PEOPLE DIMENSION IN STRATEGIC CHANGE MANAGEMENT AT FAMILY BANK LTD

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

2009

DECLARATION

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

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D61/9205/2005

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

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DEDICATION

To my late dad who sacrificed selflessly to provide me with an education for a future.

ACKNOWLEDGEMENTS

My special thanks to my supervisor, Mr. Jackson Maalu, Lecturer, School of Business, University of Nairobi, whose advice and guidance saw through completion of this work. I thank him especially for not giving up with me. I appreciate his patience concern and time sacrifice.

Special thanks to my friend and role model Dr. Nganga N. W., Timothy Njuguna, my sister Ruth Mwangi for their unlimited support, advice and encouragement throughout the research. I also acknowledge the support I received from the entire library staff.

Special thanks to my family for their moral and financial support and their prayers.

Lastly, my special thanks go to all the Family Bank Ltd informants who spent their time to participate in the study.

ABSTRACT

The dynamic and competitive business environment requires a continued change in the strategies. Strategic thinking and translation of its results into action program is fundamental. Successful strategies are those that have prior communication to the implementers and the strong leadership in their implementation. Linking strategy implementation and the human resource factor supports the overall process. It is beneficial to involve all employees in the strategic change process to ensure their commitment, support and reduce chances of resistance.

This study sought to establish the people management practices during the time of change as applied by Family Bank Limited. There were two main objectives of the study: first was to establish the people management practices applied by Family Bank Limited during the strategic change process and secondly, to establish the challenges that they encountered in handling the human factor when implementing the strategic change.

The study was a case study and the informants included ten (10) employees of the Family Bank Limited. The study involved informants from management and non-management levels. Five (5) of the informants were from top, middle and lower management levels. The other five (5) informants were drawn from non-management staff. The study used primary data, collected through use of interview guides where qualitative analysis of data was done.

For a strategic process to be successful, employees must be involved in one way or the other. However, it emerged that the top level managers were highly involved, second came the middle

level while the other employees were least involved or generally ignored. However, Family Bank Limited has laid more emphasis on the resources, organizational structure, values and staffing while staff skills and organizational culture were least considered.

Strategy implementation and change management require special skill sets and competence. In training middle level managers, emphasis was laid on strategy implementation as that is seen to be their core function in the organization. However management of emergent strategies was least considered. It was also noted that the middle level managers were also sometimes involved in strategic discussions and negotiations. Strategy was also communicated downwards to the employees through middle level managers, departmental heads and branch managers during developmental meetings, managers' meetings and staff meetings.

Internal memos, e-mails and circulars were also used in communicating the strategy to the employees. It was established that Family Bank Limited do not follow any particular mode of communication, they use all the above methods either in isolation or a combination but the circulars were found to be dominantly used while a change strategy was being communicated. As much as the organization mostly uses e-mails as a common media for internal communication, for change strategies other modes are used instead.

CHAPTER ONE: INTRODUCTION

1.1 Background

Organizations change over time. When they change, a new strategy becomes a requisite for their continued success. Hitt et al (1997) argues that when formulating strategies, thoughts must be given to implementing them. There is thus a need to understand the link between strategy implementation and the human resource factor. As Okuto (2002) argues, there is a direct relationship between the amount of change in an organization and the physiological changes in the people who work there. According to Gadiesh and Gilbert (2001) it is more beneficial to involve all employees in the strategy process by pushing decision making from the chief executive office to the far reaches of the organization. Johnson and Scholes (1999) observe that organizations which successfully manage change are those which have integrated their human resource management policies with their strategies and the strategic change process.

Strategic change is built on an overall strategic management system of any organization, human resource being included. Human resource is the backbone of every organization therefore people are an important resource in any organization. Their involvement in any strategic change processes is very important. Failure to do this can result to diverse results including total rejection of the strategy however good it may be. According to Kotter and Schlesinger (1979), change can have a destabilizing effect both for individuals and organizations. This can cause individuals anxiety, resulting in attempts to avoid the change taking place. The human resource management must critically be concerned with the way employees relate to the nature and direction of the firm and such they can both block strategic change and also be significant facilitators of strategic change.

1.1.1 Concept of Change Management

Change is a transition from one state to another with focus of being different. Very often, change is the result of a major crisis, either internal or external to the organization. According to Davis and Holland (2002) change management ensures that organizations use systematic methods so that change can be guided in a planned direction, is cost effective, meets the time budget and achieves desired results. The introduction of change and management of change are two of the most critical elements of leadership. This is because, through the process of strategic change, organizations seek to reposition themselves in order to create new competencies and capacities to exploit opportunities.

Different types of change suit different objectives that institutions wish to achieve. According to Luthans (1992) change is the only constant feature in the life of any organization. An organization's strategy legitimizes a change program. Leadership therefore plays a very significant role in managing change. As Burnes (2000) points out, the biggest challenge to the managers today is the issue of how organizations can cope with both dynamic environment in which they operate given the constraints, challenges and the threats they face.

Rose and Lawton (1999) note that change has become an enduring feature of organizational life. They observe that people in all sectors whether private or public cannot claim to not being touched by the pace or direction of organizational change. A successful change manager therefore, acknowledges and manages organizational rumors, past cultures and current realities leading the work group toward new sets of priorities and values. Change managers address and reduce the fear of change that naturally exists in the work group. They build trust and confidence rather than attempting to manipulate their people. Its only organizations which are able to strategically manage the changes, by adapting to it, that are deemed to succeed. Customer satisfaction has become a key success factor in all organizations but this cannot be if change is not well thought for and managed in the best possible way.

According to Kotter (1996) the first activity to leading successful change is to establish a sense of urgency. This urgency can be caused by the relevant environmental changes which include changing customers, competition, technology and benchmarks. Most scholars and academicians have argued that the urgency defines why we must do something. It energizes, focuses motivation, and opens mind as well as inspiring new behaviors among the people. But all said and done, it will be of no use to develop strategies which cannot be implemented. Hence it's as important to ensure that the strategies formulated will be implemented to achieve the desired results of strategic competitiveness. Aosa (1992) observed that companies that maintained various links between strategy development and implementation were more successful than those which were not. Quinn et al (1998) argues that in reality formulation and implementation are intertwined. The implementation brings about new order of things.

Change management is a problem finding and problem solving activity, the problem here being the future state to be realized, current state to be to be left behind and the organized process for getting from the current state to future state. Strategic change is the transition that results from implementation of an organization strategy. According to Lynch (2000), strategic change is the proactive management of change in organizations to achieve clearly identified strategic objectives. It calls for new ways of working which must be followed by everyone. It involves substantial changes away from the conventional ways of doing things. Porter (1985) points out that when environment changes competitive strategy not only responds to new environment but also shapes that new environment in the organization's favor.

Hill and Jones (2001) states that strategic change involves a strategic move from current state towards a desired future state in order to increase its competitiveness. This is triggered by several environmental factors which include shifts of the economy, new alliances, partnerships or acquisitions, shifts in technology, new entrants in the organization causing changes in leadership, political power changes, among other factors. Change is any planned or unplanned transition from one state to another. Such change could be biological, chemical physical or strategic change. Strategic change is long term in nature and it affects entire organization. It aims at achieving an organization's effectiveness. Strategic change is the transition which results from the implementation of an organization's strategy.

Hardy (1985) defines strategic change management as actions, processes and decisions that are executed by an organization's members to realize their strategic intentions. As internal and external environments change, organizations also need to change their strategies in order to achieve strategic fit. In a dynamic environment a competitive advantage today can spell doom to an organization tomorrow e.g. as we get new entrants, cheaper commodities, a technology obsoleteness, political interferences among others. Failure to challenge a status quo can easily lead to a failure of success. Present success does not always mean future success since the environment keep on changing. This means that change cannot be an occasion. It is supposed to be continuous. Firms require carrying out a strategic diagnosis to determine the changes that have to be carried out to its internal capability in order to suit the environment hence a competitive advantage.

Different models for leading change successfully have been established. They include the eight stage processes by Kotter (1996) and Lewin (1946) action research model. If these models are applied properly, practitioners, scholars and writers argue that they should see through change successfully. However even with these approaches and models to change management, change programs still report pathetic performance not least the Kenyan experience. This can highly be attributed to the fact that little emphasis is given to the people dimension. This leads to a very rocky implementation since the ignored lot, i.e. the people, is a medium through which implementation is carried out. A successful change in organizations however depends on the change agent or change leader and the organization's competency. This hence requires effective management of the people and other resources. The leaders should make use of employees' talents and their ability to achieve operational objectives.

1.1.2 People Dimension in Change Management

The link between change implementation in an organization and the human resource factor is fundamental. Thomas and Strickland (1999) observe that core competencies reside in a company`s people not in its assets on the balance sheet and the distinctive competencies are a basis of competitive advantage. Organizational changes may often be accompanied by a number of job losses e.g. the recent announcement of job cuts by Zain Kenya, and a decrease in job security and promotional opportunities. Beaudan (2001) states that managers must pay close attention to the substance of the strategy and also how the bridge between strategy implementation is built. This, to today's manager can imply that; engage people's intellect by clarifying what you mean by strategy. They need to think of the emerging strategy not as an opportunity to define the future but as an opportunity to generate powerful conversations inside the organization; with respect to implementation people should feel that it is their strategy they are about to execute, not the senior manager's.

According to Storey (1996) being strategic about human resources is about developing a capability to mix the soft with the hard human resource management (HRM) to choose situational appropriate rather than personally preferred approaches to HRM as the business requires. He defines softer approaches as including adaptive strategy, cultural change and continuous improvement. The harder approaches are rational strategy, structural changes, radical transformational command and control. He further observes that, it is in those corporations that 'think people' and where human resource professional 'think business' that a fluidity of relationship and synergy of thinking develops. He explains that, executives and business unit managers need a 'heart for people' whereas HRM professionals need a head for the business. He finally concludes that only then do people issues become change and business issues and vice versa.

Okuto (2002) argues that there is a direct relationship between the amount of change in an organization and the physiological changes in the people who work there and the more the change, the more stress people and organization will experience. Organizational change can cause chronic health problems and negatively affect work effectiveness and satisfaction and therefore business growth. Fredrick Hertzberg made the distinction between hygiene factors and motivators in the work environment (Beardwell and Holden 1997). He investigated the question; "what do people want from their jobs". He concluded that all the variables that make people feel either good or bad can be grouped into hygiene factors and motivators.

Hygiene factors were thought to be environmental and prevented workers from becoming dissatisfied but they did not necessarily motivate. Examples include, pay, working conditions, supervision, company policies, administration and interpersonal relations. The motivating factors included interesting and meaningful work, achievement, recognition, responsibility, personal growth and advancement. Lack of these factors at work would mean that employees are not motivated. Cool et al (1998) believes that people manifest an overall attitude towards change with different strengths depending on the specific issues and contexts involved. Invariably financial logic drives the executive decisions regarding growth, retrenchment or reorganization.

Johnson and Scholes (1999) points out that strategies may require major resource changes for an organization which definitely has an implication on the human resource. Employee responses to organizational change have an effect on the employer-employee trust relationship and that trust is crucial for organizational success thus it is useful to understand how these responses unfold. The manner in which change process unfolds is important since it influences perceptions of trustworthiness amongst internal and external publics.

According to Kotter and Schlesinger (1979), change can have a destabilizing effect both for individuals and organizations. This can cause individuals anxiety, resulting in attempts to avoid the change taking place. Change may be perceived as its resulting in our being removed from our 'safe' existing world and put into a potentially challenging situation, where once again we have to learn from the beginning. The people dimension involves the alignment of organization's culture, values, people and behaviors to encourage the desired results. This may involve, for example, the need for an organization to get the performance and rewards system working to encourage the right behavior and actions. An organization will need to decide how people's efforts or lack of it, will be recognized or addressed, how success will be defined and how it will be measured and rewarded. This aligns the organizational performance and culture. The case for the strategy and the change has to be made. The case has to be powerful and compelling. The organization, therefore, will need to marshal its arguments and clearly set out why the change is both necessary and urgent.

Gadiesh and Gilbert (2001) observes that it is more beneficial to involve all employees in the strategy process by pushing decision making from chief executive's office to the far reaches of the organization. To drive such behavior, a company needs to give employees a mandate broad enough to encourage enterprising behavior thus aligning employees' initiative with the company strategy. The main concern here is addressing the issue of how organizations can give employees clear strategic direction but also inspires innovation, flexibility and risk taking. They suggest that when the strategic principle is well crafted and effectively communicated, managers at all levels can be trusted to make decision that advance rather than undermine company strategy. While top officials make final decisions, employees on the ground first screen opportunities against the organization's strategic principle. They argue that a strategic principle or a mission statement help employees understand an organization's direction.

Kotter and Schlesinger (1979), further argues that if people don't see the need for the change, then they are less likely to embrace it. If they see that it threatens them or that there is no positive result for them, they are likely to resist or even sabotage the change initiative. If they see that there is no cost or penalty if they do not change, they are less likely to change or support the change process. The arguments for the change therefore, have to be compelling and clear. They can be carrot or stick based arguments, but it has to be made clear that no change is not an option. The arguments have to be real. There is no point claiming the platform is burning if people can't see the flames or feel the heat. However, helping employees cope with this change is one of the most critical success factors in any change management. There is a need for continuous communication flows throughout the change process. Strategy implementation and change management require special skill sets and competences.

It is important to examine and identify the reasons why the change may be resisted, and to develop and implement actions to address the causes of resistance. If the organization is about to embark on a major strategy implementation or change programme, one of the first things it should do is undertake a stakeholder analysis. Munga (2005) argues that resistance is the most prevalent barrier to strategic change in organizations. Resistance occurs at both systemic and behavioral level. There are four (4) categories of barriers to strategic change which include cultural, social, organizational and psychological barriers. It is believed that, in order to overcome the obstacles to change, resistance must be confronted directly and should be embraced as a feedback. Managers must therefore anticipate resistance when initiating any change process; have the knowledge and readiness to handle resistance. They must have the right people, stay focused, keep stakeholders informed and ensure resources are adequate.

Success of any change lies in the ability of the leaders to address both emotional and practical issues in that order. Quite clearly, the manner in which organizational restructuring is managed is crucial to employer-employee trust and motivation of survivors.

1.1.3 Background on Family Bank Limited

The banking industry in Kenya today is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK). The CBK which falls under the Ministry of Finance's docket is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. The CBK publishes information on Kenya's commercial banks and other financial institutions, interest rates and other publications like guidelines. Currently Kenya has forty nine (49) commercial banks Family Bank Ltd being one of them.

Family Bank Limited is a privately owned medium sized bank established in 1984 as a building society under the Building Societies Act to what it is today. It's a family business. It was not until May 2007 that it converted to a fully fledged bank under the Banking Act (CAP 488) of the laws of Kenya. The first branch was opened in the owners' home district, Kiambu town in 1984 which later spread to other towns in Central Province. Currently Family Bank has forty (40) branches all over Kenya most of which were opened after conversion to a bank. Its head office is situated at Four way Towers Building, 6th floor along Muindi Mbingu Street next to Jeevanje Gardens in Nairobi.

According to the credit manager, strategies for Family Bank Limited are formulated by the top management and communicated downwards. They are then implemented with the leadership of the branch managers and departmental heads. The board must ratify all strategic and policy decisions. This has not been that easy given the nature of ownership even after the organizational structure of Family Bank Ltd was changed after conversion to a fully fledged bank in 2007. Central Bank of Kenya prudential guidelines stipulates that the bank's management must be separated from the ownership. The conversion therefore saw creation of the posts of Chairman, CEO, Operations manager and the Human Resources Manager as the top managers as required to whom the branch managers report to.

A Family Bank Ltd supervisor who has been employed since 2003 points out that Family Bank Limited has gone through a lot of changes including physical, technical and managerial. It has come from a purely manual system of operations to what it is now; fully computerized. However, the growth has not been a smooth ride as the chairman reveals. Family Bank has gone through a lot of challenges. The physical change in this organization, according to the chairman, includes design of the upcoming branches and also its color shades. It uses only two colors which are blue and white but the shades of blue have changed over time. The managerial changes were the mammoth changes experienced in the then Family Finance Building Society during conversion in the top management level.

Family Bank Ltd has continually increased the range of services offered while modifying the existing ones to suit the ever changing customer prevalence and also due to competition. Family Bank Limited offers services of all types of bank accounts including current accounts. It has two major customers segmentation which includes Retail and Corporate customers. The products offered to the different segments differ including the charges, with corporate customers paying a premium. According to the Operations and Corporate Affairs Manager, the operating time also differs amongst different branches but this depends on the location of the branch and the needs of the target group.

Due to the abovementioned changes, Family Bank Ltd experienced steep resistance due to the previous over reliance on a few family members to make all the important decisions. The owners of Family Bank Ltd were not spared either by the fears that come with any change, as they were used to making the final decisions some of which had to be made by other employees e.g. human resource manager is in charge of hiring the employees. According to one of the family members, she experienced an inner fear that refused to go for a long time. This was despite the fact that Family Bank Ltd had ensured that every employee by the time of conversion had gone through a rigorous “change management” course which was sponsored by the company.

The current CEO points out that managing resistance is as hard since you are sandwiched between the pressure of the seniors (here more necessarily the owners) and the staff especially those unruly negaholic characters who never applied positivity in any changes. According to him. when he occasionally found himself in such a situation, he has always been guided by the motivational author Schuler R in his book; Tough Times Never Last but Tough People Do. According to him failure is an event and not a person hence he is not ready to bow out even when the times are tough at Family Bank Limited.

The CEO points out that he has always created urgency in implementing the organizations policies and this can be attributed to the curve of performance in Family Bank Limited which is skewed on the right direction. Since the government through the CBK has shown an indication of forced mergers to under-performing banks and those which are not liquid, the CEO has sensitized all the members about the same to ensure that Family Bank Limited do not fall victim of circumstances.

1.2 Statement of Research Problem

People as individuals are a less measurable organizational asset, and less easy to appreciate by a study of the balance sheet than material assets or profits and loss accounts. They are often overlooked or less consideration is given to them at the time a decision on strategic change programs is made. The new rules of management in the new organizations' culture call for keeping employees happy, which in turn keeps them productive and contributes to the company's bottom line. The key to better performance is aligning a competitive business strategy with the people who will implement it. According to Okuto (2002), the human factor and how it is managed during the strategic change programs is often inadequately addressed.

Family Bank Ltd is a local entrepreneurial organization, which operates in Kenya as its single market. It is relatively small in size. The customer base is relatively lower compared to multinational banks. This makes Family Bank Limited to provide the researcher with the required context to study people dimension in change management practices in a local context.

A number of studies have been carried out by scholars in relation to strategic change management and implementation, together with the challenges therein, in different firms. These studies have given useful insights into the challenges faced by some of the Kenyan companies during change management process and have gone further to suggest how to overcome some of these challenges. Atheru (2007) conducted a study on strategic responses to customer needs. Customers form only a part of the stakeholders who are considered in any change process but this alone cannot ensure either smooth implementation of the strategies or success of the company for that matter.

Munga (2005) did a study on resistance to change in the banking industry in Kenya. Odhiambo (2006) conducted a similar study for National Housing Corporation. Their studies give in depth insights on how to deal with resistance in any change management process. However, managing resistance alone cannot drive an organization to a competitive advantage. This is not the only dimension in people management during change process. Dealing with resistance among other contributing factors can assist in smooth implementation of a change strategy. Aosa (1992) studied the aspects of strategy formulation and implementation within large private manufacturing companies and one of his conclusions was that environmental turbulence tended to pose challenges to the management. Rukunga (2003) studied strategic change management in the soft drink industry although he focused and gave very useful insights to the change management practices.

Okuto (2002) focused on the implementation of strategic change and the human factor in implementation. Her study was based in large manufacturing firms. This study however, gives emphasis on the people management during strategic change management process. Entrepreneurial organizations have their own uniqueness that whatever strategies applied in the public or private sector cannot suit an entrepreneur of this kind. It was therefore necessary to conduct this study to determine the importance of the people factor in any strategic management practices in an entrepreneurial setting in a local context as applied by the Family Bank Limited. An organization is a complex system of relationships between people, leaders, technologies and work processes. Schalk and Campbell (1998) points out that the energy of individuals involved in change is very powerful. The research question therefore is what are people management practices used by Family Bank Limited during the critical time of change?

1.3 Objectives of the Study

The study sought to:

(i) Establish the people dimension in the strategic change management at Family Bank Limited.

(ii) Establish the challenges Family Bank Limited face in handling the human factor when implementing strategic change.

1.4 Significance of the Study

The study will be useful to senior managers who are often faced by the challenge of dealing with the people dimension in implementing change. They will find the recommendations of the study and findings thereof useful on how to deal with the human factor during formulation and implementation of strategic change. On the other hand, employees will be able to understand the dilemma that challenges management in implementing change initiatives. The study will be also useful to future academicians and other researchers wishing to carry out further research by contributing to existing knowledge in the field of human resource practices in strategic change management.

The study will also act as a useful reference point to scholars and academicians for better understanding of people management practices during strategic change management processes. The research will help bridge the gap in knowledge on the involvement of the people during strategic change processes. Other organizations can also learn from the experience of Family Bank Ltd and therefore improve on their practices while at the same time reduce, or eliminate altogether, any resistance that could otherwise have occurred. This will ensure that their implementation may be less bumpy.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategy

The history and development of strategic thinking can be traced in the 1950's in the U.S.A., when accelerating and cumulating events began to change the boundaries, the structure and the dynamics of the business environment. Drucker (1954) called this era an 'age of discontinuity' where firms were increasingly confronted with novel and unexpected challenges which were so far reaching. He addressed the issue of strategy and strategy formulation as an approach to managing organizations. His concern was based on identifying the business of an organization.

Chandler (1962) observes that an organization structure follows a strategy. His definition of a strategy stresses the determination of the basic long-term goals and objectives of enterprises and the adoption of courses of action and the allocation of resources necessary for carrying out the intended goals. Ansoff (1965) views strategy as a common thread in an organization's business. He also defines strategy as the product/market scope. This therefore suggests that any strategy should only involve product or market focus. Lynch (2000) describes corporate strategy as being concerned with an organization's basic direction for the future; that is, its purpose, ambitions, resources and how it interacts with the world in which it operates-the environment. He further argues that to put this organizational purpose into practice, plans and actions must be developed.

Porter (1991) describes a strategy as the act of aligning an organization and its environment. He further states that since the environment as well as the organization's own capabilities are subject to change, the task of the strategy is to maintain a dynamic balance. Lynch (2000) agrees with this by pointing out that corporate strategy can be seen as the linking process between the management of an organization's internal resources and its external relationship with the environment. Therefore, organizations need to know their strengths and weaknesses in relation to the environment in which they operate. This idea is supported by Johnson and Scholes (2003). They suggest that a strategy is the process of matching resources with the activities of an organization to the environment. They argue that strategic fit which involves developing strategy by identifying opportunities in the environment and adapting resources and competencies so as to take advantage of them, is essential and must be maintained at all times to ensure success of any organization. They define a strategy as the direction and scope of an organization over the long term. Pearce and Robinson (2003) saw a strategy as a plan established by a firm to help it accomplish its objectives.

During these early days, strategic planning was increasingly being adopted and hence the writers at that time came in handy. However as competition continued to increase, resources became scarce and technological innovations accelerated hence the approach to strategy by writers also changed as Muhoro (2004) points out. A combination of these factors leads to an organization adopting a strategic change in order to continue being a going concern. It's however noted that different organizations take different approaches as they try to come up with strategies.

Strategic change is an important mechanism through which organizations realign in order to match the ever changing environment. Changes in the environment may mean opportunities and other cases a threat to the existence of the company. In the recent past, many researches have been conducted to identify the triggers, occurrences and consequences of strategic change in the environment under which institutions operate in. the environment is a source of inputs for the organization's resources. Due to the turbulence in the environment, it provided opportunities and threats in different times.

Aosa (1992) notes that the environmental turbulence poses a threat to the management. He argues that managers have to constantly monitor developments in the environment and take action to maintain an appropriate relationship between the external and internal environment. Johnson and Scholes (2002) identify political, economical, social technological and ecological factors as comprising the external environment that brings about the opportunities, threats and constraints.

Ansoff and McDonnell (1990) state that the environment can either be relatively stable or turbulent. They categorize the turbulence in five levels. Each of the levels requires different type of strategic aggressiveness and organizational responsiveness. As Burnes (2000) notes, due to political, economical, social and technological changes, the history of organizations has been that of change and upheaval since the industrial age. Due to the pace of change and uncertainty, such change varies amongst organizations. Whatever matters most however is the ability of the organization to cope with the environmental constraints, challenges and threats no matter the level of turbulence.

2.2 The Human Factor and Change Implementation

According to Kotter and Schlesinger (1979), strategy implementation and change management require special skill sets and competences. Johnson and Scholes (1999) observe that organizations which successfully manage change are those that have integrated their human resource management policies with their strategies and the strategies change process. The human resource management must be concerned with the way employees relate to the nature and direction of the firm and as such, they can both block strategic change and also be facilitators of strategic change.

The involvement of middle level managers in strategy formulation process is paramount if the strategy is going to be successfully implemented. Thompson and Strickland (2003) observe that when managers who implement the strategy are also its architects, it is hard for them to shift blame or make excuses if they do not achieve the target results. They argue that having participated in developing the strategy they are trying to implement, they are more likely to support it, an essential condition for effective strategy execution. If middle managers are consulted and involved in strategy formulation they will genuinely sell it to the rest of the organization in subtle and non-threatening ways and will know how to customize the message for different audience. They help balance the tension between strategy continuity in implementation and flexibility in adapting to changes. They thus keep the organization from falling into extreme inertia in one hand and extreme chaos on the other.

Johnson and Scholes (1999) states that there is evidence that middle managements involvement can and do provide a real benefit in both development and implementation of strategy. As the term suggests, middle level managers are at the middle. Their position therefore allows them to work as double edged swords i.e. dealing with strategic and operational issues hence they bridge the gap between the two aspects and bring them together. Their involvement is therefore critical in reducing resistance and ensuring its success. Beaudan (2001) points out that individuals are first engaged when they are committed to a strategy, that is, when they feel that the strategy must be implemented, almost at all cost, to achieve success. If necessary, a committed individual will sacrifice his or her self interest in order to advance right cause.

Apart from their inclusion in strategic conversations and negotiation, many strategic management writers (e.g. Aosa 1992; Johnson and Scholes 2003) suggest that middle managers should also be involved in training on strategic issues in order to sharpen their strategic management skills. According to Aosa (1992) management involvement and management training go hand in hand. He argues that before managers can meaningfully participate in strategy they must have requisite skills and abilities. Such abilities are gained from training.

2.3 Models Used in People Management during Strategic Change Processes

The following models are tools which can be applied to aid effective management of people. If applied well, they can limit the amount of efforts required to implement and also take care of possible resistance. According to CiteHR (2007), it is very difficult to shift the beliefs and understandings of human resource from traditional work practices to new work culture which is described more in following synopsis.

How to harmonize technology and people; nearly all of the issues in change efforts revolve around people. We can change technologies, but unless people support the new systems, problems are bound to crop up. It is much less expensive to anticipate and work with the social issues than to blindly throw money into systems, then clean up the mess afterwards. If a company tried to install new technologies or systems of working without considering the impact on social systems i.e. the way people work and interact with each other, or without giving thought to how the people who actually do the work feel about the changes, the result is usually an expensive failure, with employee reactions ranging from simple misunderstandings resulting in lost productivity or damage, to outright sabotage and organized labor actions.

Because of this, the best way to bring about change is to first gain the support of the people who will be affected by it, and the people whose support you need to implement it. No matter how good a change seems on paper, if nobody will support it, it's probably not a good idea. Power vested in individuals; each system pushes power downwards, so people who do the work can make decisions. Job enrichment and empowerment made this almost the sole focus. Others, such as balanced scorecards and re-engineering, imply it or make it part of the process. They further argue that power downwards in an organization to the lowest possible level greatly increases innovation, motivation, quality, and productivity. It also, paradoxically, increases the power of executives and managers, by freeing them from much of the day-to-day "fire fighting" and trivial decisions, and by providing them with a capable workforce than can carry out their strategic decisions.

Communication amongst the involved stakeholders; each system relies on increased communication. It takes many forms, but in essence, communication is spreading information up and down the hierarchy, and across departments; sharing it with customers, suppliers, and partners; and even creating information, as in data mining and market research. Giving direction on issues affecting the organization; choosing and leading people in a clear direction is the central thrust of leadership initiatives, mission statements, balanced scorecards, and similar systems. People prefer to work with a clear direction in mind and when people are aligned, decisions are faster and easier. Organization culture; this is a shared set of values, beliefs, and norms. The same people working under different cultures even in the same organization can act in very different ways. Change culture, and you change the way people act.

ADKAR is an acronym which refers to: awareness, desire, knowledge, ability and reinforcement. According to Prosci (2000), this is a goal-oriented change management model that allows change management teams to focus their activities on specific results. Effective management of the people dimension of change requires managing five key goals that form the basis of the ADKAR model: The five key phases refer to: awareness of the need for change. This takes care of a common feeling that "they never tell us what is going on". People will be aware of what changes are being made. Awareness of the business need to change is a critical ingredient of any change and must come first.

Desire to make the change happen by participating and supporting the change. Once people are aware they need to know how change will affect them, what's expected of them and the time period. Desire to engage and participate in the change is the goal of sponsorship and resistance management, knowledge about how to change, skills and expertise needed to support the change. People need to know how they are expected to change. To acquire the required knowledge, proper communication must be present. This can be done through workshops or trainings.

Ability to implement new skills and behavior. This assists in implementation of the change in a day-to-day basis. People need to be enabled to act and behave as expected in the new situation. Reinforcement: to retain the change once it has been made. This keeps the change in place. People need motivation to keep the newly acquired behavior going including rewarding performance, recognition etc. ADKAR can help one to plan effectively for a new change or diagnose why a current change is failing. In some cases, corrective action can be taken and the change successfully implemented.

2.4 Resistance to Change

Some people view change as a threat, while others see change as an opportunity, Mugo (2006). The degree to which people resist change is thus influenced by the view they hold. Organizations encounter two types of resistance which includes systemic and behavioral resistance. According to Ansoff and McDonnell (1990), systemic resistance is passive incompetence of the organization as a result of deficiencies in the system and is proportional to the difference between the capacity required for new strategic work and the capacity to handle it. This results to capacity development lagging behind strategy development. Behavior resistance manifests itself in through individual employees and managers as well as in groups of people who share common tasks such as unionisable staff.

Odhiambo (2006) states that, organizations and people are innately adverse to any radical change. The argument is, when confronted with rapid change both get rigid, freeze up and usually rebel against change. Ansoff and McDonnell (1990) observes that the level of resistance to change is determined by degree of discontinuity in the historical culture and power structure implied by change, strength of positive/negative loyalty towards the organization felt by the participants, strength of culture and power drives at the respective power centers and end by noting that because of distorted perception, resistance will usually be higher than is justified by the facts of the situation. Johnson and Scholes(1999) stress the importance of achieving people commitment to change in an organization. Management of change is therefore a critical leadership skill.

Munga (2005) argues that resistance is the most prevalent barrier to strategic change in organizations. Resistance occurs at both systemic and behavioral level. Zalman and Duncan(1977) observe that there are four categories of barriers to strategic change which include cultural, social, organizational and psychological barriers. They reiterate that in order to overcome the obstacles to change, resistance must be confronted directly and should be embraced as a feedback. Managers must therefore anticipate resistance when initiating any change process; have the knowledge and readiness to handle resistance. They must have the right people, stay focused, keep stakeholders informed and ensure resources are adequate.

Managers must endeavor to examine and evaluate the cultural fit of an organization in order to facilitate change. Most of organizational cultures play a significant role in resisting change. It can also assist in responding to change, accepting change or initiating change. Managers must eliminate the structures and policies that hinder change and create new ones in the desired way. According to Beaudan (2001) leaders have to be willing to recognize that their intended strategy could now be irrelevant and convince those that have already committed to it that a revised strategy is called for. Organizations need to recognize that proposed change is often resisted. They should make efforts to work with resistance.

It is important to examine and identify the reasons why the change may be resisted, and to develop and implement actions to address the causes of resistance. Strategies should be developed to make best use of, or to counter, these positions and attitudes. Organizations need to be prepared and organized. It is a campaign, a campaign the organization should set out to win and, therefore, plan accordingly. It may have to destroy some objections, bypass others, use some people as allies or advocates, and in some cases, after doing their analysis, may have to change its strategy altogether because the numbers are against it. There is a model which can be used to minimize resistance.

Kotter and Schlesinger(1979), came up with a six stage model. According them some of the often cited barriers to change include the objective and subjective losses which change inflicts on individuals supporters of value based management, this is a very useful model to prevent, decrease or minimize resistance to change in organizations. This model deals with behavioral resistance to change. They came up with education and communication as the first stage. They direct that this works well for incremental changes. They further argued that this can work well where there is lack of information or inaccurate information and analysis. There is need therefore to educate people on the change process. From the very beginning, the organization has to communicate and sell the strategy implementation process. It must keep reminding people why it needs to be done, and update and inform them of progress using different communication devices. Allow for two-way communication and upward feedback - listen and respond. Make sure they have a specific communication work stream as part of the implementation plan. People tend to think the worst if they are not updated on a regular basis.

Participation and involvement is the next step. According to them, this works when ownership for the changes has to be achieved. This stage is very necessary in early stages for change implementation. When people are involved, they are likely to buy the change rather than resist. This stage is therefore necessary in reducing resistance. Facilitation and support is another key stage where people need to be supported at the time of need. Difficult times may come along with the change. This helps them deal with fear and anxiety. Facilitation and support can be achieved through special training, counseling etc. They argue that this will make people be at ease with the change. However, they caution that it may be time consuming and also expensive.

They recommended stage four as negotiation and agreement. According to them this works well where individuals or a group has power to resist. This may be as a result of adjustment problem. This is mainly found in the top management. However, this can be curbed by offering the employees incentives. This is aimed at motivating them to accept the change in return. This method may be too expensive. Kotter and Schlesinger (1979) observe that when resistance occurs, there is always a person who is viewed or selected by the people to represent their situation. In such situations manipulation and co-option can be used to take care of the resistance. This strategy hence is used to bring a resistors' leader to participate in change. It's used when other tactics won't work. This method is quick and less expensive but can lead to future problems if people feel manipulated.

They further argue that explicit and implicit coercion may be applied where speed is essential and change initiators possess considerable power. This is administered by forcing employees to accept change by making clear that resistance can lead to job loss, firing, transfer or non-promotion. Their model stipulates different methods to use in particular situations of advantage of either side.

2.5 Managing Resistance to Change

When change is introduced without regard for consequent resistance, the process may fail or be unattainable. According to Johnson and Scholes (2002), resistance to change creates major hurdles to strategic change process hence its only imperative that the managers of change identify key stakeholders in the change program in order to establish both the interest in and power to influence the process. As stipulated by Ansoff and McDonnell (1990), the common ways of managing resistance is by use of the 'muddling' through approach. Here orders are given to the reluctant group and punishment netted to slipped schedules and cost overruns. However, such an autocratic approach is bound to fail due to perceived coercion.

A better approach would be that of anticipating, managing and controlling behavior resistance which requires factors creating resistance to change be identified at an early stage in the change process in order to prepare appropriate remedies and avoid being ambushed in the process. Clarke (1994), states that open communication on the change process is paramount as in absence of information, people invent far more scenarios for themselves and resist change.

A critical aspect of overcoming resistance to change is addressing the way employees experience the change process. then helping them cope with change through managing awareness of the need for change. desire to participate. knowledge on how to change. ability to adopt change on ongoing basis and reinforcement to keep change in place. Clarke (1994). further states that building organizational capability for change helps overcome original resistance through making people more receptive and less cynical to innovation and change.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was a case study targeting Family Bank Ltd whose main objective was to identify management of human factor in strategic change management as applied by Family Bank Limited. A case study was necessitated by the fact Family Bank Ltd is medium sized bank, local entrepreneurial organization which provides good context for a study in people dimension in strategic change management in the local context. The study would allow the researcher to study in depth the how human factor management has impacted in the organization's change management practices.

3.2 Data Collection

The study used primary data which was collected using interview guides. The informants were ten including a member of the executive, two departmental heads, one Branch Manager and an Assistant Manager and five non-management staff comprising of a customer service officer, teller, system administrator, credit officer and a cheque clearing officer. This type of data collection has been used in other studies for example, Okuto (2002), Odhiambo (2006) and Rukunga (2003).

3.3 Data Analysis

The data involved was qualitative in nature hence content analysis of data was used in order to meet the objectives of the study. The data collected was evaluated to determine its usefulness, consistency, credibility and adequacy. According to Cooper (2003) content analysis measures the semantic content or the 'what' aspect of the message. Content analysis enabled the researcher to sift through large volumes of data with relative ease in a systematic fashion.

Content analysis was used to explain status of some phenomena or contents of verbal materials that can be spoken or printed (Kothari 1990). The technique enabled inferences to be made through systematic and objective identification of specific messages and then relating to trends. Due to the systematic nature of the content analysis, the researcher through use of the interview guide was be able to extract necessary information more consistently and in a non-obtrusive manner. This methodology also assisted the researcher to assess the informants' comments, ideas and feelings in a non-obtrusive manner. This type of analysis has been used in similar studies in the past e.g. (Atheru (2007), Ogwora (2003), and Adoyo (2005) among others.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter analyzes the data collected in depth and discusses the findings of the study based on the interpretation of the primary data collected from the informants. There were two main objectives of the study: first was to establish the people management practices applied by Family Bank Limited during the strategic change process and secondly, to establish the challenges that they encountered in handling the human factor when implementing the strategic change.

4.2 Profile of Family Bank Limited

Family Bank Limited is a local privately owned bank. Its headquarters are based in Fourway Towers Building along Muindi Mbingu Street in Nairobi. It has branches in all the major towns in Kenya. Family Bank was established in 1984 as a building society targeting small and micro enterprises and later converted to a fully fledged bank in the year 2007. It has a staff compliment of above 800 people.

The bank provides all the services provided by any other commercial bank. It is fast expanding and so far has 40(forty) branches all over the country. It has a slogan, vision and mission statement which guides its change strategies.

Vision: To be the financial institution that leads in the positive transformation of people's lives.

Mission: We positively transform lives by providing micro and other financial services through efficient, quality and reputable practices.

Slogan: Positively transforming life.

A vision is used a guide to take an organization to the future. The importance of a vision in a change strategy cannot be overemphasized. The power of a vision cannot be underestimated. Hamel and Prahalad (1994) refer to a vision as developing a common point of view on the future. The research established that Family Bank does not have a strategic plan. This has left only the vision to fill the gap.

4.3 Forces that Necessitated Change

In any change initiative, there are forces whether internal or external to the organization which force it to take a particular direction away from the norm. Hill and Jones (2001) states that the primary purpose of a strategy is to align management of a company with the changes in the environment. According to the research data, the informants noted that there were various factors which contributed as forces for change. They however identified the changing clients' need, technological changes, government requirement and changing operating environment as the major forces which necessitated the change. The findings show that the internal forces for change revolved around a deficiency in the organizational structure, processes and systems that were incompatible with the dictates of the existing business climate.

The findings are an indication that the staff were aware that both internal and external environments of the Family Bank was changing and the organization was also required to change. The prudential guidelines which are a guide as to how banks should operate and the type of the staff required were a surprise to many when the bank converted to a bank in the year 2007. This influenced most of the changes that took place after conversion. According to the research data, this also led to the introduction of an operations' manual in all the bank branches as a guide to the bank operations as required by the governing body, Central Bank of Kenya.

The changes in the external environment also influenced the changes in the bank. These included increased popularity of the automated teller machines, smart cards, electronic funds transfer and the latest entry of mobile phone banking in the industry, coupled with the ever changing customer needs forced the organization to find ways of responding and adapting to these changes. This is in line with Johnson et al's (2005) observation that the external environment influences implementation of strategic changes in an organization.

4.4 Communication

Communication overcomes fear and rally support for the change. Ogwora (2003) states that, the purpose of communication is to inform those who will be affected by change. For this reason he argues that communication should be honest. Of all the ten informants only four got the Family

Bank Limited vision right. This scenario shows ineffectiveness of communication. Communication can be a very powerful media in strategic change processes if it can be used effectively.

However the study established that the organization uses memos, circulars staff meetings and other methods e.g. face to face with the supervisor, rumors and grapevine as the medium of communicating the change messages. However, circulars were rated as the commonly used media with almost half of the responses. The next rated as second mostly used was memos, followed closely by staff meetings. Effectiveness of communication was rated as average. The non-management staff seems to be the ignored. This scenario raises the issue of the company culture.

4.5 Participation and Involvement of Employees in the Strategy Making and Implementation Process

Participation of the employees at all levels in the strategy formulation and subsequently implementation is fundamental. The largest proportion of the informants reported that Family Bank Limited strategy making process is partially formal and sometimes completely informal. It was also observed that the frequency of strategy review is not well defined. The top management dominates participation in strategy making process and the rest only come in at the implementation stage. All the informants were in agreement that the Board of Directors, the Chairman and the CEO were most heavily involved.

It was noted that the non-management staff are not involved in any strategic process. The implication of this finding is that the employees may not be fully committed to the implementation process due to their lack of involvement during the early stages of the strategy making process. There is no ownership of the strategic processes amongst the employees and most of them feel coerced to implement it. Surprisingly, another observation was that the employees felt that skill was not considered during implementation and also the need of training before implementation. However, line and middle level managers received training before implementation of some strategies as the top management deemed fit. This observation is in line with other research findings e.g. Koske (2003) and Okuto (2002) who in their study found that employees were not involved in strategy formulation.

The failure evidenced by Family Bank Limited to consider how the employees felt about a strategy, lack of involvement and training may pose obstacles and challenges in future during reformulation of such strategies chief among the problems being behavioral resistance and loss of experienced manpower. The bank will continue to loose the talent it developed over time. There is also lack of trust by the lower level management and non-management staff. This is evidenced by the high staff turnover as the research data shows. The study also established that the organization has to carry out a human resource restructuring to match skills and competences with tasks and also culture change for the success of its strategies.

An appropriate approach should be adapted such that the participatory process is made as inclusive as possible and easier for everyone. Kotter (1996) states that successful change goes beyond conventional management, as is known and practiced by most managers. It involves leadership that seeks to establish direction, align people's aspirations, motivate and inspire people. From the research data, it clearly indicates that Family Bank requires improving significantly on staff involvement. As repeatedly commented throughout the study, the recipe for resistance, delayed implementation and sabotage is lack of involvement. According to Kotter and Schlesinger (1979) if people don't see positive results for them, they are likely to resist or even sabotage the change initiative. Participation and involvement according to them works when ownership for the changes has to be achieved. This stage is very necessary in early stages for change implementation. When people are involved, they are likely to buy the change rather than resist.

4.6 Extent of Use of Tools for Human Resource Management

Human resource management tools are very helpful especially in situations where resistance is anticipated. The research data shows that there is no particular model adopted by Family Bank Limited to aid it in managing people during strategic management change processes. It was noted that the change processes are done haphazardly with no guide. Preparation, involvement, training and communication were seen to target different people in different levels of management even if the strategy was to affect the whole population of workers at large. This shows lack of focus on the organization's human resources.

The implication of this is that strategy implementation may take longer that necessary since communicating the same takes more time. In the long run this becomes very costly to the organization. A good number of informants also identified the need for the organization to adopt a particular strategic human resource policy which the employees can use as a guide. The informants felt that the vacuum left them vulnerable and hence insecure.

4.7 Emotions Expressed by Employees

From the research data it was established that during strategic change processes the Family Bank employees expressed different emotions which included anger, grief, fear and loss of loyalty. The informants were in consensus that the institution did not manage those emotions in any way known to them. The research data however reveals that the emotion mostly expressed was fear followed by loss of loyalty.

Rose and Lawton (1999) notes that change has become an enduring feature of organizational life. They argue that change managers address and reduce the fear of change that naturally exists in the work group. They build trust and confidence rather than attempting to manipulate their people. They observe that people in all sectors whether private or public cannot claim to not being touched by the pace or direction of organizational change. A successful change manager therefore, acknowledges and manages organizational rumors, past cultures and current realities leading the work group toward new sets of priorities and values.

4.8 Challenges in Implementation of Strategic Change Processes

4.8.1 Resistance to Strategic Change

Resistance to change may be based on a very shrewd appreciation of personal consequences entailed by the change. Resistance to change however should be viewed as a feedback. This not withstanding, resistance can lead to very high implementation costs and unnecessary delays. This is why managers must anticipate this before implementation of any change processes.

The research data indicates that of the factors that may have controlled significantly resistance to change, fear of demotion or retrenchment that was rated very strong, followed by fear of the unknown, parochial self interest and lack of satisfaction with the existing change. Misunderstanding and lack of trust and fear of social displacement were rated moderately. According to the informants, fear of demotion or retrenchment was the highest threat since during the Family Bank Limited 2007 conversion to a fully fledged bank, many employees including the then CEO were retrenched. They could not however say how many were retrenched at that time but they unanimously revealed that the CEO left.

According to Strebel (1996) change is disruptive and intrusive. It upsets the balance. He further argues that managers should put themselves in their employees' shoes and look at the change from the perspective of the employees. Unless the managers define change in understandable terms to the employees and persuade them to accept change, it is unrealistic of them to accept employees to buy into changes that seek to alter the status quo.

4.8.2 Implementation Challenges

Informants from the management levels reported that as much as they supported the change processes, they were faced with challenges during implementation. They identified the challenges as lack of teamwork, lack of co-operation and lack of commitment to the strategic issues. The cause of this can be traced back to the lack of involvement and participation. Convincing the non-management staff on adapting new ideas, and lack of multi-skilled staff was also another challenge identified. In order to address these challenges, it is clear that Family Bank Limited requires orientating their employees on strategic management and a significant culture shift.

Inadequate resources, cost of training and choice of whom to train was also a main challenge. Informants also felt that, the training opportunities were limited and this left the change leaders with the final say on who to train on what. The implication of this to the organization is that it can instill fear and promote mistrust on the staff who are not trained especially people at the same level with the ones who are trained. The organization should come up with a method to ensure that everybody who requires to be trained is trained. It should also set aside enough resources for the same.

4.8.3 Methods Used to Overcome or Reduce Resistance

The informants outlined the methods used in countering resistance as training & education, communication, rewarding performance and/or achievement of targets, culture and attitude change. manipulation and coercion as the common methods used. However the research data revealed that the most dominantly used method to be communication, followed by training and education. Communication of the strategic change processes has continually been done through use of the modes of communication adopted by the organization which include memos, circulars and staff meetings. The research data also shows that this has also been done using the company's vision which has been changed to reflect the objectives of the company's strategy.

The research data revealed that Family Bank has also implemented strategies on culture change through induction courses to the new staff and also through training in change management and customer care. Ansoff and McDonnell (1990) observe that the level of resistance to change is determined by degree of discontinuity in the historical culture. When culture changes, it changes the way people think. However, from the research finding, no deliberate attempts were made to understand the concerns of the employees. This led to resignations, demotivation and lack of morale amongst majority of the employees. The informants reported that there was also no concern in handling the emotions expressed by the employees who were affected by the changes.

According to Burnes (1996) the best way of creating willingness to change or overcoming resistance lies in involving and aligning people with the change. This requires that employees be made aware of the pressures for change, provided with necessary training, have necessary skills, regular feedback and regular communication to be sustained throughout the change and beyond. Communication will alleviate any fears and hence encourage the employees to support the change. This confirms that by using communication in overcoming resistance, the process was within the acceptable norms.

4.8.3 Challenges Imposed by Technological Changes

Technological changes impacts all organizations in the world at large. Family Bank Limited was not spared either. The use of internet, automated teller machines, smart cards, electronic funds transfer and the latest entry of mobile phone banking in the industry forced the organization to find ways of responding and adapting to these changes. It was noted that most informants felt the information systems upgrades are very frequent which sometimes confuses them. They also found it inconveniencing and disruptive in their duties.

Family Bank responded to the technological changes by continually re-training of staff to equip them with the technical skill required and continually upgrading the Information Technology systems which is very costly. As far as the changes are concerned, more than half of the informants commended the system being used regarding it as very user friendly and also convenient to the customers since they are not required to fill any manual forms while carrying out any transactions.

4.9 The Change Agent

When change is required it becomes necessary to have an external agent who will guide the change. Ogwora (2003) states that the new practices may require specialized expertise that may be underdeveloped in the organization. The research data revealed that a change agent, Total Quality Management Training Limited was selected to guide Family Bank Limited in the strategic change management process. It was established that they started by training all the employees at that time on change management. This was a very positive and commendable step towards awareness if only it could have been done at the right time.

A good number of informants felt that the training came late after most of the changes had taken place hence they did not view the training in the perspective of awareness but rather only as a requirement by the governing authority, Central Bank. A big percentage of informants felt that the CEO acted as a change leader. The biggest disadvantage of using an external change agent is that it may take considerable efforts to identify the problems of the organization.

4.10 Impact of Change

From the research data, it was established that family Bank Limited's strategic change practices had a very positive impact on profitability and return on investment. At the same time it had a negative impact to the staff morale. This shows demotivation. From the data, it also revealed that lay offs had a relatively high impact negatively. Transfers, reassignments to other duties had a negative impact. Customer satisfaction, return on investment also had an average positive impact. Customer complaints, just like staff morale had a negative impact.

What is evident from the data is that, the change has had positive impact on the quantitative financial factors but also had a negative impact on the qualitative performance indicators such as employee morale and customer complaints. This is confirmed by the cumulatively analyzed financial report for 2007 provided in Appendix 3 according to Family Bank's website www.familybank.co.ke.

Bews (2001) stated that organizational restructuring has resulted in the erosion of intra-organizational trust due to an increase in the number of jobs being lost and a decrease in job security and promotional opportunities. He deduced from studies carried out that survivor responses to downsizing might either be fearful, obliging, cynical or hopeful.

4.11 Factors Influencing Choice of People Management Practices during Change Implementation

The various people management practices used by Family Bank Limited have been influenced by various factors. The informants revealed them to include employee performance, age, past conduct, education and cost to the company. It was established that employee performance exerted the most influence in the choice of employee to be either transferred to other branches, lay-offs or reassignments. However, most of the informants also indicated that age had a relatively high influence. Past conduct, education and cost to the company had a moderate influence. The cultural factors e.g. ethnicity, race, religion and sex were found to exert the least influence. Surprisingly only one of the informants reported that employees who were above forty five (45) years of age were requested to go on early retirement.

According to Kotter and Schlesinger (1979), change can have a destabilizing effect both for individuals and organizations. They argue that the people dimension involves the alignment of organization's culture, values, people and behaviors to encourage the desired results.

4.11.1 Employee and Level Impacted by the Strategic Change

From the research data it emerged that the Executive and senior management including departmental heads were the most affected by the changes taking place in the organization. The branch managers and supervisors were moderately affected while the non-management employees were rarely affected by the changes. It can therefore be concluded that job position with the organization also influenced the lay-offs, transfers and reassignment strategies.

From the data, the informants revealed that the Operations Manager, the CEO who were sitting when the 2007 conversion to the fully fledged bank were laid off. There were also re-assignments among the departmental heads and several transfers which mostly affected the branch managers and their assistants. However, the data is not clear on how many employees were laid off, re-assigned to other duties, resigned or transferred.

4.11.2 Supportive Motivational Practices

The informants indicated various strategies as being applied by the organization to motivate employees. Among them included team building, job redesign, job promotions, salary increment, performance recognition and reward. According to the research data, it shows that team building activities were the mainly used, followed by salary increment. However, use of job promotions and job redesign was moderate.

The implication of this is that the employees work together as one unit to achieve a common goal. This promotes synergy and hence drives the organization to higher productivity. The benefit of these motivational practices, for example, rewarding performance is mutual i.e. as the employee gets the reward, the company also receives something in return either in form of increased profitability, return on investment, market share, increased sales and most importantly retaining the skill and expertise of the employee.

Prosci (2000) states that people need motivation to keep the newly acquired behavior going including rewarding performance, recognition etc. According to Kotter and Schlesinger (1979), an organization will need to decide how people's efforts or lack of it, will be recognized or addressed, how success will be defined and how it will be measured and rewarded. This aligns the organizational performance and culture.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIOS

5.1 Introduction

This chapter provides summary, conclusion and recommendations for the research findings which were made after data was analyzed. The data analysis was based on the objectives of the study which were: to establish the people management practices applied by Family Bank Limited during the strategic change process and to establish the challenges that they encountered in handling the human factor when implementing the strategic change.

5.2 Summary

The research data shows that the management has endeavored to bring out the best in every member of the staff, encouraging them to be innovative in their respective duties. The organization also stresses the need for teamwork. It was established that there has also been continued training of middle and lower level managers in leadership. However the informants felt that the employees were not adequately involved or trained to prepare them for the implementation of the strategic changes. They noted that strategy was sometimes implemented inconsistently resulting to more confusion and unwillingness to support it even from the top managers. A frequent change of the composition of management was also noted as a challenge to the staff in effectively implementing the change processes.

Poor communication of the strategy and feedback was also noted as a challenge by the informants. They noted that communication was done haphazardly, poor methods used among use of wrong people to communicate the same. It was noted that the branches worked as stand alones i.e. they operated differently from each other and staff transfers meant that one had to adapt as if not working in the same organization. The non-management informants noted that the top level management had failed in their duty to effectively communicate the strategic plans of the organization to the staff. They cited the common modes of communication used as e-mails, memos, circulars and staff meetings.

Okuto (2002) states that communication in the times of change is important as it is likely to influence perceptions of trustworthiness amongst internal and external publics. The research data however shows high level of mistrust by the non-management staff towards the top management. Gadiesh and Gilbert (2001) observes that it is more beneficial to involve all employees in the strategy process by pushing decision making from chief executive's office to the far reaches of the organization. To drive such behavior, a company needs to give employees a mandate broad enough to encourage enterprising behavior thus aligning employees' initiative with the company strategy.

According to Johnson and Scholes (1999) strategies may require major resource changes for an organization which definitely has an implication on the human resource. Employee responses to organizational change have an effect on the employer-employee trust relationship and that trust is crucial for organizational success thus it is useful to understand how these responses unfold. The research data showed that the people management strategies revolved around communication, transfers and reassignments strategies. These strategies were seen to be influenced by various factors including performance, age, past conduct, education and costs to the organization.

It was established that the emotions expressed by the employees i.e. anger, grief, fear and loss of loyalty. were not managed in any way known way. There was nothing like counseling or coaching which are the more effective ways of handling employee emotional reaction in theory. This shows that the organization did not have a mechanism to gather the feedback on employee emotional reactions to the changes being undertaken. However, loss of loyalty was mostly expressed and this led to high staff turnover. Bews (2001) stated that organizational restructuring has resulted in the erosion of intra-organizational trust due to an increase in the number of jobs being lost and a decrease in job security and promotional opportunities. He deduced from studies carried out that survivor responses to downsizing might either be fearful, obliging, cynical or hopeful.

Job position held in the organization influenced layoff strategy. It was established that the executive, senior management and departmental heads were the most affected by the layoffs. The branch managers and supervisors were moderately affected while the non-management employees were rarely affected by the change.

Training and education was the key strategy used to attain a combination of skills and experience in the changed organization. The motivational support strategies used were mainly team building, job redesign, job promotions and salary increases, performance recognition and rewarding.

The success of these change processes as applied by Family Bank Limited revealed that they had a very positive impact on profitability and return on investment while they had a negative impact on staff morale, layoffs, transfers and customer complaints.

5.3 Conclusion

Staff involvement and empowerment towards achieving a strategic change in any organization cannot be overlooked. The benefits however not quantifiable are immense. Gadiesh and Gilbert (2001) observes that it is more beneficial to involve all employees in the strategy process by pushing decision making from chief executive's office to the far reaches of the organization. Thomas and Strickland (1999) observe that core competencies reside in a company's people not in its assets on the balance sheet and the distinctive competencies are a basis of competitive advantage. Strebel (1996) argues that managers should put themselves in their employees' shoes and look at the change from the perspective of the employees.

The findings of the study indicate that Family Bank employees are aware that change is important for the future of the organization in the dynamic environment. They see the bank as requiring change in order to meet the ever changing customer needs and also to sustain its expansion. Further employees are of the view that, as individuals, they have the capacity to change and they desire to make the change happen if only they can be given an enabling platform.

The employees however do not feel they are fully involved as participants in the change process. They also feel that they are not empowered through necessary training to experiment the change. Most feel coerced into accepting the change. They further perceive the nature of ownership and the culture of the organization as being a major impediment to change implementation. They desire the issue of the culture to be addressed by the management more seriously. The conclusion drawn from the research is that the change implementation in Family Bank Limited ignores some of the important things in people management. There is very little awareness of how employees are impacted emotionally by the strategic changes occurring in the organization. The fact that there is no emphasis shown on the employee emotional reactions is discouraging and dangerous to the employees who are left behind after e.g. layoffs and transfers. The organization has not felt the need to assist people handle the emotions.

5.4 Recommendations

The study recommends future strategy thinking, formulation and implementation to ensure participation of all staff. This will enrich ownership of the final strategy as well as facilitate successful implementation. Family Bank should also review its organizational structure. Culture realignment to new strategies must also be addressed to ensure that traditional methods of doing work were abolished. They company structures should also be in line with the organization's strategy.

There is a need to enhance communication to the change processes to the entire staff community to ensure uniform understanding of the need for change and the implementation process. It is particularly important to ensure that staff are active contributors to identification of the changes required and their implementation so that they develop a stronger sense of ownership. This will ensure that they support the change thereby reducing resistance and implementation delays which can eat into the organization's income due to the costs associated.

There must be mechanisms to monitor employee responses to organizational changes since this also has an effect on employer-employee trust which is crucial for the organization's success. Strategies must be designed to ensure that these responses unfold as appropriate as this will extend to influence the perceptions of trustworthiness amongst external publics. The leaders must find a way of addressing emotional and practical issues through hard and softer human resource practices such as counseling, coaching and seminars. Any restructuring should be carefully addressed to build trust and commitment within the newly restructured organization.

5.5 Suggestions for Further Study

Organizations are moving towards managing employee talent as if it was a business portfolio. Organizations have come to the age where they have realized that if the workforce force is not there, the company cannot move anywhere. They have realized that the input of the human resource, however unquantifiable it may be, cannot be ignored. The organizations have therefore devised ways to motivate the employees compensate, reward efforts and retain them while making them like their job. Strategic decision involves change in organizations which refers to transition from one state to another with focus of being different.

Limitation of resources in the study considerably reduced the scope of this study which would have given greater insight into human resource management practices applied by Family Bank Limited during the strategic change management from the perspective of the staff community as a whole. It is therefore suggested that there is need to carry out similar studies in different industries and organizations to determine the successful human resource practices applied by different organizations during strategic change processes. The suggested study will go a long way in validating the findings of this study and promote objectivity.

The study was the first of its kind in the banking industry. Therefore it opens up the field of interested researchers who wish to carry out research in the area.

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APPENDICES

Appendix 1: Letter of Introduction

Eunice N. Mwangi
C/O MBA office,
University of Nairobi,
P.O. Box 30197,
Nairobi.

Tel: 0722-351748

September, 2009

Dear Respondent,

I am a postgraduate student studying for a Master of Business administration Degree at the School of Business, University of Nairobi. I am currently conducting a research in the area of the people dimension in the strategic change management processes with a focus to Family Bank Limited.

The purpose of this letter therefore is to request you to respond to my interview which we can schedule for a date and time. The information you give will be treated with strict confidence and at no time will your name be referred to directly. The information will be used for academic purposes only.

Thank you in anticipation.

Yours sincerely,

EUNICE MWANGI

Appendix 2: Interview Guide

This guide is designed to collect views on people dimension in strategic change management in Family Bank Limited.

Section A: General Information

Interviewee Name (Optional):____

Position/Designation: ____

Department: ____

Years of experience: ____

In your view, has there been strategic change management processes in Family Bank Limited?

____

Section B: Reasons necessitating change in and strategic objectives

1. What necessitated change in Family Bank Limited?

....

....

....

....

2. What were the strategic objectives of the change program?

....

....

....

....

Section C: Barriers to change and assessment of nature of resistance to change in Family Bank Limited

1. What were the main barriers and/or areas of resistance?

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....

....

....

....

....

2. Did the management perform an assessment of the nature of resistance prior to implementing strategic changes?

....

If so, what did the bank use to assess this and the results?

....

....

Section D: People management strategies

1. Did Family Bank Limited create awareness of the need for change amongst employees?..

   ....

   If yes, how did the bank create awareness?

   ....

....

2. What channels of communication did they use?

....

....

3. Who were the change leaders?

....

....

4. In your opinion, do you feel you were involved in the change process in any way?

....

....

5. How were employees impacted e.g. layoffs, transfers, reassignments, etc?

....

....

6. What influenced on the various impacts on the particular employees on e.g. age, performance, cost to company, past conduct, cultural factors etc?

....

....

7. At what level in the organization structure were the most employees impacted?

....

....

....

8. Describe the emotions expressed.

....

....

9. How were the emotions handled?

....

10. Please indicate the initiatives that your organization used to attain a combination of skills, attitudes and experience required within the workforce i.e. training, hiring, and subcontracting.

....

11. What supportive motivational practices were adopted by Family Bank Limited?

....

12. Please describe any improvement, tangible or intangible, noted after the change?

....

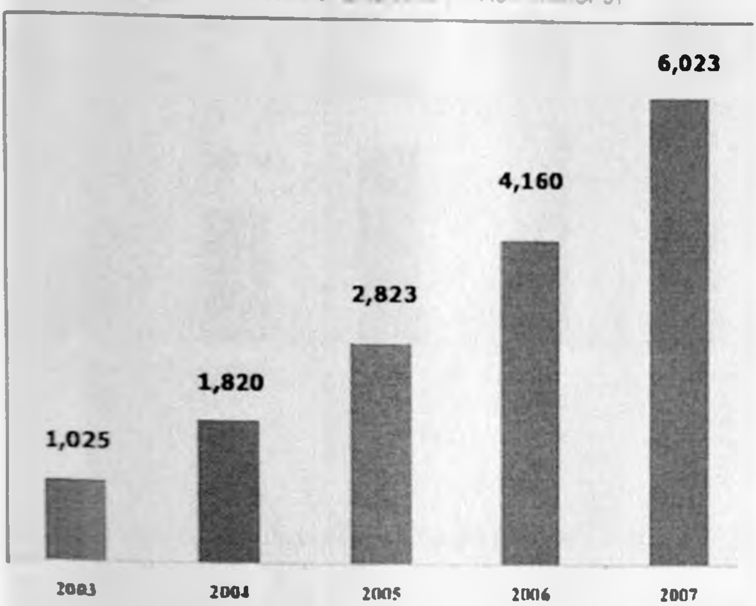
....

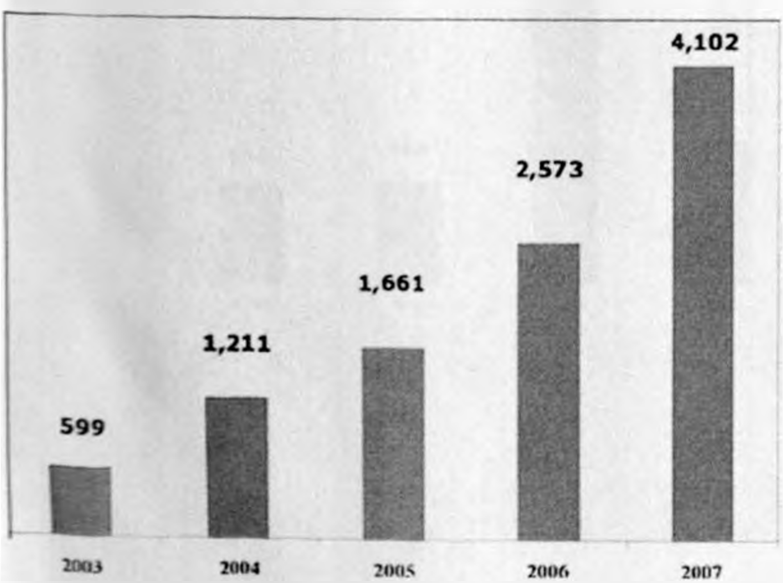
13. How would you rate the employee involvement in change processes in Family Bank Limited on a scale of five(5)?

....

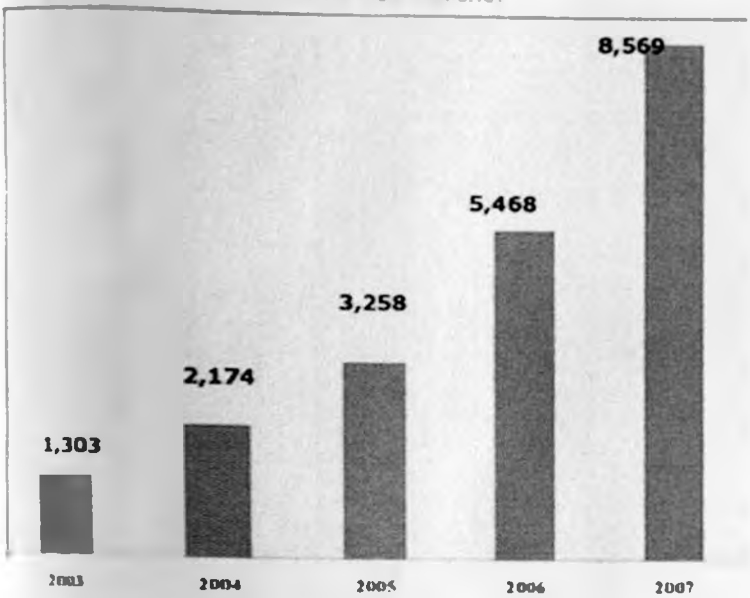
....

Appendix 3: Financial Reports





Growth in Assets (in Ksh millions)



Growth in Profits before Tax (in Millions)