MANAGING CHANGE AT NAIROBI CITY WATER AND SEWERAGE COMPANY LIMITED

BY

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DECLARATION

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

Signed: Teresa Date: 21/11/2008

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

Signed: __________ Date: 21/11/2008

DEDICATION

To Bonny and Simon

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I wish to thank the Almighty God for making it possible for me to pursue the MBA program and having protected me throughout the process. I also wish to thank my family members for their support and encouragement when things were tough and for understanding the necessity of education. This is especially when I was not always around when needed. Last but not least my instructors and more so my supervisor who supported and exhibited a lot of patience.

ABSTRACT

Change is the transition from one state to another with the focus of being different. Organisations must change because their environment changes on a continuous basis. Some changes are reactions to external threats whereas others are proactive to seize opportunities and manage the environment. Change management is the use of systematic methods to ensure that an organisation change can be guided in the planned direction, conducted in a cost effective manner, completed within the targeted timeframe and with the desired results.

The present institutional arrangement for the management of water sector in Kenya can be traced to the launch of the National Water Master Plan in 1974. The primary aim of this plan was to ensure availability of portable water at a reasonable distance, to all households by the year 2000. In 1980s, the Government started experiencing budgetary constraints and it became clear that on its own it would not deliver to all by the year 2000. Between 1990 and 1992, Japan International Cooperation Agency (JICA) in collaboration with the Kenya Government developed National Master Plan that set out a long-term plan for the implementation of the much-needed reforms in the water sector. Key direction of the water sector was eventually outlined in the Sessional Paper No. 1 of 1999, which emphasised the need to urgently review the Water Act Chapter 372. This review culminated in the enactment of Water Act 2002 whose main thrust was the separation of roles in the policy formulation and direct service delivery.

Nairobi City Water and Sewerage Company Limited (NCWSC) formation arose from the enactment of the Water Act 2002 as a water service provider to Nairobi residents and its environs. NCWSC which initially operated as Nairobi City Council Water and Sewerage Department underwent privatization process which led to major organisational changes.

This study sort to establish how NCWSC managed the introduction of Government reforms of the Water Act, 2002 and the accompanying challenges in the implementation of these changes. The study was conducted using a case study research design. The researcher conducted in-depth interviews by use of interview guide with NCWSC's three functional directors and three managers who were involved in the change program. Information was also obtained from the organisation records which were useful in the compilation of the study report. The analysis of the data was conducted by use of content analysis which is a research tool used to determine the presence of certain words or concepts within texts or sets of texts.

The external environment triggered major changes in Water and Sewerage Department of Nairobi City Council. The external forces were from the Government reforms which led to the privatisation of this department. The research established that the change introduced in the organisation affected its structure, culture, Human Resource Management, systems and technology. Various challenges were experienced in the process of managing change which included the challenge of initiation, sustaining momentum and restructuring. There was also the problem of resistance to change which included the behavioural and systemic resistance and there was lack of proper integration of the newly employed and the seconded employees from Nairobi City Council.

The results of this study can be used as a lesson to other parastatals and Government institutions that are undergoing or are likely to undergo similar reforms. It is also useful for the academicians and other researchers wishing to carry out further research. The study will contribute to existing literature in the field of change management.

Due to time constraints, the research findings were obtained from three functional directors and three managers at the Headquarters. It would have been important to obtain the views and opinions of other personnel based within the regional offices and the non-management staff. To add value to this research, it would have been good to obtain the views from customers, suppliers and competitors. Further study is recommended to be conducted in future, as the change effort at NCWSC is still ongoing. Study of institutions like Kenya Railways that has recently undergone a transition from Government into private ownership is also recommended for purposes of comparability.

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Concepts of Change Management

Change refers to any alteration of status quo. Change can be defined as a transition from one state to another with focus on being different. Change is the only constant in today's life for individuals and organisations (Bartol and Martin, 1991). Change can be viewed as a one-off event, an exception to the normal running of an organisation and therefore, something to be dealt with as it arises. On the other hand, some organisations see change not as an exception but as a continuous process, that forms part of the organisation's day-to-day activities (Burnes, 2004).

Strategy can be seen as building on or 'stretching' an organisation's resources and competencies to create opportunities or capitalise on them. This means identifying existing resources and competencies, which might be a basis for creating new opportunities in the market place. The success of strategic change in an organisation depends on the extent to which people change the beliefs and assumptions that they hold and their behaviour in the organisation lives for example towards customers or each other. Those who emphasize a process view of strategy tend to highlight those aspects of the change process. While not dismissing the need for planning, they stress the importance of achieving the commitment of people in the organisation to change and the need for behavioural change not only in terms of that which is formally controlled but also in terms of everyday aspects of the organisational life. Indeed, there are those who argue that in a rapidly changing environment, organisations cannot rely on formal planning of change, but rather need to become learning organisations, continually sensitive to changes in the environment and able to adapt continually to those changes (Johnson and Scholes, 2004).

Porter (1980), stated that strategy is creating a fit among a company's activities. The success of a strategy depends on doing many things well and integrating them. If there is no fit among activities, there is no distinctive strategy and therefore little sustainability. Most organisations owe their initial success to unique strategy positioning that is usually through clear trade-offs and alignment of activities to its positioning. However, through passage of time and pressure of growth, compromises are made and incremental additions of services or products and initiation of rivals becomes a reality. It is this point that the organisation begins to loose a clear competitive positive strategy. Strategic positioning is therefore, a continuous process that is often not obvious but requires insight and creativity on the part of managers.

Strategic management includes understanding the strategic position of an organisation in terms of its external environment, internal resources, competencies, expectations and influence of stakeholders. Strategic choice involves understanding the underlying basis guiding future strategy, generating strategic options for evaluation and selecting among them. It is distinguished from day to day-operational management by the complexity of influences on decisions, the fundamental organisations-wide implications that strategic decisions have for the organisation and their long-term implications. Strategy implementation is concerned with the translation of strategy into organisation action through organisational structures and design, resources planning and management of strategic changes. Strategic management system of an organisation determines the success or failure of organisational change. Change which is a form of transition from one state to another, can be either strategic or operational. Strategic change is an alteration that involves fundamental adjustments in the business of the organisation and affects its future direction. Organisations have to change to align themselves to changes in their environments and the purpose of strategic change is to ensure that the organisation is leading in the right direction. Operational change however, aims at ensuring that the organisational activities are being performed in the best way possible. The focus is the excellence and ensuring that an organisation is efficient (Johnson and Scholes, 2004).

Organisations and managers face change on a continuous basis, especially in volatile environments. Some changes are reactions to external threats, others are proactive attempts to seize opportunities and manage the environments. Organisations should seek to obtain and maintain a congruence between their environment, values and resources, making change when there are pressures from either the environment or other resources. It is crucial that organisations seek to create and sustain competitive position in readiness to implement the proposed changes (Thompson, 1997).

Change management is the use of systematic methods to ensure that an organisation change can be guided in the planned direction, conducted in a cost effective manner, completed within the targeted timeframe and with the desired results. Implementation of change is concerned with putting the formulated strategic changes into action, accomplishing administrative tasks and allocating the necessary resources. It is an internal operation driven activity involving organizing, budgeting, motivating, culture building, supervising and leading the strategy work as intended. Strategic changes should be implemented systematically and good implementation is critical for strategic and organisation success. This may be accomplished by understanding the extent of strategic change as implied by the new strategy and variables that can facilitate change (Burnes, 2004).

Implementing of change normally follows three critical steps. These include first assessing the current state of the organisation where the resulting analysis identifies the current situation, problems and the possible causes of these problems. By specifying the problems and the kinds of changes that needed, this analysis performs the unfreezing function. Designing the future state of the organisation then follows. This process involves determining the idealized, expected state of affair after the implementation of change. As confusion is common during a major organisational change, the clearest possible image of the future state must be developed and conveyed to everyone. This image or vision will be a target or guideline that clarifies expectations to dispel rumours and mobilise people's energies. The portrait of the future also communicates how the transition will occur, why the change is being implemented and how people will be affected by the change. Finally, the Implementation of change which is the transition state whereby the transition manager can be appointed and given the power and authority to make the change. Resources like personnel, money, training and consultation must be provided. A transition plan should be drawn up and should include goals, standards of performance and responsibilities of key people. Special task force, pilot projects or other temporary structures are also created (Thompson, 1997).

The main strategic challenge of managing organisation lies in the proper management of change. Most organisations have continued to perform poorly because of inadequate change management. Strategic change is continuously becoming more important, particularly where environment, the work place and the market place are continuously changing. Change frequently disrupts the normal way of working. It is important to encourage people to recognise the need for change and it accompanying benefits and the external threats for not changing. Managed change should be planned and evolutionary (Thompson, 1997).

In order to avoid resistance to change individuals, groups and organisations must be motivated to change, but if people perceive no performance gap or if they consider the gap unimportant they will not have this motivation. In fact, they may resist changes that management attempts to introduce. There are general and specific reasons why people may resist change. General reasons for resistance include inertia where people usually do not want to disturb the status quo. Timing is another general reason where people often resist change because of poor timing. If managers or employees are usually busy, under stress or if relations between the management and workers are strained the timing will be wrong for introducing new proposals. The third general reason is surprise where one key aspect of timing and receptivity is surprise. If the change is sudden or unexpected extreme resistance may be the initial almost reflective reaction. Lastly peer pressure where sometimes work groups resist new ideas (Thompson and Strickland, 1993).

Specific reasons stems from what people perceive as personal consequences of the change. Specific reasons include self-interest whereby most people care less about their organisation's best interest than they do about their own best interests. Secondly, misunderstanding may results to specific resistance whereby even when management proposes a change that will benefits everyone, people may resist because they do not fully understand its purposes. Finally, different assessments may result to resistance to change where the employees are exposed to different and usually less information than management receives. Even without top management ranks some executives know more than others do. Such discrepancies cause people to develop different assessment of the proposed change (Thompson and Strickland, 1993).

The success of strategic change in an organisation depends on the extent to which people change the beliefs and assumptions that they hold and their behaviour in the organisation lives for example towards customers or each other. Those who emphasise a process view of strategy tend to highlight these aspects of the change process. While not dismissing the need for planning, they stress the importance of achieving the commitment of people in the organisation to change and the need for behavioural change not only in terms of that which is formally controlled but also in terms of everyday aspects of organisational life. Indeed, there are those who argue that in a rapidly changing environment organisations cannot rely on formal planning of change, but rather need to become learning organisations, continually sensitive to changes in the environment and able to adapt continually to those changes (Burnes, 2004).

1.1.2 The water sector

Worldwide the water sector reforms are being carried out in a coherent and integrative manner to suit broader social and political policies of a country. The involvement of policy makers, decision makers, stakeholders and communities in the decentralized institutional framework provides a transparent and accountable process to contain water resource degradation and water use conflict. The integrated Water Resources Management practice will ensure that decisions made at Catchment's level will be based on informed data through participation and consultation at each established management level (Simeon, 2003).

The present institutional arrangements for the management of the water sector in Kenya can be traced to the launch in 1974 of the National Water Master Plan whose primary aim was to ensure availability of portable water at a reasonable distance, to all households by the year 2000. The Plan aimed to achieve this objective by actively developing water supply systems, sinking of boreholes, construction of catchments dams and provision of the conveyance infrastructure in the form of pipes and furrows. To do so it required that the Government directly provide water services to consumers, in addition to its other roles of making policy, regulating the use of water resources and financing activities in the water sector (Ngigi & Macharia, 2006).

The legal framework for carrying out these functions was found in the law then prevailing, the Water Act, Chapter 372 of the Laws of Kenya. In line with the Master Plan, the Government upgraded the Department of Water Development (DWD) of the Ministry of Agriculture into a full Ministry of Water which embarked on an ambitious water supply development programme. In the 1980s, the Government begun experiencing budgetary constraints and it became clear that on its own, it could not deliver water to all Kenyans by the year 2000. Attention therefore turned to finding ways of involving others in the provision of water services in place of Government, a process that came to be known popularly as "handing over". There was general agreement over the need to hand over Government water supply systems, but much less agreement over what it meant for the Government to hand over public water supply systems to others (Ngigi & Macharia, 2006).

Between 1990 and 1992, the Japan International Cooperation Agency (JICA) in collaboration with the Kenya Government developed a National Master Plan that set out a long- term plan for the implementation of the much needed reforms in the water sub-sector. Following the release of the National water Master Plan in July 1992, it became apparent that an enabling environment was necessary for the proper implementation of its recommendations. One key recommendation was the formulation of a clearly defined National Water Policy to provide a framework in which the desired goals were set, necessary measures to guide the entire range of actions outlined, and to synchronise all water related activities and actors. It was against this background that the draft National water policy document was prepared (GOK, 1992).

In 1997, the Government published manual giving guidelines on handing over of rural water supply systems to communities (Ministry of Land Reclamation, Regional & water Development, 1997). By 2002 ten schemes had been handed over under these guidelines, focusing on management and revenue collection, not full asset transfer. Building on this experience, the Government developed a full pledged policy, the National Water Policy in 1999. It has tackled issues pertaining to water resources management, water and sewerage development institutional framework and financing of the sector. The policy stated that the government role would be redefined away from the direct service provision to regulatory functions, service provision would be left to municipalities, the private sector and communities. The policy also stated that the Water Act, Chapter 372 would be reviewed and updated, attention being paid to the transfer of water facilities and regulations would be introduced to give institutions the legal mandate to provide water services and to provide mechanisms for regulation (Ngigi & Macharia, 2006).

The definitive policy for the sub sector was promulgated in April 1999 as Session Paper No.1 of 1999 on National Policy on Water Resources Management and Development. The policy paper called for decentralisation of operational and development activities of Water Supply and Sanitation (WSS) from the Central Government to other actors, including local authorities, the private sector and increased involvement of communities to improve efficiency in service delivery. Water resource management entailed conservation of water base, protection of the water catchments areas from destruction and encroachment and sustaining the environment through protection of quality water bodies. The decision making process in respect to water resources management was to be decentralised by adopting three water resources management levels (National, Basin and Catchments levels) and setting up or strengthening appropriate institutions clearly by defining the roles of each and how they were to relate with one another (GOK, 1999).

One of the key directions of the Sessional Paper No. 1 of 1999 was the urgent need to review the Water Act Chapter 372 whose major shortcoming was the failure to address adequately all the issues relating to water development and management. The review culminated in the enactment of Water Act 2002. The main goal of this Act was the separation of water resources management from water provision and the development of service provision on water services providers. To achieve the objectives of devolution, the Act created need for new institutions in water sector and gave them mandate to perform specific roles in water resources management. The new institutions are Water Resources Management Authority, Water Services Regulatory Board, Water Services Trust Fund, Water Appeal Board and finally Water Services Boards (Lake Victoria North, Lake Victoria South, Rift Valley, Northern, Tana, Athi and Coast). In the institutional framework, the Water Act provides for the formation of Water Service Providers (WSP) with the responsibility of providing water and sewerage services at the local level. Nairobi City Water and Sewerage Company Ltd is a WSP providing water to Nairobi City and its environs.

1.1.3 Nairobi City Water and Sewerage Company Limited (NCWSC)

The Nairobi City Water and Sewerage Company Limited (NCWSC) was incorporated in December 2003 under the Company's Act Chapter 486. NCWSC is a wholly owned subsidiary of the Nairobi City Council (NCC). It has its headquarters at Kampala Road, Industrial Area. The Company's formation arose from the enactment of the Water Act 2002, which created new institutions to manage water resources in Kenya. The Company, therefore, took over the provision of water and sewerage services within Nairobi and its environs from the Water and Sewerage Department of the NCC.

NCWSC was appointed by the Athi Water Services Board (AWSB) to provide water and sewerage services to residents of Nairobi under an agreed framework specified in the Service Provision Agreement (SPA). This was to ensure adequate and quality of water, affordable tariffs, maintenance and improvement of water and sewerage infrastructure. There is also a tripartite agreement between the water assets it had initially leased from NCC to AWSB in order to comply with the requirements of the Water Act 2002. This provides AWSB the right to acquire the full use of these assets. Other agreements include those for Agency and Operational assets between the NCC and NCWSC.

The core problem faced by the Company was the inadequate and unsustainable service delivery of water and sewerage or sanitation services to the population of Nairobi due to the weak institutional structures. The service was hitherto provided by the Water and Sewerage Department (WSD) a Technical Department within the NCC. WSD's lack of operational and financial autonomy was found to be a major factor causing poor and unsuitable operations in both decision-making and service provision. The service was caught in a cycle of declining investment, quality of service and financial returns characterized by low coverage and unreliable service, high levels of unaccounted for water (UFW) and of unpaid bills, very poor financial management, tariff insufficient to cover operations and maintenance costs, inadequate commercial management among others. This translated into inadequate service to the population including the informal settlements in Nairobi where the vast majority of the urban poor reside.

NCWSC inherited the various assets and liability from NCC Water and Sewerage Department. It also inherited the systems such as poor billing process, environment which exposed the Company to losses and wastage. Other problems inherited by the Company includes indiscipline, corruption, poor people management, culture, illegal water connections, non-revenue water, car washes, revenue sustainability, slow repair leaks, low cost expenditure consciousness, un-metered connections, low paying customer base among others.

1.2 Statement of the problem

Change has been a realisation in many organisations in the day-to-day running with the current times and high competitive edge established. Many organisations have been forced to change from the normal ways of working to be able to cope and survive in the market. The globalisation of markets, rapid advancements in new technology, higher levels of competition, increasing focus on costs and cost management, challenges for new markets entrants, decreased bottom line profit or a perceived longer-term change in the nature of an industry all contribute to the drive for change within contemporary organisations today. Due to these pressures, many organisations thus undertake transformational or strategic change that involves significant alteration to strategy, structures, systems, processes and ultimately culture (Burnes, 2004).

Water sector reforms have been initiated in many African countries. The overriding goal is to create financially and environmentally sustainable service provision that responds to the needs and abilities of different users. The reforms have taken a path that lays emphasis on decentralised decision making, increased efficiency through engagement of the private sector, and improved transparency through civil society consultation and participation. Most countries have enacted a new Water Act that seeks to separate water resource management from water service delivery, minimise the role of the Central Government to policy formulation, and facilitate community and private sector participation in water resource management and water service delivery (Kirimi, 2006).

In Kenya, the Water Act 2002 was enacted in October 2002 to provide a framework to address the problems associated with the management of water resources and provision of water and sewerage services in Kenya. In the institutional framework, the Water Act provides for the formulation of Water Service Providers (WSP) with the responsibility of providing water and sewerage services at the local level. NCWSC is a WSP providing water to Nairobi City and its environs under a licence issued by AWSB. To enable the Company commence operations four agreements were signed. The first agreement was on the transfer of operational assets, liabilities and staff signed between NCC and NCWSC. The Second agreement was the agency agreement between NCC and NCWSC. The third agreement was the Service Provision Agreement (SPA) signed between AWSP and NCWSC and finally the tripartite agreement signed by AWSP, NCC and NCWSC.

Practitioners in water sector and other private business operators may also benefit from the study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Overview of Change Management

In the fast pace global economy, change cannot be an occasional episode in the life of a Corporation. Companies with rigid structures will be swept away. Corporate cultures that can adopt will survive and thrive. At the beginning of twenty first century, change is everywhere. The reality of yesterday proves wrong today, and nobody really knows what will be the truth tomorrow (Maalu, 2007). Organisations must change because their environment changes. Organisations must change in order to survive. Pressures for change come from many sectors. Internal pressures come from top managers and lower-level employees who push for changes. Outside pressures come from changes in the organisation's legal, competitive, technologies and economic environments. Organisations undertake major changes in at least four general areas i.e. strategy, technology, structure and people (Bateman and Zeithaml, 1993).

Organisations and managers face change on a continuous basis, especially in volatile environments. Some changes are reactions to external threats, others are proactive attempts to seize opportunities and manage the environment. Organisations should seek to obtain and maintain congruence between their environment, values and resources, making changes when there are pressures from either the environment or other resources. It is crucial that organisations seek to create and sustain competitive advantage and wherever possible innovate to improve within the organisation and the ability to implement the proposed changes (Thompson, 1997).

According to Bateman and Zeithaml (1993), a strategic approach to managing change is effective when the organisation is moved from its current state to some planned future state. This will exist after the change and functioning of the organisation in the future state meets expectations. This implies that change work as planned and the transition is accomplished without excessive costs to the organisation members. These standards are a useful framework for planning and implementing change.

Forces for change are a major issue of change management. There are various forces for change which includes technical obsolescence and technical improvements whereby pressures can stem from outside the organisation in the form of new developments by competitors and the availability of new technologies which the organisation might wish to harness. Internal research and development and innovatory ideas from managers can generate technical change internally. Political and social events are pressures outside the control of the firm but which the companies are forced to respond to them. These also include the tendency for large organisations and markets to become increasingly global by responding to competitive conditions. Increase in size, complexity and specialisations of organisations where the growth of organisations linked to internal changes of structure, creates pressure for further changes. The final force for change is the greater strategic awareness, skills of managers and employees who want job satisfaction, personal challenges, and need opportunities for growth within the organisation. The strategic environment especially competitive forces determine how proactive and change oriented an organisation must be if it is to be effective. Organisation structure must be designed to enable decisions to be made quickly, quality design and services must be responsive to customer perceptions and competitor activities which are essential for competitive advantage (Thompson, 1997).

2.2 Approaches to Change Management

Effective change occur when managers and employees modify their behaviour in a desired or desirable way and when important changes are lasting rather than temporary. Management of change exhibits four key features. These four key features includes dissatisfaction with the present strategies and styles, vision of the better alternatives i.e. a clear picture of the desired state which can be communicated and explained to others, a strategy for implementing the change and attaining the desired states and finally resistance to proposals at some stage (Thompson, 1997).

Broadly, there exist two forms of change, which are planned and emergent change. Planned approach to organisation change is viewed as a process of moving from one fixed state to another through a series of pre-planned steps. It distinguishes change that is conscious as opposed to change that was brought about by accident or impulse, or that may be forced on an organisation. Planned change involves an organisation passing through various states in order to move from an unsatisfactory present state to a more desired future state. Emergent change is a continuous, open ended and unpredictable process of aligning and realigning the organisation to its changing environment. It recognises the need for organisation to align their internal practices to external conditions (Burnes, 2004).

Various change models have been suggested that are concerned with approaches to planning and implementing institutional changes required for achieving or shaping strategic objectives. Among the models is the action research, which was first coined by Lewin (1946). Action research refers to programs and interventions designed to solve a problem or improve a condition. It is based on proposition that effective approach to solving organisation problems must involve a rational, systematic analysis of the issues in question. Action research process entails the perception of a problem by a key individual, consultations with experts, systematic data gathering about the system, taking action by altering selected variables within the system, evaluating results and taking necessary action.

The Lewin's three-step model states that permanent changes in behaviour involve three aspects i.e. unfreezing previous behaviour, changing and refreezing the new patterns. Unfreezing is the readiness to acquire or learn new behaviour. People are willing to accept new ways of doing things but this requires a trigger e.g. declining sales / profits or threat of closure. Change occurs when people perceives need for change to try out new ideas. It may be gradual or drastic and it involves a strategy and change need to be planned. Finally refreezing involves consolidating the new practices (Burnes, 2004)

The Bullock and Batten (1985) developed an integrated, four-phase model of planned change based on a review and synthesis of over 30 models of planned change. This model described planned change in terms of two major dimensions i.e. change phases, which are distinct states an organisation moves through as it undertakes planned change and change processes, which are the methods used to move an organisation from one state to another.

Kotter's eight steps model of 1995 suggests eight steps, which he proposes lead to successful change. These eight steps are outlined on figure 1.

Figure 1 : Kotter's Eight Steps Model

Step	Activity
1.Establishing a sense of urgency	Examining market and competitive realities, identifying and discussing crises, potential crises or major opportunities
2.Forming a powerful guiding coalition	Assembling a group with enough power to lead the changer effort, enhancing the group to work together as a team
3. Creating a vision	Creating a vision to help direct the change effort, developing strategies for achieving that vision
4. Communicating the vision	Using every vehicle possible to communicate the new vision and strategies, teaching new behaviour by the example of the guiding coalition
5. Empowering others to act on the vision	Getting rid of obstacles to change, changing systems or structure that seriously undermine the vision, encouraging risk taking and non- traditional ideas, activities and actions
6. Planning for and creating short-term wins, planning for visible performance improvements	Creating those improvements, recognising and rewarding employees involved in the improvements
7. Consolidating improvements and producing still more change	Using increased credibility to change systems, structures and policies that do not fit the vision, hiring, promoting and developing employees who can implement the vision, re-invigilating the process with new projects, themes and change agents.
8.Instituionalizing new approaches	Articulating the connection between the new behaviours and corporate success, developing the means to ensure relationships development and success

Source: Adapted from Kotter J.P., Leading change: Why Transformation Efforts Fail: Harvard Business Review of Change, March – April 1995.

According to processual approach, the perspective concentrates on the nature of organisational and market processes. The processual approach views organisations and their members as shifting coalitions of individuals and groups with different interests, imperfect knowledge and short attention spans. Markets are similarly unpredictable and imperfect and do not require to achieve a perfect fit within their environment in order to prosper and survive. Strategy under these conditions is portrayed as a pragmatic process of trial and error, aimed at achieving a compromise between the needs of the market and the objectives of the warring factions within the organisation (Burnes, 2004).

Logical incrementalism approach suggests a high degree of political skills on the part of strategic leader, who appreciates the difficulties involved in implementing change. The hardest part of strategic management is implementation as transition and change impacts on structures and system, organisation culture and power relationship. The strategic leader is critical in the process because he/ she is either personally or ultimately responsible for the proposed changes in strategy and for establishing the structure and processes within the organisation (Thompson, 1997).

The Learning organisation model of 1990 by Senge suggests that a learning organisation does not suddenly adopt strategic change but it is perpetually seeking it. A learning organisation uses learning, experimentation and communication to renew itself constantly. Strategy development involves knowledge creation which is best undertaken in groups i.e. developing shared mental models of issue through group dynamics (Burnes, 2004).

2.3 Organisational change

According to Thompson (1997), organisations undertake major changes in at least four general areas i.e. strategy, technology, structure and people. Strategic changes occur at various levels within the organisation which includes the corporate and business levels. Corporate level strategies change or reorientation occurs when a Company shifts its resources into new businesses or more attractive markets and industries. Strategic change at the business level occurs when a Company competes more effectively and better serves the industry and market it is already in. Revitalisation is necessary when the performance is mediocre or poor but survival is still possible, in other words, the business must revitalise its current market position. In the worst case, a Company must try a turnaround approach. In turnaround situations, the Company experiences serious losses and fails to improve which threaten its survival.

Technological changes can involve a number of specific technologies which includes assembly lines, computerisation or job enrichment, pressure for quick results from top management, implementation headaches created by inadequate training and new designs and resistance from workers. This change is geared towards improvements on the production processes. Structural changes occur due to changes in strategy, operations and management styles or philosophy. The final organisational change area is changing people attitudes, expectations and behaviours. Various techniques are used in this area such as organisational development which uses behavioural science knowledge and techniques to influence people attitudes, beliefs, values and behaviours on the job, with the ultimate goal of facilitating organisational effectiveness. These techniques includes open communication, interpersonal trust, constructive handling of conflict, teamwork and collaborative problem solving. These also include training, diagnostic activities which assess the current state of the organisation strengths and weaknesses, problem identification, employees attitudes and performance levels. Data is collected and analysed through questionnaires, interviews, objective evidence and group meetings.

Organisational change is managed effectively when the organisation is moved from its current state to some planned future state that will exist after the change. The functioning of the organisation in the future state will meet expectations i.e. the change works as planned. The transition is accomplished without excessive costs to the organisation and finally the transition is accomplished without excessive costs to individual organisational members. Effective change management requires three steps. The first step is to assess the current state of the organisation. Second step is to design the future state of the organisation and finally implementation of change (Bateman and Zeithaml, 1993).

Change decisions can be categorised in terms of their significance to the organisation and the appropriate level of intervention. There are five levels which form a vertical hierarchy in an organisation and are crucial to clarify and tackle needs and problems appropriately. These includes the values, culture and the style of management and secondly the objectives and corporate strategy. The third level is the organisation structure followed by the competitive strategies, systems and management roles and finally the functional strategies and organisation of tasks (Thompson, 1997).

2.4 Principles of Change Management

According to Jones, Aguirre and Claderone (2003), there is no single methodology of change management that fit in every Company, but there is a set of practices, tools and techniques that can be adapted to a variety of situations. These forms the top 10 guiding principles for change management. Using these as a systematic, comprehensive framework, executives can understand what to expect, how to manage their own personal change, and how to engage the entire organisation in the process. The first principle is to address the issue of the "human side". Here, any significant transformation creates people issues such as new leaders will be asked to step up, jobs will be changed, new skills and capabilities must be developed and employees will be uncertain and resistant. The second principle states that change should start from the top. Change is inherently unsettling for people at all levels of an organisation, when it is on the horizon, all eyes will turn to the CEO and the leadership team for strength, support and direction. The next principle outlines the involvement of every layer of the organisation structure. As transformation programs progress from defining strategy and setting targets to design and implement, they affect different levels of the organisation.

The fourth principle outlines how to make the formal case. Individuals are inherently rational and will question to what extent change is needed, whether the Company is headed in the right direction and whether they want to commit personally to making change happen. Creation of ownership is the fifth principle where leaders of large change programs must over perform during the transformation and should create a critical mass among the work force in favour of change. This requires more than mere buy-in or passive agreement that the direction of change is acceptable. Communication of the message is the sixth principle. Too often, change leaders make the mistake of believing that others understand the issues, feel the need to change, and see the new direction as clearly as they do. The best change programs reinforce core messages through regular, timely advice that is both inspirational and practicable. The seventh principle explains that one need to assess the cultural landscape. Successful change programs pick up speed and intensity as they cascade down, making it criticality important that leaders understand and account for culture and behaviours at each level of organisation. Companies can make the mistake of assessing culture either too late or not at all.

The eighth principle of addressing culture explicitly outline that once the culture is understood, it should be addressed as thoroughly as any other in a change program. Leaders should be explicit about the culture and underlying behaviours that will best support the new way of doing business, and find opportunities to model and reward those behaviours. Prepare for the unexpected is the ninth principle where no change program goes completely according to plan. People react in unexpected ways; areas of anticipated resistance fall away; and the external environment shifts. Finally Speak to the individual is the tenth principle which outlines that change is both an institutional journey and a very personal one. People spend many hours each week and many think of their colleagues as a second family. Individuals (or teams of individuals) need to know how their work will change, what is expected of them during and after the change program, how they will be measured, and what success or failure will mean for them and those around them. Team leaders should be as honest and explicit as possible.

The above principles of change management in organisations have two critical dimensions i.e. business dimension and people dimension. Business dimension of change outlines the change strategy i.e. the scope and the objectives that will affect the business processes, systems and structures. People dimension of change involves the alignment of the organisations culture, values, people and behaviours to encourage the desires results. The people dimension of change is how employees experience the change process, helping employees cope with change is one of the most critical success factors in change management. Engaging the people in the organisation in change leadership must ensure that they fully address the human side of change, otherwise their best-laid plans may fail.

2.5 Resistance to change and overcoming resistance to change

According to Thompson (1997), resistance to change is a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of change. Individual, groups and organisations must be motivated to change. However, if people perceive no performance gap or if they consider the gap unimportant, they will not have this motivation. In fact, they may resist changes that management attempts to introduce. Resistance to change may take the form of procrastination and delays in triggering the process of change, unforeseen implementation delays and inefficiencies which slow down the change. These make the cost of change management to be more than originally anticipated, efforts within the organisation to sabotage the change or to absorb change at the expense of other priorities.

There are two types of resistance to change i.e. systemic resistance and behavioural resistance. Systemic resistance is the passive incompetence of the organisation which results from factors such as organisation structure and design, organisation culture, resource limitations, certain other commitments for example fixed investment in the technology, inter-organisation agreements etc. Systemic resistance is proportional to the difference between the capacity required for new strategies to work and the capacity to handle it. It occurs wherever the development of capacity lags behind strategy development. Systemic resistance may be minimized by providing dedicated capacity for planning and budgeting, integrating management development into the change process, control the duration of change to maximum possible to assure timely response to environmental challenges and use of sequence behaviour development system build-up of strategic action.

Behavioural resistance may results from individuals or from collective groups. Individual resistance may result from individual employees or managers in their departments. Groups or collective resistance results from managers who share common tasks, coalition or power centres within the organisation. Individual resistance may results due to specific or general reasons. Specific reasons why individual may resist change include parochial self-interest that results due to loss of something of value due to political camps in the organisation i.e. fighting each other and power struggles. Other reasons includes misunderstanding where change implementation implications may not be understood and lack of trust where lack of trust for those in authority or in other departments, may resist change in order to save face as accepting may mean admitting past mistakes. Different assessments may also result to resistance to change due to different views from managers who may see costs than benefits which may be good if based on full information as it may point to some potential problems. Low tolerance for change whereby fear of not being able to develop skills or behaviours required may also lead to resistance to change.

General reasons why individual resist change include inertia, timing, surprises and peer pressures. Under inertia, people usually do not want to disturb the status quo. The old ways of doing things are comfortable and easy. So people do not want to shake things up and try something new. People often resist change because of poor timing. If managers or employees are under stress or if relations between managers and workers are strained, the timing is wrong for introducing new proposal. Where possible, managers should introduce change when people are receptive. One key aspect of timing and receptivity is surprises. If change is sudden and unexpected or extreme, resistance may be the initial almost reflective reaction. Peer pressure sometimes work groups resist new ideas. Even if individual's members do not strongly oppose a change suggested by management, the group may band together in opposition. If a group is highly cohesive and has an "anti-management norms" peer pressure will cause individuals to resist even reasonable changes (Thompson, 1997).

There are six ways of overcoming behavioural resistance as outlined by Kotter and Schlesinger (1979). These six ways of overcoming behavioural resistance are outlined on figure 2.

Figure 2 : Ways of Overcoming Behavioural Resistance

Approach	Situational use
1. Education + communication	Where there is a lack of information and analysis /inaccurate information and analysis
2. Participation + involvement	Where the initiatives do not have all the information they need to design the change, and where others have considerable power to resist
3. Facilitation + support	Where people are resisting because of adjustment problems
4.Negotiation + Agreement	Where someone or some group will clearly lose out in a change and where that grp has considerable power to resist
5.Manipulation + Co-optation	Where other tactics will not work or are too expensive
6.Explicit + implicit coercion	Where speed is essential and the change initiators possess considerable power

Source:- Fundamentals of Management where it was reprinted by the permission of the Harvard business review. An exhibit from "choosing strategies for change" by John P. Kotter and Leonard A. Schlesinger, March - April 1979

Lewin visualised the change process as being composed of three steps i.e. unfreezing of existing behaviour, changing and refreezing of new behaviour. Lewin's approach is important because it helps managers recognise that an unfreezing process is usually necessary before individuals are willing to change. Furthermore, the refreezing step is important for reinforcing and maintaining desired changes (Bartol & Martin, 1991). Sometimes managers find it helpful to analyse the situation and consider appropriate actions to overcoming resistance to change through use of force field analysis. Developed by Lewin, the method involves the two types of forces i.e. the driving force and restraining force that influence any proposed change and the assessing how best to overcome resistance. Driving force are those forces that pressure for a particular change whereas restraining forces are those factors that pressure against a change. At any given point in time, the two types of forces pushing in the opposite directions lead to an equilibrium that defines current conditions or the status quo. As a result, in order to change the status quo to the desired condition, it is necessary either to increase the driving forces or decrease the restraining forces or to do both (Burnes, 2004).

The basic underlying the organisational development is that developing an appropriate culture will generate desirable changes in strategy. Organisational development (OD) is defined as effort, which is planned, organisation-wide and managed from the top, designed to increase organisational effectiveness and health through planned interventions in the organisations processes, using behaviour science knowledge. OD is in essence planned cultural change. Organised OD programmes involve activities such as team building and collaborative decision making, bringing managers together and encouraging them to share and discuss problems and issues (Thompson, 1997).

Imposed or forced change is whereby change in the industry environment are so marked that the organisation has no choice or because some external agency force change. For example many of the changes that have occurred in the public sector organisations through out the world either in the form of regulation or privatisation, have been forced on them. An external agency perhaps government may impose different structures of organisation or different regulatory devices to effect change. In such circumstances, an individual or group of managers will need to carry through such change. If strategy is to be changed, it needs to be 'internalised' by those it affects and those who have to implement the change. The likelihood of success in strategic change is low if the strategy is regarded as just something imposed on people - something which they have to do, rather than something, which they relate to in their everyday lives and for which there is ownership. Involvement in the change process beyond just the most senior executives and openness could therefore be important (Johnson & Scholes, 2004).

Routines are the organisation's specific 'ways to do things around here' which tend to persist over time and guide people's behaviour. The power of such routines is clear enough when they need changing in order to accommodate new strategy. Managers can make the mistake of assuming that because they have specified a strategy which requires operational changes in work practices and explained to junior management what such changes are, the changes will necessarily take place (Johnson & Scholes, 2004). A number of approaches can be involved in drawing up the strategic plans for the organisation, but changes in strategy are ultimately centralised decisions. Top-down strategic change approach can be both popular and viable as long as the strategies selected can be implemented effectively (Thompson, 1997).

Culture is the collective programming of the human mind that distinguishes the member of one human group from the other. It is a system of collectively held values "how things are done around here". Organisation culture is what is typical of the organisation, the habits, prevailing attitudes, grown up pattern of accepted and expected behaviours. It includes the organisation's values and norms and general organisation orientation, organisational culture can impede or facilitate change. Culture can resist change, respond to change, accept change or initiate change. It is therefore necessary to examine the cultural fit with the strategic change. Cultural fit should then be evaluated on the basis of the compatibility to new strategy and importance of the elements of the culture.

The following are the various aspects to consider in managing change in reference to organisation culture. Under rules and politics, eliminate rules and policies that hinder the change and create new ones that reinforce the desired way of operating. Develop goals and measurements that reinforce the desired change and under customs and norms replace the old ways of doing things that reinforce new customs and norms for example replace written reports with face-to-face meetings. Develop experimental training that provides real time, hands on experiences with the new processes and procedures, put in place ceremonies and events that reinforce the new ways and recognise individuals and team contributions to making the change work.

Manage behaviours publicly, recognise and reward managers who change by linking promotion and pay for the desired behaviours and recognise according to the specific change goals that have been set. Ensure that the performance management systems recognise and rewards the ways that are desired. Deliver communication in new ways that show commitment to change and make sure that the physical environment reflects change for example get people out of offices into open share facilities and make sure that organisation structures reinforce the operating changes by reinforcing divisional reorganisation around customers as opposed to functions (Thompson and Strickland, 1993).

2.6 Power and politics in change management

Johnson and Scholes (2002), define stakeholders as those individuals or groups of individuals who depend on the organisation to fulfil their own goals and on whom the organisation in turn depends on. Stakeholders define the political context of organisational strategy implementation. Stakeholders are interest groups who may include organisation management staff and non management staff, shareholders, customers, suppliers, competitors, government, social groupings etc.

Organisational politics defined as the process by which differing interest reach accommodation that relate to the disposition and use of power, influence and behaviour which is not prescribed by policies established within the organisation. The need for change is affected by the relative power and influence of external stakeholders in relation to the organisation. Powerful customers, suppliers and changes in Government legislation would all represent potential threats and demands for change. In turn, the management and implementation of change is affected by the relative power of the organisation. Some proposed strategies can be implemented because the organisation possesses the appropriate power to acquire the resources which are needed to generate consumer demands while others may not be feasible (Thompson, 1997).

It is likely that there will be a need for the reconfiguration of power structures in the organisation especially if transformational change is required. Momentum for change will need powerful advocacy within the organisation typically from the Chief Executive Officer, a powerful member of the Board or an influential outsider, indeed an individual or group combining both power and interest (Johnson and Scholes, 2002). Farell and Peterson (1982) classify political activity in terms of three dimensions i.e. legitimate or illegitimate, vertical or lateral and internal or external to the organisation. Power and politics are key aspects of strategy implementation because they can enable managers to be proactive and to influence their environment rather than being dominated and manipulated by external events. Hayes (1984) contends that effective managers appreciate clearly what support they will need from other people if proposed changes are to be carried through and what they will have to offer in return. It is important for the organisation as a whole to realise that general and functional managers are effective and politically competent if personal objectives are to be restrained and undesirable changes championed by individual managers prevented.

2.7 Learning organisation

The organisation needs to be seen not as a stable hierarchy. Organisation needs to be seen as an adaptive, continually changing learning organisation, capable of benefiting from the variety of knowledge, experience and skills of individuals through a culture that encourages mutual questioning and challenge around a shared purpose or vision (Johnson & Scholes, 2004). Leadership is the single most visible factor that distinguishes change efforts that succeed from those that fail. Leaders are the people who know the right things to do. Individuals follow a leader who is consistent, even if they have different viewpoints (Maalu, 2007).

To sustain a culture of change employees must be empowered, not everyone is comfortable with the added responsibilities and accountability. Empowerment cannot succeed without an appropriate rewards system to support it. Financial rewards will remain important but they are not the complete answer. Empowered middle managers are critically important for the effective management of strategic change, but they are often hostile because of fear and uncertainty in a culture of blame. Organisations can benefit from developing people, building their abilities and self- confidence and them providing them with greater stimulation and challenges. A culture of innovation and gradual but continuous change will affect the competitive and functional strategies (Thompson, 1997).

2.8 Change agents and consultants

Change agents initiates and develop intervention Organisational Development (OD) on change strategies. The basic underlying the organisational development is developing an appropriate culture that will generate desirable changes in strategy. Change agent who is an individual with a fresh perspective and knowledge of the behavioural science acts as a catalyst in helping the organisation approach old problems in a new or innovative ways. Five major techniques used in OD specialists include process consultation which is concerned with the interpersonal relations and dynamics operating in work groups. Second technique is team building aimed at helping work groups become effective at task accomplishments. Third party intervention is concerned with helping individuals, groups or departments resolve conflicts that may relate to specific work issues or may be caused by suboptimal interpersonal relations. Techno-structure activities are intended to improve work technology or organisational structure. Finally, the organisational culture change involves the development of a corporate culture that is in synchronisation with organisational strategies and other factors such as structure. The objectives of OD include improved organisational effectiveness and as a result higher profits and better customer services and more effective decision-making. It also improves the ability to make and manage changes more smoothly, increase innovation, reduce conflicts and destructive political activity and greater trust and collaboration between managers and business units (Thompson, 1997).

2.9 Challenges in change implementation

The management should decide exactly what the change is supposed to accomplish and then plan to objectively measure it's impact. In this way change can be evaluated to determine whether time and resources were well spent and whether to implement similar programs in other parts of the organisations. Measures for change effectiveness can be collected before, during and after the program implementation. Useful measures include productivity, profitability, quality, costs, customer service and turnover or whatever variable the change was intended to improve. These measures should be obtained from the appropriate levels i.e. individual, team, department, division or corporate. The final aspect of change program is financial assessment. The benefits to employees and society as well as the financial benefits to the Company should be included in the overall assessments (Bateman and Zeithaml, 1993).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research design

A case study research design was used. Case study method is a very popular form of qualitative analysis and involves a careful and complete observation of a social unit, be that unit, a person, a family, an institution, a cultural group or even the entire community. It is a method of study in-depth rather than breadth. The case study places more emphasis on the full analysis of a limited number of events or conditions and their interrelations. The case study deals with the processes that take place and their interrelationship. Thus, a case study is essentially an intensive investigation of the particular unit under consideration. The object of the case study method is to locate the factors that account for the behaviour and patterns of the given unit as an integrated totality (Kothari, 2007).

A case study seeks to describe a unit in detail, in context and holistically. It is a way of organizing educational data and looking at the object to be studied as a whole. In a case study, a great deal can be learned from a few examples of the phenomena under study (Kombo & Tromp, 2006).

3.2 Data collection

The type of date required was the primary data. Primary data is information gathered directly from respondents. This is through questionnaires, interviews, focused group discussions, observation and experimental studies. It involves creating "new" data. Data is collected from the existing sources (Kombo and Tromp, 2006).

Data collection was qualitative rather that quantitative which was grouped in categories. Data was collected on various variables such as the organisational culture, organisational structure, NCWSC roles and capacity, forces of change, approaches to change, resistance to change and management of resistance to change, performance and profitability of the Company since privatisation among others.

Data collection was through personal interviews that generated in-depth and detailed information. Interview guide found in appendix 1 was used to interview the senior management. Information was also obtained from existing manuals, literature, files and records.

Data was collected from the three Functional Directors and three representatives of the other three Directorates of the Company. These included Managing Director, Director Human Resources and Administration Services and Financial Services Director. For Company Secretary Directorate, Technical Directorate and Commercial Directorate Heads of Departments were interviewed. These individuals were deemed as the most suitable persons to provide the information as they participated in decision making for the Company and outlined their respective Directorates' strategies.

3.3 Data analysis

Data was analysed using content analysis. Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers quantify and analyse the presence, meanings and relationships of such words and concepts, them make inference about the audience. Content analysis examines the intensity with which certain words have been used. Content analysis systematically describes the form or content of written and / or spoken material (Kombo and Tromp, 2006).

In content analysis, a classification system is developed to record the information. In interpreting results, the frequency with which a symbol or idea appears was interpreted as a measure of importance, attention or emphasis. The relative balance of favourable attributes regarding a symbol or an idea may be interpreted as a measure of direction or bias (Kombo and Tromp, 2006).

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 NCWSC profile

Nairobi City Water and Sewerage Company Limited (NCWSC) was incorporated in December 2003 under the Company's Act Chapter 486. NCWSC is a wholly owned subsidiary of the Nairobi City Council (NCC). It has its headquarters at Kampala Road, Industrial Area. The Company's formation arose from the enactment of the Water Act 2002, which created new institutions to manage water resources in Kenya. The Company took over the provision of water and sewerage services within Nairobi and its environs from the Water and Sewerage Department of the NCC.

NCWSC was appointed by the Athi Water Services Board (AWSB) to provide water and sewerage services to residents of Nairobi under an agreed framework specified in the Service Provision Agreement (SPA). This was to ensure adequate and quality of water, affordable tariffs, maintenance and improvement of water and sewerage infrastructure. There was also a tripartite agreement signed by AWSB, NCC and NCWSC between the water assets it had initially leased from NCC to AWSB in order to comply with the requirements of the Water Act 2002. This provides AWSB the right to acquire the full use of these assets. Other agreements include those for Agency agreement between NCC and NCWSC and transfer of operational assets, liabilities and staff signed between the NCC and NCWSC.

Though the shares in NCWSC are wholly held by the NCC directly and by the Mayor as trustee, NCWSC operates autonomously from the NCC. It is run by a Board of 12 Directors drawn from private sector organisations and professional bodies in addition to Officers of the NCC. These were appointed in March 2004. By May 2004, NCWSC had taken over the functions of the Water and Sewerage Services Department of NCC. Financial autonomy was achieved on 17th May 2004 when the Company opened its own bank accounts. It also inherited 2,216 staff and the operational structures of the NCC Water and Sewerage Services Department. Initially the Board competitively recruited six functional Directors from the market whose overall responsibility was the reformation of water service provision to improve its accessibility, availability and affordability. The Managing Director headed these Directors. With the said objectives, the Directors were mandated to run NCWSC in an efficient and profitable manner and to correct the shortcomings of the NCC Water and Sewerage Services Department. The key principles in forming the Company was to separate the water and sewerage services from NCC to RING fence the water and sewerage income from reinvestment (ploughing back) in the water and sewerage system, to enhance service delivery and efficiency and inorder to achieve this NCWSC operates autonomously from NCC under its own Corporate Veil.

4.2 Forces of change

The external environment triggered changes in WSD of Nairobi City Council. The change came about after the enactment of Water Act 2002 whose main goal was the separation of water resources management from water provision and the development of service provision on water services providers. To achieve the objectives of devolution, the Act created need for new institutions in water resources management. The new institutions are Water Resources Management Authority, Water Services Boards, Water Services Trust Fund and Water Appeal Board. In the institutional framework, the Water Act provides for the formation of Water Services Providers (WSP) with the responsibility of providing water and sewerage services at the local level. Nairobi City Water and Sewerage Company Ltd is WSP providing water to residents of Nairobi City and its environs.

The Government of Kenya has been undertaking water sector reforms since 1974 with the intention of providing water for all by the year 2000 without much success. In 1980s the Government started experiencing budgetary constraints and it became clear that on its own it will not deliver water to all by the year 2000. Attention therefore turned to finding ways of involving others in the provision of water services in place of Government. Between 1990 and 1992, Japan International Cooperation Agency (JICA) in collaboration with the Kenya government developed National Master Plan that set out a long-term plan for the implementation of the much-needed reforms in the water sub-sector. In July 1992, they released the National Master Plan. In 1997, the Government published the manual giving guidelines on handing over of rural water supply systems to communities. Key direction of the water sector was outlined in the Sessional paper no. 1 of 1999, which emphasised the need to urgently review the Water Act Chapter 372. This review culminated in the enactment of water Act 2002 whose main thrust was the separation of roles in policy formulation from regulation and direct service delivery.

NCWSC after the appointment by the Athi Water Service Board (AWSB) received a new mandate to provide water and sewerage services to residents of Nairobi under an agreed framework specified in the Service Provision Agreement (SPA). This was to ensure adequate and quality of water, affordable tariffs, maintenance and improvement of water and sewerage infrastructure. NCWSC inherited the various assets and liability from NCC Water and Sewerage Department. It also inherited the systems such as poor billing process, environment which exposed the Company to losses and wastage. Other problems inherited included indiscipline, corruption, poor people management, culture, illegal water connections, slow repair leaks, low cost expenditure consciousness, un-metered connections, low paying customer base among others. This caused NCWSC to adapt a paradigm shift in order to be more adaptable to the Government demands.

4.3 Approach to change management at NCWSC

The respondents concurred that change in the Company was consciously embarked upon and planned by the Government and then passed on to Athi Water Service Board for implementation by NCWSC. Meetings were held between organisations in the water sector to establish how best to separate their roles and more so policy formulation from direct service delivery, development of water projects and water resource management. NCWSC adopted the planned mode of change by moving from one fixed state to another through a series of pre-planned steps unlike the emergent approach of transformation where changes are either accidental or on impulse. The old roles were abandoned and the

Company engaged in new mandate which included adoption of a new name from NCC water and Sewerage Department to Nairobi City Water and Sewerage Company Ltd.

There exist various models which explains the change management processes. These include Lewis three-step model, Action Research model, Bullock and Batten four-phase model, Kotter eight – step model, logical incrementalism process, processual model and learning organisation model. Kotter's eight-step model however is best suited for NCWSC change management process. The first four stages in this model are concerned with modifying a consolidated status quo. Steps five to seven that are concerned with the introduction of new practices and attitude which, are then grounded into the organisational culture by step eight. There was a sense of urgency evident in NCWSC where according to the Water Act, the organisation as a Water Services Providers (WSP) was tasked with the responsibility of providing water and sewerage services to residents of Nairobi City and its environs. The response was to ensure continuous supply of water after takeover of the NCC water and sewerage department.

Though there was awareness of the pending reforms, there was a feeling that the reforms would be implemented on proper sensitization on the effects of this change to all the employees. There was no proper sensitization to all employees. Some accepted to move to the new Company for the sake of their jobs whereas others refused to join the Company and instead opted to remain working for NCC.

Forming a powerful coalition was critical whereby the Ministry of Water invited applicants to apply for the positions of the six Functional Directors. For the implementation effort to be successful it must be driven by the top management group in the organisation. Failure here is associated with the underestimating the difficulties associated with the implementation. The respondents agreed that the six selected Directors directed change. They acted as a key link between the Athi Water Service Board and the organisation such that they were the NCWSC representative while at the same time they were in charge of change implementation. The management group role was to implement changes as directed by Athi Water Service Board, which undertook the Government directives. The Managing Director headed the other five Functional Directors.

Creating a vision helps clarify the goals set for the organisation and assist in keeping team members on track. Without a vision, implementation of change can turn to be a time consuming activity. With the introduction of the new mandate, a vision was developed to help clarify the general direction of change effort. A consultant was engaged to help develop a three-year transition plan. Within the strategic plan were NCWS new vision, mission, values and objectives. However, it was only the senior management who were involved in the development of the vision and the strategic plan as a whole. The rest of the staff members did not make any contribution which could have provided greater understanding of the change. Creation of a vision is usually followed by communicating the vision. The power of the change vision can be realized fully only when most people in the organisation understand the goals and direction in which they are being led. There was no proper communication as the cascading downwards of the Company's vision, mission and the objectives was left to the senior management.

The pre-existing organisation structure was replaced with a new composition structure to ensure that the new vision was not undermined. Initially the organisation structure was within the NCC structure as one department of Water and Sewerage which had various subsections such as budgeting, payroll, billing etc. After the takeover NCWSC was subdivided into six Directorates headed by Functional Directors. These are as shown on the structure figure three below whereby Commercial and Technical Directorates focuses on the core functions of the organisation while the rest of the Directorates play a key support functions.

4.4 Change management practices

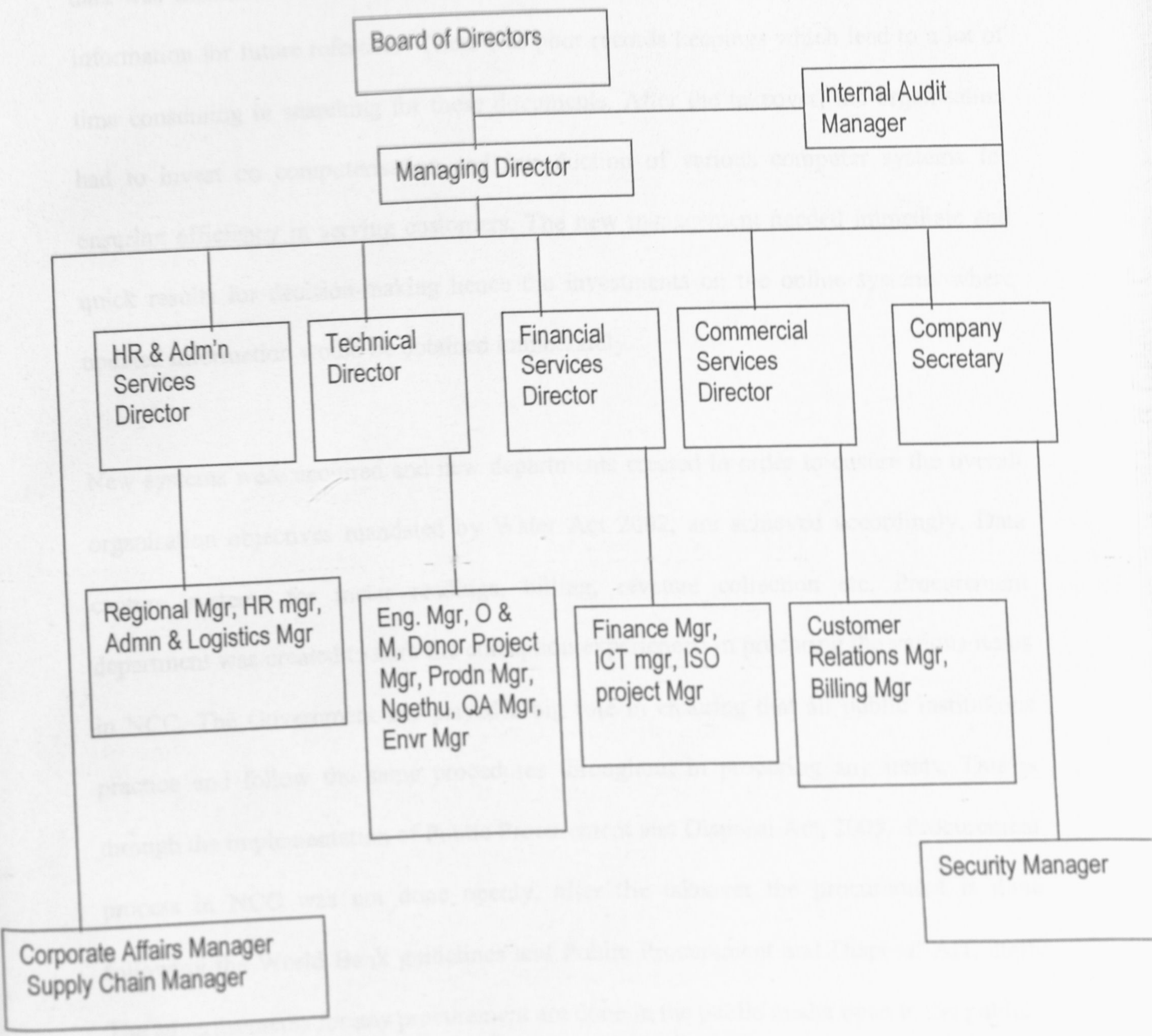
The respondents indicated that the ongoing changes had affected the structures, strategy, technology and people.

4.4.1 Structural changes

Structural changes occur due to changes in strategy operations and management styles or philosophy. The operational, financial, institutional and management structures within the Water and Sewerage Department were not conducive for reliable service delivery. There were also political interferences in all aspects of the operations of the Council. This resulted to poor customer confidence resulting to low revenue collection. NCWSC structure adopted a new structure of six Directorates each headed by a Functional

Director. This ensured that each Directorate concentrated on its own core objectives geared towards the overall's Company objective of reliable water delivery to residents of Nairobi and its environs. The organisation even though wholly owned by NCC operates independently.

Figure 3: Current Organisation Structure



Adopted from the NCWSC – Quality Manual Sep. 2007

4.4.2 Systems and technological changes

In NCC, there were weak and unsustainable management systems with lengthy decision-making processes which delayed implementation. The billing system was obsolete and unreliable resulting into incomplete and unreliable customer databases. Most customer data was maintained in hardcopies, which made it extremely difficult to retrieve any information for future reference. There was poor records keepings which lead to a lot of time consuming in searching for these documents. After the takeover, the organisation had to invest on computerisation and introduction of various computer systems for ensuring efficiency in serving customers. The new management needed immediate and quick results for decision-making hence the investments on the online systems where updated information would be obtained immediately.

New systems were acquired and new departments created in order to ensure the overall organisation objectives mandated by Water Act 2002, are achieved accordingly. Data capture systems for meter readings, billing, revenue collection etc. Procurement department was created to curb the corruption experienced in procuring the various items in NCC. The Government has played a big role in ensuring that all public institutions practice and follow the same procedures throughout in procuring any items. This is through the implementation of Public Procurement and Disposal Act, 2005. Procurement process in NCC was not done openly, after the takeover the procurement is done following the World Bank guidelines and Public Procurement and Disposal Act, 2005. The advertisements for any procurement are done in the public media open to the public.

4.4.3 Strategy

Strategy change in NCWSC occurred at the business level only and not corporate level i.e. the Company was not changing its products or services. NCWSC main objective was to strategise in order to improve its services delivery in providing sufficient and reliable water supply. In NCC, there was lack of managerial and financial autonomy of Water and Sewerage Department. Water revenue was barely ploughed back for the improvement and development of the water and sewerage infrastructure and consequently, the service virtually collapsed. Once the revenue entered the City Treasurer's account there were other priorities and water did not appear to be one of them. Customers used to receive their bills after lapse of a period of six months and most bills were also not representing the actual consumption. Hence there was no reliability of the billing systems which clearly shows that there was a gap in the billing and the credit control NCC. This could be exploited for corrupt purposes with the resultant loss of revenue.

New resource planning methods have been adopted by the organisation since the takeover such as doing intensive yearly departmental budgets, which are merged into one budget for the whole organisation. This budgets plan is closely monitored and tied to the organisation procurement plan of which any deviations must be approved by the Board of Directors. After the takeover the organisation worked and has achieved streamlining the billing system. Customers at the moment are billed in the following month after consumption which is an achievement compared to the six months lapse after usage.

4.4.4 People

In NCC, there was lack of adequate qualified and trained personnel because employment in the Council was not through merits of ones qualifications. Employment was through nepotism, tribalism and well politically connected people. The staff in NCC, were also not motivated due to poor working conditions were staff did not have all the necessary tools and equipments to carry on their day-to-day duties. The salary paid to employees was little and was always late for over even two or more months in arrears. These working conditions lead to reality of corruption carried by almost all levels of the Council. Some of these NCC practices of corruption were carried over to NCWSC. Various mechanisms and techniques were to be used in order to change the employees' attitudes, expectations and behaviours. These included open communication, interpersonal trust, constructive handling of conflict, teamwork and collaborative problem solving, training, diagnostic activities which assess the current state of the organisation strengths and weaknesses, problem identification and performance levels.

Corruption was mostly prevalent with the junior officers such as water disconnection technicians and clerk on the counters. The forms of corruption experienced was extortion for small bribes either to avoid disconnection or to get reconnection, solicitation for bribes for illegal connections or in case of clerks to get documents and records or sometimes to get solutions in the case of inflated bills.

In NCC, there was no customer care department and all customers' complaints were directed to one customer service official. Immediately after take over, most of the

Company, employees did not know this official hence most of the customers complaints were not resolved immediately or even never resolved. The formation of a fully pledged Customer Care department helped to curb this problem. This department is mandated to work in liaison with the customers to ensure all their disputes are resolved. In NCC, some employees would threaten the consumers with disconnections when the accuracy of the bills were challenged. This corporate attitude of the NCC officers of unwilling to resolve the concerns of the consumers resulted in several cases of non -repayment. Some of the customer would result to bribe employees so that their disputes would be resolved. In other cases customers would use relatives who have enough time to move from one officer to another to sort out the disputes which were time wasting practices and not encouraging at all for the customer to make payments. Other would not bother to make follow-up and wait for the water to be disconnected and they connect illegally. This encouraged customers to result to other alternative sources of water such as boreholes or water kiosks.

The management of NCWSC after takeover had outspoken that corruption would not be tolerated. All staff were aware of the consequences of being caught practicing corruption of whichever dimension. Management had indicated that it would take action wherever evidence of corruptions emerged. These included report to law enforcement authorities like Kenya Anticorruption Commission Authority (KACA), warnings, dismissals and demotions. This momentum was maintained and sustained by taking prompt action wherever instances of corruption were uncovered.

Anti- corruption, ethics and integrity committee started in NCC before NCWSC came into being. However, the effect of this committee had not been felt in NCC. Most people after the takeover did not know who to contact if they experienced any corruption cases. The ethics and integrity policy and the anti-corruption guidelines which existed even before the formation of the Company was not properly communicated to all employees. After the takeover the Company encouraged Heads of Departments to cascade downwards these policies and guidelines so that every employee would play the role of the watchdog. Heads of department were supposed to involve all staff in their department through departmental meetings. The Company also dedicated a special line for any one to report cases of corruption practiced by the employees of the Company or even by customers. All Employees were made to sign the code of conduct and ensure adherence to all clauses of the Code of Conduct. The Tender Committee are required to state in writing where they have conflict of interest in any deliberation and not to participate in such deliberations.

The culture adopted by the Company was not conducive for efficient service delivery. The management of NCWSC upon taking over the staff from NCC assured them that no one would be dismissed for about one year, which provided security to the corrupt staff in the short term. After the takeover, the new salary structures introduced had wide gaps between the junior staff and the management staff amounts leading to disparity in compensation systems. This caused discontent and poor morale amongst the staff placing the senior staff in a better position to resist corruption since they were better paid that the other category of staff. This discontent compromised the ethics and integrity efforts and initiatives of the NCWSC management. Various kinds of corruption reported by the staff of NCWSC were those relating to solicitation of bribes, the misuse of office resources for example stationery and office equipments for personal benefits, allegations of ethnic employment, proxy businesses with the NCWSC staff or their associates and trustees among others.

The organisation developed a customer focused service approach with an aggressive communications campaign to rate and acquire new contracts. Massive marketing approaches were used such as bill bila balaha, meter census, and campaigns to clear outstanding bills. The Company invited customers to come forward to report all their issues so that they can be resolved. The company also introduced the promissory arrangement of instalments payments for customers who had huge bills to clear the outstanding bills.

Human Resources (HR) evaluations were conducted, training and career developments was emphasised and half-yearly performance appraisals were introduced which in 2007 were changed to quarterly performance appraisals. At the initial stages, the changes saw the Company utilise the services of external consultants to conduct an overall evaluation of HR. The main objective of the exercise was to harmonise the positions within the organisations to the qualifications of various employees from NCC.

Continuous learning within the organisation was encouraged. More emphases was laid on staff training and development so as to equip employees with skills to help them achieve

Company objectives. Employees training needs were analyzed during each performance appraisal and facilitation of training programs affected accordingly. Investment in employees training and development was done in line with individual personnel development plans. Employees were encouraged to improve privately improve their qualification in order to retain their jobs and for promotion purposes.

There was no defined system of how employees were hired before the takeover. Employees were hired on the basis of ethnicity or were political influenced as long as one would be allocated a payroll number they became employees of NCC. With the introduction of the change the task was assigned solely to the HR department. The respective departments would thus articulate their staffing requirements and the HR department would carry out the outsourcing.

Early in the change initiatives, communication was singled out as a vital tool to manage change. The management thus opened up communication channels so as to ensure success of the change initiatives. Communication was through memos sent in electronic mail and use of notice board. Holding departmental meetings was left as a responsibility of the Heads of Departments. These meetings created ideal forums where employees were allowed to air their views. The Heads of Departments were mandated to cascade downwards the change process achievements and shortcomings to their members of their departments. Participation by the employees was also being encouraged. Teamwork and culture of continuous learning were encouraged. The change also brought about the introduction of a Company newsletters which kept employees updated on the going-on within the Company. The Company launched its official website where information about the Company can be viewed and also members of public can report corruption cases.

4.5 Challenges of managing change

4.5.1 Challenges of initiation, sustaining momentum and restructuring

There were various consequences of implementation of change in gaining broader acceptance and confronting the established internal infrastructure and practices. Issues to do with power presented a challenge to the management. Management put a sharper focus on team output rather than on individual output or span of control. The management also needed to keep the organisation strategy and purposes of existence in focus. Management had to ensure that employees constantly articulated and refined their own aspirations and goals of achieving them. Employees were encouraged to do this through semi –annual appraisals where personal goals and objectives were defined and refined. Investment in employees training and development was also done in line with individual personal development plans.

4.5.2 Resistance to change

The respondents agreed that resistance to change was both systemic and behavioural. Resistance was evident during the early stages of take-over. Various behaviours demonstrated this resistance including ignoring new processes that were being put in place, laxity to participate in the changes, disagreeing with the validity of the benefits of introducing changes in the Company and criticising the tools and processes which were being put in place. Other employees were expecting to qualify for exceptions. Laxity on the part of some employees citing lack of enough time to learn the new ways of conducting operations within the Company.

Selling the changes to the employees also posed a challenge due to lack of commitments by some staff. Sincerity of top management their behaviour had to be congruent with what they said. Job security, downsizing exercise, anxiety and fear amongst the staff members hindered smooth implementation of change process. The Heads of Departments were encouraged to hold regular briefings in departmental meetings. There was also the challenge that culture of individualism posed by encouraging teamwork.

4.5.3 Lack of integration

NCWSC now being an independent entity though owned 100% by the NCC required personnel that are more skilled after the takeover. The qualified employees seconded from the Water and Sewerage Department were not enough to fill all the necessary positions for efficient delivery of services as required. This led to employment of new employees from the market. The employees from WSD had their own unique culture whereas the new staff brought in new culture from outside the organisation. There was no much effort made to integrate them together. The employees from the NCC in most cases are discriminated against and were still being refereed to as "those peoples from the Council". These employees also retained their old employees numbers from the Council hence were easily identifiable. A salary disparity between the various levels of the employment was also a problem. This led to the non-management staff resulting to collective bargaining with the management.

4.5.4 New mandate

NCWSC's new mandate was among others of ring fencing the water and sewerage income for reinvestment (ploughing back) in the water and sewerage system which was not possible without the assistance of the Government. There are many by-laws outlining how defaulters and customers with illegal connections for example can be prosecuted. The organisation cannot implement these by-laws without the assistance of the Government which has the judiciary arm necessary to carry out the various prosecution of cases reported to them.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

5.1.1 Introduction of change in NCWSC

The Government of Kenya has been undertaking water sector reforms since 1974 with the intention of providing water for all by the year 2000 without much success. In 1980s the Government started experiencing budgetary constraints and it became clear that on its own it will not deliver water to all by the year 2000. Attention therefore turned to finding ways of involving others in the provision of water services in place of Government. Between 1990 and 1992, Japan International Cooperation Agency (JICA) in collaboration with the Kenya government developed National Master Plan that set out a long-term plan for the implementation of the much-needed reforms in the water sub-sector. In July 1992, they released the National Master Plan.

In 1997, the Government published the manual giving guidelines on handing over of rural water supply systems to communities. Key direction of the water sector was outlined in the Sessional paper no. 1 of 1999, which emphasised the need to urgently review the Water Act Chapter 372. This review culminated in the enactment of water Act 2002 whose main thrust was the separation of roles in policy formulation from regulation and direct service delivery. Formation of NCWSC arose from the enactment of Water Act, 2002. NCWSC was mandated the responsibility of providing water and sewerage services to Nairobi residents and its environs.

5.1.2 NCWSC's experience while implementing change

The change brought in the organisation affected its structure, culture, Human Resource, systems, resource allocation and technology. The new management goals while implementing these changes were two fold i.e. to challenge the existing ways of conducting business and to drive improvements in operating performance within the organisation. As it implemented changes within the organisation, the management encountered challenges of different nature including resistance to change, fear and anxiety of the employees regarding the change, power sharing ratios, deficient relationship skills, a culture of individualism and the challenge of keeping the organisation strategy and purpose of existence in focus.

To overcome these challenges the management engaged in sincere selling ideas each time change was anticipated. This helped dispel any fear and doubts the employees had. A culture of teamwork was encouraged within the Company to foster team spirit. The Company also utilized communication and training to drive the changes within the organisation. To measure the degree of success of the changes the management watched variables such as revenue collection on monthly basis and the frequent of billing the customers. On average, the amount collected on a monthly basis in NCC was Kshs. 90-120 Million whereas the Company collects on average Kshs. 230 Million per month. The billing of customer was reduced from the six months lapse after water consumption to the month following the consumption.

5.2 Conclusion

The objective of this study were to establish the changes which the new management of the Company effected after the transition of ownership and the challenges they faced as they went about implementing change in the organisation. It was apparent from the research that the changes taking place in the organisation were still ongoing. The management was optimistic that the changes could bring about many more additional positive benefits to the organisation in the long run and give the Company a large competitive edge. This is because they had already registered success with the change program. One significant milestone already archived saw the Company record improved financial performance success, arise in the average monthly collection of Kshs. 230 Million.

5.3 Limitations of the study

Due to time constraints, the findings of the research were collected from three functional directors and where other functional directors were not available their representatives at Headquarters offices. It would have been important to obtain the views and opinions of other personnel based within the regional offices and the non- management staff. To add more value of this research, it would have been good also to obtain the views from customers, suppliers and competitors.

5.4 Recommendation for further study

The change effort at Nairobi City Water and Sewerage Co. is still ongoing. It is recommended that another study on the results of the change process be conducted in future. The Government of Kenya is undertaking major privatisation of Government parastatals where similar research would be carried for comparability. For example, a study of institution like Kenya Railways that has recently undergone a transition from Government into private ownership is recommended.

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APPENDIX 1

Interview guide

Please answer the following questions

Section 1- Respondent's profile

Position held____

Section 2 - Managing change at NCWSC

1. How has the privatisation at NCWSC affected the performance of the Company?
2. Why was the strategic change needed in the organisation?
3. What kinds of resistance experienced during the change process?
4. How is resistant to change handled?
5. What impact did the change have on the members of staff?
6. How were members of staff prepared concerning the forth coming change?
7. How did the changes affect the organisation structure?
8. How has the change momentum been sustained?
9. Who was the change leader and what role did he/ she play?
10. Were there any change agents and what role did they play?
11. What have been the implications of these changes?
12. What are the key variables being used to measure the degree of success of the change?
13. What role did politics play in affecting change process in the Company?

Thank you for your cooperation