establishment of a sense of urgency

   ii.   Mobilizing commitment

  iii.   Creating a guiding coalition

  iv.   Development of a shared vision

   v.   Communication of the vision

  vi.   Helping the employee to make change

 vii.   Generating short term wins

viii.   Consolidating the gains

  ix.   Anchoring new ways in the company's culture

   x.   Monitoring of progress

PART C: Challenges in the implementation of change

17. Was change necessary in your organisation? Yes ( )   no ( )

18. was there resistance to change in your organisation? Yes ( ) no ( )

19 In your opinion on a scale of 1 to 5 kindly indicate how the following were involved to resistance to change.1) not at all 2) little extent 3) moderate extent 4) great extent 5) very great extent.

   a) Employee/Manager/Union

   b) Organizational incompetence

20. In your opinion on a scale of 1 to 5.1)not at all 2)little extent 3)moderate extent 4)great extent 5)very great extent kindly indicate how the following contributed to behavioral resistance.

   i.   Organizational loyalty

   ii.   Perception

  iii.   Organizational culture

21. kindly indicate on a scale of 1 to 5 1)very poor 2) poor 3)Average 4)Good 5)Very good how management minimized resistance to change

    a. Leadership management

    b. Timing

    c. Visible short term wins

    d. Delayering

22. What policy guidelines would you like to suggest to the top management of your company that will enable the company's change programs become more successful?

_____

Thank you for your co-operation.