

**STRATEGIC CHANGE PRACTICES ADOPTED BY KENYA  
COMMERCIAL BANK GROUP IN RESPONSE TO THE  
CHANGING BANKING SECTOR IN KENYA**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT  
OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF  
BUSINESS, UNIVERSITY OF NAIROBI.**

**2016**

## **DECLARATION**

I Ramadhan Bakari, hereby declare that this research project entitled STRATEGIC CHANGE PRACTISES ADOPTED BY KENYA COMMERCIAL BANK GROUP IN RESPONSE TO THE CHANGING BANKING SECTOR IN KENYA is my original work and has not been presented for any degree in any other university.

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## **DEDICATION**

To Allah who has been my strength in everything I do.

To my Wife Lucy Munyingi, daughter Aisha Hawa Ramadhan and Son Taheem Bakari Ramadhan for their support and encouragement.

Special thanks to my Parents Mr. and Mrs. Bakari Okumu Athman who offered me a lot of encouragement and emotional support.

## **ACKNOWLEDGEMENT**

My sincere appreciation goes to Dr. James Gathungu my supervisor for taking time out of his busy schedule to supervise my research project.

I would like to thank the management of Kenya commercial bank group for granting me the authority to conduct this research in the company. My gratitude goes out to my participants who spared their valuable time from their tight schedules to accommodate and support my research initiative. To my colleagues, classmates and friends who supported me when I needed you I sincerely thank you.

Finally I owe my loving thanks to my wife Lucy Munyingi our daughter Aisha Hawa Ramadhan, our son Taheem Bakari Ramadhan my siblings Asman Bakari Busolo and Salma Bakari for their encouragement when writing this project.

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## **ABBREVIATIONS AND ACRONYMS**

<b>CBK</b>	Central Bank of Kenya
<b>E-A</b>	Environmental Adaptive
<b>E-R</b>	Empirical Rationale
<b>KCB</b>	Kenya Commercial Bank
<b>MFI'S</b>	Microfinance Institutions
<b>NBI</b>	National Bank of India
<b>NGB</b>	National Grindlays Bank
<b>N-R</b>	Normative Reductive
<b>P-C</b>	Power Coercive



## **ABSTRACT**

Organizations that have been successful have recognized the fact that their existence has greatly depended on how well they relate to the environment .The main aim of the current study was to establish the different strategic change practices employed by Kenya commercial bank group in response to the ever changing banking sector in Kenya .To realize the objectives of the study a descriptive case study design was adopted .Data was collected through face to face interviews with seven divisional directors who included the director retail, director Audit ,director human resource, director finance, director strategy, chief risk officer and the director credit. The data obtained then was analyzed qualitatively using content analysis. The findings from the research were that environmental scanning internal as well as external environments of the organization were important in enabling them come up with appropriate change practices. It also established that for changes to be properly implemented and executed in an organization it was very important to involve stakeholders in the change process. The research also found out that it is important for organizations to appreciate the fact that in any change there is resistance therefore organizations should anticipate resistance when introducing any change and work towards putting in measures to overcome the resistance to change. The research concluded and recommended that organizations should communicate change adequately and effectively to all the employees to reduce resistance ,the organization should involve all stakeholders in change management and train employees on the need for change so that they feel part and parcel of the change thereby greatly reducing resistance to change .Some of the limitations of the study included time allocated to study which was short given the nature of the institution there was information that was not readily divulged because of its confidentiality.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of Study

In the 21<sup>st</sup> Century customers have become more knowledgeable and as a result they are more financially sophisticated and therefore understand what they need and the cost they are willing to pay for the services offered to them. In response to these commercial banks which traditionally relied of supply led business slowly began to come out as demand led institutions (Bezboruah, 2008). As a result the Kenyan banking sector has witnessed heightened competition. Hyper competition experienced in the banking sector in Kenya is intense that players in the industry aim at eroding the competitive advantage enjoyed by other competing players. It is evident that change in organizations is the order of the day in the ever changing environment (Senior & Fleming, 2006).

Both external and internal environments are crucial and they play are an important component of shaping an organization. Changes in the above environments that affect the organizational performance and therefore organizations should anticipate change. For change to be implemented effectively there must be proper planning and communication. When focusing on implementation of the change process, considerable efforts should be developed towards more regular communication and ensuring that employees are on-board, understand each stage of the change process and feel motivated (Stoyanova, 2011).

There are a number of theories supporting this study which include environmental dependency theory, attribution theory, resource based theory, contingency theory and systems theory but the main theoretical foundations of this study are contingency theory

and systems theory. Contingency theory focuses on organizational behaviour in which explanations are provided on the various contingent factors that affect organizations which include technology, culture and external environmental influence. There are four important ideas as far as theory is concerned which include a non-universal order of management, the design of the organization and its subsystems fitting within the environment, a proper fit existing between the organization and the environment and the organization being properly designed and the style of management being appropriate to the tasks and nature of the work groups (Filder, 1958). The theory assumes that organizations do not use a single structure. In practise what managers depends on a set of circumstances otherwise referred to conditions (Scott, 1981). Strategic change practises therefore are not applied wholesale to an organization but the specific change practises adopted depend on certain circumstances. The framework for change greatly lies on the view of open system under the systems theory which looks at organization as capable of continuously changing their structural form to respond to the changing environment. The theory believes that for a system to function well all the components of the system must be functioning well otherwise there will be a malfunctioning of the process (Ludwing, 1968).

The banking sector in Kenya is rapidly growing with the industry players facing challenges in the ever changing environment. The challenges range from technological development, changing consumer needs, continuous consumer awareness initiatives and globalization. This has prompted players in the industry to adopt new ways of doing business and KCB being one of the players in the industry is compelled to adopt new strategic change practises in order to remain relevant in the industry and continue being the market leader in the banking industry in Kenya.

### **1.1.1 Strategic Change**

Strategy refers scope and direction taken by an organization over a considerable period of time aiming at achieving advantage in an environment which is continuously changing through effective resource utilization and competencies the ultimate objective being fulfilling stakeholders' expectations. Johnson, Scholes and Whittington (2008) strategic management for an organization entails a clear understanding of the strategic position of the organization the strategic choices an organization has for the future and how the organization is likely to convert the strategies into action. Strategy is based on an array of moves usually adopted by an organization management to yield desired organizational performance. It is therefore the responsibility of the management of the organization to come up with appropriate strategies that will see the organization growing its market share, attracting and maintaining its clients, competing successfully in the markets it operates in and ultimately improving the company's or organizations financial performance. Strategic change is the difference in the form, quality and state over time in an organization's alignment with its external environment (Kotter, 1996)

### **1.1.2 Management of Strategic Change**

Strategic change management refers to a clear way of dealing with change for an organization and the individuals. It entails incorporating new ideas and behaviours it is this that supports a new way of doing work which results in reduction in resistance to change. It encompasses consensus building between employees and stakeholders on changes specifically thought of to adequately cater for the employees and stakeholders needs. Additionally it entails planning, testing and implementing all aspects involved in transiting from an organization structure to another new one (Hong, 1998). For strategic

change to be successful it has to link the strategic, operational as well as the everyday aspects of the organization and to achieve strategic change in organizations managers are required to link the organizations strategies to its operations and everyday aspects (Johnson, Scholes & Whittington, 2008).

### **1.1.3 Banking Industry in Kenya**

The banking sector in Kenya is guided by the banking act, the central bank act and the company's act. In addition to the acts there are prudential guidelines which emanate from the Central Bank of Kenya from time to time to assist in streamlining the industry .CBK is under the Ministry of Finance and its main role is to ensure efficient functioning of the financial system in Kenya, controlling the country's liquidity levels and the strength of the Kenya shilling. There are enormous improvements which have occurred within the industry in the last ten years which include expansion of some of the banks to the East African region, improvement in technology which involved moving away from traditional banking to more sophisticated banking the purpose being to meet the ever changing customer needs as well as globalization challenges. There is intense competition from local banks as well as international banks.

There are a number of key challenges that the players in the banking industry in Kenya need to tackle which include the new regulation requiring firming up their minimum per capital reserves to Kenya shillings five Billion by December 2018. The terrorist's attacks on the twin towers in the United States of America which led to mandating acts like the proceed of crimes anti money laundering act no 9 of 2009 and the prevention of terrorism act no 30 of 2012. A crisis experienced in 2008 which affected the banking industry in Kenya as whole, the banking amendment bill, 2015 capping interest rates on loans

offered by commercial banks and a number of corporate governance issues. We had 43 commercial banks, 12 Microfinance banks (MFI's) and one mortgage financial company regulated by Central Bank of Kenya (CBK) as at June 2015. The banking industry is facing stiff competition from microfinance institutions, non-bank financial institutions and communication service providers like Safaricom and Airtel through their money transfer businesses Mpesa and Airtel money respectively (<https://www.centralbank.go.ke>)

#### **1.1.4 Kenya Commercial Bank Group**

Kenya Commercial bank originates from National Bank of India (NBI) which opened a branch at Mombasa in 1896 with the major aim being handling the business generated at the port during that time. There was a merger between National bank of India (NBI) and Grindlays Bank (NGB) giving rise to national Grindlays bank (NGB). The government of Kenya acquired 60% shareholding in the NGB and firming up its shareholding to 100% in 1970 which led to the renaming of NGB to Kenya Commercial Bank which was now fully owned by the government of Kenya. Savings and Loan Kenya Ltd was acquired by KCB in 1972 a wing specializing in offering Mortgage loans to clients. The government offloaded 20% percent of ownership in 1988 via initial public offer at the Nairobi Stock Exchange. The government's shareholding has been on the reduction trend in the company until 2010 when the government reduced the shareholding to 17.31%.

Kenya Commercial Bank started moving into the East African region in 1977 with the establishment of KCB Tanzania Limited. In 2006 May KCB increased its subsidiaries to two following the licensing of KCB Sudan now KCB South Sudan. In 2007 November, Kenya Commercial bank expanded to the neighbouring country of Uganda and KCB bank Uganda Limited was opened. In December 2008, KCB entered the Rwandan market

forming Kenya Commercial bank Rwanda which has currently 11 branches. KCB Burundi was opened in 2012. In 2015 an office in Addis Ababa Ethiopia was opened. The bank was both a licensed bank and a holding company for its subsidiaries until January 2016 when it became a non holding operating company .In compliance with the Kenya Finance Act No. 57 of 2012. The shares are listed on the east African stock markets. The non-holding company constitutes, KCB Bank Burundi Limited, KCB Bank Rwanda Limited, KCB Capital Limited, KCB Bank Kenya Limited, KCB Bank South Sudan Limited, KCB Bank Tanzania Limited, KCB Bank Uganda Limited, KCB Bank Savings and Loan Mortgages, KCB Foundation Limited, KCB Sports Sponsorship Limited.

Kenya Commercial Bank Limited is registered as a non-operating holding company. It began its operations as a licensed banking institution with effect from January 1, 2016. The holding company oversees KCB Kenya and the regional units in Uganda, Tanzania, Rwanda, Burundi, Ethiopia and South Sudan. In addition it owns, KCB Capital, KCB Foundation and KCB Insurance Agency. The main reason for setting the holding company is for ease of access of unrestricted capital, Enable investment in new ventures different from banking, Attaining independence of the group's different operating businesses and finally enhancing corporate governance where they operate (<https://www.kcbbankgroup.co.ke>).

## **1.2 Research Problem**

Given the rapid changes that occur in the environment, organizations are compelled to handle these changes in the environment as they occur to remain competitive and enjoy competitive advantage in the industries they operate in (Porter, 1980). There are a

number of changes that are occurring which include changes in technology, political changes, demographic changes, cultural changes that necessitate companies to reposition themselves and this they can only achieve by embracing the changes (Ludwing, 1968). The changes have given rise to an ever changing external environment which is unpredictable and demanding to organizations that are unprepared to respond to the changes (Burnes, 2000). Banks operate in an environment that is regulated by the Central bank of Kenya hence need for Kenya Commercial Bank to adopt change in management of its strategy. The bank was a giant in the industry in Kenya and in East Africa but with increasing competition in the industry the group has changed from a holding company to a non-operating holding company allowing it to be able to run other businesses in addition to banking.

Of the studies done in the area of strategic management in organizations none seems to have been done to explore specifically strategic change practices adopted by KCB group with respect to competition in the banking industry in Kenya though numerous researches have been done in the area of strategic change management. Onyango, (2014) focused on strategic management practices adopted by Kenya Commercial bank limited and found out that the bank has vision, mission and objectives and that it analyses data from the market and internal and external environments to develop appropriate practises, Kibue (2013), Management of Strategic change at Family Bank found out that a number of changes had taken place in the banking sector in Kenya which Family bank was continuously responding to, Manyalla (2015) Management of Strategic Change and stakeholder satisfaction at Kenya National Hospital in Kenya and found out that there exists challenges in the relationship with stakeholders when changes occur in an organization the challenges should be tackled well and stakeholders constantly updated



on the progress of the organization, Mbwaya (2012) strategic management practices at Barclays Bank of Kenya and found out that organizations vary their structures to conform to the changing business needs. The process of management of strategic change and strategic change practices adopted by organizations are not universal due to different organizational structures and cultures and passage of time which also represents variation and hence the justification of undertaking the research. There is research gap not answered by the above studies in that there has been constant change in technology in the banking industry which continuously requires the banks to develop appropriate change practises to remain relevant in the industry. It is this research gap that the researcher is intending to fill.

### **1.3 Research Objectives**

The research objectives are

- i) To establish the different strategic change practices adopted by Kenya Commercial Bank Limited.
- ii) To establish the challenges the group has encountered in implementing and executing the change practices.

### **1.4 Value of the Study**

The study is vital to academicians intending to carry out further research in strategic change in that it will assist them in planning and execution. The study will add its contribution to existing theories of strategic change management by showing how it supports theories like Prosci's five building blocks ADKAR (Awareness, Desire, knowledge, Ability and Re-enforcement), Lewis force field analysis, Kanter's Ten

Commandments for executing change, Kotter's eight steps to successful change, blocks) and Mackinsey's 7'S(Strategy, Structure, Systems, Shared values, Skills, Style and staff). This study will assist individual researchers in identifying gaps in the current research and carry out further research in this area.

The information will be essential for the management of KCB in their future strategic change in the organization and the staff will find the information useful in enabling them implement the company's objectives. The information will help the management on how they can improve on the strategic practices adopted in order to reduce resistance from employees and work toward attaining its vision, mission and objectives.

For policy makers and stakeholders in the banking industry in Kenya they will find the information more essential when planning and reviewing strategic changes among the players in the banking industry in Kenya. The report will help CBK come with watertight policies as far as strategic change practices adopted by the industry players are concerned. The Kenya bankers association will be able to review the various policies as far the strategic change practices among their members are concerned.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter will explore theoretical and empirical review of strategic change. The chapter will explore various aspects of change which include the concept of strategic change management, strategic change management practices, challenges of managing strategic change, change management strategies and styles of managing change.

#### **2.2 Theoretical Foundation**

There are a number of theories that are important as far as strategic change management is concerned, scholars and authors have explored the various theories which support this study and include contingency theory, systems theory, attribution theory and Resource base theory. Of this there are two main theories underpinning this study which we will focus on and they include Contingency theory and systems theory.

##### **2.2.1 Contingency Theory**

Contingency approach explores organizational behaviour where clarifications are provided on how contingent factors such as culture, external environment and technology influence the design and function of organizations. The theory assumes that there is no universal organization structure and that organization structures are not applied in organizations wholesale. The theory brings out the concept that for an organization to be effective there should exist a match between the size of the organization, technology, organizational structure, the information system and changes in the environment. The above theory looks at management differently from what the school of management does

management science schools assumed a universal approach (Fielder, 1958). They proposed the discovery “one best way” management that applied the same techniques to every organization. Experienced managers are aware of the fact that it is not possible to handle people and situations the same across board and therefore believe that same principles and solutions cannot be applied to all organizations and that what is done in practise is usually pegged on a given set of circumstances (Scott, 1981). Strategic change follows this in that strategic change practices are not applied wholesale to an organization the practices adopted will depend on a number of factors .

### **2.2.2 Systems Theory**

This theory puts into perspective an organization as being a system consisting of related parts that function as a unit for a goal. A system comprises five components namely inputs, a transformation process, outputs, feedback and the environment. The theory assumes four major concepts which have had effect on management thinking. The concepts are open versus closed systems, subsystems, subsystems and interdependencies, synergy and entropy. Two types of systems exist one being a closed system and the other being an open system. Closed systems by their nature never interact with the environment whereas open systems are do interact with the environment. Usually organizations interact with the environment and are open systems (Ludwing, 1968). The degree of interaction between the open systems and the environment vary. The theory believes that a problem with a component in the system results in a problem in the whole system. A solution to the problem involves considering a holistic approach to understand where the problem is and Problems are usually a malfunctioning process. For the strategic practices to work effectively all the components of the system must work well.

### **2.3 Strategic Change**

Strategy explores the scope and direction adopted by an organization over a considerable length of time aiming at achieving a competitive edge over others in the ever changing environment through effective use of available resources and competencies with the aim of fulfilling stakeholders expectations (Johnson, Scholes & Whittington, 2008). Strategic management for an organization therefore involves comprehending the strategic position of the organization and the strategic choices an organization has for the future and how the organization is likely to turn the strategies into action. Strategy is based on an array of moves adopted by management of an institution to yield desired organizational performance. It is therefore the management's duty in an organization to come up with appropriate strategies that will see that it grow its market share, attract and maintain its clients, compete successfully in the markets and ultimately improve the company's financial performance. Strategic change management is an orderly way of dealing with change both from an organizational as well as an individual perspective.

For strategic change to be successful it has to link the strategic, operational as well as the everyday aspects of the organization and to achieve strategic change in organizations managers are required to link the organizations strategies to its operations and everyday aspects (Johnson, Scholes & Whittington, 2008). There exist three types of strategic change which are re-engineering, restructuring and innovation (Hill & Jones, 2001). Restructuring is a two-step process the first step involving a reduction in differentiation levels in an organization and the second step entailing downsizing which leads to a reduction in the number of employees ultimately resulting in lower operating costs. Innovation involves use of acquired skills and available to create new technologies or goods and services. The purpose of this is to try and satisfy the ever changing customer

needs. This is a bit difficult change type and requires organizations to embrace flexible structures like a matrix or cross functional team structures the ultimate aim being to give employees freedom of experimenting and being creative. Re-engineering refers to rethinking and radical redesign of an organizational processes the main motive being improving efficiency, reducing cost and improving the quality of a service or a product being offered by the organization. According to Balogun and Hope (1999) types of strategic change can be looked at based on the scope of change and nature of change represented as below.

**Table 2.1: Types of Change**

Nature of change	Scope of change	
	Re-alignment	Transformation
Incremental	Adaptation	Evolution
Big bang	Reconstruction	Revolution

Source: Adopted from J. Balogan V. Hope Halley Exploring Strategic Change, Prentice Hall, 1999.

Usually the effect of an organization adopting an incremental change is good since it results in skill build up. Big bang is required in cases where an organization is faced with a crisis or alternatively needs to change to abruptly change the way they are doing things. Basing on the scope the point is whether it can occur with the current organizational beliefs and assumptions or a fundamental change in the direction of the organization. The former results in organization realignment whereas the latter results in organization transformation. When nature and scope of change are combined they give rise to adaptation and reconstruction under re-alignment and evolution and revolution under transformation.

For effective change to occur planning is an essential ingredient without which an organization is likely to incur a lot of expenditure and the change is likely to fail. Inclusivity is important and therefore every stakeholder in the change process should be constantly involved (Burnes, 2000). Implementing change is another difficult task that managers of organizations or change agents are faced with. According to Al-Khourl (2010) organizations need to mitigate or weaken existing restraining tones by coming up with action plans which are achievable. The action plans include the alignment of the resources both human and otherwise to achieve the objectives of the change, committed leadership at the top to steer the organization towards achieving the desired change and good communication from the top leaders to the bottom on the need for change and the benefits to be realized as a result of the change. It is believed that organizations known to manage change effectively usually exhibit five key characteristics which include leading change, coherence in change management, conducting environmental assessment, linking strategic and operation change and finally strategic human resource development.

#### **2.4 Strategic Change Practices**

Kibue carried out a study in 2013 on strategic change at family bank in Kenya .His study established that a number of strategic changes had taken place in the banking sector which included adoption of technology like cheque truncation ,regulation changes like excise duty imposed on service charges and anti money laundering practises .This changes necessitated family bank to reposition itself and adapt to the changes .He also established that changes instituted by family bank were both emergent and planned. Onyango in 2014 carried out a study on strategic management practises adopted by Kenya commercial bank and found that the bank had a mechanism to gather and analyse data relating to the market they operate in and factors affecting the bank both internal and external and come up with appropriate strategies.

Manyalla did a study in 2015 which focussed on management of strategic change and stakeholder satisfaction at Kenyatta national hospital in Kenya. He established that there exist challenges in the relationship between organizations and the various stakeholders and any changes that are to introduced to organization stakeholders should be updated on the changes and constantly involved. Mbwaya carried out a research in 2012 on strategic management at Barclays bank of Kenya and found out that for organizations to be successful they should constantly assess both its external and internal environment and change based on the business needs. He also found out that the level of competency and empowerment affects their confidence level which ultimately affects strategy implementation. Kimaku (2010) carried out a research study on change management at Barclays bank of Kenya and found out that support by top management and that resources are an important component in implementation of change in organizations. To implement change management should avoid circumstances where employees lacked faith in the management. He also found out that organizations are faced with a number of challenges during change and they include resistance to change, lack of cooperation between employees and lack of proper communication.

Munywoki (2013) did a study on strategic change management practises adopted by commercial banks in Kenya. He established that commercial banks employed different strategic practises which were dictated by changes in both the internal and external environment. The practises included coming up with products needed in the market through diversification and launch of new products in the existing market, business re-engineering leading to short and less costly processes, rewarding initiative to ensure change is implemented, rationalization of operating process and downsizing that lower the operating cost and adoption of focus strategy in offering products to specific groups.



He also established that organizations face challenges when implementing strategic changes and the challenges include information and technological innovations, competition from the non banking financial institutions ,poor communication of the intended strategic change, changing customer behaviour and lack of compatibility between long term and short term strategic goals.

Belias and koustelios did a study in 2014 in Greece on the impact of leadership and change management strategy on organization culture. They established that leadership is associated with organizational culture and that normally organizations resist change and are designed to neutralize the impacts of attempts at change. Al-Khourl did a study in 2010 in the United Arab Emirates on succeeding with transformational initiatives, practical approaches to managing change programs and established that successful implementation of change is dependent on the willingness and effective cooperation of the organization as a whole involving both the management and the non management staff. Badara et al. (2013) carried out a study in Nigeria on leadership succession and strategic change in Nigerian commercial banks and established that there exist a direct relationship between leadership succession and strategic change and that the aim of leadership succession is to initiate change in the organization.

## **2.5 Models of Change Management**

It is important to review models of Change Management that have been developed are important to be reviewed since implementation of the different change strategies is based on them. There are two major models of change that is planned change looks at change as being a process that involves moving from one fixed position to another through a series of pre-planned steps whereas emergent change is viewed as rather a continuous process of aligning and re-aligning organizations to the constantly changing environments. Under

the planned change we have a number of models which include action research, Kanter's Ten Commandments for executing change, Lewins three step model, Bullock and Batten model and Kotter's eight step model. With the emergent change there is logical incrementalism, processual model and learning organization model. According to Lewins (1952) changes in behaviour involve three aspects unfreezing the behaviour which involves dismantling these things that support the previous behaviour change where a new alternative is presented and refreezing which is concerned with reinforcing the new behaviour.

Bullock and Baffen (1985) summarizes planned change into four categories the first phase being an exploration phase involving awareness for need to change and solution searching. The second phase is referred to as a planning phase involving understanding problems and setting change goals. The third phase is a definition phase which involves arrangements for managing change and finally the fourth and the last phase is an integration phase which involves consolidation and stabilization of change. Kotter (1996) came up with the 8 step model for managing change. The major thing that comes out in the eight step model is communication and planning. This model addressed communication the need to have a clear vision, the politics existing in an organization and success that occur in a short term to keep employees morale up. The processual model notes that there are temporal aspects of change that break down a complicated organizational change process into manageable portions that include the process of institutional transition ,carrying out new practises related to work and conception of the need for change. Logical incrementalism argues that managers consciously and proactively move forward but incrementally. The learning organization model that uses learning experimentation and communication to renew itself constantly.

## **2.6 Challenges of Managing Strategic Change**

Managing strategic change has a number of challenges that organizations should consider and include improper planning. When step by step planning is not done then change in an organization is likely to fail or lead to more problems in the organization. Lack of consensus is another challenge if an organization fails to accommodate everybody with the corporate changes then the organization is likely to face barriers. Lack of proper communication with the employees lead to rumours and fear in the work place. There is uncertainty among employees and this may led to work disruptions and alienation of employees making them feel they are not part of the decision.

Employee resistance is an enormous challenge to change management. Usually employees resist change and become uncomfortable with the ways things are done in an organization, supporting employees and providing training can help in reducing this. The above is costly to the organization since it introduces delays, instabilities and additional costs in the change process. Resistance to change is usually manifested in unforeseen implementation delays and inefficiencies, and procrastination and delays in triggering the change process. There are two types of resistance which include systemic and behavioural resistance. Systemic resistance is a passive incompetence of the organization occasioned by organizational culture, organizational design, resource limitation and fixed investment. Behavioural resistance involves employees resisting change through their behaviour. The early signs of resistance for an organization to watch out for include gossip, grumbling, absenteeism and skipping meetings.

There are several reasons why employees resist change they include parochial self interest through loss of something and formation of political camps, misunderstanding and lack of trust where there is lack of trust of those in authority, different assessments where employees have different view from managers and low tolerance for change. Organizations come up with a number of ways to manage resistance which include the management of organizations changing tact from being reactive to adopting a proactive approach in managing change, building a launching platform, diagnosing the nature of change, building a supportive climate, designing behavioural features into the plan for change and behavioural management of the process. Lengthen the duration of change to maximum possible for timely response to environmental challenges.

Dealing with behavioural resistance to change which is very common in organizations is very challenging Kotter & Schlesinger (1979) came up with a number of ways of overcoming this type of resistance which organizations should implement when initiating changes. They include education and communication which is used where there is lack of information the major drawback to this method is that it consumes considerable time .Organizations can also use participation and involvement which is mainly used in cases where the people coming up with the change have inadequate information to organize change .The drawback to this is that it can be quite involving will eat into the organizations time if the change design was inappropriately done by the participants.

Organizations also use facilitation and support which is mainly suitable for use where employees are resisting change because of adjustment problems the major drawback to this method of managing resistance is expensive and still likely to fail. Organizations can

also use negotiation and agreement in cases where groups or individuals will lose out in the change. Comparatively it is an easy way to avoid resistance but the major problem with this method is that it can be too expensive and can alert others to negotiate for compliance. The other method that can be used is manipulation and co-option which is commonly used where the above methods are expensive or likely to fail but the danger with this is that it can lead to unforeseen issues in cases where employees feel they were arm twisted. The other method that can be employed is explicit and implicit coercion which is commonly applied where speed is essential especially during emergent change. The major drawback is that it can be risky if it leaves employees mad at the people who brought the change.

## **2.7 Change Management Strategies**

According to Nickol (2016) there exist four basic strategies to manage change. The strategies include Normative-Reductive, Power coercive, environmental adaptive (E-A). empirical rationale The empirical rationale assumes that usually human beings are rational in whatever they do and that they usually follow their personal interests .With this rationale there is a belief that change has both the upside and downside and they should balance to offset each other and the event that they do not balance then resistance to change by human beings becomes the result. It relies on the balance between incentives and risk. The normative –reductive strategy assumes that human beings are social beings. Because of being social beings they usually adhere to their cultural norms and values. Change is therefore based on redefinition of the existing values and norms. Power coercive strategy assumes human beings are usually compliant and will carry out or execute tasks as per the instructions given. In this case therefore to achieve the objective of attaining a successful change exercise of power and imposition of sanctions

must be implemented. The environmental–adaptive strategy involves the belief that human beings usually oppose loss and disruption but are always ready and willing to adapt to new circumstances therefore to implement successful change new organizations should be developed and human beings transferred gradually to the new organizations developed.

## **2.8 Styles of Managing Change**

Organizations adopt different styles or techniques in managing change. This includes education and communication, collaboration or participation, intervention, direction and coercion (Gerry & Scholes, 2010). Education and communication a technique which entails providing explanations and the reasons for the change. It involves engaging the affected people by the changes in the strategy development and planning. Collaboration or participation is where the individuals likely to be affected by the change come up with strategic issues, set their agenda and plan how to attain the desired change. Intervention is where a change agent is used to coordinate change. The agent will use his authority to implement the process while delegating a few elements of the process to the other participants.

Direction is where managerial authority is employed in achieving the desired change. Coercion actually entails change force and involves complete use of power. It is always necessary when an organization is in a crisis. The above do not occur independently in a change programme therefore the different styles above can be employed in an organization based on the strategic changes being effected and organizational requirements. Different stages in the organization call for different styles of managing change. Participative styles are more appropriate for incremental change within the

organizations whereas directive approaches are more appropriate where transformational change is required.

## **2.9 Summary of Literature Review**

The various studies above were done under different contexts. Kibue, (2013) strategic change at family bank in Kenya, Onyango, (2014) strategic management practises adopted by KCB, Mbwaya, (2012) strategic change at Barclays bank of Kenya, Kimaku, (2010) change management at Barclays bank of Kenya and Munywoki (2013) strategic change management practises adopted by commercial banks in Kenya are relevant to this study since all of them focus on players in the banking industry in Kenya. The study done by Manyalla, 2015 on management of strategic change and stakeholder satisfaction at Kenyatta national hospital though not focussing on banks in Kenya it is done in Kenya and has explored the relationship between stakeholders in relation to strategic change in an organization which is important to this study.

The study done by Belias and Koustelios (2014) impact of leadership and change management strategy on organization strategy though not done in Kenya explores an important aspect of organization culture and change which are important especially in employees of an organization as far as resisting change is concerned. The study done by Al-Khourl (2010) Succeeding with transformational initiative, practical approaches to managing change initiatives though not done in Kenya points out to a fundamental ingredient of change implementation that for change to be implemented successful it must involve full and effective cooperation of the whole organization. The study done by Badara et al. (2013) leadership succession and strategic change in Nigerian commercial banks though done in Nigeria points to an important concept of change that is leadership.

**Table 2.2: Summary of Empirical Review**

<b>Study</b>	<b>Focus of the study</b>	<b>Methodology employed</b>	<b>The main findings</b>	<b>Knowledge gap</b>	<b>Focus of the current study</b>
Munywoki(2013) Change management practises adopted by commercial banks in Kenya	Determining the challenges for managing strategic change by commercial banks in Kenya and establishing the various strategic change practises adopted by commercial banks in Kenya	The researcher adopted a descriptive survey. The researcher used the 43 commercial banks in Kenya as his population of study ,primary data was collected by use of questionnaires and analyzed using descriptive statistical techniques	The challenges faced by banks in managing change included poor communication competition and innovation	The research was focusing on the 43 commercial banks there was need to look at individual players in the industry	Establishing the change practises adopted by a player in the industry in this case Kcb bank group.
Manyalla(2015) Management of strategic change and stakeholder satisfaction at Kenyatta national hospital	Determining how strategic change is managed at Kenyatta national hospital, challenges of management of strategic change and finally establishing how management of strategic change impact stakeholder relations	Case study was adopted with primary data collected by the researcher through interviewing a number of employees at the hospital both management and no management and also suppliers	Organizational culture was a major challenge in change implementation. The researcher also found out that attitude and political interference were also a major challenge	The research was done in the health sector there was need to replicate the research for in other sectors	Employee resistance is as a result of employee behaviours and attitude which comes out in this study
Kibue(2013)Management of strategic change at family bank limited ,Kenya	Establishing how strategic change is managed at the bank	The researcher used a descriptive case study design and collected primary data through conducting interview of the top management of the bank	Wider stakeholder involvement to enhance change management in the bank. Resistance to change is a major challenge encountered in strategic change implementation	There has been continuous change in the banking sector since this research was done	This study focuses on a player in the industry and takes into account the challenges in the banking industry in Kenya.



<b>Study</b>	<b>Focus of the study</b>	<b>Methodology employed</b>	<b>The main findings</b>	<b>Knowledge gap</b>	<b>Focus of the current study</b>
Mbwaya(2012) strategic change practises at Barclays bank of Kenya	To establish strategic management at Barclays bank of Kenya	A case study was adopted by the researcher and primary data obtained by interviewing seniors managers at Barclays bank of Kenya	The bank followed the various steps of strategic planning ,implementation and evaluation while implementing strategies .Barclays bank of Kenya has continuously changed its organizational structure to fit into the changing business needs	Continuous changes in the environment	Because of the changes in the environment the research is more refined and looks at strategic change practises adopted by one of the players in the industry KCB bank group.
Al-Khourl(2010) Succeeding with transformational initiatives: practical approaches for managing change	Providing practical solutions or way the management of an organization can adopt when implementing change	The research took a critical review of the available literature and compared a number of studies carried out on change management	To successfully implement change there has to be willingness and effective cooperation of all the members of the organization both management and non management	Context variation in that the research was done in united Arab emirates .We needed to establish whether this affects the banking industry in Kenya	Implementation of change practises in an organization requires cooperation of all stakeholders including the different cadres of staff the organization has.
Belias and Koustelios(2014) The impact of leadership and change management strategy on organization culture	Achieving a functional strategy for a business strategic change	The research took a critical review of the available literature and compared a number of studies carried out on change management	Strategic change brings a number of challenges which include time required to develop, implement a plan and come up with appropriate strategies	Context variation the research was done in Greece	Leadership is an important aspect in management of strategic change practises especially for the senior and middle level managers.

**Source: Researcher (2016)**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the methodology that was employed by the researcher to answer the research questions. The chapter also explains the research design, data, collection methods and data analysis techniques that will be used by the researcher.

#### **3.2 Research Design**

The study carried out by the researcher was a case study since the researchers focus was on one organization in this case Kenya Commercial bank group. According to Diamond (1997) a case study refers to an in-depth investigation of a single person, group, event or community. Data is usually gathered from a variety of sources and by employing different techniques. The choice of a case study over the other methods has its own merits and demerits the merits include the fact that it provides important qualitative information needed by a researcher, gives an opening for undertaking further research and also allows an investigation of an otherwise impractical situation. There are also limitations associated with case study which include the inability to generate results to the bigger population, researchers own subjective feeling may influence the study, difficult to replicate and time consuming.

### **3.3 Data Collection**

The researcher collected primary data and used interview guide to collect data. This was done through personal interactive interviews with the 7 divisional directors at Kenya Commercial Bank Group since they are the ones majorly overseeing the strategic change processes in their divisions. The divisional directors interviewed included the divisional director retail banking, divisional director credit, divisional director marketing, divisional director human resource, divisional director Audit, divisional director strategy and chief risk officer. The researcher used a structured interview guide with pre-determined questions.

### **3.4 Data Analysis**

After data collection the researcher reviewed the interview guide for completeness and consistency. The data that collected was qualitative in nature therefore the researcher used content analysis to synthesize responses from the participants to be able to come up with the various themes obtained from their responses. The content analysis was based on words, phrases, characters or sentences within texts quantifiable in an objective manner. The researcher compared the data obtained with the available literature to validate the findings.

## **CHAPTER FOUR**

### **DATA ANALYSIS, RESULTS AND DISCUSSION**

#### **4.1 Introduction**

This chapter gives the analysis, results and findings from the interview carried out with the seven divisional directors at Kenya commercial bank group. The divisions included human resources, Audit, marketing, credit, finance, strategy, risk. The analysis will help in answering the research questions of the study. The analysis done was in relation to the questions in the interview guide (Appendix I). The chapter includes an overview on the general information, strategic change practises adopted by Kenya commercial bank group, resistance to change experienced at Kenya commercial bank group and how the bank has overcome the resistance and the discussion to the findings.

#### **4.2 General Information**

The participants are senior managers of the bank who manage different divisions in the bank and are involved in implementation and execution of the change at Kenya commercial bank group. The participants had all previously been involved in change management within the organization and hence appropriate candidates for the interview. The participants alluded to the fact that change is important for any organization to be successful and thrive in a competing environment like the banking sector in Kenya is currently witnessing. It was also clear from the participants that the banking environment in Kenya has been witnessing a lot of changes.

#### **4.3 Strategic Change Practices Adopted by Kenya Commercial Bank Group**

The participants alluded to the fact that change management is important for the success of any organization. A change in the environment leads an organization to adopt different

change practises to remain relevant. In terms of the change practises adopted by the organization the participants all pointed out to the fact that KCB bank group uses both planned and emergent change. They use planned change when focussing on their long term goals and emergent change in cases of abrupt changes in the environment the bank operates in. The participants pointed out to a number of factors that necessitated different change practises which included technological and informational changes, improvement of the organizations financial performance, legal changes, cultural and behavioural changes, regulatory changes and demographical changes. According to the participants it is the above changes that necessitated the organization to come up with different change practises.

There are regulatory changes that came into force like the cheque truncation, proceeds of crime and anti money laundering act 2009 and anti terrorism finance bill of 2012, correct reporting of the non performing loan portfolio by the banks. This changes compelled the bank to adopt technological change practises in order to comply to this regulatory changes. The bank had to come with an IT system that could monitor clients transactions and flag out suspicious ones for further investigation to establish whether they are related to anti money laundering and a system for screening clients against the various watch lists. In the case of cheque truncation the bank had to come up with technology to incorporate this. As result of competition in the banking sector the bank had to employ a number of strategic change practise to serve the customers effectively this included coming up with more service points like mobile banking platform KCB mobi, internet banking and automatic teller machines (ATM). The bank also brought in the queuing system which improved greatly service to clients.

The participants pointed out that there were lengthy processes in undertaking various transactions and noted that there was business re-engineering which led to short and less costly processes, there was an improvement in human capital management by allocation of the human resource appropriately in the organization, differentiation in products and segmentation of clients to achieve higher returns. The bank rebranded and came up with new values which were in response to what the external environment changes were demanding. The participants pointed out to a strategic change practise of organizational structural changes where Kenya commercial bank on 01.01.2016 changed from a holding company to a non operating holding company making it able to undertake other businesses in addition to banking which included investment business done by Kcb capital ,sports done by Kcb sports sponsorship limited and insurance done by Kcb insurance agency. The main purpose of this is to make it easy for the group to access capital. The participants pointed out that the above change practises adopted by the bank were in relation to changes both in the external and the internal environments.

#### **4.4 Challenges Encountered in Implementing and Executing the Change Practices**

The participants noted that the major challenges faced by the bank included communication and employees resisting change. The resistance to change came about through a number of factors which included the employees wanting to remain in their comfort zones and therefore not wanting any changes to disrupt or destabilize them, employees likely to lose their jobs or be moved to different sections of institution as a result of the change, working late because of increased workload and the employees not willing to learn the new systems. The participants pointed out that the bank had greatly managed resistance by employing a number of measures which included

involving employees at each stage of the change and informing them of the change practises the bank was undertaking, educating and sensitizing employees on the need for change and why the change was important, ensuring that there is proper, adequate and effective communication at each stage of the change process and the various change practises involved.

The other major challenge the group has encountered while implementing strategic change is resource allocation and specifically prioritization of resource allocation that include both human resource and financial resource. It has not been easy for the group to allocate resources adequately to meet their strategy projections. The allocation of financial resources and human resource depends on a budget agreed upon by the senior management of the organization. This is also dictated by the contributions of the units to profitability of the organization with the highest contributor being allocated a larger chunk of the budget than the others.

#### **4.5 Discussion of Results**

Al-Khourl (2010) observed that change management normally aligns to this five stages which include change trigger recognition, need for change, clarity of the outcome, planning on how to achieve the change, attaining the transition process and ultimately continuously re-looking at the process the aim being to ensure a lasting change. The findings showed that Kenya commercial bank group is following this five stages in managing strategic change and coming up with appropriate change practises which they maintain to ensure that the change is lasting. Porter (2004) noted that competition is the core of an organizations success or failure and emphasizes the need of having a competitive strategy to counter competition in whatever industry the organization is in.

From the findings Kenya commercial bank group has embraced this by adopting appropriate change practises to counter stiff competition in the banking industry in Kenya. Johnson and Scholes (2010) noted that effective communication is a key ingredient in change management and that change practises to be implemented by organizations need to be effectively communicated to employees and other stakeholders. From the findings the KCB bank group communicates strategies and the various strategic change practises through circulars and communications sent to employees through their mails and the other stakeholders are informed of the changes through advertisements in the print media and the mass media.

Kubler-Ross (1973) argues that all humans go through five stages of grief which in this case are anger, depression, bargaining, denial, and acceptance when faced with change. Jicks (1993) goes ahead and provides a clear framework explaining human beings reaction to change. The framework stipulates that an individual's reaction to change is usually shaped by he or she perceives the change initiative and the implementation .In the event that it is looked at as a risk then the reaction is likely to be characterised by things such as shock or defensive retreat as a result of anger. How change is perceived is normally influenced by both availability or unavailability of information and communication of the change .From the findings Kenya commercial bank group alluded to the reality of change resistance and they developed appropriate measures to counter resistances in a number cases there were changes and they introduced a number of strategic change practises.



The study clearly showed that universal principles and solutions cannot be applied to organizations and that strategic change practises adopted by organizations are not identical but depends on a set of circumstances at the time. The research results supported the study by Manyalla (2015) that stakeholder involvement in the change management process is essential for the success of the strategic change practises instituted in an organization. The results of this study affirms the study carried out by Mbwaya (2012) which pointed out that organizations should constantly asses both its external and internal environment and come up with strategic change practises based on their business needs. The results of this study confirm the results of studies carried out by Munywoki (2013) and Kimaku (2010) that resistance to change is a major challenge faced by organizations in implementation and execution of any strategic change.

Organizations can adopt a number of practises to control this and they include communication, participation, education, involvement, facilitation, negotiation, support, agreement, manipulation, implicit coercion, co-option and explicit. Organizations are faced with challenges in resource allocation. The resources include both human and financial resources. The group has adopted a budgeting technique that helps it allocate the above resources adequately. Considering its financial performance as well as abiding by the regulatory requirements, technological changes, the changing customer needs and globalization.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides the summary, conclusion and recommendations for the study in line with the stated research objectives earlier in the study and the research questions. At the tail end it provides the limitations of the study and suggestions for further study. The purpose of the study was to establish the strategic change practises adopted by Kenya commercial bank group in response to the changing banking sector in Kenya. The main objectives of the study was to establish the different strategic change practises adopted by Kenya commercial bank group and to establish the challenges the group has encountered in implementing and executing the change practises and how they have overcome the challenges.

#### **5.2 Summary of Findings**

The research found out that scanning of the environment both the internal and external environment to come up with appropriate strategic change practises to counter competition is important for an organization. The research further found out that stakeholders involvement in the change process of an organization and that updating them regularly on the various change practises adopted by organizations is important for organizational success. The research finally established that it is important to anticipate change resistance normally a major challenge in change management and come up with appropriate measures to counter resistance for effective implementation and execution of the change through the change practises adopted. Proper Resource allocation is important for achievement of an organizations strategic objectives through implementation of

appropriate change practises. The group should endeavour to allocate both human and financial resources adequately within the various divisions to realize the benefits envisaged in the implementation of the various change practises

### **5.3 Conclusion of the Study**

This research project has provided a review of the various strategic change practises adopted by Kenya commercial bank group in the ever changing and highly competitive banking sector in Kenya. The research concluded that given changes in both external and internal environments brought about by globalization, changing technology and competition organizations are compelled to adopt new strategic change practises to remain relevant in whatever industry they are in. This shows that there is no universal approach to managing change and therefore organizations continuously monitor changes in the environment to come up with appropriate change practises.

To implement and execute the various strategic change practises adopted by an organization it needs to consider the hurdles it is likely to face key among them being employees resisting change introduced through the new practises adopted by the organization. The other equally important aspect to consider is how the change practises are communicated to all the stakeholders including the employees. How the change practises are communicated to stakeholders including employees will greatly influence the success or failure of the change practises introduced in the organization. The cooperation of all the employees of an organization is critical in the success of the change practises adopted by an organization

#### **5.4 Recommendations of the Study**

The divisional directors need to improve on the communication of the various strategic change practises adopted by the organization and ensure that all the employees receive the information in a timely manner. It is important to involve all stakeholders in the change process and update them regularly on any new developments in the organization. The divisional directors should ensure continuous training of employees to improve their skills and prepare them for any change. The continuous training will greatly reduce resistance to change. Resource allocation is also another important are the organization should look into and should come up with a good criteria of resource allocation which will ultimately benefit the organization as far as the ever changing environment is concerned.

#### **5.5 Limitations of the Study**

Due to the tight working schedule in the bank two divisional directors delegated the interview to their personal assistants and given that the two directors had been in the organization for quite some time and if interviewed would have given adequate information needed in the study which was not forthcoming from their assistants. Given the nature of the institution not all the information could be divulged during the interview because of the confidentiality of the information. The resources and time allocated for the study were equally a limiting factor. The time allocated for data collection was very limited and therefore the participant were not able to give all that they had as far as this subject was concerned. The resources available to undertake the research were limiting and therefore the participants interviewed were only the seven divisional heads. With adequate time and resources many participant would have been interviewed.

## **5.6 Areas Suggested For Further Research**

The study looked at the strategic change practises adopted by Kenya commercial bank group in response to the ever changing banking sector in Kenya. More research should be done with banks operating in the continent and internationally so that the learning experience from them interms of the various strategic change practises employed in the markets they operate in can be utilised.

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**APPENDICES**

**Appendix I: Introduction Letter**



**UNIVERSITY OF NAIROBI  
SCHOOL OF BUSINESS**

Telephone: 020-2059162  
Telegrams: "Varsity", Nairobi  
Telex: 22095 Varsity

P.O. Box 30197  
Nairobi, Kenya

DATE 30/9/16.

**TO WHOM IT MAY CONCERN**

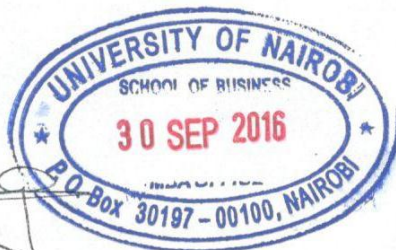
The bearer of this letter RAMADHAN BAKARI  
Registration No. D61/79.D19/2015

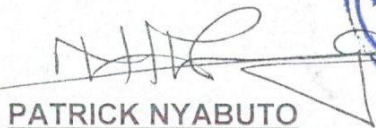
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.



  
**PATRICK NYABUTO**  
SENIOR ADMINISTRATIVE ASSISTANT  
SCHOOL OF BUSINESS

## **Appendix II: Questionnaire Guide**

The information to be collected from this interview will be purely for academic purposes and will be treated with the highest degree of confidentiality.

### **A. General Information**

1. Name
2. Position held
3. Number of years served

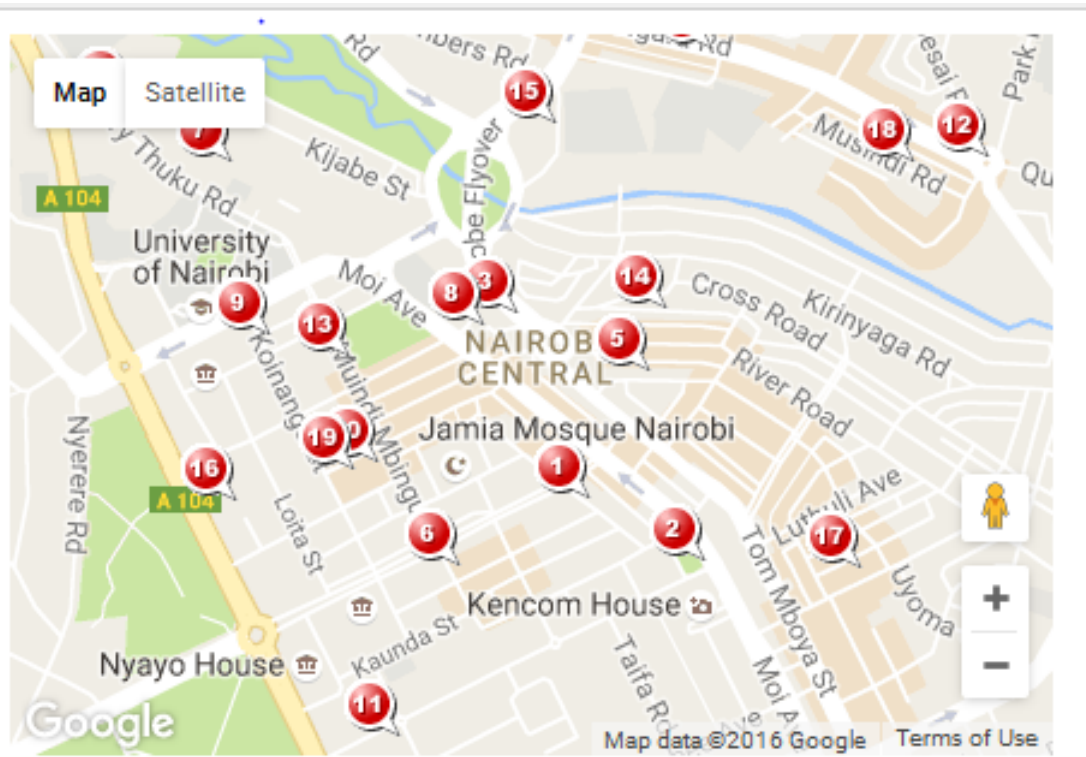
### **B. Change management**

1. What are the current changes taking place in the banking industry in Kenya and how has KCB reacted to this changes.
2. Is it the banks practice to adopt planned or emergent change?
3. How is change communicated in across the bank?
4. What are the change management practices adopted by KCB
5. What impact has the change management approaches adopted had on the bank?
6. What are the main factors that necessitated change management at KCB?
7. What external factors contributed to the change in the bank?
8. Did the bank spare time to anticipate for the changes?
9. Were the changes timely and appropriate?
10. Which methods were used in managing Resistance to change and communication bank?

### **Resistance to change**

1. Was there notable resistance to change? If yes, explain.
2. What factors would be attributed to the resistance?
3. What can be done in the bank to reduce the level of resistance?
4. Does the bank use change agents in undertaking change management?
5. How is change communicated at the bank?
6. How did the changes affect the various stakeholders of the bank?
7. What suggestion would you give that will enhance change management at the bank?
8. How has the bank overcome resistance to change?

### Appendix III: Map of Nairobi Central Business District



## Appendix IV: KCB Organizational Structure

