STRATEGIC CHANGE MANAGEMENT PRACTICES AND THE PERFORMANCE OF TIER 1 AND TIER 2 COMMERCIAL BANKS IN KENYA

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DECLARATION

I hereby declare that this research project is my original work and has and will not be submitted to this or any other institution of higher learning.

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Signature………………………………….. Date………………………

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D61/60844/2013

SUPERVISOR'S APPROVAL

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

Signature………………………………….. Date………………………

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My special thanks go to Almighty God for granting me good health throughout this research process. I also wish to thank my facilitator Dr. J. Kagwe for his advice, unending support, and guidance.

My final appreciations go to my family and friends for their moral, financial, and spiritual support they gave me to ensure the project is in the product it is now.

DEDICATION

This research work is dedicated to my loving husband, Mr J .Kabiru; your unwavering support, inspiration during the entire period of undertaking this course went a long way.

To our kids Eliud and Grace you are my everyday inspiration in this life.

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ABSTRACT

The study sought to examine the practices of the strategic change management and how they influence the performance of both Tier 1 and Tier 2 commercial banks in Kenya. The inquiry employed a descriptive study design, particularly the survey method. This research work focused in all six Tier 1 banks and the fourteen Tier 2 Commercial banks according the CBK (2016) categorization. Census approach was used since most of these banks have their headquarters in Nairobi. Questionnaires were used since the study seeks to obtain in-depth quantitative data. The study concluded that employees in these banks undergo training which affects banks' performance by improving the creativity of the employees as well as the capacity of the employees to take up task that require high level of responsibility. The overall output of the employee also improves. Communication has an impact on the performance of the bank these banks. In order to effectively implement the change, employees are supposed to be communicated to effectively. Employees are supposed to be given a chance to express their views and ideas on how the change should take place. The performance of the bank is improved by the participative type of leadership and the bank management is very supportive to the employees. Large commitment from top leadership is needed to effect the change. Top level leaders in the company guide the organizational behavior and greatly contribute towards the process of checking and assessing management change. The research proposes that the management ought to ensure effective communication in order to effectively implement the change. The employee ought to effectively participate in the decision making process. Commercial banks should understand the importance of people involvement, especially at the planning level, as this is the core result of process owning by the same people at the point of implementation. Both Tier 1 and Tier 2 Commercial banks should come up with policies that will ensure that employee involvement is promoted during change management process and effective communication is established to enhance performance. There should be well established policies to enhance top management support as large commitment from top leadership is required for the change to be successful. These policies will maintain and enhance commercial banks' performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

For the companies to maintain their level of competitiveness in the market, they are bound to systematically initiate complex changes accompanied with efficiency, speed and high level of success (Bertels, 2010). A clear understanding of the external environment aids an organization with deep knowledge of the ongoing changes to be able to develop plans and strategies in order to identify the existing opportunities, since organizations do not operate in a vacuum. According to Huong (2014), Strategic management is the systematic process by which the managers are able to manage and implement the strategy of the company. Formerly, this method was specifically used in the quantitative mathematical system of approach. Williamson & Williams (2011) puts forward that many firms have shifted to good practices of strategic management that include product diversification and differentiation as well as proper adoption of the new strategies of the market as a result of external environmental competition.

The study is anchored on the following three theories: John Kotter change management theory, Mckinsey 7-S framework and theory of change management by Kurt Lewin. The most common and widely used theory across the globe is Kotter's change management model. Kotter, the founder of this theory and a professor at Havard Business School, has written many books on change management. This theory is split into 8 sections and each section is centered on one main principle that is related to the reaction people are likely to elicit during change times. The steps for managing change are outline in McKinsey 7-S framework established by experts working for McKinsey & Company.

In addition, Lewin's change management theory emphasizes that transformation in a firm can take place through three major stages with an aim of bringing forth a rebirth in the way the firm carries out its activities. These steps foster the adoption of new behaviors and abolition of the old behaviors.

Currently, the banking industry is undergoing radical changes that has led to total new realities in the sector. Given by the fact that the management of the strategy have a big impact in the operation of the enterprise, financial institutions are placing big emphasis as well as resources on the formulation of strategic change which targets at taking more advantages on the opportunities that are under existence in the industry at the same time maintaining highest level of competition in the market. According to Sahlman and Haapasalo (2014), despite of the endeavors of the companies in the process of coming up with the new strategies whose main function is to improve the competition level, it is becoming more ineffective in terms of taking great advantage of new opportunities that come on their way hence making the company very uncompetitive.

1.1.1 Strategic Change Management

According to Nickols (2006), change management is the practice of finding and solving a problem. This means that for any company to go through the change, it must be able to screen through the environment and come out with the problem that lead to adverse condition hence enhancing the change. This makes the organization to ensure that they come out of undesirable state of operations to the desirable ones.

Strategy is a detailed blue print that a firm lays down and the management employs it to get results (Rezvan et al., 2012). Strategic change is defined as a drastic transition in the firm that encompasses structure as well as strategy. Dehkordi et al. (2012) explain the strategic change management as intentional use of well laid down plans to ensure that the preferences and the prevailing plans matches in order to enhance achievement of the set objectives.

Burnes (2004) says that strategic change management is focused on dealing with the implementation of nonlinear strategies. It is a very systematic and structured approach that helps in achievement of the strategic change that is sustainable and in line with the human behaviour in the organisation. Any successful strategy is built from the overall strategic change in the firm, it is the only method that makes the change legitimate in the organisation. It is the transition from the current state of affairs that is not desirable to the future state that is very desirable through the series of activities as well as actions.

1.1.2 Strategic Change Management Practices

According to (Bertels, 2010), the management of strategy is made up of four basic elements; formulation of strategy, implementation, valuation as well as control. As explained by (Kebaya, Okibo, & Nyangau, 2015), the formulation of the strategy is the process of developing the long-term plans for managing threats as well as opportunities in light of the weaknesses and strengths of the company. This involves proper definition of the mission of the company, outlining the company goals that can be achieved, coming up with the company strategies as well as setting guidelines for policy making. All these process can either be planned or be unplanned. (Nyachoti, 2014) explains that while the planned process of change is very proactive hence it aims at building the capabilities of the organisation as well as fundamental competencies, it must be well supported by the top organisation managers in order to be able to accomplish the objectives of the business.

1.1.3 Organizational Performance

The performance of the organisation is the economic outcome of the tasks embarked by the firm (Barbaroux, 2011). The basic strategies that enhance the performance of the business can be divided into three groups these are; adaptability, efficiency and effectiveness (Walker & Ruekert, 2007).

Williamson and Williams (2011) describes performance as the attainment and accomplishment of a pre-set task with predetermined measurement standards, accuracy level, consistency, completeness, efficiency and effectiveness. The conceptualization of organization performance is derived from the company's financial as well as non-financial sources. Quantifying performance involves various aspects encompassing measures of goals and objectives, tests of monetary operation including profit growth, ROA, profit margins, revenue, and earning on investment of the entity is put on the spotlight. There is no one single measure of organization performance, therefore, the firm deploys several measurement variables and objectives to come up with the performance of the company. Among the prominent financial measures entails profitability, sales, and growth measures, while perceptive aspects such as customer satisfaction, achievement of goals forms the known measures of non-financial performance (Mahdani et al., 2012). The financial performance measures are more detailed, focused, and reliable than the non-financial performance measures.

1.1.4 Tier 1 and Tier 2 Commercial Banks

Kenyan banks are regulated by Cap 88 of CBK Act of Kenya. In Accordance to (CBK 2016), there are 42 banks that are fully licensed to operate in Kenya. They are categorized into three main groups, these are; Tier 1, Tier 2 and Tier 3 commercial banks. This kind of categorization is basically built upon their weighted index of customer deposits, reserves, deposits accounts, net assets, as well as the number of loans portfolio. Tier 1 banks are termed as very safe by CBK as they control the largest stake of the market share in the Kenyan banking sector. They include; Kenyan Commercial Bank Standard Chartered Bank, Barclays Bank, Equity Bank, Co-operative Bank, and Commercial Bank of Africa.

According to (CBK 2016), banks categorized in Tier 2 are said to be medium sized business lenders. The Tier 2 banks controls almost 42% of the total market share. These banks include; Bank of India, I &M, CFC Stanbic, Diamond Trust Bank, Family Bank, Bank of Africa, NIC Bank, Guaranty Trust Bank, Housing Finance, Bank of Baroda, Eco Bank and National Bank of Kenya.

1.2 Research Problem

Instability in the business market always leads to shaping of actions by the business leaders hence impacting on the performance. In such circumstances, the concern within the management of the strategic change and the outside environment are unavoidable in the debating forum of the organization performance and change. The behavioral change is usually complex hence high need of clarity and priorities to enhance change. It involves moving the human resources in the firm from certain deep-rooted undesirable conducts to some fresh desirable conducts which are sought after by many firms (Rezvani, Dehkordi & Shamsollahi, 2012).

Looking critically into the scenario of the sector of the banks, many banks are undergoing regular alterations to redefine and fit the organization vision, mission, operations, and structure. Globally, the environment of business is very competitive and vibrant (Sahlman & Haapasalo, 2009). Tier 1 and Tier 2 banks engage in tough competition in delivering products as well as services that are value added or value adding to their respective clients hence accomplishing the competitiveness.

Many scholars have been able to study divergent aspects of the strategic change management practices as well as other relative activities. Kibwana (2012) researched on the practices of strategic change at the authorities in the coast province of Kenya. Marangu (2012) studied on the employees' perception on the management of the strategic performance in Kenya Power and Lighting Company. Njoka (2010) did a research on the stakeholders' participation in the strategic change management process in Kenya National Audit. Mutura (2012) further researched on the involvement of the stakeholders in the management of the strategic change within the insurance industry in Nairobi, Kenya.

Based on context, different type of works has been researched on by researchers within the banking industry. Locally, Kebaya, Okibo and Nyangau (2015) studied change management; a case study of commercial banks in the Kisii CBD. In addition, Njeri (2011) did a case study of the performance of Kenya's NIC Bank.

On the research above, it was blatantly clear that there's a great level of partiality in the studies conducted as they are aimed at studying the strategic type of change management practices that were adopted by different commercial banks. However, there was no specific type of study conducted on how the strategic change practices adopted affect the proper performance of both first Tier and second Tier banks operating in the Kenyan Republic. This study therefore aimed at asking the following question: How does the strategic change management practices affects the performance of the Tier one and Tier two Kenya's commercial banks?

1.3 Objective of the Research

To investigate the practices of the strategic change management and how they influence the performance of both Tier 1 and Tier 2 commercial banks of Kenya.

1.4 The Value of Study

The outcome of research may improve the current scope of information, hence creating the foundation for further study. The scholarly work may be very crucial to the whole banking sector as it may not only identify how the practices have improved their performance but also highlight the strategic change management practices that are adapted at Tier 1 and Tier 2 banks.

The research work may also be very significant in the creation of awareness on the importance of strategic change of the new banks entering into the market. The study may also provide the guidance on the successful implementation of the strategic change in the sector.

This research work may also highly benefit all stakeholders in both financial and banking sector. This sector stakeholders comprises of the government, banks, local communities, customers, media, competitors suppliers as well as advocates.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section concentrates on identifying the impact of the practices of management dynamism on the organization's performance. The secondary data that include journals, books and articles which contain previous study of the topic of research were analysed.

2.2 Theoretical Foundation

Today's strategic change management practices have been developed from the theoretic work of a number of early researchers. This study was founded on three theories. These includes; Mckinsey 7-S Model/Framework, the three-step planned strategic approach by Kurt Lewin, and the eight-step model by John Kotter.

2.2.1 Mckinsey 7-S Framework

The model was generated by Tom & Robert (1978). During this period, they were working for the Mckinsey and company. In conjunction with Manage (2007), this is a framework of firm's efficiency and effectiveness applied in companies to assess environmental conditions and to evaluate if predetermined goals are being met.

As per Kaplan (2005) strategy essentially takes care of three basic problems. Where is the firm at currently? Where will this organization be after a certain period of time? How is this organization branding or planning itself to get there? This is mainly designed for the transformation of the company from the current position to the new prescribed position in accordance to the company objectives subjected to the potential constraints.

The company’s performance and operations are dictated and influenced by the structure of the company. Kaplan (2005) refers this to the manner in which people as well as the tasks are divided and specialized and how the authority is distributed; how different activities are reported and how to group diverse relationships. According to Kaplan (2005), systems are used to refer to the different procedures as well as processes that are used in the management of the organization. These include management of control system, measurement of performance, systems of reward, planning as well as budgeting, system for resource allocation and system of managing information.

The human resource workforce of the company in line with their skills and capabilities constitute the company’s Staff. The various endeavors the company and the human resource delves into in developing the staff comprise of the firm’s training programs, recruitment, career management, selection, promotion, compensation, and motivation which are vital in building the organization’s staff as Kaplan (2005) notes. The firm’s human resource is instrumental in determining and influencing the performance as a whole, therefore, there is need to attach significant value on the firm’s workforce team. For instance, all commercial banks in Tier 1 insists on acquiring extraordinary recruits and exposing them to numerous training programs, support, mentorship, and instilling excellence attainment to ensure high performance in terms of profitability.

The management culture, interactions in the firms, the firm’s symbolic value, daily activities approach, and the way management runs the company constitutes the style of the firm. The management or administrative style of leading, controlling, and organizing an entity. Typically, the authoritarian bureaucratic leadership style has been adopted by many organizations, for instance in the banking sector, the low-level management and workers have to strictly follow the procedure and adhere to top management guidelines. The desire to extract optimal performance from the human resource is driving the industry to seek a much friendlier style and culture that is open, creative, innovative, and less complex in structure to enhance performance (Dunphy & Stace, 1988).

Lastly, the company's shared value is described as a set of significant value that is absorbent by the entire team of the company according to Kaplan (2005). The shared value builds the culture of the firm and units it with the mission, objectives vision, company goals and it gives purpose, reason, and motivate the firm's human resource.

Mckinsey (2008) explains the relevance of the "7-S model" because it illuminates the organization weakness, areas of focus, and the aspects that need close attention in a dynamic environment. The model avails the business action plan to the company and promotes the interdependence of the various aspects and departments or units of the company.

2.2.2 Kotter's Change Management Theory

The eight-step model of John Kotter is instrumental in managing transformation and change in the ever changing environment, and they are categorized into three fundamental phases (Kotter, 1996). First, "creating a climate for change" phase which entails establishing a firm vision and strategy through building a sense of urgency, guiding principles. Secondly, "engaging and enabling the organization" phase involves developing short-term goals, vision communication, and action empowerment. Finally, "implementing and sustaining the change" phase which encompass change production, gain consolidation, and new strategy anchoring.

In the first phase of creating a climate for change**,** the very first stage is the establishment of the sense of urgency. With the sense of urgency, people will accept and cooperate to promote the change in the organization. Inculcating awareness is vital in creating and instilling urgency in the stakeholders by enabling them see the value of implementing change in the firm (Campbell, 2008). Creating a guiding coalition is the second step which advocates for skills, credibility, knowledge, influence, and ability of the management team in mobilizing for change in the company (Kotter, 1996). Further, developing a vision and strategy forms the third step where the management develop a vision that will be embraced by all stakeholders of the firm. The vision is intended to communicate the goals of the firm and it should be all-inclusive and SMART (Clark, 2010).

The second phase in the process of implementing change management is engaging and enabling the organization. The very first step is clear communication of the vision, once the vision has clearly been created; it should be communicated strongly and in regular basis. According to (Campbell, 2008), this involves proper communication of the vision both in writing and in action and leading properly by example. All stakeholders involved require the similar message in order to be able to gain, buy in and be in a position to guide them from the change awareness to the state where all of them feel the sense of empowerment to advocate for the process of change. He also continues by saying that, "this majorly involves engagement in continuous dialogue with different stakeholders in order to build commitment as well as trust."

The third phase entails implementation and sustainability of change. This comprises of 7th and 8th steps of gaining consolidation to be able to produce more change and be in a position to anchor the new methodology in the organizational culture. The premature declaration of success in this particular stage should highly be warned. This is because doing so makes individuals to easily lose the sense of urgency hence if the change is not well anchored in the organization, people can easily slip back to the old culture (Kotter, 1996). In this particular phase, there is a great need to focus on the strategic vision, implement it to the fullest and evaluate any change that is required to be done in order to achieve the change desired in the organization (Clark, 2010).

This particular model is very relevant to this research work as it is step by step and is very easy to follow it to maximum. However, it is very key to say that majority of this experience emanate as a result of working with top companies hence companies of this nature majorly relies on the collaborative setup.

2.2.3 Lewin's Change Management Theory

Change management models are vital in implementing change and transformations in an organization. The Lewin model is popular, efficient, and effective in managing organizational change since its creation in 1950. The model explains the structuring of an organization and has three stages such as unfreeze, change, and refreeze.

The initial stage of the change process is unfreezing as per Kurt Lewin's model. This is the change preparation stage. In this period, the organization should communicate the need for the change, all stakeholders should be made to understand that change is very important and highly need for the organizational growth. Hence there is a great need for any growing organization to break the status quo, re-examine that change and implement to fullest

The second stage as explained by Lewin's model is Change. The actual transition process takes place at this stage. It may take a little bit long to occur as individuals usually spend long period of time to embrace the new change. Reassurance and good leadership is very key as the aspect is not only meant to spearhead the organization to the right track but also to simplify the whole process both for employees and individuals. During this stage, employees require education, communication, support and time for them to familiarize themselves with the transition.

After this particular change has been embraced by staffs and managers, the company then start stabilizing again. This stage is referred to as freezing stage as most of staff usually freeze at this period back to their normal routine. This require people to be assured that the change is going to be successful and it will bring positive impact to the organization's employees and all stakeholders.

Lewin's model is applicable to this research work, since it presents a theoretical business cycle starting of the business operation to the point of the optimum growth as well as total accomplishment of the required performance.

2.3 Strategic Change Management Practices and Organization Performance

According to Adegbie and Fakile (2013), the management of strategic change is the process of planning, organizing, leading, as well as controlling the process of change in the organization in order to be in a position to improve and achieve the set objectives. It constitutes the divergent adoption technique, instruments, and mechanisms to facilitate the human resources management and the technical aspects to improve the performance of the organization (Kvint, 2012).

Training is the most effective practice of enhancing strategic change (Bertels, 2010). According to (Omari, Ateka & Nyaboga, 2013), training help to enhance efficiency and effectiveness of service delivery. It increases the level of enthusiasm among employees hence increased drive to put much more effort. Training helps to improve employee’s competency hence leading to improvement of the performance of business. The theory of psychology states that both couching and guiding are very crucial in the process of impacting necessary instinctive resources that include both knowledge and skills that leads to improvement of performance. The training of the workforce enable the organization to assemble the skilled and well talented workforce to be able to support its change process needs. The training should be able to plan on how to redirect the resources in the process when the change may lead to creation of skills gap.

Bertels (2010) explains that, “communication is an important practice in creating awareness and understanding of the strategic change throughout the organization. Primarily it is the employees in the organization that make change happen. An organization needs to engage and motivate its staff, in order to implement changes affectively and successfully. An employee needs proper understanding the reason behind change as well as its benefit. They also have a good chance to be able to express their ideas and contribute to the process of change and how it can be implemented. It is through the communication process that individuals are able to be involved in the change process. The successful introduction of change highly depends on how the individuals will view the change. The earlier the main end goal is well communicated the better and easier the adaptability of the change by the individuals. According to Huong (2014) the proper alignment of the workforce to support the change process is as well as alignment of the company to workforce to support the process of change is very important. Any organization that can manage change successfully typically has to be able to assemble the workforce that will be in a position to steer the firm towards accomplishment of the set vision.

According to Huong (2014) employee involvement and proper alignment of the workforce to support the change process is very important. Any organization that can manage change successfully typically has to be able to assemble the workforce that will be in a position to steer the firm towards accomplishment of the set vision. This has been cited by many scholars as one of the main contributor to the change management. (Robert & Cooper, 2010) investigated the contribution of the staff engagement in the process of realization harmony in the workplace in the civil service of Nigeria. In accordance Schaufeli and Bakker (2012), employees are fully inspired at a time when their strengths and efforts are inspired fully when they are performing their tasks and they put all their efforts and concentration on work.

Committed leadership draws a lot of attention as one of the factors of managing strategic change that has a lot of effect on the employee performance (Huong, 2014). Research shows that the effective leadership has a great impact on the performance of employees.

Leadership is also regarded as one of the determinants of employee performance. It affects the level of interest that an employee has on the workplace hence affecting the performance rate. Williamson and William (2011) states that leadership is able to surface in the time the interest level of the work is reserved well by the management with the main goal of creating high level of awareness and proper acceptance of the whole organization. Leadership is supposed to be in the best interest of the creativeness of employees, this is improved by creation of leading environment for nurturing of employees into good and competent leaders.

2.4 Empirical Studies and Research Gaps

The use of systematic methods n order to achieve organizational change can be defined as change management. This process is steered in a worked out direction, implemented in a cheaper way and executed within a set period of time to produce favorable output.

Previous literature fails to provide a connection between strategic management for change and Kenya commercial banks' performance. The project seek to determine practices of strategic change management used in the Kenyan banking industry by Tier 1 and Tier 2 banks and their relationship with these banks' performance . The previous research works focused majorly on case studies identifying the strategic change management practices that are adopted by individual banks in the Tier 1 and Tier 2 category and without stating how the identified strategies influence performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This segment was able to explain the designs of the research applied in the study work, the applied methodology, the procedure of sampling, techniques of collecting and analyzing data. The discussion also included the limitation of the research as well as ethical issues surround the study work.

3.2 Research Design

This inquiry adopted a descriptive study design, particularly the survey method. As remarked by Mugenda and Mugenda (2003), survey is basically an effort to gather information from the respondents so as to ascertain the present status of the populace regarding study variable (s). Descriptive study design is employed to explain features of a concept or population under consideration. However, it doesn't respond to questions of why, how, and when the feature took place.

Descriptive research helps the investigator to deeply examine and observe the association amid the predicted and predictor parameters. Descriptive study design may entail the collection of data that defines things and then depicts, explains, organizes, and tabulates the data obtained (Glass & Hopkins, 1984). It habitually utilizes visual aid like charts and graphs to assist the reader in getting a clear grasp of how the data is spread.

3.3 Target Population

The study population refers to the whole bundles of items for which the data are to be employed in making deductions. Simply put, it's those items for which the study results are make generalizations. The population being targeted for the study should be clear because only the definition tells if the cases of sampling are suitable or unsuitable for the study.

In accordance to (Ngechu 2004), the target population is the set of people, events, services, household or the group of people under investigation. Mugenda and Mugenda (1999) explains that the population under research are much more representative as each and every one has equal or same probability of being selected and be included in the final drawn sample

This research work focused in all six Tier 1 banks and the fourteen Tier 2 Commercial banks according the CBK (2016) categorization. Census approach was used since most of these banks have their headquarters in Nairobi.

3.4 Data Collection

First hand data and second hand data was applied for the research work. The secondary data is collected from annual reports and prospectus whereas primary data is the data that is collected from its natural settings. A questionnaire is defined by Stevens (2006) as a series of questions that are statistically obtained from individuals or persons. Questionnaires were used since the study sought to obtain in-depth quantitative data. Structured questionnaires were administered to the different respondents. This enabled them to highlight key areas that were of great concern in the banking industry. The participants were filing the feedback forms over the cup of tea to boost their morale hence increasing the accuracy of the study.

This study used 2 senior managers in Strategy & Business Development and Finance departments in the respective banks as respondents. This is because of the fact that their position gives them an upper hand in gaining adequate information concerning their organization to address the gap existing in the research work.

3.5 Data Analysis

First-hand information was gathered during this examination. Upon the reception of the questionnaires, they were reviewed and editing done to enhance consistency, completeness and accuracy of the data. A statistical descriptive approach was used in analyzing the data. This included data reliability, test of central tendency, variability measures, and data frequency.

The measurement of the central tendency was expected to provide the expected score. The use of standard deviation enabled the researcher to be informed concerning the distribution of the score. The frequency of distribution was also used to establish the number of times the record appears.

Application of statistical inferential was utilized. The diverse regression model was employed to measure the existing association amid predictor and predicted variables:

$Y_s=B_0+ ß1X1+ ß2X2+ ß3X3+ ß4X4+e.$

Where: Y_s=Firm's performance; B_0= Constant coefficient; X_1= Training; X_2= Communication; X_3= Staff Engagement; X_4= Leadership; e=Error of Regression

ß1… ß4= Regression coefficient of the four parameters.

CHAPTER FOUR

DATA ANALYSIS RESULTS AND DISCUSSION

4.1 Introduction

The chapter presents an analysis of the study results as well as discussion. The report is based on the study objectives. Descriptive and inferential statistics have been used.

4.2 Response Rate

From a target population of 40 respondents, 34 respondents were able to complete and return the questionnaires resulting to the rate of reaction of 85%. The rate of response of 85% was deemed sufficient. According to Clarke and Kwan (2002) a response rate of 80% and above is recommended.

Table 4.1: Response Rate

Response Rate	Frequency	Percentage
Reaction	34	85
None Reaction	6	15
Total	**40**	**100**

Source: Field Data (2018)

4.3 Reliability Test

A preliminary research was conducted to determine the reliability, feasibility and cost of the feedback forms. Cronbach's Alpha, that tests the internal consistency and determines if units within a scale gauges a similar construct, was applied to evaluate if the questionnaires are reliable. SPSS was used in computing the index alpha and tested the mean of testable units together with its relationship. For each parameter that formed a scale, Cronbach's Alpha was established as indicated in table below.

Table 4.2: Analysis of Reliability

Variable	Cronbach's Alpha	Number of Units
Training	0.79	4
Communication	0.81	4
Employee involvement	0.80	4
leadership	0.78	4
Average	0.795	

Source: Field Data (2018)

Table 4.2 above indicates that highest reliability was in communication (α= 0.81), with staff involvement coming second (α= 0.80) and then followed by training (α= 0.79) and leadership (α= 0.78). The outcomes of the measure for reliability also indicated that all the parameters under study were dependable because the mean index of 0.80 was greater than the adopted cut off of 0.7.

4.4 Background Information

The aim of this study was to and obtained some information relating to the participants. These were the gender, education level, position, years of service and the category of the bank.

4.4.1 Gender

The study obtained respondents gender as presented in Table 4.3.

Table 4.3: Gender

	Frequency	Percentage
Male	19	55.9
Female	15	44.1
Total	**34**	**100.0**

Source: Field Data (2018)

The study results revealed that a small percentage of participants (44.1%) were female while male majority at 55.9%. This is a clear indication that both genders were used in the study.

4.4.2 Education Level

Respondents were requested to show their highest level of education attained. Table 4.4 below presents the findings.

Table 4.4: Level of Education

	Frequency	**Percentage**
University	31	91.2
College level	3	8.8
Total	**34**	**100**

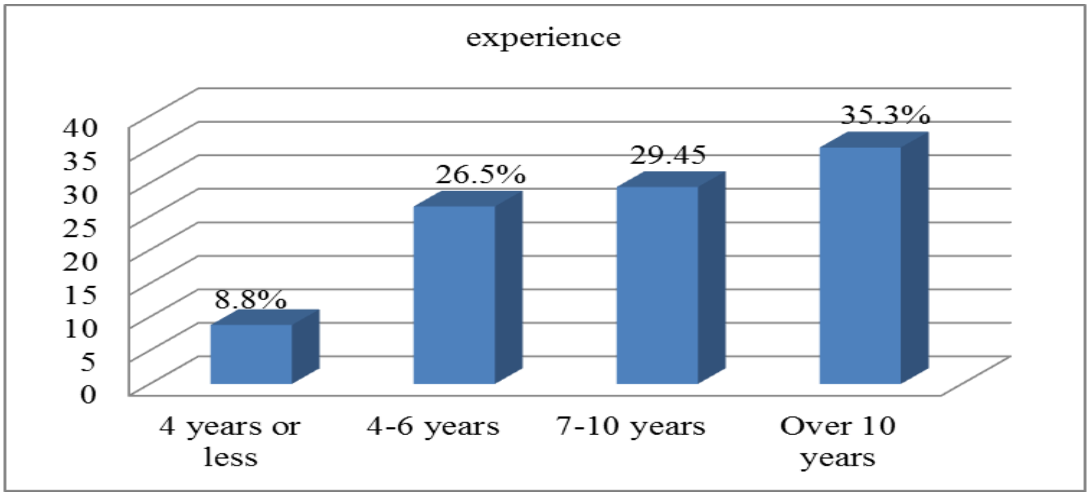
Source: Field Data (2018)

The results in Table 4.4 above show that greater majority of the participants (91.2%) possessed university level of education while 8.8% had college level of education.

4.4.3 Year of Service

The participants were asked to indicate how long they have worked in the organization. The results are as shown in Figure 4.2 below.

Figure 4.1: Year of Service



Source: Field Data (2018)

4.4.4 Position in the Organization

Respondents were asked to show their organizational ranks. The findings are presented in table 4.5 below:

Table 4.5: Position in the Company

	Frequency	Percentage
Assistant Manager	10	29.4
Manager	8	23.5
Senior Manager	16	47.1
Total	**34**	**100.0**

Source: Field Data (2018)

From the findings, 47.1% were senior managers, 29.4% were assistant managers, and 23.5% were managers. This implies that senior employees were used in the study.

4.4.5 Bank Category

The study sought the tier categories of the bank from the participants. Table 4.6 below shows the results.

Table 4.6: Bank Category

	Frequency	**Percentage**
Tier 1 bank	10	29.4
Tier 2 bank	24	70.6
Total	**34**	**100**

Source: Field Data (2018)

The study results established that almost three quarters of the respondents (70.6%) were from Tier 2 banks while 29.4% were from Tier 1 banks.

4.5 Descriptive Statistics

4.5.1 Training

The study sought whether the workers in the banks undergo training. The findings are shown in Table 4.7 below:

Table 4.7: Training

	Frequency	**Percentage**
Yes	34	100
Total	**34**	**100**

Source: Field Data (2018)

The results presented in Table 4.7 indicate that all the participants (100%) undergo training. It can therefore be deduced that workers in the banks undergo training.

The inquiry aimed at determining the impact of training on the performance of the bank. The outcomes are tabulated below.

Table 4.8: Impact of Training on Bank's Performance

Training statement	Mean	Standard deviation
Employee understanding of his or her role in the bank improves	4.05	0.264
The performance in terms of the overall output of the employee improves	4.15	0.298
The creativity of the employee in the bank improves	4.40	0.292
The capacity of the employee to take up task that require high level of responsibility improves	4.16	0.261

Source: Field Data (2018)

The study determined that the creativity of the employee in the bank improves as demonstrated by a mean of 4.40 (SD= 0.292). The capacity of the employee to take up task that require high level of responsibility improves as illustrated by a mean of 4.16 (SD= 0.261). Further the performance in terms of the overall output of the employee improves as shown by a mean of 4.15 (SD= 0.298). Employee understanding of his or her role in the bank improves as evidenced by a mean of 4.05 (SD= 0.264). The standard deviations show the variation in respond nets opinions.

4.5.2 Communication

The aim of this study was to investigate the impact posed by communication on banks' performance.

Table 4.9: Effect of Communication on Bank's Performance

Communication statement	Mean	Standard deviation
In order to effectively implement the change, employees are supposed to be communicated to effectively	4.19	0.292
The employees are entitled to know the reasons for change as well as its benefit	4.11	0.219
Employees are supposed to be given a chance to express their views and ideas on how the change should take place	4.14	0.227
It is very effective for the leadership to effectively communicate to the employees concerning the performance	4.02	0.264

Source: Field Data (2018)

Findings presented in Table 4.9 above show that a greater part of participants came to an agreement that; in order to effectively implement the change, employees are supposed to be communicated to effectively (M=4.19, SD=0.292), employees are supposed to be given a chance to express their views and ideas on how the change should take place(M= 4.14, SD=0.227), the employees are entitled to know the reasons for change as well as its benefit(M= 4.11, SD=0.219) and that it is very effective for the leadership to effectively communicate to the employees concerning the performance(M= 4.02, SD=0.264)

4.5.3 Involvement of the Employees

The study inquired on the influence of employees involvement on the bank's performance Table 4.10 present the study findings.

Table 4.10: Impact of Employee Involvement on the Bank's Performance

Employee involvement statement	Mean	Standard deviation
The leaders should freely involve the employees to participate in the process of making decision	4.14	0.274
The participative process of making decision leads to the involvement of employees	4.07	0.344
The bank management is very supportive to the employees	4.11	0.291
The performance of the bank is improved by the participative type of leadership	4.21	0.314

Source: Field Data (2018)

From the study results, greater part of the participants came to an agreement that the performance of the bank is improved by the participative type of leadership as indicated by a SD of 0.314 and a mean of 4.21. The leaders should freely involve the employees to participate in the process of making decision as evidenced through a SD of 0.274 and a mean of 4.14. The participants came into an agreement that the bank management is very supportive to the staff as illustrate through a SD of 0.291 and a mean of 4.11. The participative process of making decision leads to the involvement of workers as shown through a SD 0.344 and a mean of 4.07.

4.5.4 Leadership

The aim of this inquiry was to find out how bank's performance is influenced by leadership in the organization.

Table 4.11: Leadership Practices on the Performance of the Bank

Leadership statement	Mean	Standard deviation
Organisational behaviour is guided by top level leaders in the company	4.18	0.234
A large commitment from top leadership is required for the change to be successful	4.24	0.235
Top leaders contributes greatly in the process of monitoring and evaluating change management	4.07	0.224
A leading environment for nurturing of employees into good and competent leaders is created	4.00	0.254

Source: Field Data (2018)

The results revealed that a great deal of participants came to an agreement that a large commitment from top leadership is required for the change to be successful as evidenced by a mean 4.24 (SD=0.235), organisational behaviour is guided by top level leaders in the company as demonstrated by a mean of 4.18 (SD= 0.234), top leaders contribute greatly in the process of monitoring as well as evaluating change management as shown through a SD of 0.224 and a mean of 4.07 a leading environment for nurturing of employees into good and competent leaders is created as shown by a mean of 4.00 (SD= 0.254)

Table 4.12: Extent which Practices of Strategic Management Change Influenced the Performance of the Organisation

	Frequency	Percentage
Very large Degree	18	52.9
Large degree	14	41.2
Average Degree	2	5.9
Total	**34**	**100.0**

Source: Field Data (2018)

The findings reveled that majority of the participants (52.9%) indicated that change of strategic management practices influenced the performance of the organisation to a very large degree, 41.2% showed to a large degree whereas 5.9% of the respondents indicated that change of strategic management practices influenced the performance of the organisation.

4.6 Analysis of Regression

Summary of the Model

Table 4.13: Analysis of Regression: Summary of the Model

Model	R	R Square	Adjusted R Square	Std. Error of approximation
1	. 672[a]	.451	.424	.3421

a. Predictors: (Constant), training, communication, employee involvement, leadership

Source: Field Data (2018)

The results shown in table 4.15 above indicate that the R squared figure was 0.451 means 45.1% of the performance of commercial banks study is as a result of the management practices.

Analysis of Variance (ANOVA)

Table 4.14: Analysis of Variance

Model		**Total of Squares**	**df**	**Average Square**	**F**	**Sig.**
1	Regression	50.448	4	12.612	10.1139	.000b
	Residual	36.163	29	1.247		
	Total	**86.611**	**33**			

Source: Field Data (2018)

Table 4.14 indicates a significant effect of the strategic change management practices on the performance of Tier 1 and Tier 2 commercial banks studied.

Table 4.15: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.412	0.292		4.836	.000
Training	0.504	0.176	0.472	2.864	.001
Communication	0.597	0.167	0.555	3.575	.000
Employee involvement	0.562	0.165	0.514	3.406	.000
Leadership	0.532	0.171	0.475	3.111	.000

Source: Field Data (2018)

$$\mathbf{Y_i = 1.412 + 0.504\ X_1 + 0.597 X_2 + 0.562\ X_3 + 0.532\ X_4 + \varepsilon}$$

Examining the overall regression formula as shown above, it was discovered that if training, communication, employée envolement and leadership are left at zero (constant), bank's profitability would stand at 1.412. The performance would increase by 0.597 units when training is raised by one unit. A unit rise in communication would raise performance by 0.597 items. An increase in employee participation by a single unit would result in an increase in performance by 0.562 units. A rise in leadership by one unit would raise performance by 0.532 units. The study parameters altogether were significant ($p<0.05$) at 95 percent confidence level and 5 percent significance level.

4.7 Discussion of Findings

The inquiry revealed that workers in Tier 1 and Tier 2 undergo training. Training largely influences the performance of these category of banks. It also improves the creativity of the employee as well as improving the capacity of the employee to take up task that require high level of responsibility. The study found that the performance in terms of the overall output of the employee improves and employee understands their roles better.. The findings are consistent with previous studies. Bertels found that training is the most effective method of enhancing strategic change. According to Omari et at., (2013), training help to enhance efficiency and effectiveness of service delivery.

The study found that communication has an impact on the performance of the Tier 1 and Tier 2 bank in Kenya. In order to effectively implement the change, employees are supposed to be communicated to effectively. Employees are supposed to be given a chance to express their views and ideas on how the change should take place. Similarly Bertels (2010) found that communication is an important practice in creating knowledge of the strategic change throughout the organization.

The results also reveal that the performance of the banks is improved by the participative type of leadership and the bank management should be very supportive to the employees. Consistent to the findings, Schaufeli and Bakker (2012) stipulates that leaders freely involve the employees to participate in the process of making decision in a smooth change process. Regarding the effect of leadership on bank's performance, the inquiry established that large commitment from top leadership is required for the change to be successful as evidenced. Organisational behaviour is guided by top level leaders in the company. Top leaders contribute greatly in monitoring and evaluation process of change management. Huong (2014) supports the idea that effective leadership greatly influence employee performance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section sums up the research results, makes conclusions and recommends as well as suggests areas for further research.

5.2 Summary of the Study

The investigation sought to examine the practices of the strategic change management and how they influence the performance of both Tier 1 and Tier 2 commercial banks in the Republic of Kenya. The examination focused on all six Tier 1 banks and the fourteen Tier 2 Commercial banks according the CBK (2016) categorisation. Census approach was used since most of these banks have their headquarters in Nairobi. First hand data and second hand data was applied for the research work.

Questionnaires were used since the study seeks to obtain in-depth quantitative information. Statistical descriptive method including variability tests, data reliability, test of central tendency, and frequency was used to analyze the collected data. The diverse regression was employed to test the existing association amid predicted and predictor variable.

The research work unearthed that workers in the banks undergo training. Training improves the creativity of the employee in the bank, capacity of the employee to take up task that require high level of responsibility, performance in terms of the overall output of the employee, employee understanding of his or her role in the bank.

Communication impacts the performance of the bank. In order to effectively implement the change, employees are supposed to be communicated to effectively. Employees are supposed to be given a chance to express their views and ideas on how the change should take place and are entitled to know the reasons for change as well as its benefit. The study revealed that it is very effective for the leadership to effectively communicate to the employees concerning the performance.

The performance of the bank is improved by the participative type of leadership. The leaders should freely involve the employees to participate in the process of making decision. From the findings, bank management is very supportive to the employees. A large commitment from top management is needed for the change for it to be effective. The top leaders contribute greatly in monitoring and evaluation process of change management. The change of strategic management practices influenced the performance of the organisation to a very great extent.

5.3 Conclusion

From this study, it was concluded that employees in banking sector undergo training which affects the bank's performance by improving the creativity of the employee in the bank as well as the capacity of the employee to take up task that require high level of responsibility. The overall output of the employee also improves.

The study also concludes that communication has an impact on the performance of the bank. In order to effectively implement the change, employees are supposed to be communicated to effectively. Employees are supposed to be given a chance to express their views and ideas on how the change should take place.

The study further concludes that the performance of the bank is improved by the participative type of leadership and the bank management is very supportive to the employees. Large commitment from top leadership is needed effect the management change. Top level leaders in the company guide the oorganisational behaviour and contribute greatly in the monitoring and evaluation process of change management.

5.4 Recommendations of the Study

The study found that Communication, leadership, employee involvement and training affects organization performance. Therefore, the research work proposes that top leadership ought to guarantee effective communication in order to effectively implement the change. The employee ought to successfully participate in the decision making process. The commercial banks should understand the importance of more people involvement, especially at the planning level, is the core result of process owning by the same people at the point of implementation.

5.5 Implications for Policy

Commercial banks should come up with policies that will ensure that employee participation is effective employee participation and effective communication. There should be well established policies to enhance top management support as large commitment from top leadership is required for the change to be successful. These policies will maintain and improve the performance of the commercial banks.

5.6 Areas for Further Research

The research aimed at determining the practices of change management and how they influence the performance of both Tier 1 and Tier 2 Kenyan commercial banks. Tier 3 banks were excluded from the study and hence further studies should be conducted on the practices of the management change and how they influence the operation of Tier 3 commercial banks in Kenya for comparison.

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APPENDICES

Appendix I: The Questionnaire

PART A: THE BACKGROUND INFORMATION

1. Indicate your Gender: Male ☐ Female ☐
2. Please indicate your education level

   University level ☐

   College level ☐

   Secondary level ☐

   Primary level ☐

If others please specify--------------------

3. Please tick the appropriate year of service

4 years or less ☐ 4-6 years ☐ 7-10 years ☐ over a period of 10 years ☐

4. Indicate your position in the firm

Assistant Manager ☐

Manager ☐

Senior manager ☐

Director ☐

Managing director ☐

5. Which Tier category does your bank fall

The Tier 1 bank ☐

The Tier 2 bank ☐

PART B: TRAINING

6. Do the workers in bank undergo training?

   Y ☐ N ☐

7. To what level do you agree with each of the following statements with regard to the impact of training on the performance of the bank? Use the scale between 1 to 5 (1; strongly disagree, 2; disagree, 3; Neutral, 4; Agree, 1; strongly agree)

Training statement	1	2	3	4	5
Employee understanding of his or her role in the bank improves					
The performance in terms of the overall output of the employee improves					
The creativity of the employee in the bank improves					
The capacity of the employee to take up task that require high level of responsibility improves					

PART C: COMMUNICATION

8. To what level do you agree with each of the following statements with regard to the impact of communication on the performance of the bank? Use the scale between 1 to 5 (1; strongly disagree, 2; disagree, 3; Neutral, 4; Agree, 1; strongly agree)

Communication statement	**1**	**2**	**3**	**4**	**5**
In order to effectively implement the change, employees are supposed to be communicated to effectively					
The employees are entitled to know the reasons for change as well as its benefit					
Employees are supposed to be given a chance to express their views and ideas on how the change should take place					

It is very effective for the leadership to effectively communicate to the employees concerning the performance					

SECTION D: INVOLVEMENT OF THE EMPLOYEES

9. To what level do you agree with each of the following statements with regard to the influence of leadership on the performance of the bank? Use the scale between 1 to 5 (1; strongly disagree, 2; disagree, 3; Neutral, 4; Agree, 1; strongly agree)

The involvement of employees statement	**1**	**2**	**3**	**4**	**5**
The leaders should freely involve the employees to participate in the process of making decision					
The participative process of making decision leads to the involvement of employees					
The bank management is very supportive to the employees					
The performance of the bank is improved by the participative type of leadership					

SECTION E: LEADERSHIP

10. To what level of extent do you agree with each of the following statements with regard to the strategic management practices on the performance of the bank? Use the scale between 1 to 5 (1; strongly disagree, 2; disagree, 3; Neutral, 4; Agree, 1; strongly agree)

The Leadership statement	**1**	**2**	**3**	**4**	**5**
Organisational behaviour is guided by top level leaders in the company					
A large commitment from top leadership is required for the change to be successful					

Top leaders plays a very crucial role in the process of monitoring and evaluating change management					

PART F: PERFORMANCE

11. To what level of extent has the change of strategic management practices influenced the performance of the organisation?

    No extent ( )

    Little extent ( )

    Moderate extent ( )

    Large extent ( )

    Very great extent ( )

Thank you

Appendix II: List of Tier 1 and Tier 2 Commercial Bank in Kenya

Tier 1

1. Barclays Bank of Kenya (BBK)
2. Commercial Bank of Africa (CBA)
3. Co-operative Bank of Kenya (Coop Bank)
4. KCB Bank Kenya Ltd (KCB)
5. Standard Chartered Bank (SCB)
6. Equity Bank Kenya Ltd (EBL)

Tier 2

1. Bank of Africa (BOA)
2. Bank of Baroda (BoB)
3. Bank of India (BoI)
4. CFC Stanbic Bank
5. Citibank N.A
6. Diamond Trust Bank (DTB)
7. Family Bank Ltd
8. Guaranty Trust Bank
9. Housing Finance Bank (HF)
10. I&M Bank
11. National Bank of Kenya (NBK)
12. NIC Bank Ltd
13. Prime Bank Ltd
14. Ecobank