STRATEGIC CHANGE MANAGEMENT AT FAULU KENYA

By

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DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university.

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This Management Research Project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

I dedicate this project to my dear husband Samuel Wambugu, who tirelessly encouraged and gave me the drive and every support I needed to complete the project. May God richly bless you for all your love, kindness and support.i

To our dear son Kelly, who has had to endure precious hours on Saturdays and evenings without Mummy. Do not worry baby, it is all part of the efforts to insure your future!.

And to Dad and Mom, thank you for your understanding, encouragement, support and most of all for teaching me diligence and hardwork which has seen me this far. I did it at last!

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May God Bless You All

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LIST OF ACRONYMS AND ABBREVIATIONS

MFI	Microfinance Institution
DTMFI	Deposit Taking Microfinance Institution
SACCO	Savings and Credit Co-operative
SWOT	Strengths, Weaknesses, Opportunities, Threats
CEO	Chief Executive Officer
MIS	Management Information System
ICT	Information and Communications Technology

ABSTRACT

This research was on strategic change management at Faulu Kenya with a focus on its transformation to a deposit taking microfinance institution. The objectives of the research were: (i) to determine the nature of the strategic change, (ii) to establish the processes undertaken to implement the strategic change and (iii) to establish the roles played by various stakeholders in the strategic change process.

The research was designed as a case study and used the qualitative research method. Information was collected from both secondary and primary sources. The primary research was conducted through personal face-to-face interviews using an interview guide. In-depth interviews were held with members of the transition team that led the transformation process.

The study found that Faulu successfully implemented the strategic change and as a result became the first institution to be licensed as a deposit taking microfinance institution in Kenya. Ingredients to successful change such as creating a sense of urgency, having a guiding team, and empowerment, highlighted by various writers on change played a significant role in the strategic change process at Faulu and contributed to the success. Faulu once again has made a great achievement and lends itself as a model institution for the microfinance industry not only locally, but also globally.

This paper documents the nature of strategic change, the strategic change process and the roles played by different stakeholders in the transformation process at Faulu. It also provides recommendations based on the findings and suggestions for areas of further study.

CHAPTER 1: INTRODUCTION

1.1 Background

1.1.1 Strategic Change and Change Management

Many writers argue and I would agree that change is inevitable and is a constant feature of organisational life. The environment in which organisations operate is always changing. Organisations must therefore develop capacity to change and adapt as fast as their environment is changing in order to survive and prosper. But what does strategic change really mean? In order to understand this concept, we need to first revisit the terms ‘strategy’ and ‘change’.

A strategy is a plan or a set of decision and actions that gives an organisation direction on what to offer and how to operate in order to survive and remain competitive in a constantly changing environment. On the other hand, the term ‘change’ means an adjustment, modification, or alteration of something or a situation. Strategic change can therefore be viewed as a modification or alteration of the overall direction of an organisation which inevitably results in an adjustment of its set plans, decisions and actions. This change is often triggered by external pressures emanating from the operating environment. Such external pressures may be economic, political, technological and / or cultural changes. The change may also be internally motivated but again this is normally in response to what is going on in the organisation’s operating environment. It is typical for the organisation to then change various aspects internally such as organisational structure, culture, processes, products, etc in order to align it to the new situation. This brings us to the concept of change management.

Change management refers to the task of planning, organising, directing and controlling changes within the organisation. This is often looked at in two ways – as a proactive planned process or a reactive response to the environmental pressures that the organisation has little control over. The two approaches are discussed more in detail later in this paper. It is however important to point out that change management is a challenging task given that an organisation is composed of an integrated system of various functions and individuals. Indeed, as Dufour and Steane (2006) observe, descriptions of failures, mistakes and breakdowns are much easier to find than examples of successful strategic change management. Nonetheless, both cases of failure and success provide useful lessons that organisations can learn from.

This paper seeks to examine the approach and process of strategic change management at Faulu – Kenya, a significant player in the microfinance sector in Kenya. The study seeks to draw out lessons particularly for the microfinance sector which is undergoing significant transformation. In recognition that change is a constant feature, this study will focus on change at Faulu over the past two years.

1.1.2 The Microfinance Sector in Kenya

The modern microfinance movement dates back to the 1970s when experimental programs in Bangladesh, Brazil, and a few other countries began to extend tiny loans to groups of poor women to invest in microenterprises. The idea then grew to provision of basic financial services such as loans, savings, money transfer services and micro-insurance to the poor. This was in recognition that the poor, just like other people, need financial services to run their businesses, build assets, smooth consumption, and manage risks. Today, microfinance has simply become retail banking for low-income people.

In Kenya, providers of microfinance are of different types and can be categorised as follows: (i) Commercial banks with distinct microfinance units. These include: Barclays bank, and Kenya Commercial Bank, (ii) Microfinance oriented banks whose major market segments comprise of the low income people. These include: Kenya Post Office Savings Bank, Equity Bank, K-Rep Bank, Family Bank, and Co-operative Bank. (iii) Typical credit-only microfinance institutions commonly known as MFIs. These are the initial adopters of the grameen methodology. The major players here include KWFT, Faulu, Jamii Bora, SMEP, Sunlink, Wedco, Kadet and K-Eclof), (v) Savings and Credit Co-operative Societies (SACCOs) and (vi) Informal service providers (ASCAs, ROSCAs, money lenders). There is also Safaricom, with the popular money transfer service - M-PESA.

Despite the number of providers, a significant number of people in Kenya do not have access to financial services. According to a national survey on access to financial services (the 'Finaccess Study') conducted in 2006, about 38 per cent of adult Kenyans are un-served by the country's financial system indicating a huge market potential for the microfinance industry. The study shows that only 19 per cent of Kenyans are served by formal financial sector, namely commercial banks and the Kenya Post Office Savings Bank, while 8 per cent are served by semi-formal financial service providers such as microfinance institutions (MFIs) and Savings and Credit Co-operatives societies (SACCOs) and the remaining 35 per cent are served by informal financial service providers ranging from Accumulating and Rotating Savings and Credit Associations (ASCAs and ROSCAs) to shopkeepers and money lenders.

In the recent past, the microfinance sector has experienced considerable developments that are set to substantially change the situation described above. There has been increased interest by formal financial sector players (mainly commercial banks) in the low income market segment which they previously shunned. This perhaps is on realisation that majority of Kenyans are in the mid-to-low income bracket and on seeing the success of Equity Bank, whose core target market is the low income population. The SACCOs are also changing; they are opening up more to customers beyond their membership and introducing more products and services. Another important development is the establishment of the Deposit-Taking Regulations in June 2008 under the Microfinance Act 2006. These regulations set the stage for the implementation of the Microfinance Act which opens up doors for 'the typical' microfinance institutions to mobilise deposits from the general public. Currently, four microfinance institutions namely, Faulu, KWFT, Jamii Bora and SMEP are in the process of preparing themselves to acquire the deposit taking licence, which in the sector is commonly referred to as 'transforming into a deposit-taking microfinance institution'. There is also an increased number of formal money lenders and ASCAs are even getting more formalised. These developments have made the sector more vibrant and increasingly competitive, making it an interesting area of study with regard to strategic change and change management.

1.1.3 Faulu Kenya

From the humble beginnings in Mathare slum, Faulu is today one of the three largest micro-finance institutions (MFIs) in Kenya with a customer base of over 140,000 and 70 outlets comprising of branches and satellite offices spread across the country. The institution has a loan portfolio of KES 1.5 billion (USD 25.4 million) as of December 31, 2007. Faulu is founded on Christian principles and Biblical values and is in the business of transforming lives.

Faulu started in 1991 as a pilot micro-lending programme of Food for the Hungry International, an international Christian NGO engaged in relief and development. It began operations in 1992 in 'Mathare Slums' with a seed capital of US$ 8,000. Faulu was formally registered in October 1994 as an NGO. Considerable support was provided for its subsequent expansion by donors, notably DFID and USAID. In 1999, Faulu was incorporated as a private company with limited liability under the Companies Act and it attained operational self-sufficiency in 2000. The company converted to a public limited company in 2004 as part of its preparation to raise funds through the capital markets. The 5-year bond of KShs. 500 million was successfully issued in March 2005 and Faulu became the first MFI in Africa to issue a corporate bond.

Faulu's most immediate competitors are the larger MFIs serving the same market segment with similar products and operating in the same geographical locations. Its most direct competitor is Kenya Women Finance Trust (KWFT) – albeit limited to women clients. There is now also the threat of competition from the micro-finance oriented commercial banks, namely K-Rep, Equity, Family and Co-operative banks. These institutions have a major competitive advantage in being able to offer both credit and savings. The largest mainstream commercial banks are showing an interest in micro-finance and are aggressively reaching out to the low income market. Finally Saving and Credit Co-operative societies (SACCOs) are starting to move beyond their traditional membership base of formal sector employees and smallholder agricultural commodity producers and are now providing front office banking facilities.

Like most other credit-only MFIs in the country, Faulu's core product has been group based credit underpinned by the use of peer guarantees and compulsory savings as collateral. However, faced with this competitive threat, Faulu recognised the need to broaden its product and service offering. Following a thorough analysis of the available strategic options with support under the FSD project preparation facility (PPF), the board of directors took the decision to transform into a deposit-taking MFI under the new Microfinance Act.

This signalled the beginning of strategic change at Faulu. In this respect, the institution has implemented several change initiatives over the past one year. This began with the revision of the institution's mission, vision and values which guided subsequent change initiatives that include: Refining its existing product / service offering, changing its corporate visual identity, developing a new organisational structure and human resource development plan, installing a new MIS, expanding the delivery channels and other initiatives to help meet the CBK requirements for the deposit-taking license.

1.2 The Research Problem

This study is about strategic change management at Faulu. The task of developing, implementing and managing major strategic changes is a key management challenge. Some say it must begin with the articulation of a strategic vision, that is, to conceive what the institution must become in 3 – 5 or more years time. This requires ability to think about and conceptualise the future, the willingness to experiment and learn, to see what might happen and to estimate how the organisation might respond (Carnall, 2003). Hence, managing strategic change entails all the above and in addition all the management skills of planning, organising, staffing, directing and controlling activities to successfully implement the change in an institution.

This study focuses on the microfinance sector in Kenya and more specifically Faulu – Kenya. The microfinance industry has had much global focus since the 1990's after having successfully challenged the myth that the poor are unbankable. Microfinance is now viewed as a revolutionary approach to alleviating poverty by providing financial services to a population that was otherwise excluded from the financial sector. Faulu in Kenya is one such institution that continues to dutifully transform the lives of the low income market segment in Kenya through financial services.

Faulu lends itself as an interesting institution to study as it is a dynamic institution having had many 'firsts'. Faulu is one of the top three microfinance institutions in Kenya, and among the few that are actively seeking the deposit-taking licence. It was the first microfinance institution in Africa to issue a corporate bond to raise funds through the capital markets. Faulu also recently became the first microfinance institution to engage with Postapay to extend its delivery channels. Faulu is thus a success story in many respects and studying strategic change management at Faulu will help provide valuable insights to many MFIs and other institutions seeking to know how to effectively implement and manage change.

There are many studies (for example Burnes, 2004; Leanne, O'Shea and Connolly, 2004; Cummings and Worley, 2001; Kotter, 1996; Pettigrew and Whipp, 1993; Kanter et al, 1992; and Tichy, 1982) relating to strategic change management. These studies have attempted to explain the forces, approaches and challenges to change management in organisations. Several studies have also been done by scholars locally (for example, Nyalita, 2006; Nyororo, 2006; Muturi, 2006; and Gathua, 2006) on strategic change management. These studies have given insights into the approaches and challenges some Kenyan organisations have undergone in the change management process. Kahindi (2006) has studied strategic planning practices and challenges in the microfinance sector in Kenya. However, to the best of the researcher's knowledge, no study has been conducted specific to strategic change management in microfinance institutions in Kenya. Further, there is no study that is specific to Faulu – Kenya. A gap therefore exists in understanding how strategic change is managed in microfinance institutions in Kenya, hence the study.

1.3 The Research Objectives

The overall objective of this study was to examine the strategic change management process and practices at Faulu.

More specifically, the study sought to:

(i) to determine the nature of strategic change at Faulu, whether incremental or transformational, and whether reactive or planned.

(ii) to establish the processes undertaken to implement the strategic change at Faulu,

(iii) to establish the roles played by various stakeholders in the strategic change process.

1.4 Importance of the Study

The findings of this study will be very useful to various stakeholders: (i) Faulu will have its approach documented which she can use to evaluate its achievements as well as inform future strategic change and change management plans. (ii) microfinance institutions seeking to transform to deposit taking institutions will gain valuable insights on how to effectively implement and manage the process. (iii) organisations undertaking strategic change will gain insights on how to implement and manage strategic change. (iv) academicians studying the subject of change will gain useful insights on strategic change management practices in institutions and in particular microfinance institutions.

CHAPTER 2: LITERATURE REVIEW

2.1 The Concept of Strategic Change

2.1.1 Defining Strategic Change

The terms change, strategic change, operational change and organisational change appear to be used interchangeably by various authors. Further, there are many views and perspectives around the concept of strategic change. Consistent with this observation is Dufour and Steane's (2006) observation that the nature of strategic change literature remains diffuse and inconclusive. They further argue that what seems to create the diversity in perspectives is that there are multiple processes at work concurrently and that a range of analytical, structural, behavioural and political dimensions are evident in strategic change. Another reason is that there exists a variety of contexts as well as the disparate content areas considered by the various authors.

It is important however to highlight some of these wide ranging views and perspectives, to help us understand the subject matter better. Pettigrew et al (1992), suggests that strategic change involves major and important structural changes and is different from operational change which is small-scale and relatively unimportant. Tichy (1982) contends that strategic change emanates from external technical, political and cultural forces which in turn affect and cause an organisation to change its technical, political and cultural systems. Quinn (1982) argues that 'strategic change is best viewed as 'muddling through the purpose', using a continuous, evolving and consensus building approach. According to Fletcher (1997), strategic change aims to alter organizational arrangements so as to align individual behaviour with the business strategies. While, Cameron and Green (2004), argue that the strategic change process begins with an internal or external trigger for change which typically lead institutions to adjust one or all of the following: structure, commercial approach, culture and processes. Johnson and Scholes (1999) observe that many writers consider strategic change an extension of strategic planning with the emphasis being on getting the logic of the strategy right and then persuading people of that logic; designing structures and control systems appropriate to the strategy and using them as mechanisms for change; putting in place the resources required; and planning timing and sequencing of change in detail.

But perhaps the writers who have best captured the distinction between strategic and organisational change are Mintzberg *et al* (2003). They argue that there are two major dimensions of change – strategic change which is 'change in the direction in which the company is headed' and organisational change, which is 'change of the state in which the organisation is in'. Both strategic and organisational change can range from highly conceptual or abstract, to rather concrete, or tangible aspects. Aspects on the strategic change dimension range from vision, positioning, programs, to products. On the other hand, organisational change aspects range from culture, structure, systems to people. The authors further contend that both dimensions have to be considered when changing an organisation.

2.1.2 Drivers of Change

Now that we have a better understanding of what change is, we can then explore what causes change in organisations. Tichy (1982) argues that change is caused by external pressures which fall into three categories — technical (which includes economic and technological change), political, and cultural pressures. Examples of technical pressures are changes in the economic productivity of a country, intense world competition, uncertainty because of inflation or deflation, fluctuating interest rates, and technology changes, e.g. in communications and computer technology. Political pressures may include problems arising from the uneven distribution of wealth worldwide, conflicts arising from government policy and regulation, and democratization of the workplace. Cultural pressures are for example poor work ethic, demographic changes and gender issues in the work place.

According to Dwyer *et al* (2002) pressures to change can come from within. They note that at Avaya, Ireland, strategic change initially in the form of downsizing and subsequently focusing on learning and adaptation for excellence was induced by the sense of crisis and imminent bankruptcy of the organization. Mintzberg *et al* (2003) contend that causes of change vary widely. Change can result from an ignored steady decline in performance, which ultimately demands a turnaround, or a sudden radical shift in a base technology that requires a reconceptualisation of everything the organisation does. Change can also result from the gradual shift into the next stage of an organisation's life cycle or from the appearance of a new chief executive who wishes to put his or her particular stamp on the organisation. As mentioned earlier, Cameron and Green (2004), maintain that the strategic change process begins with an internal or external trigger for change which typically leads institutions to adjust their structures, commercial approach, culture and / or processes.

2.1.3 Types of Change

Now we know what causes change; we then need to understand the kind of changes that organisations experience. Burnes (2004) observes that there are three types of change that organisations typically go through. These are, incremental change, punctuated equilibrium model of organisational transformation and the continuous transformation model of change: In the incremental model of change, change is viewed as being a process whereby individual parts of an organisation deal incrementally and separately deal with one problem and one goal at a time. Organisations become transformed by responding in this way to pressures in their local internal and external environment over time. The punctuated equilibrium model of organisational transformation depicts organisations as evolving through relatively long-periods of stability (equilibrium periods) in their basic patterns of activity that are punctuated by relatively short bursts of fundamental change (revolutionary periods). The revolutionary periods substantively disrupt established activity patterns and install the basis for new equilibrium periods (Romanelli and Tushman, 1994). The underpinning rationale in the continuous transformation model of change is that the environment in which organisations operate is changing, and will continue to change rapidly, radically and unpredictably. In order to survive therefore, organisations must develop the ability to change themselves continuously in a fundamental manner (Brown and Eisenhardt, 1997; Burnes, 2004).

According to Johnson and Scholes (1999), there are two types of strategic change. These are: incremental change and transformational change. Incremental change is where organisations continually adjust their strategies (tune their current ways of operating) as their environment changes. Organisations are here conceived as 'learning systems'. Both proactive tuning and reactive adaptation may take form in incremental change. Proactive tuning requires that organisations keep in touch with their environment and anticipate needs for change. The change is achieved by proactively tuning the current ways of operating. Reactive adaptation is where organisations react to external competitive and environmental pressures by adapting the existing paradigm and current ways of operating within the existing paradigm. There are circumstances however when more fundamental or transformational change is needed, either because incremental change has been inadequate or because the external pressures for change are extreme – for example if profits decline or takeover threatens the continued existence of the firm. This is where transformational change comes in.

Transformational change is change which cannot be handled within the existing paradigm and organisational routines; it entails a change in the taken-for-granted assumptions and 'the way of doing things around here'. Such transformational change may also come about as a result of either reactive or proactive processes. If strategic drift has occurred and has led to deteriorating performance or an uncompetitive position in its markets, or if external stakeholders (e.g. major shareholders) are not happy with the current strategy, management may be in a forced transformational position. Such a position may also be reached if other changes in the organisation's environment are so evidently significant or severe that the organisation is forced into such transformational change. It may however be that managers anticipate the needs for transformational change, perhaps through analysing the operating environment and internal capacities. They may then be in a position of planned transformational change, which may provide them with more time in which to achieve it. However, implementing such change may be difficult to achieve if others in the organisation are resistant to it.

2.1.4 'Transformation' in Microfinance

As mentioned earlier, there are different kinds of strategic changes that organisations in the microfinance sector in Kenya, are currently undergoing. Commercial banks are 'downscaling' that is, reaching out to the low income markets that they previously shunned. The SACCOs are 'reinventing' themselves by opening up to non-members and introducing new products and services. The 'typical' microfinance institutions are 'transforming' that is, converting from credit-only to credit and deposit-taking institutions.

Ledgerwood and White (2006), have consolidated key issues at play with regard to 'transforming' MFIs, classifying them into two categories – strategic decisions and operational implications. The strategic decisions or considerations include: the planning for transformation, marketing and competitive positioning, strategic and business planning, the funding structure, ownership and governance and legal transformation. The operational implications include those relating to: human resources management, financial management,

management information systems, internal control and audits, customer service and operations. While exploring the change management process in Faulu, the study will also seek to explore how these aspects have changed or have been influenced in the process of 'transformation'.

2.2 Origins and Theoretical Foundations of Change Management

We have discussed how change is defined, what causes it and how it manifests in organisations, the question now is how is this change managed. First and foremost, let us begin with understating the background on change management. Greener and Hughes (2001) have attempted to trace the origins of formalised change management and draw the following three explanations. One, that change management became a formal subject of study and application some 60 years ago with the planned model of change. Two, that the origin of change management may be explained as part of organisational development defined by Cummings and Worley (2005, p. 1) as 'a system-wide application and transfer of behavioural science knowledge to the planned, improvement and reinforcement of the strategies, structures, and processes that lead to organisational effectiveness'. Three, that change management represents a new approach that indicates differences with regard to underlying theory and analytical framework, the role of change agent and the preferred intervention strategies according to a study by Worren *et al., (1999).*

According to Burnes (2004), the theory and practice of change management draws on a number of social science disciplines and traditions. He observes that while this is one of its strengths, it does make the task of tracing its origins and defining its core concepts more difficult than might otherwise be the case. He however highlights three schools of thought that form the pillars of change management theory. These are: the individual perspectives school, the group dynamics school and the open systems school. The individual perspective school has two views. One is the ‘Gestalt-Field’ view where individual members of an organisation are helped to change their understanding of themselves and the situation in question which in turn leads to changes in behaviour. The other is the ‘behaviourists’ view where organisational change is achieved solely by modifying the external stimuli acting upon the individual. The group dynamics school on the other hand contends that the focus of change must be at the group level and should concentrate on influencing and changing the group’s norms, roles and values (Cummings and Huse, 1989; French and Bell, 1984; Smith et al, 1982). Lastly, the open systems school sees organisations as ‘open’ systems which interact with each other internally and also interact with and impact on the external environment as well.

2.3 Approaches to Change Management

There are two main approaches that tend to describe ways of managing change: - the planned and the emergent approach to change. The planned approach refers to change that is consciously embarked upon and planned by an organisation. The emergent approach on the other hand, talks of change that might come by accident, by impulse or that might be forced on an organisation (Marrow, 1969).

2.3.1 Planned Approach to Change

The ‘planned’ approach to change was first advanced by Kurt Lewin in the 1940’s. Lewin’s most cited contribution to the subject of change is his three step model. According to Lewin, a successful change project involves three steps. The first step involves unfreezing the current state of affairs. This means defining the current state, bringing out the driving and resisting forces and imagining the desired end-state. The second step is about ‘moving’ to a new state through participation and involvement. The third step focuses on refreezing and stabilising the new state of affairs by setting policy rewarding success and establishing new standards (Cameron and Green 2004, p.97).

Various other writers expanded on Lewin's concept by adding steps in the approach. Notable ones are Bullock and Batten (1985) who developed an integrated four phase model based on a review and synthesis of over 30 models. Bullock and Batten's four phase model describes planned change in terms of two major dimensions: change phases, which are distinct states an organisations moves through as it undertakes planned change ; and change processes, which are the methods used to move an organisation from one state to another.

In terms of organisational change, the planned approach focussed upon resolving group conflicts and improving group performance by bringing together managers, employees and a change consultant. Group learning and individual development were seen as important as the change process itself. The organisational development movement in the USA in the 1960s and 1970s further significantly modified the approach moving the concept from conflict resolution to performance enhancement. The 'planned' approach to change dominated both the theory and practice of change management from until the 1980's where it began facing criticisms.

The criticisms were mainly on its inclination to top-down organisations operating in somewhat predictable environments; its emphasis on incremental and isolated change and inability to incorporate radical transformational change; its ignorance of organisational conflict and politics and its assumption that it is suitable for all organisations, all situations and all times (Burnes, 2004). According to Wilson (1992), the increasingly dynamic and uncertain nature of the business environment undermines the case for 'planned' change.

Dawson (2003) further contends that even in stable situations, change is emergent, messy and unpredictable.

Leading organisational development advocates (Cummings and Worley, 1997; French and Bell, 1995) however dispute some of the criticisms particularly the ignorance of organisational politics. Nevertheless, it is generally agreed that the approach was not applicable in situations where rapid, coercive and transformational change was required. It began to be replaced by one which saw change as being more frequent and of greater magnitude. This new approach is commonly referred to as the 'emergent' approach to change.

2.3.2 Emergent Approach to Change

The 'emergent' approach to change tends to see change as driven from the bottom up rather than from the top down; it stresses that change is an open ended and continuous process of adaptation to changing conditions and circumstances; and also see the process of change as a process of learning (Dawson, 1994; Wilson, 1992). This approach lays emphasis on organisational structure, culture and learning, and contains distinct perspectives on managerial behaviour and the role of power and politics in the change process.

Major proponents of emergent change claim that the process of change is a complex and untidy cocktail of rational decision processes, individual perceptions, political struggles and coalition building (Huczynski and Buchanan, 2001). They recognise the 'importance of planning for change' and the presence of 'processes of continuity', but they also recognise that these are constrained and influenced by 'the complex untidy and messy nature of change'. Further arguments are that the approach is more suitable to the turbulent environments in which firms operate today. They contend that change is a continuous and dynamic process that emerges in an unpredictable and unplanned manner. Unlike the planned approach, the emergent approach recognises that it is necessary for organisations to adapt their internal practices and behaviour in real-time to changing external conditions (Burnes, 2004).

The emergent approach has taken over as the dominant approach to change today. While the 'planned approach remains the best developed, documented and supported approach to change particularly by organisational development advocates' (Burnes, 2004), much of the literature on strategic change management today is closely aligned to the emergent approach to change. It is important to note however that the advocates of emergent change tend to be distinguished by a common disbelief of the efficacy of planned change rather than being united by a shared belief (Burnes, 2004).

Writers have put forward varied perspectives of emergent change. One perspective is that of 'culture-excellence'. Writers such as Kanter et al, (1992) have called for organisations to adopt flexible cultures that promote innovation and entrepreneurship and encourage bottom-up, flexible, continuous and cooperative change. Another perspective concerns the role of power and politics in decision-making. Writers such as Jeffrey Pfeffer (1981, 1992) maintain that the objectives and outcomes of change programmes are more likely to be determined by power struggles than by a process of consensus building or decision-making.

Other writers emphasise the need to understand the operating environment. McCalman and Paton (1992) suggest that to be effective in creating sustainable change, managers need an extensive understanding of their organisation's environment, in order to identify the pressures of change and to ensure that, by mobilising the necessary resources, their organisation's respond in a timely and appropriate manner. Similarly, Dawson (1994) claims that change must be linked to developments in markets, work organisation, systems of management control and the shifting nature of organisational boundaries and relationships. To cope with the uncertainty and complexity in the environment in which organisations operate, Pettigrew and Whipp (1993) maintain that organisations need to be come open learning systems, with strategy development and change emerging from the way the company as a whole acquires, interprets and processes information about its environment. Carnall (2003) and Hayes (2002) take a similar view, arguing that an organisation's survival and growth depend on identifying environmental and market changes quickly, and responding opportunistically. 'Changes in the external environment, therefore, require organisations to make choices over how and when to respond' (Burnes, 2004, p. 295).

However, Benjamin and Mabey (1993, p.181) point out that 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 organisation. This relates to the argument for a 'bottom-up' rather than 'top-down' approach to initiating and implementing change. Stickland (1998) argues that organisations are continually experiencing 'natural changes' - unintended consequences of deliberate decisions and actions. Such events may present organisations with unexpected and unlooked for opportunities, such as product ideas, but may also present unwelcome threats such as the departure of key staff. This suggests the importance of staff in identifying and implementing change. The bottom-up approach thus requires a major change in the role of senior managers. "Instead of controlling employees, they have to empower people. Instead or directing and controlling change, they have to ensure that the organisation's members are receptive to, and have the necessary skills, motivation and power to take charge of, the change process" (Burnes, 2004, p. 296).

2.4 Pertinent Issues in Change Management

There are certain issues that stand out in most literature on change management. These are: organisational structure, organisational cultures, organisational learning, managerial behaviour, resistance to change, power and politics and communication about change. This section discusses these issues exploring their impact and interrelationship with change management.

2.4.1 Organisational Structure

Organisational structure is seen as playing a crucial role in determining where power lies, how people relate to each other and in influencing the momentum for change. This makes it an important facilitator of change. Those favouring an 'emergent' approach to change point out that the 1990s witnessed a general tendency to create flatter organisational structures in order to increase responsiveness by devolving authority and responsibility (Senior, 2002). Kotter (1996) argues that an organisation with a flat hierarchy has more delegation and is able to manoeuvre than one with a 'big, change-resistant lump' in the middle. A similar point is made by Jenner (1998) who argues that an enterprise must be organised into flexible basic units that permit new organisational structures to be identified and to emerge, and which promote efficient information exchange. In studying innovating organisations, Brown and Eisenhardt (1997) refer to flexible structures as 'semi-structures', which they claim are sufficiently rigid so that change can be organised, but not so rigid that it cannot occur. The challenge is to sustain this semi-structured which requires managerial vigilance to avoid falling into pure chaos or pure structure. They further claim that such structures are essential for ensuring organisational survival in highly competitive environments because they facilitate continuous innovation and improvisation and allow intensive real-time communication.

According to Galbraith (2000), Hamel and Prahalad (1994) and Stace and Dunphy (2001), a common aspect of these new structures is the move to create customer-centred organisations with structures that reflect, and are responsive to, different markets rather than different functions. Snow et al (1993) further argue that the specialisation and flexibility required to cope with globalisation, intense competition and rapid technological change, especially the challenge of the internet, can only be achieved by loosening the ties and controls that have characterised organisations in the past.

It is important to note that the above arguments assume that all organisations experience similar levels of environmental turbulence and that the only response is adapting internal systems to these external conditions. Burnes (2004) however suggests that there are three flaws to this argument. He contends that environmental instability is not uniform; it varies from industry to industry and organisation to organisation. He further argues that, even in cases of instability, organisations can choose to take action to reduce it rather than merely adapting it. He also observes that, there are a range of internal arrangements that are compatible with external turbulence, of which flattened hierarchies are only one.

2.4.2 Organisational Culture

Culture plays an important role in the life of organisations, particularly when it comes to change. Clarke (1994) states that the essence of sustainable change is to understand the culture of the organisation that is to be changed. He further argues that if proposed changes contradict cultural biases and traditions, it is inevitable that they will be difficult to embed to the organisation. Kotter (1996) similarly argues that for change to be successful, it must be anchored in the organisation’s culture. Dawson (2003) is of the same view. He suggests that attempts to realign internal behaviours with external conditions require change strategies that are culturally sensitive. Stacey (2003) similarly points to the importance of having an appropriate culture and the difficulty involved in changing an existing one. Cummings and Worley (2001) likewise observe that culture can hinder the speed of change, especially when it is the culture that needs to change. In such cases, they point out, it is necessary to challenge mechanisms that reinforce old or inappropriate behaviour especially in areas where resistance can be expected such as reward, recruitment and promotion structures. Clarke (1994) suggests that creating a culture of change requires that change is a part of the way things are done and not as an extra activity.

The above arguments imply that an essential factor in successful change is for organisations to possess or to be able to develop an appropriate organisational culture. Senior (2002) however notes that then are many writers who have taken a different view. Beer *et al* (1993) for example suggest that the most effective way to promote change is not by directly attempting to influence organisational behaviour or culture but by restructuring organisations in order to place people in a new organisational context which imposes new roles, relationships and responsibilities upon them. This, they believe, forces new attitudes and behaviour upon people. This view is also shared by Tom Peters (1993) who promotes rapid and complete destruction of existing hierarchical organisation structures as a precursor to behavioural change. Achieving cultural change is however difficult and many writers are highly sceptical about seeing culture as a promoter of change (Burnes, 2004).

2.4.3 Organisational Learning

In addition to structure and culture, learning plays a key role in preparing people for, and allowing them to cope with, change (Bechtold, 1997; Senge, 2000). Simply put, learning means "…the capacity of members of an organisation to detect and correct errors and to seek new insights that would enable them to make choices that better product outcomes that they seek" (Martin, 2000, p.463). A willingness to change often only stems from the feeling that there is no other option (Argyris, 1999; Pettigrew *et al*, 1992). Change can thus be precipitated by encouraging dissatisfaction with current systems and procedures or making impeding crisis real to everyone in the organisation (Wilson, 1992). Kotter (1996) even advocates engineering a crisis in order to build the momentum for change. Whatever the spur of change, however, staff are unlikely to recognise the need for change unless managers create mechanisms which allow them to become familiar with the company's performance, market place, customers, competitors, legal requirements, etc (Fiol and Lyles, 1985; Probst and Buchel, 1997).

Clarke (1994) and Nadler (1993) suggest that individual and organisational learning stem from effective top-down communication and the promotion of self-development and confidence. In turn, this encourages the commitment to, and shared ownership of, the organisation's vision, actions and decisions that are necessary to respond to the external environment and take advantage of the opportunities it offers. In addition, Pugh (1993) points out that in order to generate the need and climate for change, people within organisations need to be involved in the diagnosis of problems and the development of solutions. This calls for an open management style that encourages initiative and risk (Carnall, 2003). However, Clarke (1994) cautions that challenging the status quo is akin to challenging managerial judgement. Consequently, as Easterby-Smith *et al* (2000) and Tsang (1997) suggest, organisational learning is neither easy nor an uncontentious option for organisations.

According to Johnson and Scholes (1999), a learning organisation is capable of benefiting from the variety of knowledge, experience and skills of individuals through a culture which encourages mutual questioning and challenge around a shared purpose or vision. They further observe that advocates of the learning organisation point out that the collective knowledge of all the individuals in an organisation usually exceeds what the organisation itself ‘knows’ and is capable of doing; the formal structures of the organisation typically stifle organisational knowledge and creativity. The aim of management therefore should be to encourage processes which unlock the knowledge, so that each individual becomes sensitive to changes occurring around them and contributes to the identification of opportunities are required changes.

2.4.4 Power and Politics

The importance of power and politics in organisational life and particularly change situations can not be downplayed. Though the advocates of ‘emergent’ change tend to view power and politics from different perspectives, they recognise their importance and that they have to be managed if change it to be effective (Burnes 2004). According to Dawson (1994, p.176) “… it is important to try and gain the support of senior management, local management, supervisors, trade unions and workplace employees”. This requires considerable linguistic skills to capture and show the flow and progression of events (Weick, 2000). Pettigrew et al (1992) are of a similar view. They emphasise the significance of political language in change processes. For instance, problems can be regarded as opportunities with broad positive visions being articulated to build early coalitions. Coalition building is seen as a first step to implementing change. This implies involving those whose involvement really matters specifically seeking support from power sources and stakeholders (Kanter et al, 1992). Nadler (1993) advocates the need to shape the political dynamics of change so that power centres develop that support the change rather than blocking it.

2.4.5 Managerial Behaviour

Managerial behaviour is an important aspect in organisational change. According to Burnes (2004), the traditional view of managers sees them as being the only ones with the expertise, knowledge and legitimate authority to decide how and when change should take place. However, the ‘emergent’ approach to change requires that instead of managing change from the top, managers should operate as facilitators and coaches. Managers should be able to bring together and empower teams and groups to identify the need for and achieve change (Bennis, 2000; Carnall, 2003). Crucial to this, according to Kotter (1996), is for managers to develop leadership skills. Kotter argues that management concerns a set of processes, such as budgeting and planning, for ensuring organisations run smoothly. Leadership, on the other hand, is a set of processes for creating or transforming organisations. “Leadership defines what the future should look like, aligns people with that vision, and inspires them to make it happen” (Kotter, 1996, p.25).

To be effective in this new role, managers require knowledge of and expertise in strategy formulation, human resource management, marketing/sales and negotiation/conflict resolution, and much mire (Beer and Nohria, 2000; Clarke, 1994: Hayes, 2002). But the key to success, according to many observers, is managers’ own behaviour (Kanter, 1989; Kotter, 1999; Pfeffer, 1996). If managers are to gain the commitment of other to change, they must be first prepared to challenge their own assumptions, attitudes and mindsets (Buchanan and Boddy, 1992; Burns, 1978; Harrison, R, 2002). It is essential for managers to be able to tolerate risk and cope with paradox and ambiguity (Weick, 2000; Stacey *et al,* 2002). Pugh (1993) held that in a dynamic environment, open and active communication with those participating in the change process is the key to coping with risk and ambiguity.

2.4.6 Resistance to Change

According to Burnes (2004), the potential for resistance to change will always be present in change situations. Resistance to change can arise from a number of sources, including middle and senior managers, and for a number of reasons ranging from different perspectives on what is best for the organisation to sectional or individual self interest (Hayes, 2002; Huczynski and Buchanan, 2001). Some writers argue that people are inherently resistant to change. However, Carnall (2003), argues that this is a partial truth. He contends that what is referred to as 'resistance to change' is actually 'resistance to uncertainty'. Thus, the resistance derives from the process of handling and managing change.

To cope effectively with resistance, managers will need to acquire and develop a range of interpersonal skills that enable them to deal with individuals and groups who seek to block or manipulate change for their own benefit (Boddy and Buchanan, 1992; Kotter, 1996). Promoting openness, reducing uncertainty, and encouraging experimentation can be powerful mechanisms for overcoming resistance and promoting change (Mabey and Mayon-White, 1993). Carnall (2003) also contends that 'resistance to change' can be lessened if people understand what is to be achieved, why, how, by whom and what impact it will have on them.

2.4.7 Communicating Change

Closely related to the subject of resistance to change is communication. Johnson and Scholes (1999) postulate that for change to be successful, it is important for members of the organisation to understand the need for change, what is involved in the changes and what it is intended to achieve. The reasons for change in strategic direction may be complex and the strategy itself may embrace complex ideas but it should be communicated in such as way that it is well assimilated across the organisation perhaps by just highlighting the key aspects of the strategy. The choice of communication media is also important. The extent to which different forms of media are likely to be effective depends on the extent to which the nature of the change is routine or complex. Communication which provides interaction and involvement is more desirable for complex changes as compared to bulletins and circulars.

Feedback on communication is also important particularly if the changes to be introduced are difficult to understand or threatening or if it critically important to get the changes right.

2.5 Change Management Process and Models

Various writers have suggested different processes and models which organisations should follow with regard to implementing change. This section highlights some of these models and processes. Already highlighted under the planned approach to change, is Lewin's three step model. Lewin's model was already highlighted earlier under the planned approach to change. According to Lewin, a successful change project involves three steps. The first step involves unfreezing the current state of affairs. This means defining the current state, bringing out the driving and resisting forces and imagining the desired end-state. The second step is about 'moving' to a new state through participation and involvement. The third step focuses on refreezing and stabilising the new state of affairs by setting policy rewarding success and establishing new standards (Cameron and Green 2004, p.97).

Bullock's and Batten's (1985) have proposed four steps to changing organisations. These are: exploration, planning, action and integration. Exploration involves verifying the need for change, and acquiring any specific resources (such as expertise) necessary for the change to go ahead. Planning involves conducting a diagnosis and sequencing actions in a change plan which is signed off by management before moving into the action phase. Actions are completed according to plan, with feedback mechanisms which allow some replanning if things go off track. The integration phase is started once the change plan has been fully actioned. Integration involves aligning the change with other areas in the organisation and formalising them in some way through established mechanisms such as policies, rewards and company updates.

Kanter *et al* (1992) proposes 'Ten Commandments for Executing Change'. These are: (i) Analyse the organisation and its need for change. (ii) Create a shared vision and a common direction. (iii) Separate from the past. (iv) Create a sense of urgency. (v) Support a strong leader role. (vi) Line up political sponsorship. (vi) Craft an implementation plan. (vii) Develop enabling structures. (viii) Communicate, involve people and be honest. (ix) Reinforce and institutionalise change.

Looking at approaches to change, Kanter *et al* (1992) distinguish between 'Bold Strokes' and 'Long Marches'. The 'Bold Strokes' relate to major strategic decisions or economic initiatives, usually of a structural or technological nature. These they argue, can have a clear and rapid impact on an organisation, but they rarely lead to any long-term change in habits or culture. 'Bold Strokes' are initiatives taken a few senior managers, sometimes only one; they do not rely on the support of the rest of their organisation for success. The 'Long March' approach on the other hand favours a host of relatively small-scale and operationally focussed initiatives, each of which can be quickly implemented but whose benefits are achieved in the long term rather than the short term. However, the Long March approach can, over time, lead to a change of culture. Unlike the 'Bold Strokes', the 'Long March' approach requires widespread commitment throughout the organisation. Without the involvement and commitment of the majority of the workforce, Kanter et al argue, such initiatives cannot succeed. They do maintain that both approaches can be complementary; though in practice companies appear to favour one or the other.

Kotter (1996) in giving guidelines for successful organisational transformation begins by identifying eight key errors that cause transformation efforts to fail. It is these eight errors that form the basis for his 'Eight-Steps to Successful Change'. Kotter goes on to stress that the eight steps are a process and not a checklist. He also points out that most major change efforts comprise a host of small and medium-sized change projects, which at any one point in time, can be at different points in the process. Below is an outline of the eight steps.

(i) Establishing a sense of urgency – Discussing today's competitive realities, looking at potential future scenarios and increasing the 'felt-need' for change. (ii) Creating a guiding coalition – Creating a powerful group of people who can work well together. (iii) Developing a vision and strategy – Building a vision to guide the change effort together with the strategies to achieve this. (iv) Communicating the change vision – Kotter emphasises the need to communicate at least ten times the amount you expect to have to communicate. The vision and accompanying strategies and new behaviours needs to be communicated in a variety of different ways. (v) Empowering broad-based action – Empower others to act on the vision with the guiding coalition being the first to role model new behaviours. This steps also includes getting rid of obstacles to change such as unhelpful structures or systems and allowing people to experiment. (vi) Generating short-term wins – Look for and advertise short-term visible improvements. Plan these in and reward people publicly for improvements. (vii) Consolidating gains and producing more change – Promote and reward those able to promote and work towards the vision. Energise the process of change with new projects, resources, change agents. (viii) Anchoring new approaches in the culture – Ensure that everyone understands that the new behaviours lead to corporate success.

Beckhard and Harris (1987) developed a change formula depicting the process of change, and the factors that need to be in place for change to happen. The formula is C = [ABD] > X where, C = Change, A = Level of dissatisfaction with the status quo, B = Desirability of the proposed change or end state, D = Practicality of the change (minimal risk and disruption) and X = 'Cost' of changing. This means that factors A, B and D must outweigh the perceived costs (X) for the change to occur. They argue that:

> If any person or group whose commitment is needed is not sufficiently dissatisfied with the present state of affairs [A], eager to achieve the proposed end state [B] and convinced of the feasibility of the change [D], then the cost [X] of changing is too high, and that person will resist change. They further argue that resistance is normal; it is to be expected in any change effort and takes many forms. Change managers need to analyse the type of resistance in order to work with it, reduce it, and secure the need for commitment from the resistant party (*Making Sense of Change Management*, Cameron and Green, 2004, p. 103).

Nadler and Tushman's model (1997) postulate that an organisation is composed of four interdependent components, or sub-systems - the work, the people, the formal organisation and the informal organisation. The work is the day-to-day activities carried out by individuals. This includes process design, pressures on the individual and available rewards. The people is about the skills and characteristics of the people who work in an organisation – their expectations and their backgrounds. The formal organisation refers to the structure, systems and policies in place and how they are formally organised. They emphasise that these components are all interdependent and as such, effective change management entails attending to all four components simultaneously.

Bridges (1991) talks about how to manage transition effectively and distinguishes planned change from transition by saying that:

> Transition is about letting go of the past and taking up new behaviours or ways of thinking. Planned change is about physically moving office, or installing new equipment, or restructuring. Transition lags behind planned change because it is more complex and harder to achieve. Change is situational and can be planned, whereas transition is psychological and less easy to manage (*Making Sense of Change Management* Cameron and Green, 2004, p. 108).

According to Bridges, transition consists of three phases: ending, neutral zone and new beginning. The ending phase refers to ending past practices in order to begin anew. In this phase, it is important to identify who is loosing what, expect a reaction and acknowledge the losses openly and continually repeat information about what is changing. In the neutral zone, people feel disoriented; motivation falls and anxiety rises. Consensus may breakdown as attitudes become polarised. It can also be quite a creative time. The manager's job is to ensure that people recognise the neutral zone and treat it as part of the process. Temporary structures such as task forces may be needed. The new beginning is reached when people feel they can make the emotional commitment to doing something in a new way. Beginnings should be nurtured carefully. They can not be planned and predicted but they can be encouraged, supported and reinforced. Bridges suggests that people need four key elements to help them make a new beginning – the purpose behind the change, a picture of how this new organisation will look and feel, a step-by-step plan to get there, and a part to play in the outcome.

Cameron and Green (2004) postulate that the change process begins with an internal or external trigger for change. These triggers make organisations review the market or industry they are in, examine customer and stakeholder relationships, and evaluate their organisational capability. Organisations then review where they want to be, how they want to get there and what needs to be done to get there. This results in the development of a new vision, mission and values. As a result of this exercise, all sorts of changes may need to happen but typically organisations may need to adjust one or all of the following: the organisational structure, commercial approach, organisational culture and processes. A change management plan is developed and the organisation begins implementing the changes through various change initiatives.

2.6 Roles in the Change Process

Johnson and Scholes (1999) have put forward different roles that individuals or groups of individuals play in the change process and the sorts of skills they require. The different role holders are: the change agent, middle managers, other organisational members, external stakeholders and outsiders. The change agent is the individual or group that effects strategic change in an organisation. They further clarify that this is different from the person or people who develop the strategy. It could be a group of change agents from within the organisation or perhaps from outside such as consultants who have a whole team working on a project together with managers from within the organisation.

Top managers establish the strategy while middle managers are considered the implementers of the strategy. The middle managers' role entails making sure that the resources are allocated and controlled appropriately, monitoring performance and behaviour of staff and where necessary explaining the strategy to those reporting to them. Middle managers are likely to contribute substantially either to galvanising commitment to strategy and the change process, or to blocking it.

The role of other organisational members is more related to resultant changes in behaviour and routines. External stakeholders may be wide ranging but the key players are those with high power and high interest for example fund managers or government authorities. They may influence the change process given the power they adorn and hence need to be managed carefully. Outsiders, for example, consultants are used to formulate the strategy or plan the change process. Sometimes they are also used as facilitators of change processes e.g. in a co-ordinating capacity, as facilitators of project teams working on change, or of strategy workshops used to develop strategy and plan the means of change. An important note is that these roles are not meant to be mutually exclusive. Different people in organisations may find themselves in different roles at different times and in different contexts.

O'Neill (2000) identifies the roles in the change process as sponsor, implementer, advocate and agent. The sponsor has the authority to make the change happen and has control of resources. The implementer implements the change, reports to the sponsor and is responsible to giving feedback to the sponsor on the change process. The change agent is the facilitator of the change and helps the sponsor and implementers stay aligned but has no direct authority over implementers. The advocate is one who has an idea and needs a sponsor to make it happen.

2.7 Characteristics in Successful Change Management

Pettigrew and Whipp (1993), argue that successful strategic and operational change management involves five interrelated factors: environmental assessment, leading change, linking strategic and operational change, human resources as assets and liabilities and coherence of purpose. Environmental assessment requires that organisations, at all levels, need to develop the ability to collect and utilise information, about their external and internal environments. Leading change requires the creation of a positive climate for change, the identification of future directions and the linking together of action by people at all levels in the organisation. Linking strategic and operational change is a two way process of ensuring that strategic decisions lead to operational changes and the operational changes lead to strategic decisions. Human resources as assets and liabilities recognises that just as the pool of knowledge, skills and attitudes possessed by an organisation is crucial to its success, it can also be a threat to the organisation's success if the combination is inappropriate or managed poorly. Coherence of purpose concerns the need to ensure that the decisions and actions that flow from the above four factors complement and reinforce each other.

Cameron and Green (2004) also put forward five essential characteristics of successful strategic change – alignment, attunement, critical mass, building organisational capability and encouraging individual learning. Alignment is about ensuring that all the components of the change plan have an internal integrity and are also linked into the whole organisational system. Attunement is about mirroring the preferred organisational culture, and ensuring that all aspects of change are carried out in line with organisational values and with sufficient attention to the human side of change. Critical mass refers to a significant number of people being aligned and in tune with senior management in order for the change management plan to have momentum and achieve sustainability. Building organisational capability is essential in that it goes a long way in making change become a way of life rather than it being something feared, shunned and avoided. Encouraging individual learning entails supporting managers through training and coaching amidst the day-to-day requirements of the job.

2.8 Change Management Frameworks

Dufour and Steane (2006) argue that there is a trend in the strategic change field to look for a generic strategic change framework that would be applicable to all circumstances and would provide context-free generalizations. However various authors (for example, Burnes, 2004; Johnson and Scholes, 1999) have tried to develop integrated frameworks aligning different change management approaches to different types of change.

Burnes (2004) proposes a framework for change management that integrates the various perspectives and contexts of change. In the framework, Burnes contends that situations where organisations operating in a turbulent environment need to make large-scale, organisation-wide changes to either the culture or structure. Situations where changes in culture are required are where the existing culture of an organisation operating in a turbulent environment is no longer appropriate. On the other hand, situations where changes in structure or processes are required occur for a variety of reasons. It may be that an organisation finds itself in trouble and needs to respond quickly to realign itself with its environment. Alternatively, it may be that an organisation is not experiencing a crisis, but that it perceives it will face one unless it restructures itself with its environment. In such cases, a major and rapid reorganisation is necessary.

He further contends that organisations operating in a stable environment need to make small-scale, piecemeal and localised adjustments to attitudes and behaviours or tasks and procedures. These changes normally occur at individual or group level rather than at the level of the entire organisation. In cases where the main focus of change in the human side of the organisation, that is, cultural, attitudinal/behavioural change, they are likely to best achieved through relatively slow, participative approach, rather than a rapid and directive or coercive one. On the other hand, where the primary focus is on achieving changes to the technical side of the organisation, that is, structure, processes, tasks and procedures, these types of changes tend to be less participative in nature and relatively more rapid in their execution.

A pictorial representation of the framework is found in the annexes. While depicts different quadrants with different approaches, Burnes acknowledges that all types of changes may need to happen sometimes simultaneously. The issue is to identify the main focus of change and sequence the change initiatives.

Johnson and Scholes (1999) talk of different styles of managing change that can be applied by organisations depending on the context and circumstances the organisation is facing. These styles are: Education and communication, collaboration, intervention, direction and coercion. The continuum within which these styles operate is the range between incremental and transformational change. The first two tend to be applied when change is incremental while the last two are more applicable when the change is more transformational.

Education and communication involves the explanation of the reasons for and means of strategic change. It is appropriate when there is a problem in managing change based on misinformation or lack of information. However, relying on top-down communication may not be sufficient and at times the communication may be ineffective. Those briefed may not get a change to assimilate the information or there may be a lack mutual trust and respect between managers and employees. Involvement of those affected by changes in strategy development and planning change processes may be necessary.

Collaboration or the participation in the change process is the involvement of those who will be affected by the strategic change in the identification of strategic issues, the setting of strategic agenda, the strategic decision making process or the planning of strategic change. This can be helpful in increasing ownership of a decision or change process, and in increasing commitment to it. It may entail the setting up of project teams of task forces and conducting of strategy workshops. However, there is a risk that solutions will be found from within the existing paradigm. It is thus necessary for anyone who sets up such a process to retain the ability to intervene.

Intervention is the coordination of and authority of over processes of change by a change agent who delegates elements of the change process. In this case, particular stages or aspects of the change are delegated to project teams or task forces. Such teams do not take full responsibility of the change process but do become involved in it and see their work building towards it. The sponsor of the change ensures the monitoring of progress and that change is seen to occur. An advantage here is that it involves members of the organisation not only in originating ideas but also in the partial implementation of solutions. This involvement is likely to give rise to greater commitment to the change.

Direction involves the use of personal managerial authority to establish a clear future strategy and how change will occur. It is essentially top-down management of strategic change. It may be associated with a clear vision or strategic intent developed by someone seen as a leader in the organisation and accompanied by clarity on critical success factors and priorities. It is more appropriate in cases of transformational change. Coercion - is the extreme end of direction. It is about imposing change or issuing orders about change. This is the explicit use of power and may be necessary if the organisation is facing a crisis.

Tichy (1982) proposes 'a strategic management matrix' to help organisations effectively manage change. As mentioned earlier, Tichy contends that strategic change emanates from external technical, political and cultural forces which in turn affect and cause an organisation to change its technical, political and cultural systems. The strategic management matrix combines a focus on the three systems integrating three sets of managerial tools to align the three systems. These tools are mission and strategy, organisation structure and human resources management. A pictorial representation of the matrix is found in the annexes.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

This research was designed as a case study. A case study is a type of 'topical scope' research study that places emphasis on a full contextual analysis of fewer events or conditions and their interrelations (Cooper and Schindler, 2003). Case studies rely on qualitative data. An emphasis on detail provides valuable insights for problem solving, evaluation and strategy.

In this research, the case study method was selected in order to provide an in-depth and detailed account of the strategic change management approach and process at Faulu Kenya and draw out key lessons that can inform future change management strategies. A qualitative approach was chosen in order to provide the richness and depth which in most cases is not found in quantitative research. The researcher also has a greater inclination towards understanding the reasons and justifications of situations and phenomena beyond the numbers provided by quantitative research, just as Patton (2002) observes, 'it is important to understand the stories behind the numbers'.

The researcher used 'judgment sampling' in selecting the respondents. This is a type of purposive sampling, where a researcher selects sample members to conform to some criterion (Cooper and Schindler, 2003), in this case the drivers of strategic change at Faulu.

3.2 Data Collection

Data was collected from both secondary and primary sources. The main sources of secondary information were the five year (2007 – 2011) corporate strategic plan and the presentation on the new vision and mission of the institution.

The primary data collection process used the communication approach and specifically personal face-to-face interviewing. Personal interviewing was chosen so as to facilitate collection of in-depth and detailed information which the researcher desired. In addition, with this method, the interviewer generally controls the topics and patterns of discussions and can do more things such as probe with additional questions and gather supplemental information through observation so as to improve the quality of the information received.

In-depth interviews were held with members of the transition team who had been with the institution for at least two years or more. The transition team comprised the managing director, the senior management who were also heads of key functions namely: human resource management, operations, marketing, finance, information technology, audit and legal services. The team also included selected members of the middle management team. It was important that the respondents had been with the institution for at least two years as the researcher felt they would be able to give a clearer picture of the strategic change process from when it began. The managing director was not interviewed but was represented by the transition manager who led the transition team.

In-depth interviews were preferred as they encourage participants to share as much information as possible in an unconstrained environment. With more focussed in-depth interviews, the researcher was able to provide additional guidance by using a set of questions to promote discussion and elaboration by the respondent. Each interview took on average one hour each.

This research used a semi-structured interview guide with a combination of closed and open-ended questions to collect the data. The interview guide was broadly structured along Kotter's (1996) model on 'Eight-Steps to Successful Change'. It contained core questions and related probe questions to draw out in-depth information from the respondents. The process used one interviewer to ensure quality and consistency in approach which is normally difficult to achieve in qualitative research. As (Patton, 2002, p. 341) observes, ‘the quality of the information obtained during an interview is largely dependent on the interviewer’.

3.3 Data Analysis

The data collected was analysed using the content analysis technique. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends. Content analysis follows a systematic process, starting with the selection of a unitization theme which may be syntactical, referential, propositional or thematic. Content analysis guards against selective perception of the content and provides for the rigorous application of reliability and validity criteria. This technique was chosen as it is more applicable to qualitative research using open ended questions.

CHAPTER 4: RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

Faulu has undergone several strategic changes within its lifetime. It began as a pilot micro-lending programme of an in 1991, incorporated as a private company with limited liability under the Companies Act in 1991, and in May 2009, licensed as the first deposit taking microfinance institution (DTMFI) in Kenya.

This paper focuses on Strategic Change Management at Faulu Kenya as it relates to its transformation to a DTMFI. This section details the findings of the case study which was based on the three key objectives, namely: (i) to determine the nature of strategic change at Faulu, (ii) to establish the processes undertaken to implement the strategic change at Faulu and (iii) to establish the roles played by various stakeholders of the organisation.

The study involved conducting in-depth interviews using an interview guide. The findings here are presented along the key questions in the interview guide. These were broadly structured along Kotter's (1996) model on 'Eight-Steps to Successful Change' for the first two objectives and Johnson and Scholes (1999) discussions for the third objective.

4.2 Background to Strategic Change at Faulu

4.2.1 Nature of Strategic Change

There are two main types of strategic change: - incremental and transformational change. Incremental change is where organisations continually tune their current ways of operating as their environment changes. Transformational change on the other hand is fundamental change that calls for change in 'the way of doing things around here'. It often arises when incremental change has been inadequate or because the external pressures for change are extreme. Further, the type of strategic change can be either reactive (forced by or reacting to circumstances) or proactive (anticipated need and hence planning for change). This study sought to understand the nature of strategic change at Faulu on both levels from the respondents' point of view.

In discussing this issue, it is important to note that two of the respondents have been with the institution for over ten years and had a slightly different perspective of the type of strategic change. All the other respondents have been with the institution for less than five years.

For the longer serving respondents, the change to a DTMFI was first incremental then transformational. It was incremental in that the institution began lobbying for the deposit taking licence along with other players in the industry back in 2003. This was driven by the need to grow its client base, and deposit mobilisation was seen as a key facilitator of this objective. Through deposits, the institution would have access to more affordable funds to on lend, otherwise, the lending activities and hence client growth would be limited. The period between the commencing of the lobbying and the actual enactment of the microfinance bill allowing institutions to mobilise deposits from the public was fairly long (2003-2006). During this period, the institution continued to tune its ways of operating to meet the market demand and adapt to the constantly changing environment particularly competition. The changes during this time were mostly reactive. For instance, in March 2005, the institution issued a bond to raise funds from the public to finance its increasing loan book and other expansion requirements. This also served as a stop gap measure before being allowed to mobilise deposits from the public. There were also situations where the institution needed to distinguish itself from unscrupulous players in the market who had sought and disappeared with deposits from the public. This was done through sensitisation with reassurance messages during client meetings.

For the both the longer serving and newer respondents, the final stages towards the enactment of the microfinance bill in December 2006 signalled the beginning of the transformational change at Faulu. One respondent noted “there was need for fundamental changes in the way things are done. We needed to stop building on what was there”. The change at this time was proactive. The change was seen to be transformational as it led to a complete change in way of thinking, the style of leadership and way of doing business, a new legal framework and fundamental changes in the structural and operational aspects of the business. There was a more professional and profit-oriented approach to doing business where as in the past it was more laissez-faire drawn from its origins as a Christian-based NGO. As one respondent noted, “it was a complete paradigm shift”.

4.2.2 Key Drivers of Transformation

As can be seen from the above discussion, the onset of the strategic change (transformation to a DTMFI) at Faulu began earlier with incremental change and then later with transformational change. The discussions in this study going forward, relate to the transformational change that began towards the end of 2006.

According to the respondents, there were several factors that led to the transformation at Faulu. Some of these factors were internal while others were external to the institution. First, there was the need to meet clients’ demands for greater responsiveness to their financial needs. Clients have a wide range of financial needs yet Faulu was only providing loans which were not sufficient to meet the various needs. In addition, clients had huge expectations of the institution as a market leader. They also had a lot of faith in Faulu and kept urging and encouraging them to transform to a bank.

Second, there was need to have alternative and more affordable sources of funds for on-lending. The loans offered were relatively expensive due to the cost of funds used for lending to clients since Faulu relied mostly on borrowing. Faulu wanted to find cheaper sources and pass on the benefit to clients by offering more affordable loans. Third, Faulu wanted to effectively achieve its mission of 'transforming lives' by helping communities create wealth through savings. Fourth, Faulu needed to move to next level in the growth curve and the transformation to deposit taking microfinance institution provided the necessary impetus. Fifth, there was need to align to the changing environment in order to remain competitive and relevant. The whole market was changing with increased competition and more innovative and relevant ways to serve the market. "Faulu did not want to be left behind".

From the above discussion, it is clear that majority of the drivers for the transformational change were largely internal and further emphasise the proactive nature of the change. Further having undergone a series of successful strategic changes in the past, Faulu was confident in taking on another significant transformation.

4.2.3 Preliminary Initiatives

As an initial step towards planning for the transformation, Faulu hired an external consultant to conduct a market and institutional review to inform the transformation strategy. An evaluation of the financial services market in Kenya and an analysis of the Faulu's strengths, weaknesses, opportunities and threats (SWOT Analysis) were done. The findings of this exercise were to inform the institution's five year strategic plan for the period 2007 - 2011.

The strategic plan was first discussed in August 2006 and several times after mainly within the board and including key senior staff of the institution. The key points for discussion were where the institution wanted to see itself in five years time and with that in mind determine the best business model to achieve this. Different business models (mainly a bank, DTMFI, and SACCO) were explored. Finally the institution resolved to transform to a DTMFI. The strategic plan was then developed with this in mind and was finalised in December 2006. A transition[1] office and team led by a transition manager were then set up to guide the process. Activities to source for human, financial and physical resources to facilitate the process also began. The board and senior executives also went on exposure visits to different countries to learn from other MFIs that had successfully converted to deposit taking institutions.

The activities here are in line with Kanter *et al's* (1992) first commandment of executing change which talks of analysing the organisation and its need for change. This they argue helps an organisation assess its readiness for change and make the necessary plans to achieve the change. In Faulu's case, the institutional and market review helped inform the business model to adopt and the necessary activities required to help transform to the new business model.

4.3 The Eight-Steps to Successful Strategic Change

4.3.1 Establishing a Sense of Urgency

Establishing a sense of urgency seeks to address the problem of complacency – contentment with the current workings of the organisation. A sense of urgency is critical to gaining the needed cooperation to succeed in transformation. Without it, transformations, normally do not get far because few people are even interested in working on the change problem. The process of establishing a sense of urgency typically involves removing sources of complacency or minimising their impact. At Faulu, there were efforts to address the potential problem of complacency that would undermine the change process.

Respondents reckoned that though not explicitly communicated as part of transformation, there were very deliberate governance and management changes towards the end of 2006 that

[1] The term transition as opposed to transformation was used so as to distinguish the strategic change from Faulu's mission of transforming lives.

signified the onset of change. The board brought in a new chief executive officer (CEO) who mandate was to take the institution to the next level in its lifecycle. Notably, the CEO was drawn from the banking sector. In 2007, there was high staff turnover particularly at management level. These, according to some respondents, were people who saw the change coming and felt uncomfortable. There was an implicit question with the advent of change, which was, “we’re ready to change, are you ready to support this?” The long serving people strong in existing operations struggled. They felt they may be destabilised by the change and could not wait for that to happen so they left. Those who left began to be replaced with a team that was clearly of a different culture – more business oriented, a team that could indeed take the institution to the next level in its growth curve. This scenario is also consistent with a significant part of Bullock’s and Batten’s (1985) first step in the four step change process that talks of the need to acquire specific resources, such as expertise, necessary for the change to go ahead.

A major effort in creating a sense of urgency was the creation and implementation of a change management programme. The programme was largely geared towards sensitising and reassuring staff about the imminent change. As change can be often very uncomfortable leading to resistance, Faulu opted to be proactive and address the situation at the onset. In 2007, all 307 staff went through the change management programme. This first began with the top management, then middle management and later to all the other staff. This was in form of a three day seminar with each day covering a key topic. The first day focussed on the subject of Faulu the transformer in line with its mission of ‘transforming lives’. Discussions were centred around the reason for Faulu’s existence, that is, to transform lives. It was aimed at reassuring staff that the essence of the organisation was still and would still remain the same even with the transformation. The second day, focussed on the change journey. Discussions were centred around what happens when people start hearing about change, what emotions people go through at the heat and at the end of change. This second day was said to be very therapeutic as staff were able to discuss fears, express anger, raise concerns and determine ways of dealing with the issues and emotions. The third and last day focussed on the requirements of the MFI Act. The first two days were facilitated by external consultants and the last day by the internal legal officer. This change programme served to sensitise and give reassurance to staff on the impending change. It marked a point very similar to what Bridges (1991) calls ‘the new beginning’ in the transition process. This is where people feel they can make the emotional commitment to doing something in a new way facilitated by four key ingredients, namely: understanding the purpose behind the change, a picture of how this new organisation will look and feel, a step-by-step plan to get there, and a part to play in the outcome.

Another important aspect in dealing with the likelihood of complacency was sensitisation through morning devotions. Faulu has strong Christian values and conducts morning devotions daily involving praise, worship and prayers. Those leading the devotions would speak about transformation and the need to support and pray for its success. Staff were encouraged and agreed to fast and pray for transformation for at least one day each month throughout the transformation period. Respondents noted that the Christian nature of the organisation had a greatly helped in managing resistance to change which is typical in every change process.

It is clear from the above discussions that indeed there were significant efforts to create a sense of urgency with the strategies leaning more towards curbing the potential problem of complacency. The strategies employed helped in creating momentum for the change process. Just like Kanter *et al* (1992) argue in their fourth commandment of executing change, a sense of urgency is critical to rallying an organisation behind change. This was very evident in Faulu change process.

4.3.2 Creating the Guiding Coalition

A strong guiding coalition – one with the right composition, level of trust, and shared objective - is always needed for successful transformation. The team does not have to constitute only of senior management but should include key line managers with the necessary qualities. The strength that determines effectiveness of the coalition is in designation, expertise, credibility and capacity for leadership. Creating a guiding coalition involves putting together a group with enough power to lead the change and getting the group to work together as a team. A team is considered necessary as it is difficult to find individuals with all the assets required to achieve the desired goal.

At Faulu, the guiding coalition was the transition team created at the end of 2006. This team comprised of the managing director and all senior management who were also heads of departments at the time. Several other staff in middle management particularly from business, training, marketing, and research were also included. One of the senior managers was appointed as the transition manager to lead the transition team.

In the initial stages of the change process, the team held several meetings as a whole. However, as tasks became more specific, sub-teams were created and the transition team members were distributed to lead these teams. The major sub-teams included the change management team that was involved in organising for the change management programme, the information and communications technology (ICT) project team that was involved in the acquisition and customising of the new management information system (MIS), and the market research team that was involved in research to refine existing products and develop deposit mobilisation products. Some of the members belonged to two or more teams due to the interconnected nature of the business.

4.3.3 Developing a Vision and Strategy

Vision refers to a picture of the future with some allusion as to why people should strive to create that future. According to Kotter (1996), a good vision serves three important purposes in a change process: first, clarifying the general direction for change, second, it motivates people to take action in the right direction, and third, it helps co-ordinate large numbers of different people in a fast and efficient way. Developing a vision and strategy as part of the transformation process involves, creating a vision to help direct the change effort and developing strategies for achieving that vision.

According to most respondents, Faulu felt it could not fully achieve its vision and mission as a credit–only institution hence the need to transform to a DTMFI. However, there was no creation of a specific and distinct vision for the transformation process. But according to the respondents, the goal of transformation was embedded in the overall corporate vision and mission. These together with the corporate core values were revised as part of the transformation process. The management team met, brainstormed and made suggestions for new mission, vision, and values. The board then refined them. The new mission, vision, and values were largely the same as the old in meaning but simpler and better articulated making them easier to remember. The new mission, vision, and values were launched as part of the transformation process.

The old vision, mission and values were as follows: Vision - A nation where all people are able to work toward fulfilling their dreams and potential for the future and have the dignity of being able to provide for their own needs and the needs of others. Mission Statement - To be a leading provider of financial services to further holistic nation building and maximize shareholder value. Core Values - The Lordship of Jesus Christ; Commitment to Holistic Development (Love for the Whole Person -physical, spiritual, social, and mental); Teamwork and fellowship; Integrity and Transparency; Fairness and Justice. While the new vision, mission and values are: Vision - Giving Kenyans hope and a future. Mission - To Listen and to Empower Kenyans by providing relevant financial solutions. Core Values - The Lordship of Jesus Christ, Listening, Learning, Excellence and Integrity.

Just like the vision, there was no creation of a distinct strategy for the transformation process. However, respondents pointed out that the transformation strategy was embedded in the five year (2007 – 2011) corporate strategic plan. The strategic goals in the plan are: (i) Transformation of the economically active poor and their communities. (ii) To profitably provide quality service to our clients. (iii) To reach close to 10% of the un-banked population in Kenya. (iv) To be a recognized and compelling financial brand in the region.

The respondents explained that transformation to a DTMFI was embedded within each of the strategic goals. For instance, introducing savings services in addition to the credit services would contribute to: positive transformation of lives, improved profitability through increased liquidity and cheaper funds for on-lending, increased access to financial services by the un-banked, strengthening of the corporate brand as a provider of relevant financial products and services.

It appears that as much as the transformation vision and strategy were not distinctively articulated, people were clear of what these were. This is commendable considering creating a vision and common direction of the change is a critical area of executive change but one of the hardest to achieve, as Kanter *et al* (1992) observes. The writers further emphasise that this relates to articulating what a desired future of the organisation would be, which was very well articulated in Faulu’s corporate strategic plan. However, it may still be necessary to consider developing a distinct vision and strategy for any change effort as it may not always coincide with the time for writing the corporate strategic plan.

4.3.4 Communicating the Change Vision

The power of a vision achieved only when most people in the organisation have a common understanding of its goals and direction. The shared sense of a desirable future can help motivate and coordinate the kinds of actions that create transformations. This is achieved through effective communication of the change vision. Communicating the change vision effectively means using every vehicle possible to constantly communicate the new vision and strategies. Communication does not stop at words but also includes deeds. It is necessary to have the guiding coalition role model the behaviour expected of employees if the firm is to succeed in achieving the change vision.

As noted above, there was no distinct transformation vision but rather an integration of the reason for transformation in the overall corporate vision and mission. This reason, benefits, requirements, expectations and activities relating to transformation were communicated through various avenues. Comprehensive communication on transformation was first made during the change management programme. Later staff in their different units discussed internally and raised questions on transformation and its impact on their day to day activities. This had not been adequately addressed during the change seminars. The questions and issues raised from all branches and departments were consolidated and forwarded to the transition team. The team discussed and generated appropriate responses. These were then articulated by the managing director, the head of human resources and head of operations to staff through video recording which were distributed to all the units.

The managing director also had the task of ensuring that all the staff understood and internalised the new vision, mission and core values. Led by the marketing department, there was a campaign consisting of various activities to learn and internalise the new vision and mission. The activities involved notes and crossword puzzles from the managing director and culminated into a launch to reveal the new vision, mission and core values. The launch was done at the business support centre (head office) and recorded on DVD. These DVDs were distributed to all branches. Later, the managing director visited different regions talking about transformation and the new vision, mission and values.

In addition to the above, there were regular communication on progress was made through various communication channels. There were weekly departmental meetings at the business support centre, the departments would exchange reports capturing activities in their respective departments and these were shared back with staff. The managing director also gave quarterly circular indicating milestones on the transformation process. There were quarterly management meetings which involved unit heads including branch managers. The transformation process and progress updates were discussed and the unit heads cascaded the information down to their staff. Transformation messages were also reinforced in every major activity for instance during branch launches, induction, and product training.

The communication efforts notwithstanding, there was a feeling amongst most respondents that communication could have even been better were it more organised and co-ordinated. The initial communication was well planned but later communication was said to be adhoc and not consistent in structure and availability. The problem was that there was no one or office clearly designated the responsibility for communication. This was however recognised (albeit much later) and a corporate affairs office was created. This office was given the responsibility of communicating on the change both externally and internally.

Aside from communication, there was role modelling from the top executives. This was mainly around changing the organisational culture. There was a new senior management team that was more business oriented. They made efforts to orient the organisation to this new way of thinking and working. There was however conflict as they tried to professionalize systems and process as there was attempts to preserve the old. The problem was worsened by the fact that the management team was relatively new and had not interacted well with existing staff. To address this, members of the senior management team attended meetings at branches just to get to know and interact with the people. The Christian nature of the organisation also helped manage the resistance. Occasionally, members of the senior management team would be given a session to teach during the daily morning devotions. They would preach messages of hope and reassurance, telling people that the change would benefit everyone at some point. This served to reduce the resistance and actually provided motivation and encouragement.

Form the above, it is evident that Faulu did make good efforts in communicating the vision for the change effort, particularly in the initial stages. However, it appears that communication was hampered at some point during the change process. It is commendable that Faulu realised this and established a focal point for the communication, albeit a bit late into the change process.

Kanter *et al* (1992) emphasise the need to communicate throughout the entire change process, from before the change is formally decided upon to after the change is in effect. Accodring to the writers, communication, involvement of people and honesty, is particularly effective in overcoming resistance, promoting commitment and fostering goodwill towards the change efforts. It is therefore a critical aspect of any change effort.

4.3.5 Empowering Broad-based Action

Empowering broad-based action means having a broad base of people with more power to implement the change vision. Empowerment involves getting rid of obstacles [such as structures, skills, systems (e.g. information, human resources systems) and supervisors] that undermine the change vision and encouraging risk taking and non-traditional ideas, activities and actions. At Faulu, a lot was done around structures, skills, and systems to facilitate achievement of the change vision.

Faulu worked with a consultant to review the organisational structure and create one that was both current and futuristic. The structure was changed significantly to facilitate better management of the institution's business. As noted by one of the respondents, "there was a radical surgery. New roles were introduced, positions were re-profiled and reporting lines were adjusted and realigned".

A new layer of management made up of three general managers was introduced. The thre general managers were in charge of (i) operations and ICT, (ii) business development and (iii) finance and administration. The key departments reporting to the respective general managers became – operations, ICT, assets, liabilities, finance, and administration. Other key departments namely, human resources, audit and legal report directly to the managing director.

In the new structure, ICT which was previously under finance was moved to operations and ICT division under a new general manager. In addition, from a previously small two-man show, the ICT department was broadened to a full department with key functions such as systems administration, database administration, and support through the business analyst and help desk. Administration which was previously under human resources department was moved to the finance and administration division. The credit business which was the main business of Faulu was previously called operations but now became business development under a new general manager. Banking operations was introduced as a new function under the new general manager in-charge of operations and ICT.

A new management information structure and system was necessary for Faulu to achieve the change vision. The existing system was having challenges coping with the growth. Also the infrastructure was centralised which caused lots of inefficiencies. The IT system was also limited in capability to handle product delivery innovations. A new robust MIS system was thus purchased, customised, tested and installed. The new system would provide a platform for innovations in product delivery. The ICT infrastructure was decentralised to improve efficiency in data management. With the new infrastructure, customer data could be captured at branches and posted to the central server on a real time basis. New operational processes were introduced and others realigned to the new operational structures and systems.

The human resource management systems were changed significantly to facilitate achievement of the change vision. This began with the hiring of a human resources manager in December 2006. Human resources processes such as payroll management, recruitment, training, were enhanced making them more structured and professional. Previously recruitment for positions was largely by appointment through subjective assessment. In the new state of affairs, it was by interviews to assess capabilities and attitude. Also a more structured performance management system was introduced and the balance score card entrenched.

Part of the empowerment also involved seeking ideas from people on how to achieve the change vision. People were encouraged to think outside the box. In forming project teams, the 'out-of-the box' thinkers were the first priority. Non-reformers faded away or simply left out of their own volition.

According to one respondent, the nature of change required people that had capacity to deliver on the change. As noted earlier, several members of the senior management team were hired towards the end of 2006 which signalled the beginning of change. As implementation began, a review exercise to assess human resources capacity was conducted with the assistance of external consultants. The review recommended new skills and enhancing of existing skills. As a result, two general managers were hired from the banking sector to take responsibility for banking operations, ICT and business development. A procurement manager, performance manager and several banking operations staff were hired. In addition, staff were encouraged to improve their skills through available training in the market.

It is clear from the above, that substantial efforts were made to facilitate achievement of the change vision. Indeed if the structures, systems and skills remained the same, it would have been difficult realize the change vision. Such changes facilitate the change process and allow for efforts to be visible to promote awareness and commitment (Bellafiore, 1996).

4.3.6 Generating Short-Term Wins

Generating short-term wins and celebrating them by visibly recognising and rewarding those who made wins possible is essential in achieving a change vision. It helps in building the credibility needed to sustain change efforts over the long haul, helps in fine-tuning vision and strategies, and builds morale to sustain the change momentum.

At Faulu, there was no deliberate planning of short-term quick wins and associated rewards according to the respondents. However, certain key events represented positive milestones of the change process and provided the much needed morale to sustain momentum for the change process. One, there was the launch of revised credit products. The launch events were carried out regionally by key staff from head office. Though not directly related to deposit-taking, the revision and launch of credit products signified change and positioned it as a positive idea. Two and perhaps the most important in signifying change was the launch of the new corporate identity. Faulu officially launched its new corporate identity during its annual prayer day in February 2008 with all staff and representation from the board in attendance. Staff were given newly branded calendars, T-shirts, pens, and a newsletter containing information on the change milestones achieved. The new mission, vision and values were also re-launched with detailed explanations of meanings to help staff internalise them. This event which occurred at the middle of the change process served as an important opportunity to re-emphasise and reassure staff about the change. Another important milestone was the rollout of the new MIS in February 2009. As pointed out by most respondents, the integration of the new system was certainly challenging but it did signify that change was happening.

4.3.7 Consolidating Gains and Producing More Change

The credibility built from the short-term wins makes it easier to tackle additional and bigger change projects in the process towards achieving the transformation vision. This can be more change in systems, structures and policies that do not fit together and do not fit the transformation vision; hiring, promoting, and developing people who can implement the change vision and reinvigorating the process with new projects, themes and change agents.

At Faulu, most of the organisational restructuring and the hiring of new staff happened from around mid-2008 when it became clear there was need to build capacity to achieve the change vision. Also, in June 2008, a team of staff constituting influencers and opinion leaders from each branch were appointed as change agents. The change agents were trained on change, the new MIS and banking duties. Their role was to enhance implementation of the change process at branches.

4.3.8 Anchoring New Approaches in the Culture

Organisational transformation often leads to change in the corporate culture – the norms of behaviour and shared values within the organisation. The culture change often occurs after people's actions have been altered significantly, after the new behaviour produces some benefit for a period of time and after people see the connection between the new actions and the performance improvement. Anchoring new approaches into the culture involves altering people's behaviour, articulating the connections between the new behaviours and organisational success and developing a way of ensuring leadership development and succession.

The corporate culture at Faulu did change to a significant extent as a result of the transformation. Faulu began as an NGO programme and is founded on Christian values. This background defines the origins of Faulu's culture and explains its state before transformation. According to the respondents, Faulu was typically laissez-faire where life was generally slow with an unstructured and unstandardised way of doing things. Every branch did things their own way and recruitment, performance assessment and credit assessment practices were largely subjective. However there was a strong family orientation where almost everyone knew and related with each other and their families. This was largely influenced by the strong Christian orientation embodied in the core values and practised through daily morning devotions. There was also a great commitment to work with people would going the extra mile to work until late hours in the evening and weekends again influenced by the Christian orientation with the motivation being to do God's work. These aspects however began to change with the transformation process.

Albeit still maintaining its mission of transforming lives, Faulu is now more business-and-profit-oriented. Life is said to be fast compared to back then. Functions are more structured and professional practices in recruitment, performance assessment, credit assessment and other operational aspects have been adopted. However, staff are said to be more measured in their commitment compared to the past. The late working hours have significantly reduced. Some staff are said to be trying to maintain a work-life balance while others are taking classes in the evening to enhance their skills. There is a sense however, that some staff who had a lot of expectations as to their future feel discouraged by the recruitment of new staff. The strong family orientation has also faded largely due to increased staff numbers. Within two years, Faulu has grown from 307 staff to 900 at the time of writing this paper. One respondent noted that there is likely to be more change in culture with time, particularly around the Christian orientation as a result of these new and large numbers of staff.

These last three steps in Kotter's (1996) model relate to Kanter *et al's* (1992) tenth commandment of executing change of 'reinforcing and institutionalising change'. This commandment reckons that reinforcement through recognition and reward help in fostering commitment and generating enthusiasm for the change effort. Reinforcement and institutionalisation are said to be key in ensuring that the change 'sticks' and that people do not fall back to their old ways of doing things. At Faulu, there were actions that contributed to reinforcing and institutionalising change, though it is clear that most of these were not deliberately planned for from the beginning. There is need to be more deliberate in planning to reinforce and institutionalise change in order to achieve the change vision and effectively 'cement' the change within the organisation.

4.4 The End of Transformation

It is a well known and accepted notion that change is a continuous process. However, planned strategic change such as the transformation of Faulu to a DTMFI can be viewed as a project with a beginning and an end. Accordingly, the transformation can be said to have technically ended at the awarding of the DTMFI license by the Central Bank of Kenya on 21st May 2009. By this time, the major change projects such as the installation and integration of the new MIS, the organisational restructuring and recruitment of key banking operations staff had been rolled out. Upon the award, the transition office was closed and the transition manager and team were fully absorbed back to their specialist areas.

However, another view from some respondents is that this is the start of another phase in the whole transformation process – the solidifying phase. This is similar to Kurt Lewin's third phase in his three step model where an organisation focuses on refreezing and stabilising the new state of affairs (Cameron and Green 2004, p.97). The efforts at Faulu are now on strategising how best to organise itself to achieve success in its new status as a DTMFI.

4.5 Roles in the Change Process

4.5.1 Board of Directors

The board of directors were very instrumental in the change process at Faulu. They provided oversight and strategic direction. Board meetings were evidently more frequent to facilitate decision making. They were also very much involved and gave the necessary support and guidance to management in implementing the change process. For instance, they helped finalise the five-year corporate strategy and the new vision, mission and core values. The board was also instrumental in sourcing for the senior executive personnel.

4.5.2 Managing Director

The managing director was the change champion. She carried the vision and took the ultimate responsibility for selling the vision to staff. She empowered teams and facilitated decision making. She was involved in relationship building and sourcing for the necessary financial and technical human resources. She played a key role in pushing for the deposit taking regulations and license at institutional and industry level. She played the role of sponsor who as O'Neill (2000) observes has the authority to make the change happen and has control of resources.

4.5.3 Senior Management

The senior management team gave expert advice on implementation of change in their core areas of expertise. They were also the key drivers of change projects in their respective functions. They formed the core of the transition team and as such made necessary decisions and cascaded them down within their departments. They also made recommendations and necessary reports to the managing director and the board. The transition manager who formed part of the senior management team was responsible for co-ordination of the various projects and activities in the implementation process.

4.5.4 Middle Management

The middle management were responsible for executing the decisions made by the board and transition team. Selected members of the middle management were also part of the transition team. The middle management formed the link between the top executive team and the staff. They received directions from the top and led the staff in execution. On the other hand, they forwarded issues raised by staff to the top executives to have them addressed. One respondent however noted that most of the resistance was experienced at this level as most of these staff were the long serving staff who had difficulties accepting the changes.

4.5.5 Other Staff

The other members of staff were the implementers of the transition activities. Change agents were selected from this team to enhance implementation of activities on the ground. The change agents were influencers and sold the benefit of change to their peers to encourage support and implementation. The definition of change agents here differs slightly from that of Johnson and Scholes (1999), where it is broader and refers to the individual or group that effects strategic change in an organisation. In Faulu's case, this definition would include the transition team and the consultants that facilitated project teams.

4.5.6 External Stakeholders

The key external stakeholders included the development partners, consulting firms and clients. The main role played by development partners was in providing financial assistance for the transition activities.

A number of consulting firms were used to provide technical advice and support in different areas of the change process. A rating agency was hired to rate the institution which is an important prerequisite to fundraising. A consulting firm was engaged to conduct the initial market and institutional review that informed the strategic plan. Another consulting firm was hired to provide technical advice and assistance in implementing key projects such as product refinement and development, corporate brand strategy, review and restructuring of human resource management practices, process re-engineering, internal audit, financial management and treasury management. A marketing agency was hired to provide technical assistance in marketing communications. A different consulting firm was hired to advice on the selection of an appropriate MIS and the selected supplier provided technical support in installation and operationalisation of the new system.

The clients also had a role to play. First and foremost, they urged the institution to change and were its greatest supporters. Through the research activities, the clients provided information that was used in decision making for instance in the refinement and development of new product concepts. They also gave useful feedback throughout the implementation process.

Just as Johnson and Scholes (1999) observe, these roles were not entirely mutually exclusive. Different people found themselves in different roles at different times and in different contexts. For instance, some of the middle managers who formed part of the transition team played dual roles of establishing the strategy and implementing the strategy. Consultants also had differing roles. For instance the rating agency was more engaged in the strategy formulation phase while other consultants were more engaged in the change process either as technical advisers or facilitators of project teams. All in all, it is clear that different stakeholders had different roles to play and that these roles were equally important in helping the organisation achieve the change vision.

CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

This study was on strategic change management at Faulu Kenya with a focus on its transformation to a deposit taking microfinance institution. The objectives of the study were: (i) to determine the nature of the strategic change, (ii) to establish the processes undertaken to implement the strategic change and (iii) to establish the roles played by various stakeholders in the strategic change process.

The study found that the nature of strategic was just as its title, transformational. It was transformational in that it led to a total change in the way of doing business at Faulu with one respondent aptly describing it as a complete paradigm shift. There was introduction of a business oriented approach, change in the organisational structure, systems, policies and as a result a considerable change in the culture of the organisation. The transformation was duly planned for with a key preliminary activity involving a market and institutional review that informed the strategic plan in which the plans for transformation were embedded. Other preliminary activities that signified planning and informed the transformation were the revision of the vision, mission and core values and the exposure visits to leading microfinance institutions in other countries by the senior management and the board.

In examining the process of implementing the strategic change, the study used Kotter's (1996) 'Eight-Steps to Successful Change' model as a basis. The study found that though not deliberately planned against any model, the process of implementing strategic change at Faulu did to a large extent integrate key aspects of Kotter's model.

The first step, in Kotter's model is establishing a sense of urgency. There were efforts to address the potential problem of complacency that would undermine the change process. This was mainly done through an institution-wide change management programme. The programme constituted discussions around Faulu and its mission to transform lives, people's feelings and emotions regarding change and requirements of the new MFI Act. All staff underwent the programme and it served to sensitise and reassure them on the impending change. A lot of sensitisation was also done through the daily morning devotions.

The second step is creating a guiding coalition. Faulu created a transition team led by a transition manager. The team comprised of the managing director, the senior management and selected staff from middle management. This team led the strategic change process and took overall responsibility for the change activities. The third step is developing a vision and strategy. There was no creation of a specific and distinct vision and strategy for the transformation. However, these were embedded in the overall corporate vision, mission and strategy. Each of the strategic goals in the five-year (2007-2011) strategic plan reflected as aspect of the transformation. Further, the corporate vision, mission and values were revised to make them more articulate and easier for staff to internalise and were launched as part of the transformation process.

Communicating the change vision is the fourth step. Despite the fact that a specific and distinct transformation vision was not articulated, the reason, benefits, requirements, expectations and activities relating to transformation were communicated through various avenues. The communication channels included: the change management programme, recorded DVD material, weekly departmental meetings, quarterly management meetings, quarterly circulars indicating milestones and in every major event such as branch and product launches, the annual prayer day and during induction of new staff. The communication was said to be well organised at the initial stages but later became uncoordinated and inconsistent.

The fifth step is empowering broad-based action. Efforts were made to address potential obstacles and facilitate implementation of change. The organisational structure was changed, new roles were introduced, positions and reporting lines were adjusted and realigned. A new MIS and ICT infrastructure were installed to increase capacity, efficiency and provide a platform for innovation. New operational processes were introduced and others realigned to the new operational structures and systems. The human resources systems and practices were changed and made more structured and professional. New skills were also brought in.

Generating short-term wins is the sixth step. The study revealed that there was no deliberately planned short-term quick wins and associated rewards, but certain key events represented positive milestones of the change process and provided the necessary motivation to move on. These key events were the launch of revised credit products, the launch of the new vision, mission and core values, launch of the new corporate identity and the rollout of the new MIS.

The seventh step is consolidating gains and producing more change. As change progressed, there was more restructuring and acquisition of new skills particularly in banking operations as a way of building capacity to achieve the change vision. There was also appointment of change agents to enhance implementation of the change process at the branches.

Anchoring new approaches in the culture is the eighth and last step in Kotter's model of change. A business orientation and greater professionalism are the most key positive aspects that have come in to the corporate culture. However, past positive aspects of the culture such as a strong Christian orientation that contributed to strong commitment to work as said to be slightly affected negatively especially due to recruitment of new and large numbers of staff.

The study also found that different stakeholders played different roles in the transformation. The board of directors gave oversight, strategic direction and provided necessary support to the management team. The managing director was the change champion and took overall responsibility for ensuring its successful implementation. The senior management formed the core of the guiding coalition and were the key drivers of the change projects. The middle management team were responsible for executing decisions and were an important link between the decision makers and implementers. The non-management staff were the implementers of the transition activities and produced the change agents. Different consultants provided technical advice and support in different change projects while development partners provided financial support. The clients were the greatest supporters and provided useful information to help improve the change process.

5.2 Conclusions and Recommendations for Policy and Practice

The management of strategic change at Faulu is with no doubt commendable. It can certainly be considered a success having led to Faulu being the first licensed DTMFI in Kenya in a scenario where many MFIs are still trying to meet the requirements to get the license. The success also goes to confirm what has been discussed by various writers such as Kotter (1996), Kanter *et al* (1992), Pettigrew and Whipp (1993), and Cameron and Green (2004) ingredients to successful change. Issues such as creating a sense of urgency, having a guiding team, empowerment, highlighted by these writers formed part of the strategic change process at Faulu and contributed to the success.

The success notwithstanding, there are areas in which Faulu could give due consideration in future strategic change projects. One, it is important to develop a distinct vision and strategy for a particular change effort. This is in consideration that strategic change may not always coincide with the time period for writing the corporate strategic plan, especially if it is forced by circumstances. A distinct vision together with specific strategies to achieve the vision help in motivating and co-ordinating large numbers of different people in one clear direction and in a fast and efficient way. This and milestones achieved should be effectively communicated through different channels and in a well co-ordinated and regular manner throughout the change process. Continuous communication of the vision and updates on milestones serves to maintain motivation and momentum for the change activities amongst staff. Kotter (1996) emphasises the need to communicate at least ten times the amount you expect to have to communicate and in a variety of different ways. Another area for consideration, is deliberate planning of short-term quick wins and celebrating these. Just like in communication, these help in building morale for the change amongst staff and make it easier to tackle additional and bigger change projects in the process towards achieving the change vision.

5.3 Limitations of the Study

The main limitation of this study is that it is a case study focussing on only one institution – Faulu Kenya. As such, the findings and conclusions are limited to this institution and do not provide a comprehensive outlook of strategic change process. The limitation notwithstanding, the findings form important learning points for institutions seeking to implement strategic change and for academicians wishing to study the subject.

5.4 Suggestions for Further Research

This study only focussed on few aspects of strategic change – the nature, process and role of different stakeholders. Further it was a case study focussing on only one institution. In order to have a more comprehensive understanding of the issues surrounding the strategic change at Faulu, other key aspects such as challenges of implementing the strategic change and impact of the strategic change on employees at Faulu could be explored.

In addition, similar studies could be carried out in other institutions in the sector undergoing transformation in order to draw lessons for the microfinance sector at country and global level. These could also be compared with similar studies in different sectors to identify similarities and / or differences.

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APPENDICES

Appendix 1: Introduction Letter

Angela M. Wambugu
P.O. BOX 59217
0200 City Square
Nairobi, Kenya

14-Nov-08

The Managing Director,
Faulu Kenya
P.O. Box 60240-00200
Nairobi, Kenya
Dear Ms. Koros,

RE: Case Study on Faulu Kenya

I'm currently in the process of doing my MBA project paper on Strategic Change Management and would very much like to do a case study of Faulu on this subject.

From my interactions with Faulu over the past year I've come to discover that Faulu is a success story in its own right. I think there is a lot to say about Faulu but I am most keen to write about the process towards becoming a deposit-taking MFI (hopefully the first in Kenya, which will be another great milestone!).

By this letter, I'm requesting for your permission to proceed with the case study. The study paper will only be available at the University and with yourselves (if you would like a copy). I would really appreciate if you could allow me to do the case study to enable me complete my MBA project.

Attached please find my concept paper for your review. It gives a brief outline of the proposed case study.

I look forward to your favourable response.

Yours faithfully,

Angela M. Wambugu

Appendix 2: Interview Guide

Strategic change is the modification or alteration of the overall direction of an organisation on what to offer and how to operate in order to survive and remain competitive in a constantly changing environment.

SECTION A: BACKGROUND INFORMATION

1. Respondents Details

Name: Designation:

Period in Current Designation: Period in Faulu:

2. Logistical Information

Date: Time: Venue:

SECTION B: CORE RESEARCH QUESTIONS

1. Type of strategic change at Faulu

There are two main types of Strategic Change: - incremental and transformational change. Incremental change is where organisations continually tune their current ways of operating as their environment changes. Transformational change is fundamental change that calls for change in 'the way of doing things around here'. It often arises when incremental change has been inadequate or because the external pressures for change are extreme.

1.1. Which of the two types of strategic change do you think applies to Faulu with respect to 'Transformation to an MDI'? Please explain your choice.

1.2. For the type of strategic change, would you say it was reactive (forced by or reacting to circumstances) or proactive (anticipated need and hence planning for change)? Please explain.

2. Processes of implementing strategic change (transformation) at Faulu.

There are different processes used in implementing strategic change in organisations. Please describe the 'Transformation' process at Faulu by answering and explaining your answer in each of the questions below.

2.1. Please describe the onset of transformation at Faulu?

2.1.1. Was there any preliminary analysis done to inform the need for transformation? if yes, how was it done? by whom?

2.1.2. What were the findings / outcomes that led to the change? What necessitated the strategic change - transformation?

2.1.3. When did the strategic change process begin?

2.2. Were there any efforts to create a sense of urgency (or address complacency) to help achieve the change vision? If yes, how was this done?

2.3. Was there a coalition (or team) to guide the change?

2.3.1. If yes, how was it constituted? Who was included and why?

2.3.2. How did the coalition members work together as team to lead the change?

2.4. Was there a vision and a strategy created for the change?

2.4.1. Was there a vision to help direct the change effort? what was it? how was it created?

2.4.2. Was there a strategy developed to achieve that vision?

2.5. How were the vision and strategy communicated?

2.5.1. What vehicles / channels were used to communicate the new vision and strategies?

2.5.2. How often was communication done?

2.5.3. Were any behaviour changes expected?

2.5.3.1. If yes, what were they?

2.5.3.2. How were they passed on to employees? was there any role modelling?

2.5.3.3. Who was / were responsible for role modelling?

2.6. Was there empowerment for action / implementation?

2.6.1. Were there any obstacles that would undermine achievement of the change vision? if yes, what were they and how were they addressed?

2.6.2. Were there any changes to systems (e.g. information, human resource systems) or structures so as to facilitate achievement of the change vision? if yes, how were they changed?

2.6.3. Were there any efforts to directly encourage staff to achieve the change vision e.g. encouraging risk taking and non-traditional ideas, activities and actions? if yes, how was this done?

2.7. Were there any efforts to generate short-term ‘quick’ wins to sustain momentum for the change?

2.7.1. If yes, what were the planned ‘quick wins’?

2.7.2. Were those who made the wins possible recognised or rewarded? if yes, how?

2.7.3. What effect did achievement and celebration of the ‘quick wins’ have on the transformation effort?

2.8. How were the gains consolidated to produce more change?

2.8.1. Were they further changes to systems, structures and policies to further help achieve the change vision? if yes, what were these?

2.8.2. Were there people hired, promoted and developed to implement the change vision? if yes, please explain

2.8.3. Were there any efforts to reinvigorate the process with new projects, themes and change agents?

2.9. Has the organisational culture changed as a result of the transformation?

2.9.1. If yes, how has it changed? How have behaviours and shared values been altered?

2.9.2. Are the new behaviours linked to anticipated organisational success? if yes, how?

2.10. When did the change process end?

3. Roles played by various stakeholders of the organisation

3.1. Which groups of people (stakeholders) were involved in the transformation process?

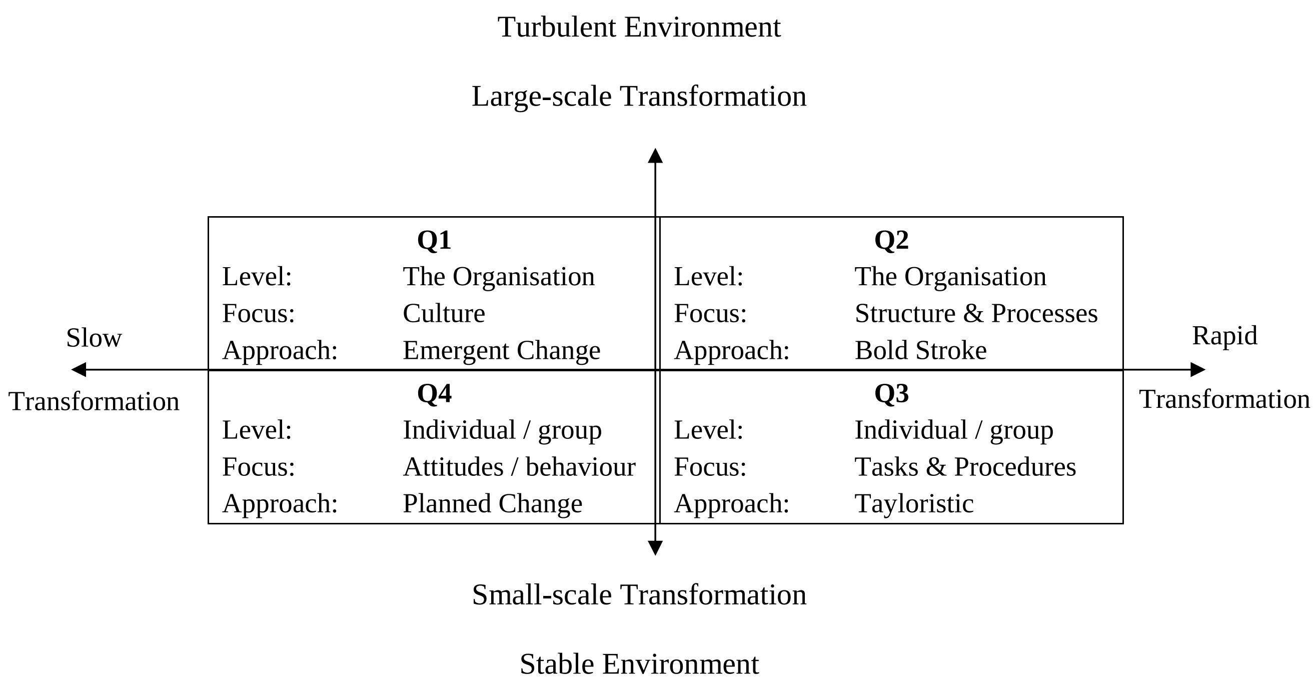
3.2. How was each group involved?

Appendix 3: List of Respondents – Members of the Transition Team

Name	Designation	Years in Faulu
1. Anne Kimari	Head of Finance Transition Manager at time of Transformation Project	3.5 yrs
2. John Mwara	General Manager – Finance and Administration Formerly Head of Finance and ICT	3.5 yrs
3. Anne Makori	Head of Human Resource Management	2.5 yrs
4. Pauline Githugu	Head of Legal Services	5 yrs
5. Mary Munyiri	Head of Business Development - Assets	15 yrs
6. Charity Wainaina	Head of Marketing	3.5 yrs
7. James Asiba	Head of ICT	3 yrs
8. Chris Rono	Credit Administration Manager	3.5 yrs
9. Jackie Nyaga	Learning and Development Manager	14yrs
10. Henry Mwaniki	Research and Development Officer	5 yrs

Appendix 4: Change Management Frameworks

(A) Burne's Framework for Change



Source: Burnes (2004)

(B) Tichy's Strategic Management Matrix

Figure 1

STRATEGIC TASKS FOR THE SUCCESSFUL MANAGEMENT OF YOUR ORGANIZATION

Procedure: For each cell on the matrix, indicate the amount of change you feel is required over the next five years for your organization to be successful.

Circle the number below each box to indicate: *No Change Required* [1] [2] *Moderate Change Required* [3] [4] *A Great Deal of Change Required* [5]

Managerial Tools

Managerial Areas ↓	*Mission and Strategy*	*Organization Structure*	*Human Resources Management*
Technical System	Assessing environmental threats and opportunities. Assessing organizational strengths and weaknesses. Defining mission and selecting resources to accomplish it.	Differentiating: organizing work into roles (production, marketing, and so forth). Integration: recombining roles into departments, divisions, regions, and so forth. Aligning structure to strategy.	Fitting people to roles. Specifying performance criteria for roles. Measuring performance. Staffing and developing to fill roles (present and future).
	[1] [2] [3] [4] [5]	[1] [2] [3] [4] [5]	[1] [2] [3] [4] [5]
Political System	Who gets to influence the mission and strategy. Managing coalitional behavior around strategic decisions.	Distributing power across the role structure. Balancing power across groups of roles (for example sales vs. marketing, production vs. R&D, and so forth).	Managing succession politics (who gets ahead, how they get ahead). Designing and administrating reward system (who gets what and how). Managing the politics of appraisal (who is appraised by whom and how).
	[1] [2] [3] [4] [5]	[1] [2] [3] [4] [5]	[1] [2] [3] [4] [5]
Cultural System	Managing influence of values and philosophy on mission and strategy. Developing culture aligned with mission and strategy.	Developing managerial style aligned with technical and political structure. Developing subcultures to support roles (production culture, R&D culture, and so forth). Integrating subcultures to create company culture.	Selecting people to build or reinforce culture. Developing (socialization) to mold organization culture. Managing rewards to shape and reinforce the culture.
	[1] [2] [3] [4] [5]	[1] [2] [3] [4] [5]	[1] [2] [3] [4] [5]