STRATEGIC CHANGE MANAGEMENT PRACTICES AT CO-OPERATIVE BANK OF KENYA

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DECLARATION

This research proposal is my original work and has not been submitted for examination to any other University.

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

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To Almighty God, thank you very much.

DEDICATION

This project is dedicated to my wife Jane and my son Lenny for their support and prayers throughout my studies. My God bless you abundantly.

ABSTRACT

Increased business competitiveness, operational costs and innovativeness has ushered varied reactions to many business organizations both profitmaking and nonprofit making ones. This has therefore made these organizations to accept the phenomenon of change after realizing that if they do not change they will perish. The purpose of this study was to establish the strategic change management practices adopted by The Co-operative Bank of Kenya. The study adopted a case study design in establishing the change management practices adopted by Co-operative Bank of Kenya. The case study was the most appropriate since the study singled out one bank Co-operative Bank of Kenya and because there was need to conduct an in-depth investigation on the subject. This study used both primary and secondary qualitative data. Primary data is gathered directly from the respondents. The data was collected by use of a comprehensive interview guide addressing various issues in change management practices in Co-operative Bank of Kenya. Secondary qualitative data was obtained from sources such as company website, scholarly articles, turnaround framework papers, and Kenya financial regulatory policy papers and other company reports. The researcher personally conducted data collection exercise through face to face interviews with the respondents. The respondents were a total of seven employees drawn from seven departments in the bank. They were interviewed because they were actively involved in change management.

The research found that the lender face the challenge of change management, time being underrated hence most of the executors have a time limit that is simply an estimation as a result of manifestation of an unforeseen issues. Other challenges include, proponents of strategic decisions exiting the institution in the course of strategy execution, alteration of guiding policies by the umbrella bodies such as Central Bank of Kenya (CBK) which is the statutory regulator of all the banks in Kenya, system failures, low or underrated budgetary allocations and undervaluation of the fidelity, time, instinct, and the spirit required to surmount inertia in their institutions and convert proposals into action.

The study recommends that although Co-operative Bank of Kenya has been successful in the change management practice, for it to continue being profitable and competitive in the industry, the institution should ceaselessly train its workers on how the change management practices should be carried out, engage employees in decision making and adopt an effective communication system that provides information on change management strategy to all stakeholders.

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ABBREVIATIONS AND ACRONYMS

CBK	Central Bank of Kenya
NPL	Non-Performing Loans
KCB	Kenya Commercial Bank

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Increased competitiveness in the business environment, operational costs and innovativeness has ushered varied reactions to many business organizations both profitmaking and nonprofit making ones. This has therefore made these organizations to accept the phenomenon of change after realizing that failure to embrace change will lead to their extinction (Beer and Nohria, 2000). Change involves any alteration of the status quo. It is about altering a company's goal, culture, structure and processes in response to seen or expected changes in the environment it is operating in. Johnson and Scholes (2002) describe change management as purposeful and systematic efforts undertaken to change an organization thus enabling it surmount environmental constraints so as to meet its set objectives. Hence, organizations are undertaking strategic changes so as to align their businesses to the environment thereby matching the resources and activities of their organization to that environment. Macredie et al (1998) observed that prosperous organizations of coming days will have to be ready to embrace the concept of change management or else they perish.

Burtonshaw and Salameh (2007a) assert that there are five main change management strategies organizations can adopt for successful change implementation and management. These strategies can be successful in any of the options of change that occurs in an organization and they comprise: directive strategy; expert strategy; negotiating strategy; educative strategy and participative strategy.

There are several models of change management developed by various scholars and they include Kotter's (1996) 8 Step Model, and its highlights include creating a sense of shared need and urgency; developing and being part of a guiding coalition; developing a vision; communicating the change and marshalling dedication; empowering the staff to make the change; creating and acknowledging short-term wins; reinforcing gains and building on success and finally making it stick. The other model is Lewin's model advanced by Kurt Lewin (1950). Lewin recognized three stages of change. He referred to the first stage as unfreezing which is about overcoming inertia and dismantling the existing mindsets. It is in the next stage that the intended change happens and it is commonly a period of confusion and transition. He referred to the third stage as freezing where the new mentality is settling and people are adopting the new ways of doing things. Another model is McKinsey 7S model developed by Robert Waterman et al (1978). The model offers a comprehensive technique to organizational change and recognizes seven factors that act as agents of change and they include; shared values, strategy, structure, systems, style, staff and skills.

In the year 2014, Co-operative Bank of Kenya realized that its business performance had started to stagnate and sought the services of McKinsey and Company, to review the bank's business model and processes. The advisor was given three months to establish the initiatives which would increase cost management and enhance the bank's performance. The findings would assist in enhancing the organization's growth momentum; improve its organizational structure and boost operating models and operational efficiency thereby benchmarking it with industry best practice locally and regionally. Following the recommendations of McKinsey and Company Consultants, the bank embarked on an ambitious five year transformation initiative dubbed “The Soaring Eagle Transformation Journey”

1.1.1 Change Management

Hill and Jones (2001) views change management as a move from a present state to a future state that increases competitive advantage. In order to effectively address change management, they suggest that one must determine why the change is required, determine any obstructions to the change, implement the change and lastly evaluate the change. Kanter (1997) on his part says that change management requires, developing a vision using proper expertise to get favorable feedback (this builds coalition of backers) keeping actions on the move by tackling any obstacles to change while keeping the speed with the overall objective in mind.

According to Ansoff and McDonnel (1990) change management is related to the company’s performance and response to changes in the environment it operates in. This study attempted to answer the question to change management practices being employed by Co-operative Bank of Kenya and the challenges faced by the organization in managing change.

1.1.2 Change Management Practices

Many organizations often experience challenges that either make them adapt or transform. (Burnes, 2004). They often undergo change processes when having to react to new development events or when they plan to change their growth or restructuring processes. The implementation of transformation processes is often underestimated by senior management therefore inadequately handled.

According to Burnes (2004) there are various approaches to change, but the most imperative thing to realizing sustainable change is getting the most suitable technique for the kind of change to be carried out and the conditions under which it is being carried out. He further argues that organizations must refrain from pursuing a “one best way” approach to change but rather aim at identifying the technique that is best suited to both type of changes they wish to embark on, depending on the firm’s circumstances.

According to (Beer and Nohria, 2000) seventy five percent of transformation initiatives within organizations do not succeed while an assessment of writings by Burnes (2004) implies in some kinds of change, that number might be even bigger. A major challenge to successful change implementation is not paying enough attention on the “people” component of change. Where success has been realized, the process is comprised of a series of steps and requires considerable time to produce a successful result.

1.1.3 Concept of Strategy

Strategy is an important element of any management process (Aosa, 1992). Johnson and Scholes, (2000) refer to strategy as the path taken by a company to determine its future with the main focus being to gain competitive advantage over other competitors by aligning its resources and activities to the business environment it is operating in, in order to fulfill expectations. The strategic decisions in an organization are a blend of intentional and well thought-out actions aimed at marching the activities of the organization with the environment in which it operates.

Strategy formulation therefore, focuses on essential managerial issues of ways to deliver the planned objectives with focus on company's prospects. The complexity of strategic decisions requires strategic management. Strategic management has been described as decisions that precipitate to developments and implementations outlined in order to attain organization's goals.

1.1.4 Banking Industry in Kenya

The Banking industry in Kenya is controlled and regulated by the Companies Act, the Banking Act, the Central Bank of Kenya Act and the diverse prudential principles provided by the Central Bank of Kenya (2011). The CBK. which is under the Ministry of Finance, is in charge of preparing and executing financial policy and strengthening the liquidity, creditworthiness and appropriate operationalization of the financial system.

The banking sector was liberalized in 1995 and trading controls revoked and with effect from December 2011 there were forty six commercial banks, one lone mortgage finance institution, fifteen micro finance organizations and one hundred and twenty nine foreign exchange bureaus. The banks have coalesced under the auspices of the Kenya Bankers Association (KBA), which acts as a lobby for the banking industry's concerns. The KBA serves as a platform to confront issues impacting its membership.

The banking industry has been characterized by stiff competition in the last five years. This has resulted in banks employing several strategic actions which include rebranding, mergers, takeovers, rolling out additional branches, increasing of bank operating hours and paying more attention to the lower end of the market. Banks have been forced to relook at the loan products for the employed people as well as small and medium size enterprises (SMEs) and many of the lenders are now employing sales executives to market and drive their products. Employing information communication technology (ICT) has improved efficiency and escalated delivery channels with such products as e-banking, mobile banking and SMS banking that has enabled utility payments and cash transfers.

1.1.5 Co-operative Bank of Kenya

The Co-operative Bank of Kenya is incorporated in Kenya under the company's Act (Cap 486) and is also licensed and regulated by Central Bank of Kenya (CBK). The lender enjoys the second highest customer base in the country with over 4.7million accounts as of March 2017. It currently has a branch network of over 143 branches spread across the country and a staff population of slightly over 4,000. The institution was originally registered under the Co-operatives Societies Act (Cap 460) upon inception in 1965 but was issued with a banking license in 1968. The bank provides services to individuals, small businesses and large corporations focusing on the needs of Co-operative Societies in Kenya which controls 65 per cent of all the company stock while the other 35 per cent stake being controlled by other investors.

In the year 2014, the bank embarked on an ambitious five year transformation initiative dubbed "The Soaring Eagle Transformation Journey" and sought the services of McKinsey and Company, to review the bank's business model and processes. The advisor was given three months to establish the measures which would increase cost management and enhance the bank's performance. The findings would assist in enhancing the organization's growth impetus; refine its organizational structure, operating models and operational efficiency benchmarking it with industry best practice locally and regionally. The findings would also help retool and reenergize the business for greater competitiveness. The transformation initiatives included; branch transformation and channel migration, Salesforce effectiveness, proactive Non Performing Loan (NPL) management and credit process improvement, data and analytics, shared services digitization and the people agenda. The implementation and sustainability of these initiatives has led to better services to bank customers, improved staff productivity, improved teams collaboration, increased profitability and returns to it shareholders' investments and finally increased positive impact to the society.

1.2 Research Problem

Despite the fact that there is common agreement on the importance of managing change properly in recent companies, issues concerning change and the way to handle it has not been adequately addressed (Dawson, 1994).

Changes in technology, the marketplace, information systems, the global economy, social values, workforce demographics and the political environment have a significant effect on the processes, products, and services produced. The climax of these forces has precipitated in an external environment that is constantly changing, unpredictable, demanding and often devastating to those organizations which are unprepared or incapable to swiftly respond (Burnes, 2000).

While changes are inevitable in any form of business, the knowhow and awareness about the important matters in handling of change is usually missing in the people mandated with its progress. For example, according to Burnes, (2004) previous research demonstrates that 60 per cent of change efforts within organizations fail because little attention is given to the "people" component of change.

Studies reviewed in this area of knowledge include; Munywoki (2013) who evaluated the strategic change management practices adopted by commercial banks in Kenya. The study established that the most important challenge faced by commercial banks in managing strategic change were information and technological innovations. Kiptugen (2003) carried out a study to find out the strategic responses of Kenya Commercial Bank (KCB) to a changing competitive business environment. Because his main center of attention was on strategies that can be employed in a competitive business environment;

the study failed to incorporate the change management practices involved. Kamanda (2006) also carried out a study on Kenya Commercial Bank with the purpose of establishing the factors that guide its regional growth strategy. This study nevertheless, did not incorporate matters concerning change management. Nyambura (2010) while studying the factors influencing strategic change at the Co-operative Bank of Kenya Head Office, she strongly recommends that the top management involves all the departments within the bank's head office in the implementation of strategic change.

Despite these studies, there was a need for more studies to establish the change management practices in the Kenyan banking industry. This study therefore focused on the management practices adopted by Co-operative Bank of Kenya and how this organization overcomes the challenges related to change management. The study sought to answer the following research questions; what management practices has Co-op Bank adopted? What challenges does Co-op Bank face in managing change?

1.3 Research Objectives

This study had two objectives;

i) To determine change management practices at Co-operative Bank of Kenya.

ii) To establish the challenges experienced by Co-operative Bank of Kenya in the process of managing change.

1.4 Value of the Study

The results of this study will contribute to the already existing body of knowledge in the area of management in general and change management practices. The results will specifically be very significant in explaining the change management strategies that are used and the challenges that banks encounter in managing change. The findings will also be beneficial to other players in the banking industry since most commercial banks operate in almost similar business environment.

The findings will also assist policy makers at Co-operative Bank of Kenya and the entire banking industry to gain more understanding on change management practices that can assist them come up with appropriate change management strategies that can assist them to effectively manage change. It will also be a very important source of information for benchmarking purposes in order to adopt best practices in change management within the banking industry.

Change is inevitable regardless of the type of organization or industry. Therefore, other organizations other than commercial banks may also gain favor from the findings of this study since they will learn more on various change management practices.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter will present the literature reviewed on related studies that have been conducted on change management. The main areas that are discussed under this section include a detailed review of change management models, change management practices and challenges to change management.

2.2 Theoretical Framework

There are various change management models namely; Kotter's 8 Step Model, McKinsey's 7S Model and Lewin's Change Management Model. These are discussed as follows:

2.2.1 Kotter's 8 Step Model

Kotter, (1995) provides an 8 step model to change management that he considers fit for organizations. He recognizes eight stages of change that any company need to properly complete so as to realize permanent and sustainable transformation and business enhancements. Moreover, he identified eight reasons why transformations in many organizations fail. In addition to this, Kotter also identified corresponding probable limitations for each stage that can undermine the transformation initiative altogether.

He indicates that the first stage should be to generate a sense of urgency and that for transformation to occur everyone in the organization must understand that things have to change if its continuity is to be guaranteed. The second stage is forming a powerful guiding coalition; the change initiative must win the support of the influential people in the organization. Third step is creating a vision; it is important that the expected outcome/results are clear to all the stakeholders. This will make them know what is expected of them in supporting the intended change. The next stage is communicating the vision; the vision must be shared with all stakeholders using all available channels so as to reach as many people as possible, the fifth stage is empowering others to act on the vision; by identifying or hiring change leaders, recognizing people and rewarding them for making change to take place, identify those opposed to the change and assist them to understand what the change is intended to achieve, the sixth step is planning for and creating short-term wins; this serves to motive the stakeholders that the change process is still on course, the seventh step involves synthesizing the enhancements and generating extra changes; and lastly institutionalizing new techniques for change to be sustainable, it should be incorporated in the organization's culture. This ensures that change is seen in every aspect of the organization. He further argues that transformational leaders who bring changes in their businesses do the eight things right and in the right order.

2.2.2 McKinsey's 7S Change Management Model

Robert Waterman, Thomas Peters and Julien Philips (1980) who were consultants working for McKinsey and Company in the early 1980s developed the McKinsey 7S Model. The model has been widely applied by professionals and academicians in reviewing hundreds of companies. The model was designed as identifiable and simple to recall in the realm of business. The author recognizes seven variables which all commence with letter S and take account of structure, strategy, systems, skills, style, staff and share values. It is based on the premise that, for a company to compete successfully, the seven variables must be well aligned and mutually reinforcing. These seven variables are grouped as either ‘hard’ or ‘soft’. ‘Hard’ elements are easily defined and controlled by the management of the organization and they include strategy, structure and systems. ‘Soft’ variables are not easy to define and are less tangible and are more impacted by organizational culture and they include; skills, style, staff and shared values. Strategy refers to the plan devised by an organization to help it realize competitive advantage and give it an edge over other organizations, Structure refers to arrangement of and relations between business departments and consists the details of who reports to whom, Systems are the processes and procedures of the organization, and they reveal the organization’s day-to-day activities and how decisions are arrived at, Shared values forms the core values of the organization and they are embedded in the organizational behaviors, Style is the manner in which an organization is managed by the executives, their interactions, the measures in order to ensure that the organization runs effectively, Staff is the human resources employed by an organization to run its affairs successfully while Skills entails the competencies that employees of an organizations have that enables them to carry out the roles assigned to them.

2.2.3 Lewin's Change Management Model

Lewin's change management model was advanced by Kurt Lewin (1950) and it is associated to Force Field Theory. Lewin contemplated that, to attain change effectively, it is imperative to examine all the available alternatives for transiting from the current position to a desirable future state, and then to analyze the feasibilities of each and make a decision on the best one, instead of just focusing on a desired objective and taking the simplest and shortest course to it. He motivates managers to note the existence of two types of forces of resistance arising, firstly, from social habit or custom, and, secondly, from the creation of an inner resistance to change.

Lewin recognized three stages of change. He described the initial stage as unfreezing and it is all about avoiding inertia and breaking up the prevailing ways of thinking. Unfreezing focuses on making the employees to gain perspective on their daily activities, abandon their unacceptable customs, and being ready to welcome new methods of achieving the set organizational goals. In the second stage change occurs and is typically a period of confusion and transition. The change process can be a very vigorous one and, for it to be successful, it will almost certainly consume a great deal of time and require a transformation period. For efficiency to be attained, the employees may be required to assume on new roles and responsibilities, which includes a learning curve that will at first hamper the organization's performance. A transition process should be seen as an investment, with regard to time and the apportionment of resources. The third and final stage he referred to as freezing where the new ways of thinking are solidified and employees are slowly embracing the new changes in their day-to-day activities. For change to be fully realized, it is supposed to be made permanent. When the organizational changes have been effected and the structure has resumed its effectiveness, concerted efforts need to be considered to make them stick and ensure that the reformed organization is standardized. This stage allows the employees prosper in the reformed organization and enjoy the changes achieved.

2.3 Change Management Practices

Strategic change management practices are techniques, instruments and mechanisms that help the firm manage the technical and human elements of an intervention and that they are also adopted with the aim of improving the organizational performance through helping it meet its strategic goals (Nyachoti 2013).

Burtonshaw and Salameh (2007a) assert that there are five main change management strategies organizations can adopt for successful change implementation and management. These strategies can be successful in any of the options of change that occurs in an organization. The first is using a directive strategy in implementing and managing the desired change within an organization. Using this strategy, the organization uses its authority through the management to push forward its change agenda. This form of strategy is very helpful in speedy implementation of change but it is also likely to have negative outcomes such as increased resistance to change from various stakeholders of the organization. If not appropriately applied, this strategy is likely to undermine successful implementation of change in the organization.

Organizations can also apply expert strategy in change implementation and management. This form of strategy is relevant to managing change when the desired is of technical nature thus requiring expertise to handle. Some projects such as information technology change and culture change may require an organization to adopt such a strategy.

There are occasions when managing change organizations may be required to adopt a negotiating strategy. This will involve consulting with all the affected stakeholders so that they may be able to understand the need and essence of the change to be implemented.

However, any negotiations made with the stakeholders do not deny the management of the organization the responsibility to give necessary direction on the desired change. Adopting negotiating strategy is very significant since it enables the organization to minimize the chances of resistance to change. If an organization intends to win support of all stakeholders in change management, there is need to adopt an educative strategy. This involves communicating and training people on the change being implemented. It may take longer but it is likely to yield better results since stakeholders can easily own the change and give it maximum support. However, organizations using this strategy should prepare to spend enormous resources.

A participative strategy towards change management can also be used. It allows all the concerned parties to play some role thus learning from the experiences.

Kandt (2002) also argues that organizational change management practices can be categorized into four main categories. The first category includes change establishment practices such as aligning the goals of the desired change with corporate strategy; ensuring that the top management of the organization fully supports the change; having in place a team that can be able to steer the change; conducting an evaluation of the willingness of the organization to change; ensuring that the change teams are committed and are instruments of the change as well as planning for continuous improvement by using good performance measures.

The second category of practices relate to execution strategies of change such as proper articulation of the need that compels the organization to change; identification and selection of the processes that need to be changed based on expected return and low risk; handling few changes at a time; creating a vision for each of the processes to be changed as well as having an understanding of the risks and developing contingency plans for mitigating the risks.

An organization that is managing change can also in place monitoring strategies such as selection and adoption of appropriate performance measurement metrics to assist in measuring the gains and gaps and annual assessment of the staff and change process Kandt (2002). He further notes that there are some general strategies that do not fall in any of the three above but are very essential in change management within organizations. These general strategies include proper communication of the change to stakeholders; involving customers in the change process; getting support from the executives of the organization and willing ness to listen to the customer.

2.4 Challenges in Implementation of Change

The two biggest problems confronting many companies in recent times are leadership and transformation management; hiring, retaining and growing managers and triumphantly handling organizational change (Burnes,2003).

According to Lippitti (2007) when a strategy fails to realize the anticipated outcome, it is often because the strategy execution was flawed. The lack of proper execution of a strategy gets the business executives concerned since negatively affects organizations growth, adaptability and competitiveness.

Lippitti (2007) argues that lack of proper, organized implementation, even the most superior strategy is useless. He also urges that in an effort to hastily implement a strategy, minimal consideration is done to find the most appropriate implementation process.

Shortcuts such as repackaging existing projects which appear to support the new strategy cannot work because while strategic plans can be copied, execution cannot be duplicated.

According to Nyangweso (2009), Co-operative bank of Kenya is confronted by the problem of strategy execution; time is underrated, political instability, poor planning, lack of support, failure to include all stakeholders, insufficient expertise on the key stages, improper analysis, lack of good dissemination of information, ambiguous strategic plans, inconsistent priorities, insensitivity to the strategy, unbalanced organization systems and resources, competing activities and unmanageable environmental factors, champions of strategy implementation decision making leaving the company during execution and change of relevant policies by umbrella bodies such as Central Bank of Kenya.

Factors in the external environment include knowledgeable clientele and management styles, accelerating globalization, more popular and fine products, differentiation, credit crunch, political environment and steep competition from other lenders.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that the researcher employed in the study. This includes the research design, data collection methods and data analysis techniques on change management practices in the Co-operative Bank of Kenya.

3.2 Research Design

The study adopted a case study design in establishing the change management practices adopted by Co-operative Bank of Kenya. According to Mugenda and Mugenda (2003), a case study is a form qualitative analysis that includes a prudent and thorough observation of a social unit, institution, family, cultural group or a whole community and adopts depth instead of breadth of the study. Therefore, the case study is the most appropriate since the study singles out one bank Co-operative Bank of Kenya

3.3 Data Collection

This study used both primary and secondary qualitative data. Primary data was collected straight from the respondents (Kothari, 2004). The data was gathered using a comprehensive interview guide addressing various issues in change management practices in Co-operative Bank of Kenya. The researcher personally conducted data gathering activity through face to face interviews. The interviewees were a total of seven employees drawn from seven departments in the bank. These departments included: Human Resource, Credit Management, Transformation, Information Communication

Technology, Alternative Channels, Retail Banking and Finance departments. They will be interviewed because they are actively involved in change management.

The interview guide had unstructured questions which were utilized in an attempt to inspire the respondent to give a comprehensive answer without feeling held back to disclosing of all the facts. With unstructured questions, an interviewee's answer can provide an understanding to his/her feelings, history, concealed inspiration, preferences, and decisions etc.

Secondary qualitative data was obtained from sources such as company website, scholarly articles, turnaround framework papers, and Kenya financial regulatory policy papers and other company reports.

3.4 Data Analysis

The data collected from the interview guide was analyzed using qualitative analysis. Qualitative data analysis makes common assertions on how classes or subject matters of data are interconnected (Mugenda and Mugenda, 2003). Qualitative analysis is done using content analysis. Content analysis is the methodical qualitative description of the configuration of the objects or substance of the study (Mugenda and Mugenda, 2003). It includes examination and comprehensive illustration of objects, items, or things that constitute the object under study. The themes (variables) that are utilized in the examination are mainly categorized into two: challenges faced in implementation of change management and the measures taken by the industry in coping with them.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the findings of the study and the analysis of the data collected from the interview guide which was administered to the seven employees of the Co-operative Bank of Kenya. These employees were drawn from seven departments namely; Human Resource Department, information communication technology department, finance department, transformation department, alternative channels department, credit management department and retail banking department.

According to the data collected, six of all the seven Heads of Departments projected in the previous chapter to be interviewed were interviewed which makes a response rate of 85 per cent. This exemplary feedback was attained after the researcher made concerted efforts in organizing meetings with the Heads of Departments notwithstanding their fixed work plans as well as contacting them through their phones to prompt them of the .

4.2 Change Management Practices at Co-operative Bank of Kenya

To the question on what would inform the need for organizational change at Co-operative Bank of Kenya, the interviewees said that in the year 2014, the management of the bank realized that the bank's performance had stagnated and therefore resolved to embark on a transformation initiative dubbed soaring eagle transformation journey. The bank then sought the services of McKinsey and Company to advise the bank on the necessary changes that needed to be carried out in order to reignite the lender's performance.

To the question on the significance of management ability, or competence in achieving successful change management, the respondents felt that there is need for those in management of the bank to be competent so as to ensure that the right strategic objectives are in place, create the necessary awareness about the intended strategy, handle any obstacles to change, offer explicit direction on the change management process, maintain strong change management efforts, situate structure to strategy, anticipate change for the subsequent proficiencies, and essentially analyze the present strategy. Additionally, the respondents disclosed that senior managers, directors, middle level managers, heads of departments and other staff in the lower cadres are included in change management processes at the Co-operative Bank of Kenya but that middle level managers render the most important responsibility in strategy execution.

On the importance of communication in change management at the Co-operative Bank of Kenya, the respondents indicated that effective communication of strategic awareness plays a critical role as coherence bond and triumph in linking the people who have the absolute authority for organizations with the people executing strategies at the sharp. As stated by some of the respondents, communication is important in every feature of change management, and it is associated in an elaborated manner with institutional undertakings, institutional background and execution objectives which successively, have a significant influence on the strategy execution process and also augments appropriate response on the advancement and the problems experienced in the course of managing change. Furthermore, some respondents postulated that successful communication across an institution necessitates explicit comprehension of critical duties and authorities of all participants including middle level managers whose duty is more often than not essential and guarantees that everyone comprehends success stages all through.

To the question on the impact of management development programmes/training on successful change management at the Co-operative Bank of Kenya, the respondents maintained that training inculcates to the staff a set of management proficiencies which are expected to provide better ambitious and commercial practices; employee couching is an essential donor to personal and team determination; training can boost employee engagement in the institution, enhance communication among peers; make change management easier; eliminates uncertainty since everybody understands his or her responsibility

On the impact of early engagement of organization staff in the strategic exercise on prosperous change management, the respondents indicated that early engagement of firm members in the strategy discourse assisted these stakeholders comprehend superordinate goals, style, and cultural norms hence making it crucial for the uninterrupted success of an organization's change management. Moreover, it ensures that such changes do not take employees by surprise, places all stakeholders at equal footing, and assists in creating a sense of belonging among the staff. As per some respondents, early engagement of organization employees in the strategic plans and resolutions made by the institution are crucial to employees' advancement and growth within their organizational situations. Engaging employees in such undertakings boosts their conviction and a sense of ownership of the proposed strategies and transformations that successively support their individual and professional determination in regard to successful change management.

The respondents further mentioned that the institution employs fluid processes for adaptation and adjustment in change management because change management is an intricate phenomenon and therefore in reaction, generalizations have been developed in the form of inspiring fluid processes for adaptation and adjustment.

To the question on the techniques adopted by the management of Co-operative Bank of Kenya in building and supporting a climate inside the organization that stimulates staff in their execution duty, the interviewees said that the bank's management employed several techniques which include emphasizing on teamwork, preserving a strong organizational culture that culminates in staff positioning their personal goals and behaviors in congruence with those of the organization, constant coaching and growing of employees, executing reward and benefits systems, including often acknowledgements issued in less formal means, entrenching an appealing working environment by paying a great deal of attention on interactions amongst peers through essential employee conferences that creates opportunities for discussions, interactions and effective communication.

The respondents postulated that style and method of change management employed by the Co-operative Bank of Kenya is a top down approach. The respondents also indicated that the change management practices adopted by the bank consist of apportionment and management or resources (financial, personnel, operational support, time, technical support); creating a chain of command or some alternative structure; allocating leadership of distinct roles or undertakings to distinct personalities or groups; tracking outcomes (in relation to yardsticks and best practices, analyzing the effectiveness and efficiency of the process, checking for discrepancies and making changes to the process if need arises);

exploiting supportive execution instruments such as the balanced score card and appraising the impediments to change management (both internal and external to the institution).

To the question on the other factors promoting change management success at Co-operative Bank of Kenya, the respondents indicated that factors promoting change management success in the bank comprise of explicit intentions and planning, and a supportive climate for change, giving execution the necessary attention, ensuring adequate resources, a suitable structure, and implanting flexibility, organizational structure, control mechanisms, strategic harmony, proper guidance and favorable attitude towards change management success.

4.3 Challenges of Change Management

The interviewees indicated that they face the challenge of change management, time being underrated hence most of the executors have a time limit that is simply an estimation as a result of manifestation of an unforeseen issues. According to some respondents, Co-operative Bank of Kenya is usually confronted by delays by external business partners in delivering the anticipated assistance promptly.

To the question on some of the challenges that emerge unexpectedly during change management process, the respondents indicated that political upheavals was the most prominent matter confronting the change execution exercise. Other challenges include, proponents of strategic decisions exiting the institution in the course of strategy execution, alteration of guiding policies by the umbrella bodies such as Central Bank of Kenya (CBK) which is the statutory regulator of all the banks in Kenya, system failures, low or underrated budgetary allocations and undervaluation of the fidelity, time, instinct, and the spirit required to surmount inertia in their institutions and convert plans into action.

Other factors in the outside environment that unfavorably affected change management at the Co-operative Bank of Kenya were mentioned by the respondents as progressively enlightened clientele and management practices, accelerating internationalization, extra universal and refined product differentiation, credit crunch, political environment, steep rivalry from other banking institutions among others.

The respondents further said that some of the competing conditions that bring about interruptions hampering change management at the Co-operative Bank of Kenya include; a lot of conflicting preferences, advertisements/promotions, well knowledgeable clientele, door to door sale and the bank endeavoring to confront the ever increasing rivalry in the industry hence loosing prospect of its strategy. Moreover, the respondents postulated that there are other problems presented by the deficiency in information systems used to observe change management comprise the executors being unaware of how successful the change management has been, may result in loss of chances, delayed responses and erroneous report on progress and therefore absolute failure.

To the question on the challenges posed by the clientele and employees of the bank not completely acknowledging the strategy on change management, the interviewees indicated that they were confronted with problems of criticism, insufficient collaboration, strategy failure and execution delays. On the effect of defective dissemination of information and depressed feelings of ownership and dedication by the staff to change management at the bank, the interviewees said that it caused delay in giving results, misuse of resources, loss of business and repudiation of the strategy, lack of motivation and lack of dedication to alternative ideas.

To the question on the problems resulting from inefficient coordination and imperfect sharing of duties of change management exercises at the Co-operative Bank of Kenya, the respondents said that they brought about problems of delayed execution, overburdening of other employees, errors of commission, omission and duplication.

According to the respondents, other problems experienced in the change management at the Co-operative Bank of Kenya failure to include all stakeholders, insufficient expertise on the key stages, improper analysis, lack of good dissemination of information, ambiguous strategic plans, inconsistent priorities, insensitivity to the strategy, unbalanced organization systems and resources, competing activities and unmanageable environmental factors.

Moreover, the respondents were requested to propose the practicable solutions to the problems of change management at the Co-operative Bank of Kenya. According to the respondents, the solutions to the challenges comprise of constant training on how the strategy should be executed; inclusion of employees in decision making; ensure to pilot before rolling it out to everyone; evaluate milestones; distribute responsibilities; effective dissemination of information; defined and understandable process flow.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the key data findings, conclusions made from the findings underlined and recommendations made thereof. The conclusions and recommendations made are in quest of addressing the research question or attaining the research objective which is change management practices at the Co-operative Bank of Kenya.

5.2 Summary of Findings

Change management comprises the requesting, determining, attainability, planning, implementing and evaluation of changes to a system. Elements that influence change management practice success at the Co-operative Bank of Kenya, research established that the factors promoting change management success in the bank comprise of explicit intentions and planning, and a supportive climate for change, giving execution the necessary attention, ensuring adequate resources, a suitable structure, and implanting flexibility, organizational structure, control mechanisms, strategic harmony, proper guidance and favorable mindset towards change management success.

This study discovered that on the part that communication contributes in the process of change management at the Co-operative Bank of Kenya, the respondents indicated that effective communication of strategic awareness plays a critical role as coherence bond and triumph in linking the people who have the absolute authority for organizations with the people executing strategies at the sharp. As stated by some of the respondents, effective dissemination of information is important in every feature of change management, and it is associated in an elaborated manner with institutional undertakings, institutional background and execution objectives which successively, have a significant influence on the strategy execution process and also augments appropriate response on the advancement and the problems experienced in the course of managing change.

On the effect of early engagement of organization staff in the strategic exercise on prosperous change management, the respondents indicated that early engagement of employees in an organization's strategic discourse assisted the stakeholders comprehend superordinate goals, style, and cultural norms hence making it crucial for the uninterrupted success of an organization's change management. As per some respondents, early engagement of organization employees in the strategic plans and resolutions made by the institution are crucial to employees' advancement and growth within their organizational situations. Engaging employees in such undertakings boosts their conviction and a sense of ownership of the proposed strategies and transformations that successively support their individual and professional determination in regard to successful change management.

On the initiatives employed by the management of Co-operative Bank of Kenya in building and supporting a climate inside the organization that stimulates staff in their execution duty, the interviewees said that the bank's management employed several techniques which include emphasizing on teamwork, preserving a strong organizational culture that culminates in staff positioning their personal goals and behaviors in congruence with those of the organization, constant coaching and growing of employees, executing reward and benefits systems, including often acknowledgements issued in less formal means, entrenching an appealing working environment by paying a great deal of attention on interactions amongst peers through essential employee conferences that creates opportunities for discussions, interactions and effective communication.

The research found that the lender face the challenge of change management, time being underrated hence most of the executors have a time limit that is simply an estimation as a result of manifestation of an unforeseen issues. According to some respondents, Co-operative Bank of Kenya is usually confronted by delays by external business partners in delivering the anticipated assistance promptly. To the question on the challenges presented by the clientele and employees of the bank not completely acknowledging the strategy on change management, the interviewees indicated that they were confronted with problems of criticism, insufficient collaboration, strategy failure and execution delays. On the effect of defective dissemination of information and depressed feelings of ownership and dedication by the staff to change management at the bank, the interviewees said that it caused delay in giving results, misuse of resources, loss of business and repudiation of the strategy, lack of motivation and lack of dedication to alternative proposals.

To the question on some of the challenges that emerge unexpectedly during change management process, the respondents indicated that political upheavals was the most prominent matter confronting the change execution exercise. Other challenges include, proponents of strategic decisions exiting the institution in the course of strategy execution, alteration of guiding policies by the umbrella bodies such as Central Bank of Kenya (CBK) which is the statutory regulator of all the banks in Kenya, system failures, low or underrated budgetary allocations and undervaluation of the fidelity, time, instinct, and the spirit required to surmount inertia in their institutions and convert proposals into action.

Other factors in the outside environment that unfavorably affected change management at the Co-operative Bank of Kenya were mentioned by the respondents as progressively enlightened clientele and management practices, accelerating internationalization, extra universal and refined product differentiation, credit crunch, political environment, steep rivalry from other banking institutions among others. The research found that some of the competing conditions that bring about interruptions hampering change management at the Co-operative Bank of Kenya include; a lot of conflicting preferences, advertisements/promotions, well knowledgeable clientele, door to door sale and the bank endeavoring to confront the ever increasing rivalry in the industry hence loosing prospect of its strategy. Moreover, the respondents postulated that there are other problems presented by the deficiency in information systems used to observe change management comprise the executors being unaware of how successful the change management has been, may result in loss of chances, delayed responses and erroneous report on progress and therefore absolute failure.

According to the respondents, other problems experienced in the change management at the Co-operative Bank of Kenya failure to include all stakeholders, insufficient expertise on the key stages, improper analysis, lack of good dissemination of information, ambiguous strategic plans, inconsistent priorities, insensitivity to the strategy, unbalanced organization systems and resources, competing activities and unmanageable environmental factors.

5.3 Conclusions

From the study, the research concludes that the management should be competent so as to ensure that the right strategic objectives are in place, create the necessary awareness about the intended strategy, handle any obstacles to change; that early engagement of firm members in the strategy discourse assisted these stakeholders comprehend superordinate goals, style, and cultural norms hence making it crucial for the uninterrupted success of an organization’s change management. It also ensures that such changes do not take employees by surprise, places all stakeholders at equal footing, and assists in creating a sense of belonging among the staff hence yielding better results.

The study also concludes that the bank’s management have taken initiatives include emphasizing on teamwork, preserving a strong organizational culture that culminates in staff positioning their personal goals and behaviors in congruence with those of the organization, constant coaching and growing of employees, executing reward and benefits systems, including often acknowledgements issued in less formal means, entrenching an appealing working environment by paying a great deal of attention on interactions amongst peers through essential employee conferences that creates opportunities for discussions, interactions and effective communication.

The study also concludes that factors leading to change management success in the bank comprise of explicit intentions and planning, and a supportive climate for change, giving execution the necessary attention, ensuring adequate resources, a suitable structure, and implanting flexibility, organizational structure, control mechanisms, strategic harmony, proper guidance and favorable attitude towards change management success.

On the challenges faced by the bank in managing change, the research concluded that the challenges include underestimation of time, political instability, poor planning, lack of support, failure to include all stakeholders, insufficient expertise on the key stages, improper analysis, lack of good dissemination of information, ambiguous strategic plans, inconsistent priorities, insensitivity to the strategy, unbalanced organization systems and resources, competing activities and unmanageable environmental factors, champions of strategy implementation decision making leaving the company during execution and change of relevant guidelines by umbrella bodies such as Central Bank of Kenya.

Factors in the external environment that had negative effects in change management practices at the Co-operative Bank of Kenya were knowledgeable clientele and management styles, accelerating globalization, more popular and fine products, differentiation, credit crunch, political environment and steep competition from other lenders among others.

5.4 Limitations of the Study

A limitation in the case of this research was referred to as a circumstance that was prevailing and contributed to the researcher getting either insufficient information or feedback or if otherwise the feedback provided would have been absolutely different from what the researcher anticipated.

The main limitations of the study were;

Some interviewees were unavailable for the interview at the date agreed. This decreased the likelihood of arriving at a more unassailable study. However, conclusions were made with this response rate.

The small size of the sample could have lowered confidence in the outcome and this might restrict any generalizations to other circumstances.

Majority of the interviewees were busy throughout and had to constantly be prompted and even urged to provide the required information.

5.5 Recommendations

From the discussions and conclusions in this chapter, the study recommends that although Co-operative Bank of Kenya has been successful in the change management practice, for it to continue being profitable and competitive in the industry, the institution should ceaselessly train its workers on how the change management practices should be carried out, engage employees in decision making and adopt an effective communication system that provides information on change management strategy to all stakeholders. The study further recommends that the bank should engage all members in the change management practices.

The study was only carried out at the Co-operative Bank of Kenya to augment the results from this research, a similar analysis should be conducted either in other banking institutions, or a survey on the entire banking industry to verify the results found and check whether there are any different techniques to the change management practices. The researcher further recommends that a similar study be done in a nonfinancial organization so as to find out how other companies manage change as opposed to banks.

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APPENDICES

Appendix 1: Letter to Respondent

September, 2017

The Human Resource Manager,

Co-operative Bank of Kenya

P. O Box

Nairobi

<u>RE: MBA RESEARCH PROJECT</u>

I am a postgraduate student in the school of business at University of Nairobi pursuing a Master degree in Business Administration. In order to fulfill the degree requirement, am undertaking a research on "Strategic Change Management Practices at Co-operative Bank of Kenya‟.

I kindly request for your assistance by availing your time for a short interview based on the guide enclosed herein. Any documents, strategic plans or reports that you may have that are relevant to this topic of study may be availed to me at your discretion. A copy of the final report will be made available at your request.

Your assistance will be highly appreciated .Please be assured that the information you provide will be used exclusively for academic purposes on this research project.

Yours faithfully

Moses N Macharia

Appendix: 2 Interview Guide

SECTION A: GENERAL INFORMATION

1. How long have you been working for Co-operative Bank of Kenya?

2. How long have you been working in your present position?

SECTION B: STRATEGIC CHANGE MANAGEMENT PRACTICES ADOPTED

3. Who is involved in change management in your organization?

4. What are the change management practices employed by your bank?

5. In your opinion, what is the importance of management competence to achieving successful change management in your bank?

6. In your opinion, how is ineffective coordination and poor sharing of responsibilities caused change management practice activities?

7. Does Co-operative Bank of Kenya carry out management training and development programs before it embarks on a change program?

8. Does Co-operative Bank of Kenya undertakes an early involvement of staff in the strategy process on successful change management? If yes, how effective do you find this?

9. What are the change management initiatives taken by management in creating and sustaining a conducive climate within the bank?

10. What role does communication play in the process of change management at your bank?

11. What are the other factors leading to change management success at your bank?

SECTION C: CHALLENGES OF CHANGE MANAGEMENT

12. What are the challenges facing change management in Co-operative Bank of Kenya?

13. What challenges are posed by customers and staff not fully appreciating the strategy on change management practice?

14. In your opinion, what is the role played by leadership in managing change? Are there any challenges relating to leadership? Which ones? How do they affect change management?

15. Are there any challenges of the organizational structure and culture in managing change at Co-operative Bank of Kenya? Which ones? How do they affect your change management?

16. In your opinion, do you feel that power and internal politics pose a challenge to change management at Co-operative Bank of Kenya? What challenges and how do they affect you?

17. What are the other challenges you face in change management at Co-operative Bank of Kenya and how do they affect change management?

18. What are the possible solutions to the challenges faced in change management at your department?