MANAGING CHANGE AT NATIONAL BANK OF KENYA LTD

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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

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DEDICATION

This project is dedicated to my mother Mrs Maina for her continued encouragement, my husband Bernard Karanja for his support, my sisters and brother who as a family instilled in me the spirit of perseverance and determination. They left a legacy of patience and calmness that I have found valuable as I endured to complete my study. I wish to express my gratitude to all who stood by me to complete my study.

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ABSTRACT

Change may be driven by business trends, economic, social, culture, political and environmental factors. To remain competitive, organizations must be able to quickly respond to change. Change is a constant feature of organizational life and the ability to manage it is seen as a core competence of successful organizations. Change management is the application of knowledge, tools and resources to leverage the benefits of change. Further, change management is the adapting and defining of corporate strategies, structures, procedures and technologies to deal with changes from external and internal conditions. It is an organizational process aimed at empowering the employees to accept and embrace changes in their current business environment. The first chapter covers the background of the study, detailed discussion on change management, banking industry in Kenya, profile of National Bank of Kenya ltd, research problem, research objectives; to establish challenges of change management at NBK and to determine change management practices adopted by NBK. The chapter also highlights the value and justification of the study. The second chapter is on literature review which covers organizational change, managing organizational change, models of change management, challenges of change management and managing challenges of change. Chapter three is the research methodology, where the research design is a case study and data collection is from both primary and secondary sources. The case study sought to establish challenges of change management, as well as determine change management practices adopted by NBK. The study observed that numerous challenges were faced in change management process. The research findings show that NBK had embraced reliable change management practices in its change process. A management lesson from this research is that for an organization to successfully implement change there must be planning, constant communication, training and evaluation of the change process.

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LIST OF ABBREVIATIONS AND ACRONYMS

ADKAR = Awareness, Desire, Knowledge, Ability, and Reinforcement

ATMS = Automated Teller Machines

BFUB = Bank Fusion Universal Banking

CBK = Central Bank of Kenya

DMD = Deputy Managing Director

IT = Information Technology

KBA = Kenya Bankers Association

KRA = Kenya Revenue Authority

MD = Managing Director

Ksh = Kenya shillings

NBK = National Bank of Kenya Limited

NSSF = National Social Security Fund

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In light of fundamental and incremental changes constantly occurring in the internal and external environment of organizations, leaders need to realize that their organizations can only survive if they anticipate, recognize, plan and implement adequate change in a timely manner. Today, banking industry face a variety of challenges, including competition from global markets, restructuring by down-sizing, mergers, acquisitions, technological changes, increased awareness and demands from customers. These challenges have placed pressure on organizations to change their systems, structures and processes to ensure continued survival and existence of their business (Peach, 2009). The business environment produces change in the workplace more suddenly and frequently than ever before. The ability to adapt to changing work conditions is essential for individual and organizational survival.

1.1.1 Change management

Change is viewed as an ever-present feature of organizational life; both at an operational and strategic level (Burnes, 2004). Change represents an intentional attempt to improve in some important way, the operational effectiveness of the organization. It is the process of getting individuals, teams and organizations to function better (Mullins and Riseborough, 1999). There are two types of change within the organization; strategic change and operational change (Nadler, 2006).Strategic change occurs mainly at corporate level and

involves fundamental changes in the business of organization and its future direction. It is concerned with vision, mission, values and corporate philosophy with the aim to achieve organizational effectiveness.

Operational change occurs mainly at business level and involves routine activities within the organization to achieve efficiency. Operational changes are often proactive measures to adapt to industry changes or to improve processes for competitive advantage. Within the organization, if there was no change and the environment was relatively static, the process of change management would be fairly simple and manager's job relatively easy. The issues of effective organization design would also be solved since the environment would be free from uncertainty and there would be no need to adapt new changes, which are expensive and tedious to carry out (Robbins and Coutler, 1999).

Organizations are changing the way they implement and manage change. Change management is the application of the set of tools, processes, skills and principles for managing the people side of change to achieve the required outcomes of a change project or initiative. Change management in many organizations has shifted from being the responsibility of an internal or external change agent dedicated to its implementation and management to increasingly being identified as a core competency for most organizational leaders (Doyle, 2002). As such, the skills required to lead, manage and implement change are being incorporated into the existing expectations, roles and responsibilities of managers and other employees. Lack of understanding of change implementation techniques and the inability to modify one's management style or organizational functions are cited as barriers to success (Gilley, 2005).

Change management can be approached from a number of angles and applied to numerous organizational processes. To be effective, change management should be multi-disciplinary, touching all aspects of the organization. There are two dominant approaches to managing change namely; emergent and planned approach (Burnes, 2004). Emergent approach views change as a continuous, open ended and unpredictable process of aligning and realigning the organization to its changing environment (Burnes, 1996). It tends to be a bottom –up activity and views change as a continuous learning process. This approach seeks to avoid the pitfalls of imposed change by allowing individuals within their working groups to come to terms with change through involvement and participation. This increases the ownership of the process and success of the change within the organization.

Planned change approach rely more on assumptions that an organization's environment is known and change can be planned to move from one state to another. The planned approach views change as a process of moving from one fixed state to another through a series of pre-planned steps. The limitation of planned approach, it inhibits the organization's ability to respond promptly to sudden changes in the environment which is constantly occurring (Graetz et al., 2002). There are a number of theoretical models of change management which includes; Lewin three step, kotter's eight step model, ADKAR model and learning organization model. Each model attempts to describe the process through which organizations successfully alter their business practices, their organizational structure, organizational climate, resource capabilities and culture to manage change.

1.1.2 Banking industry in Kenya

The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential guidelines issued by CBK. The Central Bank of Kenya is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial systems. The Banks have come together under the KBA , which serves as a lobby for the banks' interest and also addresses issues affecting the member Banks. The Banking sector in Kenya has continued to indicate significant growth in assets, deposits, profitability and products offering. Currently, we have 49 commercial Banks, 11 non-Banking institutions, 15 microfinance and 48 Foreign Exchange Bureaus (Central Bank, 2011). This growth of banking sector has been mainly underpinned by; industry wide branch network, automation of large number of services and stiff competition for better services.

The strategies used mainly by banks are price and product differentiation, expansion, technology and mergers. Traditional brick and mortar banks are using technology to meet the competitive challenge posed by online banks, as well as a method of reducing the cost of providing services that were once delivered exclusively by bank personnel (Joseph et al., 2003). Players in this sector have experienced increased competition resulting from innovations like electronic banking, online banking to execute transactions, use of Automated teller machines (ATMS), modified products and new entrants into the market. Key issues affecting banking industry in Kenya are; changes in regulatory and monetary framework, increased demand for non-traditional services, declining interest margins and emphasis on customer service rather than the product.

1.1.3 National bank of Kenya ltd

National Bank of Kenya ltd was incorporated on 19th June, 1968 and officially opened on November 14th 1968.The objective for its formation was to help Kenyans access credit and control their economy after independence. At inception the authorized share capital was ksh 20 million with a par value of ksh 5.00.This has progressively grown to the current ksh 6.675 billion in share capital. The bank achieved profit before tax of khs 2.4 billion and pre-tax of ksh 1.55 billion in 2011.This was a decline compared to 2010 with a pre-tax of 2.02 billion, which was attributed to an increase in provision for bad loans and taxation expenses. The current Shareholding now stands at: NSSF 48.06%, General Public - 29.44% and Kenyan Government 22.5% (Nbk, 2011).

The bank faced its share of challenges in 1998 leading to erosion of public and customer confidence. In order to restore lost market confidence, the stakeholders reviewed and revitalized the governance and management structure in 1999.The bank was placed on a recovery program consisting of prudent cost cutting measures, product and market redefinition, risk management and IT application. Currently NBK operates 50 branches and three agencies. The bank continues to cover the financial landscape and respond positively to the changing needs of its customers and shareholders. The bank has successfully implemented an electronic payment processing system braded e-pay for payment of salaries to corporate clients, collection and remittance of tax to KRA, placing the bank as unique service provider to its corporate clients.

There are a number of changes been implemented at National Bank of Kenya. Such changes include; Cheque Truncation system which refers to the process of replacing the physical flow of cheques with electronic information while retaining the physical cheques within the presenting bank. The bank is replacing its core banking system and the integrated debit/credit card simultaneously with new version known as BFUB. This superior technology is flexible enough to meet challenges of the new service frontiers; the bank will improve its market campaigns, consumer perception and service delivery. There is restructure changes in the top management with creation of offices of DMD - support services and customer service. These changes have led to staff transfers and change of tasks. There is continuous expansion of branch network which gives the bank added advantages; dealing with customers in their own peculiar local environment and capturing portion of market share.

1.2 Research Problem

Change management is the process of taking a planned and structured approach to help align an organization with the change. From a management perspective it involves the organizational and behavioural adjustments that need to be made to accommodate and sustain change. Management of change is important because it determines the success or failure of a change program. Typically the objective is to maximize the collective benefits for all people involved in the change and minimize the risk or failure of change. Change management is an effective tool in ensuring that the organization maintains its relevance in terms of market share, revenue generation, industry leadership and optimization of resources (Pearce and Robinson, 2002).

National Bank like other banks in Kenya is undertaking a number of changes. These changes includes; massive branch expansion, new products, restructuring to consumer banking, change of IT system from core banking to BFUB and cheque truncation system of replacing cheques with electronic information. The strategic plan for the period 2011-2013 will necessitate more changes than expected in the bank. These changes have negative consequences in terms of resistance from stakeholders and employees, high staff turnover, costs and staff movements. Employees feel threatened by these changes due to loss of job, status quo, security and change in work schedule. Challenges are arising if change is not effectively managed. Hence, the study seeks to investigate how NBK is managing change going through the organization.

A considerable number of studies have been done on managing organizational change. The studies have focused on the petroleum industry (Gichuki, 2010), packaging industry (Gwengi, 2010), Telecommunication industry (Kibisu, 2010), banking sector (Kimaku, 2010), security sector (Mutui, 2009) and insurance sector (Otwori, 2008). Only Kimaku (2010) looked at aspects of change management in the banking industry at Barclays Bank of Kenya. He found that Barclays Bank of Kenya used threats to induce change where resistance was expected, performance appraisal system and communication to manage change. Barclays Bank is a foreign owned bank and some factors influencing change management are quite different from NBK which is a locally owned bank. The study seeks to answer the following questions in relation to NBK: What challenges of change management is the bank experiencing? What change management practices have the bank adopted?

1.3 Research Objectives

The objectives of the study are:

   i) To establish challenges of change management at NBK.

   ii) To determine change management practices adopted by NBK.

1.4 Value of the study

The study will help in theory development by giving insights to the best practices to adopt to manage change in the banking industry. Other studies on change management are done mostly in developed world and done in other sectors other than the banking industry. This study will highlight insights of best practices to adopt to manage change.

The study will be useful to scholars as a reference for future studies and in pursuit of in-depth knowledge of change management framework as an effective tool towards adapting to the changing environment. The study will be beneficial to the researcher in pursuit of knowledge about challenges of change management and the practices to adopt to manage the challenges of change within the organization.

The study will be useful to management of NBK in implementation of decisions, strategic plan and in management of change in order to enhance positive opportunities and minimize disruptive aspects. Managers helping in change transition can use the study to detect potential resistance to change and the appropriate strategies to manage change.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter covers the literature review and explores the aspects of organizational change, managing organizational change, models of change management, and challenges of change management and practices to adopt in managing change.

2.2 Organizational Change

Organizational change has become part of every business; where organization continuously redefine the structures, processes, the workforce and the environments within which they operate. Increasing environmental instability and uncertainty are forcing companies to change continuously (Brown and Eisenhardt, 1997). However, change itself is a risky, haphazard and improvised process reaching unsatisfactory results in many companies (Katzenbach and Smith, 1993).The term organizational change means the movement of an organization from the existing plateau towards a desired future state in order to increase organizational efficiency and effectiveness (Cummings and Worley, 2005). Weick and Quinn (1999) perceived organizational change as either episodic or continuous. Episodic change is frequent and sometimes radical, while continuous change may be incremental and emergent.

Regardless of which forces cause organizations to see the need for change, Leana and Barry (2000) posit that organizational change is aimed at adapting to the changing environment, improvement in performance and changes in employees behavioural

patterns. The driving forces for organizational change are the result of the need to constantly improve productivity and efficiency (Arnetz, 2005).The biggest challenge of change is posed by resistance which is seen as dysfunctional yet a common element embedded in the change loop (Bovey and Hede, 2001).The intention to resist is triggered by maladaptive defence mechanisms adopted by individuals to protect them from the perceived threats of proposed change. Management must prepare and anticipate the likely reactions of employees, their resistance and their coping mechanisms and ultimately how they accept change in the workplace (Gotsill and Natchez, 2007).

Organizational change brings about differing reactions among employees who are either positive with high levels of performance or negative with feelings of cynicism. Organizational cynicism is a negative attitude toward one's employing organization, where the principles of honest and sincerity are sacrificed to the interests of the leadership (Abraham, 2000).The behaviour of workers determines what organizational changes can be made and what real benefits will be drawn from them. People must therefore understand change and be willing to embrace it. This can only be done if they are willing to learn new knowledge, skills and modify their work habits and values.

2.3 Managing Organizational Change

When conceptualizing change management and its effect on performance, it should be borne in mind that whatever change initiatives are put in place, the bottom line is to unify and strengthen the organization's ability to survive in the industry (Bateman and Zeithaml, 1990). One key factor for implementing and managing change is having the right people to plan, implement and drive the change program from start to finish. One of

the reasons change processes fail is because companies under-estimate the importance of the individuals involved in the change and their interaction (Kotter, 1996).

Change management loses momentum when a company does not address the issue of its own organizational energy. Organizational energy reflects the extent, to which a company has mobilized its potential in pursuit of its goals (Bruch and Ghoshal, 2003). Problems associated with energy during change manifest as either insufficient urgency during the beginning phases of, a loss in momentum or the reversal of positive impact after a change program. Three things can be done to avert these typical pitfalls. First, the required urgency for initiating a change can be achieved through consultations. Second, the means for maintaining momentum for a change is to strategically revitalize and refocus on the change. Third, integrating the result of the change into existing organization structures and systems should safeguard the long-term impact of a change.

The planned approach to change management is tightly linked to identifying and managing processes designed to make organizations more successful and competitive. All these processes are internally focused, and they attempt to provide solutions to help management obtain commitment to change with the least resistance. Linear planning sets clear directions, weighs resources, budgets against set objectives and sets direction with clear goals and objectives (Graetz et al., 2002). The main emphasis is on team building, personal development and participation. Action research is emphasized and used to measure and evaluate change through constant feedback.

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Emergent approach is based on a processual perspective which is not prescriptive but is analytical, thus better to achieve a broad understanding of change management within a complex environment (Dawson, 1994). Rapid and constant changes in the external environment require appropriate responses from organizations. This in turn force them to develop an understanding of their strategy, structure, systems, people, style and culture and how these can affect the change process (Dawson, 1994). The emergent approach involves linking action by people at all levels of a business. The responsibility for organizational change devolves and managers take a more enabling rather than controlling approach to managing change (Pettigrew and Whipp, 1993).

For complex changes, there is need for project management to ensure consultative communications to gain support for the reasons of change. Involving and informing people creates opportunities for others to participate in planning and implementing the changes, which spreads the organizational load and creates a sense of ownership and familiarity among the people affected (Johnson and Scholes, 2002).To increase ownership and commitment to the change process, it is crucial to involve those who will be affected by the changes to participate in identifying strategic issues, setting the strategic agenda and the strategic decision making process. The change agents or change champions retain the change process but delegate certain tasks to teams at the lower levels affected by the process of change. This is beneficial in that it not only involves members of the organization in idea generation but also in implementation of solutions (Bruch and Ghoshal, 2003).

In management of change, the importance of leaders in organizing and maintaining a climate for change within organizations is emphasized. Although participation of all players is necessary, the role of the leader in the change process is crucial. Dubbed the "champions of change" it is the leaders, who keep the change process moving while maintaining the operational integrity of the organization. Adaptive leaders provide direction, protection, orientation and conflict control, while overseeing the change process within the corporate structure (Congeret et al. 1999). Priorities need to be set which encourage disciplined attention, while keeping a keen eye focused for signs of distress and resistance within the company members.

2.4 Models of Change Management

Burnes (2004) outlines various models developed by researchers like Kurt Lewis (1958), Kotter (1996) and Senge (1990) which have been developed and used to understand and implement change in individuals and organizations. The outlined models help understand and manage change within the organization.

2.4.1 Lewin's three step Model

The main thrust of this model is that an understanding of the critical steps in the change process will increase the probability of successfully managing change. Lewin (1958) argues that there are two opposing sets of forces within social system; these are the driving forces that promote change and the resisting forces that avoid change or maintain the status quo. Change occurs in three steps namely; unfreezing, moving and refreezing (Lewin, 1951). The unfreezing step consists of the process of getting people to accept the

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change. The process may begin by disconfirming the usefulness or appropriateness of individuals' present behaviours, attitudes and work habits.

Moving step involve providing new information, new behavioural models, or new ideas of looking at things. Besides, force may be used for inducing change and use punishments, threats and withholding of rewards by the superior to force the individuals comply with the change. Third step, refreezing aims at making the new practices and behaviours a permanent part of the operation or role after the process of implementation of change has ended. The intent here is to stabilize the workplace at the new equilibrium and ensure that the employee's new behaviour is congruent with the environment being developed within the organization (Burnes, 2004).Despite its popularity, Lewin's original theory has been criticized. The key ones are that his work assumed organizations' operate in a stable state, ignored organizational power and politics and was top-down approach or management-driven (Dunphy and Stace, 1993).

2.4.2 Kotter's Eight-step Change Model

Kotter (1996) described a successful model for understanding and managing change. Kotter developed a model which should be used at the strategic level of an organization to change its vision and subsequently transform the organization. A general lesson learned from successful cases of organizational change is that the change process goes through a series of phases that, taken together, require a length of time. Skipping steps will only create the illusion of speed and never produce satisfactory results.

Kotter (1996) suggests eight steps to change management as follows; create a sense of urgency, form a powerful guiding coalition of managers to work as a team, continuing to build urgency and momentum around the need for change. Creating a vision and the strategies for achieving the vision will help expedite the change. The fourth step involves communicating the vision to all stakeholders involved in the process of change using every vehicle possible to communicate the new vision and strategies. Fifth step is to empower others to act on the vision by removing barriers to change and encouraging risk taking and creative problem solving actions and changing systems or structures.

There is need to plan for, create and reward short-term wins that move the organization toward the new change by rewarding employees. Consolidating improvements and producing more change-using increased credibility to change systems, structures and policies, hiring and developing employees who can implement that vision (Burnes, 2004). The final step is institutionalizing new approaches within the organization-articulating the connections between the new behaviour and corporate success.

2.4.3 "ADKAR" Model of change management

The five elements of ADKAR are; awareness of the need to change; desire to make change happen; knowledge about how to change; ability to implement new skills and reinforcement to retain change. Hiatt (2006) refers to each of these five actions as building blocks for successful individual change and organizational change. ADKAR model is a goal–oriented model that allows change management teams to focus their activities on specific business results (Hiatt, 2006). This result –oriented approach helps focus energy on the area that will produce the highest probability for success.

ADKAR model becomes a useful framework for change management teams in the planning and execution of their work. As a manager, one can use this model to identify gaps in the change process and to provide effective coaching for employees having difficult in the change process. The ADKAR model can be used to; firstly, diagnose employee resistance to change and help employees transition through the change process successfully. Second, it can also be used to create a successful action for personal and professional advancement during change and develop a change management plan for all employees in the organization (http://www.change-management.com/tutorial-adkar-overview.htm).

2.4.4 Learning Organizational Model

The learning organization approach is a change process aimed at assisting the development and use of knowledge to build capacity for continuous change and learning. The model states that learning organizations perpetually seek strategic change through learning, experimentation and communication to renew itself constantly. Learning is a key requirement for both leaders and followers for any effective and lasting change to occur. "Without learning, the attitudes, skills and behaviours needed to formulate and implement a new strategic task will not develop, nor will a new frame by which selection and promotion decisions are made," (Conger, *et al* 1999). Organizations use knowledge and value based changes to improve their problem solving ability and capability for action. Learning organizations are built through individuals' personal mastery, mental models, shared visions and team learning within the organization routine tasks.

2.5 Challenges in Change Management

Change is usually implemented for positive reasons (to adapt to changing environmental conditions and remain competitive); employees often respond negatively toward change and resist change efforts. Kline (2007) explains this is because change fosters uncertainty about the future, stimulates fear about job loss, status quo and is naturally threatening. Employees do not resist all change, only change that they do not understand or that they see as psychologically or economically threatening (Hayes, 1996).

Resistance to change is often understood from the management standpoint as a perceived behaviour of organization's members who refuse to accept change (Cheng, et al. 2004). Resistance to change introduces costs and delays into the change process that are difficult to anticipate but must be taken into consideration (Ansoff, 1990). Similarly Ford et al. (2008) have developed a framework that considers resistance as a resource which could boost awareness, build participation and engagement while implementing and inducing change in the organization. Resistance may also be a helpful response to perceived unethical procedures that may not be in the best interest of the organization (Oreg, 2006).

Change management revolves around the structures of an organization. Structure is the most important and powerful influence within the organization. Change is resisted by bureaucratic structures where jobs are narrowly defined, lines of authority clearly spelled and communication is top to bottom. The change process may introduce, abolish, upgrade and sustain various functional levels. This means re-defining the organizational structure to support the change management which is time consuming and expensive. To monitor and support change infrastructure within the functional level, change department must be

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put in place, driven by change champions (Johnson and Scholes, 2002). A continuous training module for employees in new areas of operation is put under change department.

Most organizational changes have some impact on informal networks in the organization. Breaking-up a closely knit work-group or changing social relationship can provoke resistance. Informal groups fear that their cohesiveness or existence is threatened by change. This is true when group members feel a strong sense of belongingness to the group and perceive that their group is superior to others (Kotter, 1996).Social reasons for resistance include new organizational set-up requiring new social adjustments which are not liked by people due to stress and strain. Most workers fear that the new set-up will be less satisfying than the present set- up. Top managers may resist change and consider change as a potential threat to their power and influence especially where change is perceived to undermine their authority. Internal politics and power in organization slows the process of change and results may not be achieved within the allocated timeframe.

In any organizational setting, there is provision for comfort zones as deemed by staff. Old ways of operations are comfortable and easy (Nadler, 2006).The introduction of new factors tend to destabilize the comfort zone. Change processes that aim to change the culture of the organization are difficult to operationalize because of the inherent difficulty in uncovering the informal systems that guide people's behaviour (Pearce and Robinson, 2002).Organizational culture refers to a set of shared values, belief, assumptions and practices that shape and guide members' attitudes and behaviour in the organization. Most of them are more theoretical than practical hence using a mix of insider knowledge and experience makes it challenging for organization to manage change.

2.6 Managing Challenges of Change

It is important for change managers to have an understanding of why people resist change to allow them to plan strategies aimed at managing challenges from the onset. Some of the practices used to overcome challenges include communication, employee participation and involvement, management support and commitment, training, negotiations and manipulation.

Communication is regarded as highly important in the successful implementation of the change processes, because it is used as a tool for announcing, explaining and preparing the change (Kitchen and Daly, 2002). Communication is essentially viewed as the collective interactive process of generating and interpreting messages between people within the organization through either directional (one-way) or bidirectional (two-way). According to Gichuki (2010) proper channels of communication put in place helps flow of information and minimize the challenges of change.

The communication strategy is perceived as a mechanism to clarify the facts to stakeholders of what is going to change, why and what benefits they can expect to derive from the change. Open communication provides for feedback, input, complaints and for the full involvement of all personnel in the change process. The impetus of the change process is to rely on people. This requires management to communicate with people, communicating the vision, the strategy, training and development (Michelman, 2007).Viable communication counts for an increase in not only individual receptiveness but also organizational change preparedness.

Successful change management requires commitment and support from organization's leaders, regardless of whether the change is occurring in one section or across the whole organization. Hoffman and Woody (2008) highlight management support as the key necessity of promoting change. Leaders play a key role in promoting and sustaining the impetus for the change, developing and communicating a shared sense of the way forward. Top management support and commitment to change play an especially crucial role in success (Burke, 2002).Change efforts need to be "pushed" throughout the organization, with leaders delegating both the responsibility and authority to make decisions about change, grounded on clear change vision, to managers across all sections.

Participation implies involvement in strategic decision making through workgroups and teams as well as setting of the organizational strategic agenda (Johnson and Scholes, 1999).Organizations that follow participative strategy have high levels of involvement, collaboration and dialogue from all levels regarding the change process. Managers must strive to widen the circle of involvement by all employees. Involvement builds the trust and commitment essential for long term relationships which contribute to continual improvements of performance. Employees that are given the opportunity to understand and accept the reasons for change meet their new work obligation with greater involvement and increased focus (Barchan, 2006). Employee involvement creates psychological ownership of decisions and accountability for their success.

Training impacts the user's belief regarding both ease of use and usefulness and is one management strategy to create readiness to prepare users to accept the change (Venkatesh and Davis, 1996).Training of key stakeholders is important because good change

management needs key people within an organization to develop the skill and insight that will make a difference to the way things happen around them. Training as noted by Gwengi (2010) equips people with the knowledge, skills, and competencies to manage the change process.

Other approaches include: negotiation with employees resisting change and offering them incentives. Kimaku (2010) asserts that giving incentives acts as a way of encouraging and motivating every employee in organization to accept and implement change; use of manipulation and cooptation whereby management may manipulate workers by releasing information selectively or by consciously structuring the sequence of events. Alternatively they may co-opt a key person within a group, by giving him a desirable role in designing or carrying out the change process.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research design of the study which was used in collection of data. The research design method was a case study which entails an empirical enquiry that investigates a contemporary phenomenon in depth within real life context. The data was collected through primary and secondary methods. Qualitative content analysis was used to analyze the data collected.

3.2 Research Design

The research was conducted through a case study method. Case study is a form of qualitative analysis where a study is done on one organization and it gives detailed investigation of a single subject. Case study research consists of a detailed investigation, often with data collected over a period of time, within their context, with the aim being "to provide an analysis of the context and processes which illuminate the theoretical issues being studied"(Hartley, 2004).Case study emphasized on in-depth knowledge regarding challenges of change and practices adopted by NBK.

Cooper and Schindler (2006) maintain that case study provides a very focused and valuable insight to phenomena that may otherwise be vaguely known or understood. Case study designs are the most appropriate research designs because it is a study of a single unit hence it facilitates intensive study and analysis of scenario. Case study provides

more realistic responses than a purely statistical survey. Case study is a one approach that supports deeper and more detailed investigation and answers how and why questions.

3.3 Data Collection

Primary and secondary data was used in this study. In-depth interviews were conducted with interviewees who are head of key departments in Head office charged with change implementation. Key departments are; IT, Operations, Human resource, Finance and Marketing. Questions were issued in advance to help the interviewees recall facts, make references and to generally prepare for the interview as shown in the appendix. The interviewees were briefed in advance of questions to help them recollect facts and make references where necessary before the actual interview date. Secondary data was obtained from internal documents within the organization.

3.4 Data Analysis

The presentation of findings is of qualitative form. Qualitative implies an emphasis on the qualities of entities, processes and meanings that are not experimentally examined or measured in terms of quantity, amount, intensity, or frequency. Qualitative methods allow detailed analysis. Considering the kind of data intended as per the interview guide, conceptual and qualitative content analysis was the best method. Qualitative content analysis is often used to analyze interview transcripts in order to reveal or model people's information related behaviours and thoughts. Content analysis is a method of analyzing written, verbal or visual communication messages. Content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of message and using the same to relate to trends (Nachmias and Nachmias, 1996).

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter discusses the findings of the study based on the analysis and interpretation of primary and secondary data collected through interviews from NBK. The findings of the study are presented into two sections according to the objectives namely; to establish challenges of change management and identify practices to adopt in managing change.

4.2 Challenges of Change Management

All the interviewees cited that the forces of change in the organization were both external and internal. The external forces of change identified were changes in technology, changing demands of consumers and competition from other banks. Internal forces of change identified were changes in employee demands, changes in work schedule, branch expansion and restructure changes. The interviewees were asked to identify some of changes the organization is currently implementing. They identified; bank fusion universal banking and truncation system as a platform of improved service delivery, response to competition, cost reduction and centralization of operations. They also cited expansion of branches to create wider market base coupled with offering of new products like; mortgage facility, mobile banking, and Western Union money transfer.

Interviewees stated there were key challenges identified in managing change at NBK. They argued that the biggest challenge was resistance to change. It emerged from the interview discussion that NBK was non-exceptional and was faced with the challenge of

widespread resistance. Interviewees reported that resistance to change cut across all levels within the organization. Further probe revealed that some employees embraced change, others passively resisted change, while some actively resisted change.

Resistance to change is a phenomenon that affects the change process, delaying its beginning, obstructing its implementation and increasing its costs (Ansoff, 1990).The interviewees reported that the reasons for resistance to change are myriad and range from uncertainty, fear of loss of job, desire to maintain status quo, fear of transfers to hardship areas, fear of leaving the comfort zone, inadequate training, low motivation and user interface problem. The findings appear to be in agreement with the argument by Kline, (2007).The resistance emanates from mismatch between new and old systems due to connectivity problems, poor communication at lower levels, inadequate training and changes in work schedule. Some of the interviewees pointed out that the effect of resistance was reduced level of overall performance. Other effects of resistance noted by all interviewees were; slow service to customers, delay in the implementation and additional costs to pay external consultants.

The interviewees pointed out that structural constraints were experienced. The interviewees argued that new project department was established to support change headed by project manager and that change champions were involved in coordination, installation and training. They further argued that as a result many employees were transferred from the branches to Head office where the department was set. Further probe revealed that the company hired experts who played a great role in training the change champions. To monitor and support change, change department must be put in place

driven by change champions (Johnson and Scholes, 2002). The interviewees also cited many levels of senior management which delays policies and decisions. They noted that leadership change had affected its organizational structure in creation of two offices of new DMD and other management leaders were ushered in office.

The interviewees pointed out financial constraint as being part of the challenge in change management. They argued that expansion of branch network required substantial amount of money in hiring of office space, renovation of branches and putting up new buildings. They pointed out other costs incurred due to expansion were acquisition of office equipment and payment of disturbance allowance to staff transferred from their stations. After expansion, money was needed for re-branding of products, research and advertisements in media houses. This was an expensive exercise which aimed to create awareness of new products and new branches to customers. They stated that during implementation of new systems, money was needed in acquisition of software, installation, payment to external consultants and staff training. The interviewees were asked to list some ways to tackle financial constraints and they cited the need to carry out expansion in phases, proper budgeting and solicit for funds from the Government.

Social constraints were experienced within NBK in implementation of change. The interviewees argued that staff transfers affected work groups by breaking up a closely knit work-groups and changing social relationships that provoked resistance. Social reasons for resistance to change include new organizational set –up requiring new social adjustment not liked by people due to stress and strain. They actually argued that introduction of new factors tend to destabilize the comfort zone. They all agreed that

group cohesiveness and social norms under threat triggered resistance to change. They noted that integrating the young and old staff into change process was a hurdle due to age gap. They also noted that some employees did not prefer younger graduate staff to be their bosses hence delaying the process of implementation. Most of the new ideas generated by younger operational staffs at lower levels were criticized by the old staff hence instilling fear on them not to give views or opinions on change management.

Other notable challenges cited out by the interviewees were internal politics and power that affected some of the changes. Some of the branches were opened in regions that were economically unviable due to influence of top senior management, and the buildings owned by top management. Interviewees noted managers to head these branches were not appointed based on qualification and experience but influence of top management and tribalism. Finally, they cited the time allocated for transition from the old to new systems was limited and employees were not able to learn all the concepts of the new systems resulting to resistance to change.

4.3 Change Management Practices

This section of the study sought to identify some of the practices adopted to manage change in the study organization. The interviewees were asked to identify and explain the change management practices in the study organization. The interviewees cited the following practices namely; two way communication, management support, employee participation and involvement, employee training and coercion. The practices are discussed below to explain how each practice was used by the study organization to minimise employee resistance to change.

4.3.1 Two way Communication

All the interviewees pointed out that communication was critical during the process of change. An ultimate goal of communication in change is to convey meaningful change messages in a strategic manner across the organization to achieve employees' corporate acculturation and employees' commitment (Unzicker et al., 2000). Interview reports show that regular communication on urgency of change was maintained by NBK at all time. They agreed that most changes were communicated to managers first, since they connect directly with the employees and spend most of the time with them. Employees were also given the opportunity to communicate their views and opinions. Interviewees noted that internal emails, formal meetings, memos and verbal communication were the most preferred channels adopted to communicate the objectives of change.

The objectives were set clearly and all employees informed of the expected changes in order to dispel fear of losing job as experienced at the initial stages of Cheque Truncation System. They noted that communication explained the purpose of change in the organization. Further probe revealed that NBK enjoyed an integrated approach to communication where horizontal and vertical forms were used to communicate within departments, between departments and ultimately whole organization. The management of NBK observed that by executing the communication strategy which relied on good communication channels, frequently offering information and dispelling rumours, they were able to minimize employee resistance associated with fear and uncertainty. The interviewees noted the constant communication to customers to give them confidence with the new systems due to connectivity problems experienced at the initial stages.

4.3.2 Top Management Support

The interviewees noted that the top managements' support to the change process was critical for successful implementation. They noted that top management kept the change process moving while maintaining the operational integrity of the organization. The MD, DMD, and General Managers played a critical role in crafting the objectives as well as core values of change which proved to all employees that change was important to the organization and there were benefits to reap from the change process.

The interviewees cited the continuous communication from the DMD office on the reasons why all employees need to embrace the new changes. This made many employees change their perception and support the changes within their respective departments. To continuously reduce employees' resistance to change, the MD constantly created a sense of urgency for change by advocating for change at all key staff meetings. Interviewees reported that management provided resources in terms of time, effort and approved budget related to change process on time to facilitate the implementation.

4.3.3 Employee Participation

The NBK management realized that no meaningful change could take place without participation of employees. The interviewees noted that employees were incorporated to the change process from the beginning. They pointed out that all employees were expected to participate in simulation exercise and in idea generation. Each department volunteered two staff to help other users when problems associated with new systems were encountered. They all agreed the results were increased job satisfaction, team performance and high employee work morale. The interviewees noted that group training

organized by the consultants provided another good forum for employees to actively participate in the change process. Some actually argued that during the rebranding exercise of the products, employees were allowed to participate by giving their views on product improvement. This contributed to adoption and created a sense of ownership of change process within the organization.

4.3.4 Employee Training

The interviewees reported that some employees were opposed to change due to inadequate training on the areas targeted for change. Training was critical if various change initiatives were to be realized. NBK management engaged the services of consultants to ensure that change champions undergo proper training on the change process before disseminating the information to other users of the system. A few employees were trained on customer service due to continuous expansion of branch network, while another group was trained on credit management due to centralization of operations at credit department. Gwengi (2010) asserts that training equips the people with the knowledge, skills and competencies to manage the change process.

Lastly, some interviewees cited coercion was used to force employees who were adamant to accept change or sabotaged the change process. They argued that these employees were either dismissed or transferred to hardship areas as a disciplinary measure. They reported that coercion was also used in branches during data clean up exercise before installing new systems to avoid the mismatch between the old and new systems related to connectivity problems.

4.4 Discussions of Findings

The study found out that key challenge experienced in management of change was resistance to change. Resistance was triggered by factors like; fear of loss of job, status quo, fear of leaving comfort zone, inadequate training and user interface problems. This is consistent with Kline (2007) who explains that change fosters uncertainty about the future, stimulates fear about job loss, status quo and is naturally threatening. The study further observed that the effects of resistance to change are; delays in implementation, additional costs, and slow service to customers and reduced overall performance. This is consistent with Ansoff (1990) who suggests that resistance to change results to additional costs and delays in its implementation. This aspect does not agree with Ford et al. (2008) who considers resistance as a resource which could boost awareness, build participation and engagement while inducing change in the organization.

The study found that structural constraints were experienced. A new project department was established headed by project manager and change champions involved in coordination of new systems. This concurs with Johnson and Scholes (2002) who explains that to support change infrastructure within an organization, change department must be put in place driven by change champions and continuous training module is offered. Study found that leadership change had affected its structure in creation of two offices of new DMD and other senior management leaders were ushered in office.

The study further observed financial constraint was a challenge in change management. Finances were needed during expansion of branch network, payment to external consultants, payment of disturbance allowances, concessionary allowances and for

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advertisements to inform customers of new products. Lastly, study found that staff transfers affected work groups by breaking up closely knit work-groups and changing social relationships that provoked resistance. New social adjustment is not liked by people due to stress and strain. This study concurs with Nadler (2006) who explains that old ways of operation are comfortable and easy to maintain.

The study found that the practices to manage challenges of change are; two way communication-which is regarded as highly important in the successful implementation of change and used as a tool for explaining and preparing change. The study found that management support is important in managing challenges of change. This is in agreement with Burke (2002) that top management support and commitment to change play an especially crucial role in success. Other practices identified are employee participation, employee training-which creates readiness to prepare users to accept the change and coercion. However, other notable area of improvement in management of change is provision of monetary and non-monetary incentives like recognition and compensation for non-working days. Kimaku (2010) asserts that incentives given to performing employees raise their morale to achieve higher performance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

There are two study objectives to be achieved through this study; one to establish challenges of change management at NBK and the second one is to determine change management practices adopted. This chapter will discuss these findings and draw summary discussions, conclusions, limitations of the study, suggestions for further research, recommendations and contributions to theory development.

5.2 Summary of findings

The purpose of the study was to establish challenges of change and identify the practices adopted by NBK to manage change. The findings of the study revealed that various challenges were encountered in change management. Major challenge identified in the study was resistance to change. Interviewees attributed a number of factors which include; fear of losing job, desire to maintain status quo, fear of transfers, inadequate training, user interface problems, poor communication and frequent changes of work schedule. The effects of resistance as interviewees noted was slow service to customers, delay in implementation and additional costs. Other challenges noted during interview discussions were; financial limitations, structural, social constraints and internal politics.

The study established that the study organization had embraced a number of change management practices as pointed out by the interviewees. Results revealed that the organization had embraced well-structured change department constituting of change

champions for overseeing change process. Interviewees noted that external consultants were hired to offer adequate training to change champions and other employees on the use of new systems. Communication was carried out in the study organization and that internal email, memos and formal meetings were the most preferred channels of communication. Communication helped to dispel rumours of losing job and explain clearly the objectives of change to all employees.

Findings also revealed that the organization adopted other practices like top management support, who played key role in crafting objectives of change, communicating urgency of change and approval of budgets on change process. The employees were also equally engaged in the change process which helped increase ownership during implementation of change. Lastly, coercion was used by the management as last resort to deal with active resistance from employees who were adamant to accept change and causing unnecessary delays to the change process.

5.3 Conclusions of the study

The study sought to establish challenges of change management, as well as identify change management practices adopted by NBK. The study observed that numerous challenges were faced in change management process. Such challenges were either organizational related or people related. These challenges included resistance to change, financial limitations, structural constraints, social constraints and internal politics. The effects of resistance to change in the study organization were slow service to customers, reduced level of performance, delay in implementation process and additional costs.

The study further observed that the organization had embraced reliable change management practices in its change process. The most critical was the communication of change to all employees in order to deal with resistance caused by mis-information and organizational rumours. Secondly, there was top management support throughout the entire period of managing the change process. The MD, DMD and General Managers played key role by crafting objectives, communicating the urgency of change, offering leadership and providing assistance to all employees. This ensured that management support was guaranteed and motivated others leading the change initiative.

National bank of Kenya had set up a team composed of project manager and change champions to steer the change process and help in coordinating various change efforts. Intensive training was offered by external consultants to all employees on the change that would affect them in their work. Besides, all employees were to actively participate and contribute ideas to increase ownership and success of change process.

5.4 Limitations of the study

The study may have some weaknesses inherent in using interview guide for data collection purposes. The data obtained from the interviewees may suffer from personal biases and may not represent the opinion of the study organization. Depending on personal factors like feelings, emotions, attitude towards change, the interviewees will give personal opinions which might not reflect the company's views and may withhold some information which is important for the study. The data obtained focused mainly on Head of key departments at Head office hence customers and other stakeholders were not incorporated in the research to give their views.
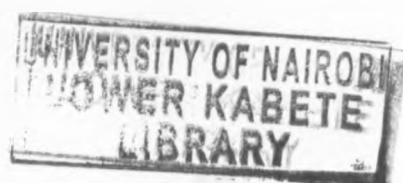
National Bank of Kenya ltd has wide branch network, therefore, it was difficult to collect data from other staff in the branches located in other regions. Data was obtained from staff at Head office only, thereby leaving out staff in branches without giving their opinions. Time constraint was also a limitation which resulted to some Head of Departments not willing to give the researcher enough time to probe further for in-depth information. Most of them postponed the interview discussion due to busy work schedule and frequent meetings and seminars to attend.

The interviewees were from a financial institution and it was difficult to obtain some crucial information which they termed as confidential. They could not disclose some information which they termed as confidential and solely used for organization only. It was actually difficult to get some interviewees respond to such questions that touched on top management or performance of company. The researcher had to be cautious not to appear to be getting classified information to give to a competitor firm by making them understand that it was an academic research project.

Another limitation is the extent to which the study findings can be used for generalization in attempt to understand the change management phenomenon in other banks. Being a case study, study is done on one organization and it gives detailed investigation of a single subject. The study was carried out within NBK working culture, structure and environment. Other financial institution's may therefore have different culture, structures, competencies, resource capabilities and hence display different reactions to the process of managing change.

5.5 Suggestions for Further Research

Further research could be conducted in other organizations since they have different cultures, structures, management styles, values and resource capabilities. The study was conducted on a local firm and it would be necessary to study management of change in other local financial institutions and multinational financial firms to find out if there are any differences. The study will be extensive since it will cover a wide scope of study and the results will be interesting area of study.

Traditionally, in most organizations change has been viewed in a negative context and the issue of change resistance has always been included as part of notorious impediments throughout the change process. It is recommended that further research be done to find out how organizations can positively leverage on this phenomenon to create competitive advantage in the business environment.

5.6 Recommendations of the study

This area of study will generally highlight the contributions to theory development in pursuit of additional knowledge and lastly the recommendations for policy and practice in the study organization.

5.6.1 Contributions to Theory Development

The research study contributes to theory by adding knowledge on how change management practices are used in local bank in managing change. The research study contributes by identifying reliable change management practices to adopt in managing change in local bank. The practices could be different in foreign owned bank since some

factors influencing change management are quite different from locally owned financial firms. This study highlights insights of best practices to adopt to manage change in the respective organization.

5.6.2 Recommendations for Policy and Practice

It is important for organizations going through change to consider the following three recommendations. First and most critical is communication to all employees and other stakeholders of the expected changes, and explain how, why, when change will be carried out and what benefits they can expect to derive from the change. This will help deal with resistance caused by misinformation and dispel rumours of losing job, status quo and group cohesiveness. Secondly, management and lower level employees need to be trained in order to acquire skills and competencies in change management. In absence of such competencies or skills, organization should outsource the same to external consultants to work closely with the management during the entire period of change process.

Thirdly, employee participation in the change process is also important. All employees are equally to be engaged in the change process to increase ownership and success of change process. When employees participate during implementation of change, they have faith and confidence in the management that the change will have benefits for the organization. They are also assured of management support in terms of resources, time and effort in the change process.

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APPENDICES

Appendix: Interview guide

Section A: Personal details

Name: (optional)...

Department:..

Position:...

Number of years worked:..................................

Are you involved in implementation of change(s) and what is (Are) your role?

- ....

Section B: Nature of change

What major change(s) have been implemented in your organization?

- ....

What force(s) necessitated these changes?

- ....

- ....

What kind of impact does change(s) have on the following aspect of organization?

- Structure...

- Culture...

- Resources...

- Products...

Section C: Challenges in change management

What are the main challenges encountered in managing change?

- ....

Would you name other challenges faced in change management program?

- ....

- ....

Has there been notable resistance to change(s)?

- ....

- ....

If yes, describe some of the factors contributing to resistance?

- ....

- ....

In your view, what are some of the effects of resistance to change(s)?

- ....

- ....

How do you overcome resistant to change(s)?

- ....

- ....

Do you have financial constraints in managing change(s)?

- ....

If yes, what do you do about it?

- ....

- ....

Do you have structural constraints in managing change?

- ....

If yes, what do you do about it?

- ....

- ....

. What social constraints do you experience in managing change?

- ....

- ....

Do you have culture constraints in managing change?

- ....

- ....

If yes, how do you tackle it?

- ....

- ....

Does internal politics influence the process of managing change?

- ....

- ....

What other constraints are experienced?

- ....

- ....

Section D: Change Management Practices

Does everyone know what to expect from change, are the objectives clear?

- ....

Has the change(s) been communicated in the organization?(Yes/No)

- ....

If yes, what channels of communication were used?

- ....

Describe some of the change management practices adopted by NBK in dealing with change challenges?

- ....

- ....

- ....

How exactly was the following carried out in managing change at NBK?
Communication

- ....

Getting support for the change

- ....

Training

- ....

Motivation

- ....

Are there any specific areas where you feel could be better improved or managed?

- ....

- ....