

**STRATEGIC CHANGE MANAGEMENT AND PERFORMANCE
AT NATIONAL BANK OF KENYA LIMITED**

BY

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DECLARATION

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

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To Almighty God, who has been my strength and divine inspiration in everything I do.

To my wife Cynthia Kweya and son Leroy Aluku for their continued support and encouragement, you gave me strength and hope when the end felt distant and impossible.

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ABSTRACT

Successful organizations recognize the importance of strategy as a tool in management and realize that their survival is dependent on how well they adopt new strategies or enhance existing strategies in an attempt to respond to changes brought about by the environment. While the quality of strategy is important, we cannot omit the importance of effectively executing the strategy. The current study, sought to contribute to the greater understanding of strategic change management and performance in organizations. In an attempt to achieve the objective of the study, a case study research design was conducted at National Bank of Kenya. Data was collected through face to face interviews of 18 participants. The data collected from the interviews was analyzed qualitatively using content analysis. The research revealed that market analysis is vital during strategy planning as it will highlight challenges being experienced by organizations and in doing so facilitate the development of strategies that are unique and tailor made to offer solutions to challenges experienced and enable the firm to develop a competitive advantage over its rivals, this will translate to improved performance. The research revealed that in order to successfully implement strategies both short and long term strategic plans need to be in place. Adequate and early planning and an inclusive process will prevent resistance by employees in the organization. In order to improve the level of employees confidence in strategic change management their level of competency and empowerment would need to be observed. The research further revealed that critical skills required for implementing the change process were dependent on the complexity and nature of the strategy, leadership skills, relationship skills and financial skills were inevitable in all cases of change management. It was clear from the research conducted that there needed to be stakeholder involvement from the planning stage to the implementation stage. This will ensure that a sense of ownership from all stakeholders is maintained during the entire change management process and in doing so increase the chances of success. This will also ensure that implemented strategies are objectively analyzed before implementation by all parties in order to ensure that strategies identified are fit for purpose. The research further noted that continuous communication on the progress of planning and implementation of agreed strategies vital in ensuring success in strategic change management as all stakeholders will be on the know how on the progress of implementation and what is required of them to ensure successful implementation of planned strategies. The research concluded and recommended that during change management there needs to be stakeholder involvement at all stages to promote ownership and adopted strategies need to be unique to an organization requirement, this will ensure that the organization attains a competitive edge over competitors which will have a positive impact on the firm's performance. There were several challenges that I encountered while undertaking the study such as the challenge of scheduling interview sessions with the managers as they were stationed in different offices in dispersed locations. There were also managers who had been in the organization during major strategy planning and implementation phases who had since left the organization and their experience could not be incorporated in the study while some change agents flatly refused to be interviewed as they viewed the information they were being asked to provide was intellectual property of the organization however the employees interviewed provided a good sample size enabling generalization of the findings.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The banking sector is undergoing revolutionary changes which have brought about new realities in the industry. With the reduction in over protectionism strategies by the regulators, it has been observed that the number of new players entering the financial sector has considerably increased over the years.

The financial market is largely untapped given by the low number of individuals operating bank accounts. This has provided an attractive market for the Multinational financial institutions while the liberal market structure has made it easier for the firms to set up base from where they can set up operations from. This in turn has resulted in cut-throat competition among the players in the industry resulting in firms coming up with strategies of how they can respond effectively and timely to their clients ever increasing demands. Despite the difference in strategy framework all strategies have one thing in common which is that they all aim at maximizing the performance of a firm and by improving its position in relation to other organizations operating in the same competitive environment .

Given that strategic management decisions have complex implications in the operations of the firm, the financial institutions are putting more emphasis and resources in coming up with strategic change decisions which are aimed at taking advantage of opportunities in the industry while at the same time remaining competitive. It's however worth noting that despite the best efforts of the firms in developing strategic change plans aimed at improving their competitiveness it is increasingly becoming clear that some of the change management practices and strategies adopted by the firms are contributing towards inability of the firms to

quickly take advantage of the opportunities that arise thus rendering the firms uncompetitive

1.1.1 Concept of Strategy

Strategy is a high level plan to achieve one or more goals under conditions of uncertainty (Yang et al, 2008). Strategy involves setting up goals, determining actions to achieve the goals and mobilizing resources to execute the actions. Mintzberg, Ahlstrand and Lampel (2005) defined strategy as a pattern in a stream of decisions to contrast with a view of strategy planning. McKeown (2011) on the other hand argued that strategy is about shaping the future and is the human attempt to get to desirable ends with available means. Kvint (2012) noted that strategy is a system of finding, formulating and developing a doctrine that will ensure long term success if adopted. According to Kotter,(1995), Strategy is the unified, comprehensive and integrated plan that relates the strategic advantage of the firm to the challenges of the environment and is designed to ensure that basic objectives of the enterprises are achieved through proper implementation process. Yang et al (2008) defined strategy as a dynamic, interactive and complex process, which comprises of a series of decisions and activities by managers and employees affected by a number of interrelated internal and external factors to turn plans into reality to achieve certain objectives. It is therefore worth noting that strategy is a unified, comprehensive and integrated plan relating to strategic advantages of the firm to the challenges of the environment which involves determination and evaluation of alternative paths to an already established mission and eventually choice of best alternatives to be adopted.

1.1.2 Change Management

With the business environment experiencing so much change, organizations must then learn to become comfortable with the change. The ability to manage and adapt to organizational change is essential in today's organizations. Due to the ever changing business environment modern organizational change is largely a result of external shocks rather than internal factors (Yang et al ,2008). When these changes occur organizations that adapt quickest create a competitive advantage for themselves, while the companies that refuse to change get left behind hence the need for an effective change management plan

Change management is a continuous process that involves attempts to match the organization with its changing environment in the most advantageous way possible (Digman, 1999). Conner (2006) defined change management as a set of principles, techniques and prescriptions applied to the human aspects of executing major change initiatives in organizational settings. This definition was elaborated further by Conner who noted that the focus should not be on what is driving change but on how to orchestrate the human infrastructure that surrounds key projects so that people are better prepared to absorb the implications affecting them. Change management is the process, tools and techniques to manage the people-side of change to achieve a required business outcome. In order to effectively manage change, organizations have adopted practices such as formulation of work groups, timely communication of the intended changes to stake holders to ensure their needs are catered for, adopting a leadership style that respects the views of stakeholders and acquiring and maintaining an executive commitment towards the likely change to take place(Kotter, 1996)

1.1.3 Concept of Performance

Performance is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost and speed (Brumbach ,1998). Performance is deemed to be the fulfilment of an obligation in a manner that releases the performer from all the liabilities under the contract.

Historically the definition of performance has emphasized on output or results. Management by objectives was very popular in the 1970's but fell out of favour during the 1990's as it drifted into over-bureaucratisation and focused on the quantifiable whilst neglecting the more qualitative elements of performance. Whilst achievement of objectives and outputs remain a key deliverable for performance management, organisations today are also increasingly concerned with the inputs, the behaviours.

Brumbach (1998) observed that performance should incorporate both behaviours and results and not just results. In an economy where knowledge and service are key, competitive advantage comes not only through results, but through the behaviours people demonstrate when carrying out their roles and hence if effective performance is to be encouraged in our workplace we need to focus not only in what people do but also how they do it.

1.1.4 Banking Industry in Kenya

The banking industry in Kenya is regulated by the Central Bank of Kenya Act (Cap 491) and Banking Act (Cap 488). These acts are intended primarily to facilitate the development and maintenance of sound monetary policies (Ngesa, 1989). We currently have 44 commercial banks and 15 micro finance institutions. The banking act was enacted in 1989 which replaced the banking act of 1969. Prior to this banking

in Kenya was regulated under the banking ordinance which was the colonial piece of legislation inherited by the government at independence (<http://www.centralbank.go.ke>).

The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks interest and also addresses issues affecting the members. The industry is dominated by a few banks which are foreign owned and some locally owned. Nine of the major banks are listed at the Nairobi Stock Exchange. CBK is responsible for formulating, implementing monetary policy and fostering the liquidity and proper functioning of the banking industry.

Over the years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth is mainly underpinned by an industry wide branch network expansion both in Kenya and in the East African community region as well as automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional ‘off-the-shelf’ banking products. Players in this sector have experienced competition over the last few years resulting from increased innovations among the players and new entrants into the market. The banking services are poised for significant expansion, product and market development that should result in further consolidation of the banking sector. Most of these transformations are been necessitated by the changes in the environment which have forced the banks to respond to these changes inorder to remain in business.

Key issues affecting the banking industry include: changes in the regulatory framework where liberalization exist, declining interest margins due to customers pressure leading to mergers and reorganization, increased demand for nontraditional

services and introduction of non-traditional players who offer financial services. ([http://www.central bank.go.ke](http://www.centralbank.go.ke)).

1.1.5 National Bank of Kenya Limited

The National bank of Kenya was established in 1968 as a 100% government owned financial institution whose sole goal was to help Kenyans get access to get credit and control their economy to be able to drive the economy especially after independence. As of December 2013, National Bank of Kenya asset base was valued at approximately KES 67.1 Billion with shareholders equity valued at about KES 10.55 Billion. In May 2013 National Bank of Kenya was ranked number twelve, by assets among the forty four licensed commercial banks in the country (www.nationalbank.co.ke).

The bank owns the following subsidiary companies in which it has 100% shareholding: NatBank Trustee and Investment Services Limited, Kenya National Capital Corporation Limited and NBK Insurance Agency Limited. The government reduced its shareholding in 1994 by 32%(40 Million Shares) to members of the public and again in 1996 it further reduced its shareholding by 40 Million shares to the public. National Social Security Fund is the current majority share holders commanding a 48.6% shareholding. The general public is second with a 29.44% holding and the Kenyan government third with a 22.5% shareholding. (www.nationalbank.co.ke).

The bank participates in corporate banking, business banking, retail banking and Islamic banking. It offers a wide range of products which include Financing, Trade Services, Mortgages, Account Services, Custody Services, Card Services among others.

The bank has a network of 75 branches outlets across the country and 140 ATMs with their main customers being governmental ministries and parastatals employees. The bank is also actively involved in the stock market playing multiple roles as an arranger, underwriter and placing agent. The bank is an appointed fiscal agent, registrar and market maker in the secondary market.

Recently the bank has undergone a transformation drive where it rebranded and changed its logo and colors from the predominant green and yellow with the new slogan becoming “Bank on Better. This was part of the banks 5 year strategy to become a top tier bank by 2017. Recent achievements include the recognition of National Bank of Kenya CEO Munir Sheikh Ahmed as the CEO of the year in the recently concluded ninth 2014 Banking Awards Gala that was held at Safari Park Hotel, Nairobi.

1.2 Research Problem

Many organizations are undergoing mergers, downsizing, right sizing and appointing new CEO's yet a large number of the firms continue to waver when it comes to effectively manage change. Maginn, (2007) and Kehone (2007) are in agreement that all organizations are constantly changing and organizations either changes or withers away. McKinsey global survey (www.mckinseyquarterly.com) indicated that managers cited that the most frequent reason for undertaking an organizational strategic change as responding to their organization's growth, cutting costs and introducing change to a static organization to improve on competitiveness.

Financial sector in Kenya is characterized by cut throat competition among the players. The financial institutions are in stiff competition with each other to deliver products and services that will add value to their customers and thus attain a

competitive edge over their competition. To be able to achieve this institution must keep revolutionizing their operations through institutionalizing of effective strategic change management practices.

Studies have been done in the area of Strategic Change Management Practice for instance, Kibwana (2012) looked at strategic change management practices at local authorities in the Coast Province of Kenya. Marangu (2012) looked at employee perception on the strategic change management practices and performance at Kenya Power and Lighting Company Limited. Munjua (2012) looked at strategic change management practices at the Agency for Cooperation and Research in Development in Kenya. Mutura (2012) looked at stakeholder involvement in strategic change management process within the insurance industry in Nairobi, Kenya. Kiilu (2012) looked at strategic change management at the judiciary of Kenya. Mwandembo (2012) looked at organizational structural design and strategic change management at Kenya Revenue Authority. Njoka (2010) looked at stakeholder involvement in strategic change management process at the Kenya national audit while Njeri (2011) looked at strategic change management at the NIC bank of Kenya.

From the above studies it's quite evident that there has been a bias in the research conducted as they have tended to focus on strategic change management practices adopted by organizations but there hasn't been a study which has focused on how strategic change management practices adopted by organizations have impacted on the firm's performance.

National Bank of Kenya has experienced a challenging business environment over the years given the cut throat competition by other players in the industry and the slow growth of the economy. Despite the fact that the bank has come up with strategic

management practices aimed at improving the competitiveness of the bank it has been observed that the bank has not achieved the desired results as intended. Therefore this study sought to answer this research question: What are the strategic change management practices at National Bank of Kenya and how do they affect the banks performance?

1.3 Research Objective

The study was guided by the following objective:

To analyze the nature of strategic change management practices adopted by National Bank of Kenya and the impact of this on the banks performance

1.4 Value of the Study

The study will add to the current scope of knowledge and theory. Scholars could therefore use the findings to build on the current knowledge as well as a basis for further research.

The study will be important to National Bank of Kenya and the banking sector as a whole as it will not only highlight strategic change management practices adopted at National Bank of Kenya Ltd but also identify how the management practices have impacted the organizations performance. This will be of importance not only to National Bank of Kenya but also to other players in the industry as it will enable them come up with viable policies and practices to strengthen strategic management aspects in the sector so as to promote efficiency and competitiveness.

The study will also be beneficial to the banking sector regulatory authorities as information generated by this study will give more insight into change management issues affecting the banking sector in Kenya. The study will provide the regulator with

information on challenges experienced in undertaking change management in financial institutions in Kenya and how to work around the challenges experienced.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter reviews literature which is related and consistent with the objectives of the study. It contains a review of management of strategic change literature as well as identifying knowledge gaps that the study seeks to fill.

The chapter analyses the various approaches that have guided formulation of change management practices in organizations as well as identifying the rational and effectiveness of each practice.

2.2 Theoretical Foundation of the Study

Change management is a challenging and unavoidable process. It's a continuous process that requires planning, coordinating, organizing and controlling skills (Huong Ha, 2014). It is important for managers at different levels in an organization to understand why change is important, when change is needed, what needs to be changed and how to successfully manage change.

Change management theory is predominantly based on three schools of thought which are: The Individual Behavior School of Thought, Group Dynamics School of Thought and Open Systems School of Thought. The individual behavior school of thought believes that behavior is learnt through some external stimulus. They believe that behavior is caused by an individual's interaction with the environment. Group dynamics theorists believe that individuals are members of a group and hence they behave in such a way to conform to group pressures. Proponents of this school of thought believe focus of change should be at group level (Schein, 1969). They further believe that when effecting organizational change emphasis should be through targeting group behavior rather than individual behavior since people in organizations

work in groups (Lewin, 1958). Open system theorists on the other hand believe that an organization is made up of a number of interconnected subsystems and a change in one subsystem will bring changes in the other systems. This perspective focuses on achieving overall synergy rather than an optimizing any one individual subsystem (Mullins, 1989)

Change models in an organization can either be planned or unplanned. Planned change is a proactive response which aims to developing an organization capabilities and core competencies in order to improve the organizations performance and achieve its business objectives. Such change is usually an incremental, process-oriented, focused on long term benefits, and is expected by various stakeholders in the organization. It usually has internal focus on resources strategies and processes (Kates et al, 2006). Unplanned change on the other hand is a reactive response to pressure caused by alterations in the internal and external conditions. Such change is usually radical and change oriented. It usually has an external focus on the shifts in the environment and industry and applies to a specific division of an organization (Bertels, 2010). Although there are a number of planned change approaches, the key ones are Kurt Lewin's three step change model, the positive five step model, the action research eight-step model and John Kotter's eight step change model.

Kurt Lewin's three-step planned change model observes that the stability of human behavior is based on a quasi-stationary equilibrium supported by a complex field of driving and restraining forces (Czinkota et al, 2009). He pointed out that change is the result of the interaction between force that push for change and forces that attempt to maintain status quo by resisting change, the driving forces should be stronger than the resisting forces. He noted that the first step in change management is to unfreeze the

equilibrium so that the old behavior can be removed and new behavior can be successfully implemented. The second step is the moving stage where a new practice or behavior is introduced. The third step is refreezing the new set of behaviors. This step aims at establishing a new quasi stationary equilibrium in order to ensure that the new behaviors are safe from regression (Menipaz and Menipaz, 2009).

The Action Research model proposes a full cycle in the development of organizations instead of responding to a crisis. The proponents of this model observe that planned change is cyclical where interventions are designed and guided by groundwork research and analysis of the development needs of an organization. The whole process can be repeated if the change does not improve the current state of the organizations or if new issues arise during the change process or if new needs are identified. The eight steps of the model are: problem identification, consultation with change agents, data collection and initial diagnosis, provision of feedback to clients, joint diagnosis of the problem, joint action and planning, implementation of change, evaluation of change and provision of feedback to the clients.

Similar to the Action Research model the John Kotter's (1995) Eight-Step change management model also contains eight steps which include, creating a sense of urgency, formation of a powerful team to implement the change process, strategies an appropriate vision, communicate the vision to stakeholders, engage and empower stakeholders to perform their duty towards new behaviors and achieving the vision, production of adequate short-term outcome to maintain the change momentum, strengthen the changing forces and finally internalize the new behavior and practice in the organization.

The positive model instead of identifying a problem and bringing out a change to rectify the problem the model focuses on developing what is working well and what an organization is doing right. The five step of the positive model involves initiating the inquiry, search for good and best practices, discover the good and best practices, envision the preferred future and finally design and deliver ways to achieve the preferred future. The model is based on the fact that every organization that works right. The positive model begins by identifying what is positive and connecting to it in ways that heighten energy, vision and action for change (Barkemeyer et al, 2011). The developers of this theory believed that organizations should retain the positive aspects and practice. They believed that positive emotions can create synergy for organizational change. It is however worth noting that planned change models have had a number of limitations that have been pointed out over the years which include, planned change theories provide limited knowledge and information how to change behaviors of members of organizations, change is not linear since new conditions often emerge and disrupt the planned process yet elements that remain unchanged within the change models are not paid enough attention by the proposers of these models, evaluation methods of the planned change are vague and inaccurate and the models do not discuss how unrealistic expectations within the organization can be addressed.

Although the planned change models had a number of advantages they were criticized for being unrealistic in crisis situations hence the reason why some theorists came forward to address the issues associated with planned change by introducing unplanned change models. However for the purposes of this research we shall limited

the review to planned change models as they are the ones applicable and relevant to the study.

2.3 Change Management and Performance

Organizational change management refers to planning, organizing, leading, and controlling a change process in an organization to improve its performance and achieve the predetermined sets of strategic objectives. It includes the adoption of different techniques, instruments, and mechanisms to manage the technical and human elements of an intervention, which are all aimed at making better the performance of an organization in an endeavor to meet its strategic goals.

Change management is a process that is continuous, multidimensional, and challenging. It has to systematically deal with people, practice, attitude, behaviors, strategies, structures and mechanisms. Change management is crucial to any organization performance as in the existing highly competitive and continuously evolving business environment. Based on the underpinning theories compiled from the various models of planned change by theorist such as John Kotter, Kurt Lewin, Dianne Wadell, Thomas Cummings and Christopher Worley a five-stage approach was developed to manage change in organizations which involved preparation for change, selection of change approaches, implementation of change, evaluation of change process and outcomes and stabilization of change and institutionalization of change.

According to (Huong Ha, 2014) the preparation for change requires the person in charge to search for and engage change agents and other relevant personnel with different backgrounds and different types of expertise at various levels. Strong competent and committed team should be formed to carry out the change process

(Kotter, 1996). He further observed that systems and resources required for change must be secured before the change process can take place as the change process gets delayed or fails due to insufficient resources and inappropriate systems. Selection of change approaches stage analyses all possible implications of changes as they will affect the different change options. The change agent identifies driving and resisting forces for change in order to assess and select suitable change approaches. The implementation of the change models is one of the most important steps in the change management process (Jick, 2001) as a clear implementation plan with a time framework will help the working committee to adhere to the deadlines. The change agents must set evaluation criteria against the organizations vision, mission and objectives with the common evaluation criteria being cost efficiency, an increase in productivity, an improvement in product quality and flexibility of service (Efficiency Unit, 2008). Cummings and Worley explained that an institutionalization process reflects the relationship and interdependence among employee competence, self-efficacy, commitment and behavior modeling. In order to institutionalize changes, employees must have the ability and competence to adopt new behavior.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter explains the methodology that was used in the study. The chapter will focus on the research design, data collection and data analysis.

3.2 Research Design

This research was conducted through a case study. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003). Yin (1989) defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon and context which is not clearly evident; and in which multiple sources of evidence are used (Yin, 1989).

The case study design was deemed as the best design to fulfill the objectives of the study of enabling the researcher to have an in-depth understanding of the strategic change management practices adopted at National Bank of Kenya. The target population is 350 participants made up of senior managers, middle level managers and project officers located at National Bank of Kenya head office as all projects are run from here. Sample size on the other hand is made up of 35 participants.

3.3 Data Collection

Data collection is the planning for and obtaining useful information on key quality characteristics produced by a process. It enables one to formulate and test working assumptions about a process and develop information that will lead to the improvement of the key quality characteristics of the product or service (Merriam, 1998). The study used primary data collected directly from participants. The data was collected from staff of National Bank of Kenya using interview schedule (appendix 2). The interviews were conducted on a face to face basis using the guide of an

interview schedule to guide the scope of the information being collected. An interview guide is a set of questions that an interviewer asks when interviewing.

The interview targeted line managers and other stakeholder in the various fuctions such as Operations, Corporate Banking, Consumer Banking and Human Resource due to the fact that managers are directly involved in formulation and adoption of strategic change management practices.

3.4 Data Analysis

Data analysis is the application of reasoning to understand and interpret the data that has been collected (Zikmund, 2003). Data analysis in qualitative research can be compared to a metamorphosis where the researcher retreats with the data, applies associated analytical techniques and finally emerges with the findings (Merriam, 1998). In this research qualitative analysis was done using content analysis on the data that was collected.

Content analysis is a technique of making conclusions by systematically and objectively identifying specified characteristics of messages (Holsti, 1968). Kerlinger (1986) defined content analysis as a method of studying and analyzing communication in a systematic, objective and quantitative manner for the purpose of measuring variables. Content analysis was deemed the most appropriate in analyzing participants responses as it provided an in depth analysis of the open-ended answers provided.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the analysis, results and findings of the research following interviews conducted with senior managers, middle level managers and project officers at National Bank of Kenya. The analysis was designed with the intention of answering the research question of the study. The analysis done was in relation to the questions captured in the interview guide (Appendix II). The chapter includes highlights on general information, change management, change management and performance and discussions of findings

4.2 General Information

The participants were senior managers, middle level managers and project officers from the various functions in the bank who have played a big role in the formulation and implementation of strategies including monitoring and measuring accumulated gains that have resulted from the adopted strategies. The participants had all been involved previously in change management, within the organization as such they were appropriate candidates for the interviews.

All the participants were in agreement that how strategic change is implemented and managed in an organization directly affects performance of the firm.

4.3 Strategic Change Management and Performance at National Bank of Kenya

All selected participants had at one time played critical roles in change management which involved the formulation and implementation of the bank short term and long term strategies. The participants were directly involved in strategy formulation,

implementation, monitoring and evaluating the implementation of the strategy selected, provision of appropriate leadership, planning for the implementation, communication of the strategy at every stage of implementation, training and development, performing market research and measuring the impact of the adopted strategy on the overall banks performance. The responses from the participants clearly showed that how strategic change management is carried out in an organization has a direct impact on the organization overall performance noting that the main goal of bringing about change in an organization is to increase profitability either through minimizing cost or through increasing revenue.

4.3.1 Strategic Change Management

In regards to strategic change management and who are involved in the strategy formulation and implementation a discussion with the participants revealed that the top management are the ones who formulate the strategies. The participants cited examples of recently adopted strategies aimed at reducing cost and increasing revenue as opening of 10 additional branches, rollout of agent banking, leveraging on technology to drive growth, offering waivers on long outstanding debts and rebranding. It was also noted that middle level managers and other staff in general were the ones involved in the implementation of the identified strategies but under the supervision of one top level manager.

In regards to communicating planned changes to staff the participants noted that they are normally informed about the planned changes through bulletins communicated through internal mail. One respondent noted that the staff is also informed on the planned changes during weekly morning huddles but this is not the practice across all functions and branches as its dependant on the proactiveness of the individual

department or branch manager. Some participants however noted that the communication is done a few days to the roll out of the planned strategy and even in some cases after the go-live date and thus there is no room for them to have any sort of input.

Participants were split on whether the bank conducts market research on a strategy before implementation. They noted that in some cases market research was conducted while in some cases it was not done. They cited examples on where market research was done as during the planned opening of 10 new branches and roll out of agent banking. Participants noted that during rebranding exercise and write-off campaign which was aimed at collecting long outstanding debts by offering waivers, market research was never done.

Around the issue of whether the bank monitors implemented strategies to ensure if they have been successfully implemented the participants noted that the bank was able to carry out monitoring of implemented strategies and thus be able to measure their success rate. The participants cited examples of where the bank has been able to carry out monitoring and measuring of success rate of implemented strategies include the roll out of 10 additional retail branches, the bank is able to track accumulated revenues versus cost incurred for each individual branch and thus be able to measure if its breaking even or not. In the write-off campaign where the bank is offering waivers on long outstanding debts the bank has been able to monitor success rate by simply analyzing the payments received in settlement of the debts since the waiver campaign commenced. The participants however noted that in some cases measuring success was very difficult such as determining the percentage improvement in the banks performance as a result of rebranding.

All participants were of the opinion that adopted strategies were not unique to National Bank of Kenya. They noted that all strategies formulated were similar to the ones implemented by other market leaders. Around rebranding one respondent noted that this was the norm not only in the financial sector but also in other sectors such as transport sector. The respondent cited CFC and Stanbic when they merged a few years ago and rebranded changing their name to CFC Stanbic. A few participants noted that agency banking was very much in existence and being carried out by market leaders such as KCB, Equity and Co-operative bank. Around the issue of opening new branches and leveraging on technology for efficiency it was noted that all the major banks in the country had rolled out the opening of new branches not only in the country but also across the region. The participants also pointed out that the market leaders had all invested heavily on technology judging from the changes in operating platforms and their roll-out of products such as internet banking and mobile banking. The participants noted that National Bank of Kenya mostly came up with strategies that had already been adopted by other market leaders and proved to be working.

Participants noted that employees involved in change management are not adequately trained in strategy planning and implementation. They noted that the employees selected to manage the planned change are not necessarily change experts however they are experts on the specific area of change. One respondent provided an example on the planned branch expansion campaign was headed by the Executive Director Retail and Business Banking while technology upgrade was headed by Director, Information Technology.

Participants noted that employees are also not adequately trained on the organizational changes which have been resulted by the implemented strategies. A number of

participants gave examples of the roll out of the new bank operating platform which they were not adequately trained on and thus were forced to learn on the job after they had gone-live on the system.

It was also noted that implemented strategies were not very effective in relation to their intended purpose. The participants attributed this to the fact that that selected strategies were not unique to their organization but were copied from strategies employed by market leaders in the industry. The participants felt that the implemented strategies will thus not be very effective in resolving the challenges faced by the organization.

4.3.2 Change Management and Performance

Participants noted that in some cases a reward and recognition system had been developed and aligned to the strategy to support implementation while in some cases it had not been developed. The participants cited examples such as the collection on long outstanding debts waiver campaign where a commission was to be awarded to the Collection Officer as a percentage of amount collected. This had the effect of motivating the Collection officers who were the implementers of the strategy to ensure they endeavor to collect on these written-off debts as much as possible to ensure they accumulate as much commission as possible. Participants however noted that other strategies such as the branch network roll out and technology upgrade including the rebranding process had no reward and recognition system to support implementation however key members of staff who played a direct role in the strategy formulation were recognized after successful implementation inform of certificates and bonuses.

Participants noted that employees were not adequately equipped with knowledge and skills that enhance creativity and innovation. Participants also noted that in some cases the organization was able to track the success rate of implemented strategy such as where the bank rolled out opening of 10 additional retail branches, the bank is able to track accumulated revenues versus cost incurred for each individual branch and thus be able to measure if its breaking even or not. In the write-off campaign where the bank is offering waivers on long outstanding debts the bank has able to monitor success rate by simply analyzing the payments received in settlement of the debts since the waiver campaign commenced. Success rate of technology upgrade such as bank operating platform change can be measured by measuring the end to end time taken to serve a customer at the counter or time it takes to capture a loan application on the system to check if the new system is faster compared to the previous one. This can be converted into man-hours saved which in turn can be converted into monetary units. Participants however noted that in some cases measuring success was very difficult such as determining the percentage improvement in the banks performance as a result of rebranding.

All participants were of the opinion that employee participation during strategy formulation was non existence however during implementation employees were required to run with the strategies and ensure that they are implemented. The participants noted that strategy formulation was done by top level management. After a strategy was formulated middle level managers and other employees were involved in fine tuning the strategy to make it applicable to the organization requirement. One respondent gave the example of technology upgrade in the organization where the decision to change the system and which new system to adopt was made by the top

management. Middle level management and selected employees were involved during implementation where they were required to provide requirements, be trained on the new system, test the new system to check if it's fit for purpose, train colleagues on how to use it and support colleagues after going live.

It was also noted by the participants that there were a lot of resource constraints experienced during the implementation of the changes. These resource constraints were brought about by the fact that during implementation a few colleagues were selected from the business to support in the implementation of the selected strategies. The employees selected were mainly top performers in their specific business units hence resulting in understaffing at department levels as the selected individuals were not involved at all in the daily work activities. A few participants also noted that during implementation of a new strategy such a system change staff normally took more time to carry out a task such as carry out a transaction at the branch since they had not fully mastered the system and hence queues would be very long. They thus were forced to open more counters to serve customers which required that they pull other staff from the back office resulting in resource constraints. This is mitigated by the hiring of contract staff to handle the not so sensitive tasks.

It was also noted from the responses provided that there are challenges experienced by stakeholders during change implementation. Major factors that resulted in the resistance included; Non involvement, not all stakeholders are engaged during strategy formulation which has resulted in the middle level management and other employees feeling alienated thus bringing about lack of ownership and lack of proper and timely communication as most employees officially get to know about the planned change a few days before implementation.

Participants noted that the external environment plays an important role in influencing the change management process examples that were cited included technological changes which have a major impact on how the change management process is carried out noting that there has been considerable advancement in technology. This can be used in assisting in the execution of change in areas such as conducting market research to check viability and in the monitoring of adopted strategies to measure their success rate.

Participants cited the following considerations needed to be factored for successful strategic change management in an organization; Market research, this the participants noted was vital as it informed the organization whether change was really necessary. Participants also noted that there needs to be proper and timely communication between all stakeholders involved to ensure all individuals are at sync at all stages of implementation. A number of participants noted that stakeholder involvement during strategy formulation and implementation was also very important as it will bring about a sense of participation and ownership hence provide the added impetus in ensuring the plans are implemented as per requirement. It was also noted that a post mortem analysis of the adopted strategies was imperative as there was need to analyse the results attained as a result of the change process attained against expected results. This, the participants noted, will enable the change team determine whether its viable to proceed with the change process, change some aspects of the change or abort the whole process altogether and initiate it afresh.

4.4 Discussion of Results

4.4.1 Comparison with Theory

Robbins and Coulter (2002) mentioned that strategic change management is the process that encompasses strategic planning, implementation and evaluation. The findings showed that National bank of Kenya followed this process while implementing its strategies.

Fred (1997) stated that external environment scanning is to identify and evaluate trends and events beyond the control of the organization. Porter (2004) sees the competition as the core to the firm's success or failure and highlights the importance of having a competitive strategy to successfully position against the forces that determine industry competition. Hitt and Hoskisson (2005) further asserted that the analysis of the general environment focuses on the future, and the analysis of the industry environment focuses on the factors and conditions that influence a company's profitability. This literature was consistent with the findings of the study as it showed that despite the fact that National Bank of Kenya developed and implemented well thought out strategies the change management process did not come up with competitive advantage that will propel the bank to greater heights, infact it is observed that the performance of the bank in terms of profit before tax for the year 2013 declined by more than 50%. This was attributed to the fact that the change management process adopted strategies that were copied from market leaders and not specific to the organizations requirement and hence were not fit for purpose.

Thompson and Stickland (2003) mentioned that strategy formulation and implementation was a dynamic process within the strategic change management process that required stakeholder's participation to guarantee its success. This was

consistent with the findings which showed that as a result of non participation by some stakeholders especially during the strategy formulation stage of the adopted strategies was not very successful as the implementers had a feeling of alienation hence resulting in the strategies not achieving its intentions.

Johnson and Scholes (2004) noted that communication was very important during strategic change management process. The further noted that stakeholders needed to be regularly briefed on the developments when planning and implementation of a strategy to ensure successful uptake of developed strategies. The findings of this research were consistent with the literature as it highlighted the fact that as a result of late communication or in some instances no communication at all by management of National Bank of Kenya during strategy formulation and implementation formulated strategies were not very effective as they did not have the input of all the stakeholders and implementation also was not executed as per plan. All this had the multiplier effect of negatively affecting the banks performance.

The literature of Johnson and Scholes (2004) noted that change management involves the translation of strategy into action plans. This was consistent with the findings that while planning for implementation it was important to turn the strategy into a series of actions in the form action plans and then assign the actions to skilled persons to execute and the process track the performance of each action against the plan in order to determine review. It was also noted that despite the allocation of tasks to individuals while implementing of the identified strategies the change agents had limited skills in change management. The selected individuals were experts in their areas of speciality but the lacked the skills in project management resulting in poor execution.

The findings of the research found out that the impact of the strategy implemented to the employees would determine their reaction. Employees would generally want to know what is in it for them. In addition, the environment in which implementation is done would affect their motivation level. Their level of competency and empowerment would affect their level of confidence which would determine their fear of unknown. This statement supported the statement of Dransfield, (2001) that the happiest most productive employees are those who feel empowered to work and that good leaders need to coach and motivate and then leave people to get on with it in terms of the grass roots of implementation of strategy.

4.4.2 Comparison with Other Studies

The study clearly showed that there is continuous change in organizations activities where it scans its external environment so as to evaluate the trends and events beyond it so that it can strategically position itself and in doing so have a competitive advantage over its competitors and thus be able to enjoy greater profitability. This was supported by the research of Garner and Edward (2008) where they argued that the concept of strategic change management emerged in response to this increased turbulence. Strategic change management involves the continuous scanning and adapting to the environment rather than just scanning the environment at the annual planning review. Strategic change management is a continuous process that involves the efforts of strategic managers to successfully fit their organizations to their environment by developing competitive advantage. This competitive advantage allows the firm to capitalize on its opportunities thereby attaining more profitability.

It also emerged that the success of a strategy was largely dependent on the quality of people involved by the virtue of their skills and experience within the organization

and their level of engagement in every stage of implementation. This findings supported Galbraith and Kazanjian (1988) and Govindarajan (1989) statement that effectiveness in the strategic change management process is atleast in part affected by the quality of the people involved in the process where quality refers to the skills, capabilities, experiences and other characteristics of people required by a specific task or position. The study noted that strategy implementation was perceived as an important but difficult component of the strategic management process, and failure of the change initiatives is largely due to poor implementation of strategy. The research results supported the study by Atkinson (2006) that implementation is just as critical, if not more so, than the development of effective strategies in the dynamic hyper competitive environment of today.

Results of the study also pointed out that the operating environment such as competition, customer demand for quality, technological change, need for conformity with overall corporate structure, the organization culture and micro economy were significant influencers of strategic change management which ultimately affected the organizations performance. These results were consistent with the research outcome by Osano (2009) who noted that financial services management have to contend with continuously changing conditions due to pressures from the market themselves, the competitive situation and the rapid evolution of ICT.

The study pointed out that National Bank of Kenya had attempted to continuously alter its organization structure and to come up with strategies that will give the firm a competitive advantage over its competitors thereby improving its performance though from the findings it is clear that the bank was not coming up with solutions which were unique to the organization challenges but were strategies copied from other

market leaders hence they did not serve to improve the competitive advantage of the firm.. This was consistent with the study done (www.strategicmanagement.net) which observed that an important aspect of strategic change management process is the selection of strategies that are tailor made and unique to an organization demands which are geared towards developing a competitive advantage so that the organization enjoys a competitive edge over its rivals and increase profitability.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary, conclusion and details of recommendations for the research in line with the research objectives and the research question. The section concludes by giving limitations of the study and suggestions for further study.

5.2 Summary of Findings

The research found that an organization needs to involve all stakeholders during the change management process which is from the planning stage to the implementation stage as this will bring about a sense of involvement and ownership by all stakeholders which will play a big role in ensuring successful implementation of the selected strategy. Communication also needs to be continuous such that all stakeholders are continuously updated on the progress of change.

The research also found out that market research must be conducted before the adoption of a strategy as this will check the viability of a strategy before implementation and in doing so enable the firm to come up with unique strategies that are aimed at solving the firm's unique challenges. Close monitoring of progress was also identified to be vital as the need to identify if the intended positions are being achieved and if not what is the variance between actual and expected outcomes and its effect on the overall organization performance

The research also found out that employees involved in the change management process need to be adequately trained. The research noted that an employee skills analysis needs to be conducted prior to allocation of action points in the planning and implementation of a strategy so that skills deficiencies in relation to the task can be

identified and necessary training conducted to ensure a smooth execution. It was also realized that a reward and recognition system needs to be developed to support implementation. This recognition system should be accommodate not only the top level managers but all employees to ensure support from all stakeholders.

5.3 Conclusion

This research project has provided a comprehensive review of strategic change management in an attempt to answer the research question and meet the research objective. From the research it is evident that the level of competency and level of empowerment of employees should be observed in order to improve their level of confidence in the implementation process. Following strategy implementation, job roles must be reviewed in order to identify areas of skills development and in order to place the people with the right skills in the right jobs. Critical skills required for strategy implementation must be identified depending on the complexity and nature of the strategy. However, leadership skills, relationship management skills and financial skills would be required for all strategy implementation cases.

The research therefore concluded that given the changes in the environment brought about by globalization, technology and competition organizations have to adjust their way of doing things by adopting new strategies while ensuring effective strategic implementation. This therefore clearly shows that there is no single approach to strategic management and therefore practices keep evolving from time to time depending with the changes in the environment and hence it's the obligation of the organization to come up with unique strategies tailor made to the organizations requirements so as to gain a competitive advantage over competition and in so doing maintain or increase its profitability.

5.4 Recommendations

Managers and executives need to improve on communication and awareness of strategy and focus on building competencies in the organization during change management so as to increase the chances of successful implementation, visibility, importance and credibility.

There needs to be stakeholder involvement in all stages of planning and implementation to bring a sense of ownership by all parties so that they can feel the strategy has not been forced on them. This will also increase the chances of successful implementation of the selected strategy.

There needs to be a comprehensive market research conducted prior to developing of strategies to be adopted. The market research should objectively identify the challenges experienced by the organization which will assist the planners in developing strategies to respond to the challenges. The developed plans will be unique to the organization and in response to the identified challenge. This will play a role in coming up with a competitive advantage which will play a vital role in improving the firm's profitability. The project team should ensure all the above are in place for successful delivery of projects.

5.5 Limitations of the Study

Owing to the working conditions in the organization, it was not possible to interview managers who had tight schedules of work and on official duties. It was also a challenge scheduling the interview session as the managers were stationed in different offices in dispersed locations of the organization.

There were managers who had been in the organization during major strategy implementation phases who had since left and their experience could not be

incorporated in the study. Some managers refused to be interviewed as they were of the opinion that the information they were to provide to the research was very sensitive and could be viewed as leaking of intellectual property of the bank however the employees interviewed provided a good sample size enabling generalization of the findings.

5.6 Suggestion for Further Studies

The study was looking into strategic change management and performance at National Bank of Kenya which is a local bank. Previous studies have not been done on the topic and as such there is need for further research. More case studies should be done with the multinational organization so that the learning and experiences from them can be used by those organizations during the change management.

The findings of this study were from a specific organization. As such they did not have a general picture of the banking industry. Consequently similar studies should be done in other commercial banks as a survey, the results of which could be compared with this research study so as to establish whether there would be consistency on the strategic change management and performance in the banking industry. The researcher therefore recommends that a survey on the banking industry in Kenya be performed.

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APPENDICES

Appendix I - Letter of Introduction

Dear Sir/Madam,

RE: REQUEST FOR RESERCH INFORMATION.

I am a student at the University of Nairobi pursuing a Masters degree in Business Administration (MBA). I am undertaking a research project on strategic change management and performance at National Bank of Kenya Limited as part of the academic requirements for the award of the stated degree.

I would be grateful if you could spare a moment of your time and allow me to interview using the attached interview guide, to help me gather the necessary information. The information you give shall be treated with utmost confidentiality and be used solely for this research problem. A copy of the same shall be availed to you on request.

Any additional information you might consider necessary for this study will be highly appreciated.

In case of any queries pertaining to this research project, do not hesitate to call me on

Tel: 0722-240945.

Thank you in advance.

Yours sincerely

Paul J Nyachoti

Appendix II – Interview Guide

Kindly answer all the questions by filling in the spaces provided.

SECTION A: GENERAL INFORMATION

1. Position held.....
2. Number of years served in the position.....
3. Function name.....
4. Length of service with the bank.....

SECTION B: STRATEGIC CHANGE MANAGEMENT

5. Who are involved in strategy formulation and implementation in your organization?
6. How is communication on the planned change done in your organization?
7. Does your organization conduct market research to check viability of an intended strategy before implementation?
8. Does your organization monitor implemented strategies to ensure successful implementation? If yes, how?
9. Are adopted strategies unique to your organization? If no explain.
10. Are employees involved in the planned change adequately trained in strategy planning and implementation?
11. Are employees adequately trained on the organizational changes which have been resulted by the implemented strategies?

12. Are implemented strategies very effective in relation to their intended purpose? If no explain

SECTION C: CHANGE MANAGEMENT AND PERFORMANCE

13. Has a reward and recognition system been developed by the organization and aligned to the strategy to support implementation? If yes explain.
14. “Employees are equipped with knowledge and skills that enhance creativity and innovation,” how correct is this statement in relation to strategy implementation in your organization? Explain
15. Does your organization track and measure the success rate of applied strategies?
16. Is there employee’s participation in the strategy implementation and formulation in your organization?
17. Does your organization experience resource constraints during implementation of change? If yes how is this mitigated?
18. Are there challenges faced of resistance to the change implementation by the different stakeholders? If yes explain factors that may cause such resistance.
19. Are there external factors that affect the change management process? If yes, which ones?
20. What considerations would you suggest for successful change management in your organization?

THANK YOU FOR YOUR PARTICIPATION