STRATEGIC CHANGE MANAGEMENT AND PERFORMANCE OF COMMERCIAL BANKS IN KENYA

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2019

DECLARATION

I declare that this research project is my original work and that it has not been submitted to any other university for examination

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

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This research project has been presented with my approval as the supervisor of the university.

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DEDICATION

To the Almighty God, for providing me with the zeal and strength in all my endeavors.

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ABSTRACT

The understanding of the aspects which have an influence on how commercial banks perform is important because the banking industry plays a vital part in the distribution of economic resources and growth of economy through the provision of funds to borrowers and by increasing the deepening of finance in the country. The research was conducted to investigate the influence of change management practices on the performance of commercial banks in Kenya. The particular predictor variables of change in the commercial banks investigated were change practices in the areas of organizational culture, technology, organization structure and leadership; whereas the balance score card perspectives were used to investigate performance of the commercial banks. The research implemented a descriptive research design on a census of all commercial banks in operations in Kenya, though the participating banks whose data was collected were 35. The analysis was undertaken using descriptive measures of mean and standard deviation while the data was presented using tables. The results of the study reveal that most banks in Kenya are locally owned and have been in operation for over 20 years. The predictor variables were found to explain 37.4% of the bank performance and that the model depicting the connection was significant since the p-value was 0.006. In regard to the individual predictor variables, the findings reveal that all the coefficients had positive coefficients implying that the undertaking of the change process by an organization results in improved performance of the bank. However, only the leadership and organizational culture change practices were significant since their p-values were less than 0.05. On the other hand, technological and organizational structure changes were found to be insignificant to the performance of the commercial banks. The research accomplishes that continuous change management practices is recommended for commercial banks and no one form of change is sufficient, but rather a combination of changes.

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DEFINITION OF TERMS AND ACRONYMS

CBK	**-**	Central Bank of Kenya
CEO	**-**	Chief Executive Officer
IT	**-**	Information Technology
KNH	**-**	Kenyatta National Hospital
RBV	**-**	Resource Based View
SPSS	-	Statistical Package for the Social Sciences

CHAPTER ONE : INTRODUCTION

1.1 Background of the Study

The business environment is becoming increasingly competitive and change has turn out to be inevitable for businesses to remain in existence. This evolving market condition has forced business entities to continually strive to ensure their processes are up to date with a varying environment (Ackoff, 2006). At the same time, management of organizations is similarly shifting by way of employing different strategies, from focusing on management of production of goods in large quantities to technological developments, efficient information and human resources handling (Dess & Picken, 2000). With this changing market demand for environmental adaptation by both the company and its management, an integrated strategy is required to drive constructive alteration and reduce damaging obstacles to change. Effective change management not only affects the sustainability of the organization but also its performance. According to Noe, Hollenbeck, Gerhart and Wright (2017), how an organization manages change has an effect on individuals, teams and the overall organizational performance. When for example, meaningful change occurs in an organization, employees have a fulfilling life thus increasing their productivity at work, which in turn improves the attainment of organization objectives.

The research was anchored by two theories of change management that combines different frameworks that have been advanced before trying to explain how the process takes place in an organization. In addition, the resource-based theory will be utilized to explain how the change management affects the performance of an organization. Beer and Nohria (2000) established two fundamental theories to explain change: Theory E which is founded on economic worth, and Theory O founded on organizational competence. Theory E assumes the “rigid” strategies to change and concentrated on how change affects the value to shareholders and generally includes using financial incentives, layoffs and downsizing. Conversely, Theory O adopts a "lenient" strategy, focusing on advancement of corporate culture and employee competencies, generally allowing employee participation, reaction and reflection. Theory O believes the management of the organization to be a catalyst for responding to the fluctuating business setting through timely decisions concerning resources and technology (Ekvall & Arvonen, 2011). Resource-based view (Barney, 1991) stipulates that the basic foundations and contributors of higher results and having a competitive lead are mainly connected with the characteristics of the organization's precious, rare and imitable assets and capabilities. The resource-based view offers organisations with an opportunity to set up and put into action their organizational approach by examining the function of their internal capabilities and resources in attaining superior organizational performance.

Commercial banks in Kenya have in the last ten years faced increased level of competition from the traditional banking institutions, telecommunication firms as well as increased regulatory pressures and a customer base that has become more demanding. With these changes in their working environment, the banks took into reconfiguring their processes through change management to adapt their operations to the evolving reality in the country and beyond. Some of the changes that have been undertaken by banks in the last decade include mergers and acquisition, change of top management leadership, rebranding and adoption of different business models. In addition, the banks have had to adopt changes in their technology, culture, organization leadership and structure with a hope of increasing their performance.

These banks have undertaken these changes due to the evolving business environment that it operates in and also to align itself to market demands. The ultimate goal of initiating the changes is improve on their performance. It is therefore important that a research is carried out to assess the effect that the changes has had on banks performance and at the same time identify which changes have had the greatest influence on the banks' performance.

1.1.1 Concept of Strategy

Collis and Montgomery (2005) define company strategy as an improvement of business activities focusing on creating value by fostering integration and harmony across the different business units. This implies that how resources are assigned among various segments of the organization will form an important strategic dimension at corporate level. McAdam and Bailie (2002) point out that corporate strategy establishes the company's perimeter, within where the top directors wish to see the business operate and expand. In this regard, an organization could choose one or more business segments where they want to focus on depending on their market requirements. Ormanidhi and Stringa (2008) assert that where a company is highly diversified, the executives, in the course of developing a corporate strategy, will have to decide among various options so as to ensure the company's general performance is capitalized on. This therefore calls for establishment of an agile organizational structure and management processes that will be able to assess how every business unit of the company is performing.

According to Gosselin (2010), an organization that chooses a specialization approach, will tend to concentrate on a single target segment and therefore deal with limited number of offering to the targeted market. This means that in the later period, such firms may be required to come up with new goods and/or services, because over time the existing products returns will diminish. The other strategies will involve expanding its line of products or services by venturing into new geographical areas. Davis and Duhaime (2012) point that, at the corporate level, a company could as well consider adoption of vertical integration. They note that by implementing vertical integration, there is a guarantee its source of raw materials and distribution of its product gets as a close to the consumer as close as possible. A firm may also choose to integrate horizontally through acquisition of a competing firm that produces similar goods or services. By doing this, the organization creates and enjoys economies of scale in turn resulting into increased bargaining influence with providers, distributors and customers.

1.1.2 Strategic Change Management Practices

Strategic change management is described as the approach of dealing with change such that the organization's management and employees work together to successfully implement the required organizational changes. Moran and Brightman (2000) defined strategic change management practices as the way of constantly reviewing and recreating a company's mission, realigning systems and competences to address the dynamic requirements of both extrinsic and intrinsic environment. Change management refers to the process of transitioning people, teams and organizations by employing processes to seamlessly manage resources and operations which restructure a company (Kash, Spaulding, Johnson & Gamm, 2014). According to the National Research Council (1997) all aspects of an organization that employees can apply to help them successfully adopt change contribute to managing change strategically. This involves the optimal alignment of all functions of an organization; positions, accountabilities and authorities, people, deliverables and tasks. Organization change process can be described in many dimensions that range from being on-going and incremental, discontinuous and radical, scheduled or unscheduled, disastrous or evolutionary, positive or negative, strong or weak, slow or quick, internally or externally triggered (Rafferty, Jimmieson & Armenakis 2013). The need for continual organization change is widely considered to be a significant and inevitable factor in the ability of a company to realise and retain a sustainable competitive advantage and ultimately improving their profitability.

Kotter (1996) opines that organizational change is mostly influenced by the growing demands of globalization that impacts all business, whether operating in developed or developing nations, and is by means of the borderless conduct of business that companies and institutions operate in. Indeed, Wiggins (2009)opines that dealing with change is an essential part of one's life and more so for most companiess. In implementing the required change, an companies needs to ascertain the environmental circumstances needed for the adjustment plan to be successful, because a factor like employees' view of organisational willingness to change may impact realization of change. Anderson and Ackerman (2011) summed it by noting that the victory of any organizational change will depend on the change content, people affected and the processes. Content entails the technologies, strategy, systems and work practices that have to be put in place. People on the other hand refer to the behaviour and attitude that the individuals involved will exhibit with the changes, while processes refer to the layout or plan of how the organizational change will be executed.

1.1.3 Organizational Performance

Aguinis and Kraiger (2012) define organizational performance as the level by which a company attains its mission, vision and objectives that is assesses on the basis of superiority service, client fulfilment and increased profits. Naranjo-Valencia, and Sanz-Valle, (2016) grouped a business' performance into the following categories; business performance, financial performance and organizational effectiveness. Further, Koontz and Donnell (2010) define performance of an organization as the capability of a business to realize mundane goals for instance high returns, increased share of the market, new product development, good monetary returns and achieving long-term sustainability. Moullin (2007) similarly assert that firm performance is a means through which a firm provide value to its stakeholders and therefore is an indication of how well the managers succeed in utilizing firm resources to generate income to the firm.

Various approaches can be applied to evaluate the performance of organizations. In previous studies, different scholars have applied different methods to measure a company' performance. Carton (2004) postulates that a company's positive achievement can be judged through the significance it has for stockholders. In order to assess company achievement, Lumpkin and Dess (2001) used improvement in revenues, market share, profitability and general results. Saeidi et al (2015) adopted four measurements of performance; client retention, new brand achievement, marketing development and asset returns, to evaluate business direction and company results. In this research, the balance score card performance measurement method will be used. It was advanced by Kaplan and Norton (1996) as a strategic model for assessing performance, and its main goal is to transform an organizational mission and the vision into effective operations. Outlook steps include financial status of a firm, internal procedures, client focus, learning and development as well as the financial perspective.

Commercial banks not only operate for the benefit of its shareholders as reflected by increased financial performance, but also for the greater society whose benefit does not necessarily get reflected in the financial measures. A study by Davis and Albright (2004) revealed the importance of the balanced score card for banks, because non-financial indicators like client associations, greatly contribute to the ultimate goal of financial performance. The balanced score card provides a means of managing strategy and operations, making it possible to integrate an organization's vision and goals with its business processes as well as to gauge the progress of executing strategy (Vovk, 2013).This research will therefore use the balance scorecard approach to combine and balance the conventional financial performance pointers and the similarly relevant non-financial measures.

1.1.4 Commercial Banks in Kenya

The banking industry in Kenya consists of 40 commercial banks as at April 2019. Commercial banks in Kenya are regulated in regard with the provisions of the Banking (Amendment) Act 2015 and the Regulations and Prudential Guidelines issued thereafter with an aim of safeguarding the overall soundness and constancy of the Kenyan financial system. In addition, the Central Bank of Kenya Act, CAP 491, guides the relationship between the banks that operate locally and the regulator.

According to CBK (2018) many banks have applied different forms of changes in their operations in the last decade. Over the same period, 8 different mergers and acquisition have been witnessed in the local banking industry which coupled with various diversification of their product range has had diverse performance outcomes. Various changes have occurred across the banking sector over the past decade ranging from a number of banks merging and acquiring small firms, adoption of new technology, especially adoption of the mobile technology to create a seamless banking system, establishing new organizational structure as well as continuous culture evaluation. Similarly, the banking sector has experienced shifts in the regulatory context necessitating continued change and adaptation of the banks to the new laws.

In addition, the regulator has come up with a number of policy guidelines that affect performance of banks, which together with the decline of the bank branch network by 10%, reaching 2,968 branches in 2017 as compared to 3,289 branches in 2013 has impacted the operations of the banks. In view of this and other industry changes, we have seen several commercial banks collapsing as others seek mergers with tier one bank so as to withstand the turbulence. Consequently, it is necessary to determine the effect that the strategic changes undertaken by the commercial banks have had on its performance.

1.2 Research Problem

In dealing with a complex and dynamic environment that characterize business today, organizations thrive to strategize on how they can continue operating to attain competitive advantage. The banking industry in the UK is experiencing significant difficulties in developing and sustaining competitive advantage due to the extreme volatilities in the market including changing customer preferences and social trends most importantly product diversification (Ahmad, 2005).

One of the strategies being employed is the use of strategic change management to anticipate future market demands that is expected to translate to an improvement in their goal realization. However, Nyström et al. (2013) note that some organizations have been unsuccessful in implementing change and the variation between organizations undergoing change, implies that there is no one tactic or technique that would be appropriate for all circumstances as adjustment procedures should rest on the perspective of the organization.

Most of the commercial banks in Kenya have undergone diverse changes in their operations and management system with a view to increase the efficiency of their business and also improve their performance. According to CBK report of 2018, between 2010 and 2018, the local commercial banks have registered a total of 6 mergers and acquisition, realigning of the organization structure, and rebranding. In addition, different banks have had to change their business models to conform to the market demands that is moving towards branchless banking as opposed to the traditional brick and mortar type of branches. With these changes, it is important to try and assess the impact that management of change has on the performance of commercials banks in Kenya.

The need for organizations to undertake change management processes have attracted the interest of many scholars as well as the management of various organizations. Al-Haddad and

Kotnour (2015) studied integration of the organizational change literature for a successful change process and found that having in place objectives of change management process as well as roping in the support of all employees are major factors that contribute to successful organizational change. However, the research did not link the process of managing change to the organization's performance. Fernandez and Rainey (2017) shown a research to determine the successful management of organizational change within the public segment. The outcomes revealed that for a successful management of in the public sector. Herrmann and Nadkarni (2014) sought to investigate the process of managing strategic change by assessing the duality of CEO personality and found that CEO traits can improve the change management process to include consultative, assertiveness and risk taking approach. Udjo (2016) stressed that the causes of the company's resistance to change were reassuring to all employees with regard to the status quo; the change process was forcefully imposed; the lack of clarity; changes were implemented simultaneously.

Different studies in Kenya have aimed at assessing how the process of managing change affects different organizational outcomes. Mbogo (2003) studied the process of managing change in Kenya commercial bank Ltd and established that communication, culture, agents of change, staff flexibility have an effect on success of the process of change.Wanjohi (2014), established that change in the media industry is motivated by a number of strategic considerations together with the need for increased integration at the work place and desire for better business performance. Kakucha, Simba and Anwar (2018) revealed existence of a significant positive effect of changes in organizational structure on performance of Mombasa County. Wambui (2014) revealed a positive connection between practices of managing change and the performance of Kenya Commercial bank which had increased following change implementation. Similarly, Kamunge (2017) established that organizational performance had a positive relationship with all the change management strategies of commercial banks in Kenya and that the model of change adopted has a bearing on the realization of the intended change. This research however only used financial performance indicators and not the balanced score card measures.

From the above studies and literature, it can be deduced that indeed organization change management has been researched widely. The studies were carried out in different industries while those carried out in the banking industry have been on specific institutions and may not be sufficient to represent the general industry. Research on management of change strategically among commercial banks in Kenya in relation to performance has been limited and as a result of the gap, this study pursued to answer the subsequent research question; what is the effect of strategic change management on the performance of commercial banks in Kenya?

1.3 Research Objectives

i. To determine the strategic change management practices applied by commercial banks in Kenya

ii. To establish the influence of strategic change management on performance of commercial banks in Kenya

1.4 Value of the Study

The research is of benefit to the furtherance of the strategic change theories E and O. The influence of the strategic changes that emanate from the organization and therefore under the control of the management on the organization performance will further enhance the understanding and application of the theory O in dynamic business sector like the banking industry. In addition, the understanding of theory E which majorly concentrates on the environmental factors that necessitate changes in an organization will increase the understanding of the theory and its applicability in an emerging country. The results of the research will also benefit policy makers in assisting them gain understanding on how the process of change impact organisational performance of the banking industry. Policy makers, such as the CBK and the National Treasury, will gain knowledge of the influence of change management on performance of banks and thus receive guidance in the design of suitable policies that will result in enhanced operations of commercial banks.

Results of this research is also beneficial to commercial banks in Kenya by suggesting practical guidelines of successfully executing change and how change management affects performance using the balance score card. This will help the organizations formulate viable change management policies and practices that will increase their competitive advantage and lead to achievement of goals.

This study will reveal information of value to academics and researchers through adding to the present knowledge on strategic change management and performance in the banking segment.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This segment evaluates current literature with regards to the theories of change management, the factors influencing change management and the effect that the process of managing change has on organizations performance. This section covered the theoretical underpinnings of the present study, empirical reviews, conceptual framework and the information gap.

2.2 Theoretical Foundation of the Study

Different authors have suggested that there is no single or right way in which organizations can undertake their change process. This is because companies operate in different environments and what works for one business cannot function in another on the basis of both inner and exterior conditions within which the organization operates. Different scholars have put forth various theories that attempt to support strategic change in organizations. This research was grounded on three theories, namely; Theory E and theory O, as advanced by Beer and Nohria (2000) and the Resource-Based View (RBV) advanced by Wernerfelt (1959).

2.2.1 Theory E

Theory E as espoused by Beer and Nohria (2000) emphasizes on economic value creation to maximize shareholder wealth using the “hard” approach to organization change and generally applies economic motivations, dismissals and downscaling. According to this theory, the main goal of strategic change is to increase the organization’s financial performance by majoring on the hard facets of an organization; strategy, structure and systems. This theory supports the school of thought that the only way to successfully implement strategic change and transform an underperforming organization is through tough result-oriented top-bottom initiatives such as restructuring, layoffs and financial incentives. The theory contends that the starting point of any process of change in a company is at the strategy level, structure, processes and systems where change choices are made at the top level and passed down to the employees for execution. This argument is supported by the argument that the major cause of organizational failure is having the wrong strategy. Since the small, realistic changes are directly embedded in the daily operational processes, implementation is considered to be more critical to success (Butcher and Atkinson, 2000). Despite the organizational changes being effected by one group of employees that are in contact with external parties to the firm, according to Higgs and Rowland (2005), the complexity and interdependence of different systems in the organisation, such changes can spread fast across the organisation and thus enabling all organization sub-systems to work towards achieving shareholder value.

Another crucial part of theory E of change management is its focus on the people side. The theory suggests the need to choose the right leaders and promoters for key positions in the organization who will be able to drive the organization to the realization of its objectives. Ekvall and Arvonen (2011) highlight that for effective change management in an organization to take place, effective leadership, communication, and culture must be considered, particularly in the course of change. This is because without correct alignment of the above factors, the strategic change management process will face resistance in its implementation which will affect eventually economic benefit desired from the change. Managing change under circumstances of unstable business environment suggests that the change process does not only take place and influenced within the organization itself but also through its interactions with the external environment. Hence theory E recognizes the critical role played by external actors to the firm in realising effective change process.

2.2.2 Theory O

Theory O was advanced by Beer and Nohria (2000) and adopts the “soft” tactic to change management whereby it emphasizes on advancement of corporate culture and employee competencies, generally allowing employee participation, reaction and reflections before and during the change implementation process. The basis of an effective organization change process is the internal factors in an organization because theory O considers organization leadership as a catalyst to responding to the fluctuating business setting through timely decisions concerning resources and innovations (Ekvall & Arvonen, 2011).

The theory postulates that the starting point of a change process is with the leadership who empower the company to respond to environmental fluctuations through fast decision making (Masood, 2016). Consequently, leaders have to be cognizant with the varying discernments, beliefs and values during execution of change (Bayerl et al.,2013) since they are considered as pioneers of change who direct the business into the desired state or position. For business that support bottom up approach to handling developing changes, Saka (2003) assert that the leadership of an organization task will be to facilitate the emerging changes visible in an organization and providing resources for local change agents. This point was earlier own stated by Heifetz and Laurie (1997) who suggested that top management should control the pressure on the business to by periodically aligning the company layout and goals to the newly developed practices.

2.2.3 Resource Based Theory

The Resource-Based View is a method used in the 1980s and 1990s, after the original theory created by Wernerfelt (1959), for achieving an organisational competitive advantage. Barney (1991) has further developed the theory by pointing out that a firm mainly consists of a range of capacities and assets that must be paired to generate products or facilities that satisfy the requirements of customers, through developing suitable organizational policies. Peteraf and Bergen (2003) highlight that the key drivers of organizational performance will be the quality of its internal operational resources that are rare, not easily copied by competitors and also should non- substitutable. Therefore, irrespective of how good a firms competitive strategy, there is need to augment it with an elaborate operation strategy that covers the firm's corporate strategy, core competencies, product and service development, competitive priorities and customer driven strategies (Paiola, Saccani, Perona&Gebauer, 2013).

Accordingly, RBV argues that successful companies can enhance their potential performance through efficient use, which may be intangible or implied in essence, of their unique and distinctive abilities. Boyer, Swink and Rosenzweig (2005) note, however, that organizational competencies on their own will not improve a company performance but rather the capacity of the organization to combine these internal capabilities in a manner that will create a synergy and thus improve the company's performance.

In the current research, the capacity of a firm through price, product, service and distribution which are internal resources to a firm, is expected to result to improved performance leading to sustainable competitive advantage. This point was emphasised by Porter (2008) who find that effective implementation of a firm differentiation lead to increased product and service delivery speed, reliability, quality and flexibility of offerings.

2.3 Organization Change and Performance

The business world today has become a global village where businesses exist in dynamic external environments. This coupled with the increasing competition; strategic change has become a necessity for sustainable competitive advantage thus becoming a key determinant of performance (Ekvall&Arvonen, 2011).The dimensions of change included in this study are strategic change in areas of organizational culture, technological transformations, organizational structure and organizational leadership.

A study carried out by Wanjohi (2014) found that changes in the media industry are motivated by numerous strategic issues, including the need for more integrated work and improving overall business performance. These considerations usually necessitate the need to have change strategies that approach change in a structured manner so that change consists of a few measures that can be implemented in a moderately short period. Alice (2017) found a positive connection between organizational performances of the Kenyan commercial banks and all their Change Management Strategies. A further study of the management of change at Kenya Airways, focusing on models of change management, concluded that firms can only hope to achieve success in any particular if the employees' attitudes towards change are positive.

2.3.1 Organizational structure and Performance

Organizational structure is defined as the manner in which a firm organises and directs its activities so as to achieve its objectives (Elsaid, Okasha, & Abdelghaly 2013). This means that an organizational structure specifies the reporting relations, procedure, checks, authority and decision-making process (Hitt, Hoskisson & Ireland, 2016). As a result, decision making responsibilities are placed within the company, the organization is formally divided into sub-units and mechanisms are established to coordinate sub company activities (Hill, Schilling, &Jones, 2016). They explained further that the organizational structure can promote or inhibit performance on the basis of how productivity is affected by reporting lines and the flow of work.

To achieve successful results in change management, the management should empower young employees and engage them in decision making process, hence allowing participation and commitment to the change process. Delegation has been claimed to influence and enable utilization of employee talent hence to benefit the organization change process (Kombo, Obonyo, &Oloko, 2014). Organizational hierarchy with many management levels make it difficult for change communication to reach the intended recipient in the right time and form without distortion and hence inhibiting change management (Namoso, 2013)

Hao (2012), note that the structure of a company has more pronounced influence on it's performance than other factors for example innovation and organizational learning. This study in Austria differs from a similar one in China that shows that Innovation has more impact on performance than structure. According to Ogbo (2015) a decentralization organizational structure improves performance through enhanced and faster decision making especialy in Nigerian service and technical firms.

In a further study by Fadeyi (2015), the results showed that the organizational structure impacts on the organisation's performance and a significant association between specialization of the process of work together with work efficiency that effectively point towards an organisation's structure affecting the company's employers. In the same way Mousavi (2013) that researched on how structure affects an organization's achievement of results concluded the relations of formality and concentration on one hand and corporate performance on the other are positive and meaningful. Likewise, a study by Khatoon and Farooq (2016) concluded that the aspects of change and the organisation's performance are interrelated positively.

2.3.2 Technological Changes and Performance

In the course of the last two decades, organisations, with the aim of extracting maximum value from innovations, have experienced a revolution through the implementation of a complex IT system (Orlikowski 2010). Nevertheless, the rapid technological improvement involved disruptive technologies that unintentionally reduced the life cycle of the product. The IT revolution resulted in the fusion of processing data, communications and progress of software, enabling companies to increase organizational effectiveness and performance and presenting opportunities for evolvement of new companies. The use of IT has seen a tremendous shift from its earlier intended role of support to be a key strategic role.

The impacts of information technologies on the financial achievements of Allied bank staff in Pakistan have been investigated by Muzaffar, Mahmood, and Rizvi (2014). The data collected via unstructured interviews shows that technological changes significantly affect employees ' workload and helped to implement effective controls that have reduced errors and fraud in organizations. Fast access and convenience of the system allow employees of a bank to deliver high-quality timely services to its customers.

2.3.3 Organization Leadership and Performance

Leadership is defined as a management approach of setting strategic organization goals and motivating employees to successfully carry out their tasks towards achieving these goals. Good leadership makes it possible for a business to anticipate and get ready for change by creating an environment that allows flexibility and pro-active approach to the ever-changing business environment (Kaiser, 2008). Bello, (2012) postulates that employees are the key resource in an organization and thus achievement of organization objectives requires their full participation. Effective leadership therefore includes analytical skills, inspiration, management, reward and motivation, all together to achieve the organizational goal in line with the findings of Hurduzeu (2015). Abbas and Yaqoob (2009) note that, when an organization leadership is characterized by the above attributes, there is increased employee satisfaction which positively affects profitability.

Organizational performance is influenced by various dimensions of leadership including strategic leadership decision making roles, management of organization resources, supporting an operative culture of an organization and highlighting moral practice. These actions are crucial in management of organizations trying to implement strategic change and leaders who practice them are bound to have a smooth implementation of their change strategy which results in improved performance (Gumusluoglu & Ilsev, 2009). The leaders of companies should focus on building intrinsic motivation amongst employees towards the intended change for the change process to be successful. Leadership should be a dynamic motivating force for people who participate in the management of change. The practice of motivation initiatives provided to employees includes availability of needs; each person possess a set of needs, ranging from physical needs to the needs of self-realization; an employee is making efforts to meet these needs (Cater & Pucko, 2010).

2.3.4 Organization Culture and Performance

Hofstede (1980) espouses that culture is the joint way of thinking that differentiates affiliates of one group from others.Organization culture is the personality of an organization that shapes what happens and how employees behave in an organization. Shahzad (2012) studied how corporate culture affects staff performance and determined that employee performance increases if the employees have the same standards and values as that of the corporation. This is because corporate culture is important in shaping employees' values and conduct. Deal and Kennedy (2012) noted a deliberate management effort to promote corporate culture in an organization that improves performance. In the same way, Bennett et al. (2004) postulates successful organizations have a good match between strategy, culture and structure.

Kamaamia (2017) reached the conclusion that all the components of organisation's culture, including target-oriented action, work-oriented actions, workers ' actions, open culture and professional activities, improve organisation. A study carried out on how public entities perform in Rwanda, by Ndahiro, Shukla and Oduor(2016), on the Rwandan Revenue Authority, found that most staff of the institution generally embraced change that has taken place in the organization, and that it has also generated a increased performance of the organization. A study in Kenya by Karanja (2014) concluded that organization culture leads to consistency of performance by increasing employee consensus and readiness to support organizational aims, reducing insecurity by clarifying roles and increasing motivation for employees.

2.4 Conceptual Framework

The literature review shows that the strategic change practices can be implemented by an organization from four different perspectives that major on key change areas. The association between practices of managing change and commercial banks performance was presented in Figure 2.1. The independent variables include change management practices in organization structure, technology, organization leadership and organization culture.

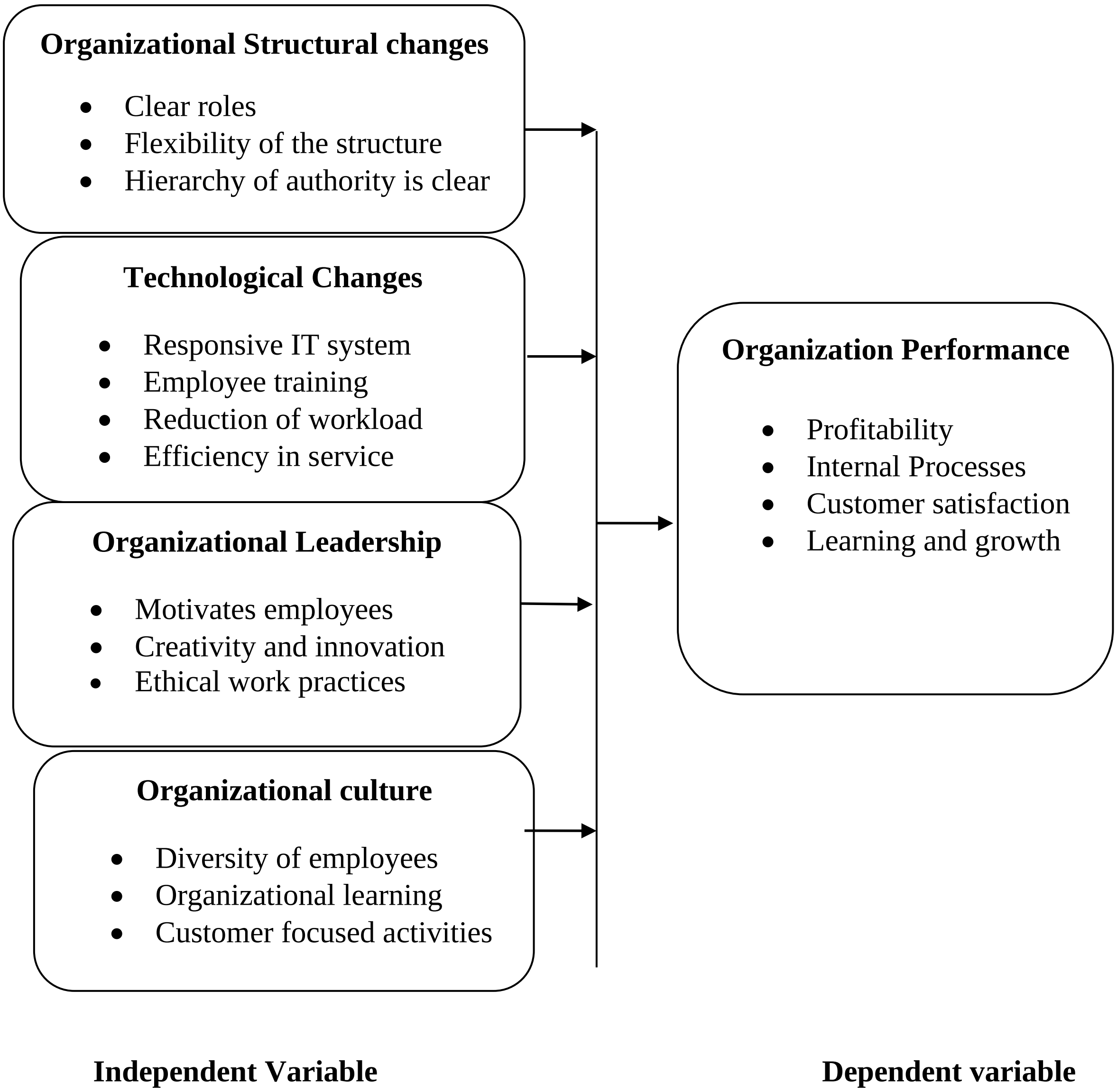

Figure 2.1: Conceptual Framework

Source: Research 2019

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This segment describes the method that was used in the general study method in order to realise the set objectives. It elaborates on the research design, study population and processes for information gathering and analysis.

3.2 Research Design

The research used a descriptive cross-sectional research design to establish the impact of strategic change management on the commercial banks performance in Kenya. This design was carried out because the study addressed the issues of size, type, distribution of internal environmental impact and affiliation between strategies employed to manage change and performance. Cross-sectoral research design has been carried out, as research has been carried out at the same time throughout all banks in Kenya. This allows the investigator to make statistical inferences to the population at large and to make assumptions the results to actual-life circumstances, thus increasing the extrinsic relevance of the research.

3.3 Population of study

A study population is the whole collection of persons, firms or substances that the researcher would like to explore (Sekaran & Bougie, 2010). Its choice is based on availability of respondents, time frame, geographic limits and subject of concern. For this study, the population comprised of all commercial banks operating in Kenya. There were 40 banks in Kenya (Appendix 1), according to Kenya's Central Bank (2018).A census was used in this research because there are few commercial banks in Kenya and to provide sufficient information that can be used to generalize the results. Out of the 40, 25 were owned by locals and 15 have foreign ownership. Of the 25 locally-owned, 22 are privately owned while 3 are publicly owned. The banks are categorized into three groups based on a weighted score of their net assets, deposits, capital and reserves. According to CBK (2018), there stood 7 large, 10 medium and 23 small banks with their branch networks distributed across the country.

3.4 Data Collection

The research used primary and secondary data. The Primary data was gathered using a structured questionnaire based on the perceived benefits of saving time, maintaining confidentiality and ensuring that the answers given are relevant to the research objective. Secondary data was acquired from the banks' annual reports to aid in assessing the financial performance.

The questionnaire was developed using secondary data from previous studies done by Wambui (2014) and Kamunge (2017) on change management practices emphasizing on factors that have not been researched so as to build on what has already been discovered. It is made up of three segments. The very first addressed demographic data of the banks and the participants, while the second addressed questions on the practices applied by the banks when managing change. The last section collected data on organization performance.

The questionnaires were delivered to the respondents and picked targeting managers tasked with change management in each bank. This group of participants is considered to be knowledgeable and experienced in the field of study. In a five-point Likert scale, the participants gave their answers to questions in the questionnaire.

3.5 Data Analysis

Analysing data encompasses the use of reasoning to comprehend and extract meaning out of collected data (Zikmund, 2003). The information gathered was coded to translate reactions into particular classifications. Code numbers were allocated to each response and a coding list or frame was formulated from that response. Descriptive statistical measures including means, percentages and frequency distributions, were applied to define the answers. The findings were presented using tables.

Eventually, a multiple linear regression model was used to determine the relationship between dependent and independent variables. Multiple linear regression has been used for this research since it contains more than one independent variable used to predict performance.

The regression equation will take the form:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where

Y	-	Performance
β_0	-	Constant term,
X_1	-	Organization structure changes
X_2	-	Technological changes
X_3	-	Organizational leadership
X_4	-	Organizational culture
ε	-	Error Term that will account for all other factors affecting performance not included in the model.

SPSS version 21 was used to code the collected data and run multiple regression analysis for the study.

To establish whether the regression model is significant, this study used the F-test and used R^2 to establish the degree of variance of Y as was determined by X. F-test checks if any of the independent variables in a multiple linear regression model are important, since they can be used it to simultaneously verify the importance of multiple regression coefficients.

This was done with 5 per cent significant level and a correlation assessment was carried out to determine the path and strength of connection between the strategic change management practices and organisational performance of commercial banks in Kenya.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The major purpose of the whole research was just to identify the impact of strategic change management practices on the performance of commercial banks in Kenya. The investigator used a descriptive research design and the evaluation was conducted using mean and standard deviations while the presentation was done using tables. In addition, regression analysis conducted to establish the significance of the model and to obtain the coefficients that will help determine the relationship between performance and practices of strategic change management.

4.2 Response Rate

The study target population consisted of 40 commercial banks operating in Kenya. In each commercial bank, the researcher distributed one questionnaire. Out of the 40 questionnaires distributed, 35 questionnaires were duly filled which is a representation of 87.5%. As a result, the response rate was deliberated adequate to infer and make assumptions on the research topic. In accordance with Mugenda and Mugenda (2003), if 50% respond then this is satisfactory, 60% is good and 70% is very good. Noting the guideline above, the response rate of 87.5% is very good.

4.3 General Information and Bio-Data

In this segment, the researcher sought to determine the banks information. This information included banks' ownership structure, total number of employees, age and management level of employees. The results were untaken in Table 4.1

Table 4.1: General information

Ownership structure	**Frequency**	**Percent**
Locally owned	24	68.6
Foreign	8	22.9
Locally and foreign	3	8.6
Total	35	100.0
Number of employees	**Frequency**	**Percent**
200-300	4	11.4
301-400	7	20.0
401-500	15	42.9
Over 500	9	25.7
Total	35	100.0
Age of bank	**Frequency**	**Percent**
10-20 Years	1	2.9
21-30 years	9	25.7
31-40 years	19	54.3
Over 40 years	6	17.1
Total	35	100.0
Level of management	**Frequency**	**Percent**
Top level	14	40.0
Middle level	19	54.3
Supervisory level	2	5.7
Total	35	100.0

From the outcomes in Table 4.1, slightly more than two-thirds (68.6 per cent) of commercial banks in the Kenya study were listed locally owned while the foreign banks comprised

22.9%. Similarly close to one-tenth of the banks were both locally and foreign owned. The research also desired to find out the size of the banks using the employee size. On this variable, the finding reveal that majority of the banks (42.9%) had between 400-500 employees, while slightly over one-tenth of the banks (11.4%) had less than 300 3mployees. Generally over 90% of the banks had over 300 employees.

In regard to the age of the banks sampled, the findings reveal that over half of the banks (54.3%) had been operating for between 31-40 years while only one bank indicates that it has been in business for less than 20 years. The findings also imply that a quarter of commercial banks have been in action for between 21 and 30 years. Generally, over 90% of the banks had been operating for over 20 years and this implies that they will have understood the market dynamics in the country. The respondent's cadre in the respective banks was also researched and findings revealed that majority of the defendants (54.3%) are in the middle level management, while two-fifth were in the top management level. Only two of the respondents were in the supervisory level. Hence, it can confidently be assumed that many of the participants were persons knowledgeable with the strategic moves by the company based on the fact that they are in the managerial level and will therefore be assumed to be involved with the strategic change process of the respective banks.

4.4 Strategic Change Management Practices

The researcher pursued to investigate the level of adoption of the various practices used in managing change by commercial banks. These practices comprised of change management practices in organizational structure, technological changes, organizational leadership and organizational culture. The measurements were statements in which the respondents were to rate them on a Likert scale of 1-5 in which 1 symbolized no extent while 5 symbolized Very great extent. The scores that was greater than 3 represented respondents' agreement with the statements on strategic change management dimension while those responses which were less than 3 represented low agreement with the statements. A standard deviation that was greater than 1 represented a high respondent's variation with the statements. The discussion of these practices follows.

4.4.1 Organizational Structure Change Practices

A firms' organization structure specifies the reporting relations and procedure existing in a company. The outcomes were obtained in Table 4.2.

Table 4.2: Organization Structure Change Practices

Statements	N	Mean	Std. Deviation
The bank organization structure is flexible to change	35	4.14	.845
The bank organization structure facilitates faster decision making	35	4.11	.718
There exists little uncertainty on the roles of each employee whenever an unplanned event occurs	35	3.83	.985
The organization hierarchy of authority is clear	35	3.37	1.239
Overall Mean		**3.863**	**0.947**

Source: Research Data (2019)

The study found that organizational structure in commercial banks is flexible to change (M=4.14) and that this facilitates faster decision making. Similarly, the research establish that, to a large extent, there exists little uncertainty on the roles of each employee whenever an unplanned event occurs (M=3.83). The low standard deviations imply that most respondents agreed with specific statement. To a low extent, the results show there exist a clear hierarchy of authority in the banks (M=3.37, SD=1.239) and from these the standard deviation is high (greater than 1) shows that there was a high deviation among the respondents.

4.4.2 Technological Change Practices

As a result of rapid change in technology, organization strives to strategically set up standards that will ensure normal operation of business activities. The rapid technological improvement involves unintentionally reducing the life cycle of the product. The results in regard to questions on technological changes are presented in Table4.3.

Table 4.3: Technological Change Practices

Statements	N	Mean	Std. Deviation
The introduction of new technology in the bank is gradual	35	4.03	.707
Bank employees are prepared well before introduction of a particular system	35	3.91	.887
The bank continuously builds on its existing IT systems in response to the market demands	35	3.80	1.106
The bank has a combined data processing and communication system that enables it to react fast to changes in the operating environment	35	3.66	.998
The introduction of new technology is aimed at reducing the workload of bank employees	35	3.17	.891
Overall Mean		**3.714**	**0.918**

Source: Research Data (2019)

The outcomes reveal that to a large extent, the commercial banks introduce their technological innovations gradually (M=4.03) with an aim of preparing the bank employees on the effective implementation of the new technology being introduced, bank employees are prepared well before introduction of a particular system (M=3.91). Similarly, the outcome of the study reveal that banks continuously improve their IT systems to meet the market demands (M=3.80), a process that combines data processing and communication system that enables it to react fast to changes in the operating environment. The findings also reveal that to a moderate extent the banks introduce the technological innovations with a view to reducing the employee workloads.

4.4.3 Organization Leadership

Organization leadership practices during change process in the banks were also investigated. Good leadership makes it possible to anticipate and get ready for change by creating an environment that allows flexibility and pro-active approach to the highly dynamic operating environment. The results were untaken in Table 4.4.

Table 4.4: Organization Leadership

Statements	N	Mean	Std. Deviation
The bank leadership delegates change management process	35	4.14	.692
The leaders motivate employees to embrace change	35	4.09	.742
The bank leadership involve employees in change decisions	35	3.51	1.095
The change was communicated to staff in the lower positions before it happened	35	3.20	.994
Overall Mean		**3.735**	**0.881**

Source: Research Data (2019)

The results in Table 4.4 shows to a great extent, the banks leadership delegates change management process (M=4.14) to other employees in different department particularly in research and development and information communication technology departments as well as encouraging its employees to embrace the change process (M=4.09). Likewise, the findings show that the organizational changes were being communicated to the all bank employees from the top management to the support workers. The findings also reveal that there was concurrence among the respondents due to the less standard deviation that was less than 1.0.

4.4.4 Organization Culture

The researcher sought to study how the organizational culture practices affect change and banks performance in Kenya. This section investigates culture practices being undertaken in the organization. The findings are revealed in Table 4.5 below.

Table 4.5: Organization Culture

Statements	N	Mean	Std. Deviation
The bank learning process is encouraged	35	4.34	.684
The core values guiding the bank are specified	35	4.31	.676
The background of the bank employees is diverse	35	4.14	.772
Employees are proactive to change	35	3.89	.758
The bank activities are customer focused	35	3.83	.891
At the bank, team orientation towards achievement of goals is encouraged	35	2.97	1.098
Overall Mean		**3.91**	**0.813**

Source: Research Data (2019)

The finding discovered that to a large extent, the banks encourage a learning process among its employees (M=4.34) and that it enforces its core values that guide its operations. In addition, the study found that greatly, banks have expressed a culture that during recruitment, diversification is considered implying that diversity is encouraged (M= 4.14) hence improving the proactivity of employees to change. However, the findings suggest that there is less team orientation of employees towards the organization goals (M=2.97).

4.5 Organizational Performance

The objective was to investigate how practices of managing change affect the performance of commercial banks in Kenya. The commercial banks performance was evaluated using four structured scorecard perspectives, which include: consumer perspective, inner procedures, learning and growth, as well as financial outcomes. The findings have been obtained in Table 4.6.

4.5.1 Customer Perspective

This performance measure is evaluated based on the customer's fulfilment with the bank's products or services. The results on questions relating to the customer perspective were untaken in Table 4.6.

Table 4.6: Customer Satisfaction

Statement	N	Mean	Std. Deviation
The bank has witnessed growth in new clients	35	4.00	.874
My organization has witnessed a high customer retention rate	35	3.97	.954
The bank has experienced increased uptake of more products by client	35	3.89	.963
The organization customers keep on referring new others customers)	35	3.66	1.110
Overall Mean		**3.88**	**0.975**

The study established that with reference to customer satisfaction, banks have witnessed growth in new clients (M=4.00) and also high customer retention rate ratio (M=3.97). More so, commercial banks have experienced increased uptake of more products by client and as a result, customers keep on referring new customers (M=3.66). Therefore, the study can conclude from these findings that customer satisfaction has been influenced positively by change management practices.

4.5.2 Internal Processes

Internal processes is an important dimension of organizational performance. As a result, the study aimed at investigating how the process of managing change has influenced performance of internal process of commercial banks. The results with respect to internal process were obtained in Table 4.7.

Table 4.7: Internal Processes

Statement	N	Mean	Std. Deviation
The bank has experienced improved turnaround time in service delivery to its clients	35	3.97	.822
The bank has experienced increased innovation (creation of new products and services)	35	3.77	.942
The bank has witnessed increased revenue from new products	35	3.74	.950
The banks operation systems are fast and reliable	35	3.57	.979
Overall Mean		**3.76**	**0.923**

From the findings, it was found that to a large extent, the banks have experienced improved turnaround time in service delivery to its clients (M=3.97) which is attributed to increased innovation undertaken by the banks that has also resulted to increased revenue from new products (M=3.74) and fast and reliable operation system. The standard deviation was low implying agreement with the statements for most of the respondents.

4.5.3 Learning and Growth

The learning and growth is a crucial feature of organizational performance that signifies the growth of the company. The results were untaken in Table 4.8.

Table 4.8: Learning and Growth

Statement	N	Mean	Std. Deviation
There has been reduced staff turnover	35	3.83	.923
The bank continuously organizes employee trainings to develop skills	35	3.60	1.063
The bank organizes career development programs to its employees	35	3.54	1.067
The bank has experienced increased employee productivity	35	3.54	1.010
Overall Mean		**3.62**	**1.016**

The findings show that organization learning and growth is manifested in the banks by a reduced staff turnover (M=3.83) as well as the bank organizes continuous employee trainings, that as resulted in reduced staff turnover (M=3.83) and that commercial banks continuously organizes employee trainings to develop skills (M=3.60). In addition, banks organize career development programs to its employees leading to increased employee productivity (M=3.54)

4.5.4 Financial Performance

In any profit driven organization, performance in most cases is measured by the net income. Therefore, commercial banks strive to gain competitiveness and high net income. With this assessment, the research ought to maintain the influence of change management practices, especially on the commercial banks financial performance in Kenya.

Table 4.9: Financial Performance

Statement	N	Mean	Std. Deviation
The bank revenue has consistently increased in the last ten years	35	3.94	.802
The bank revenue streams has been increased in the last ten years	35	3.89	.963

The bank has been able to reduce its cost per revenue generated in the last ten years	35	3.80	.964
The bank has realized increased return on asset in the last ten years	35	3.31	1.231
Overall Mean		**0.735**	**0.990**

The above results suggest that as a result of strategic change management system adopted by commercial banks, banks' revenue has consistently increased in the last ten years (M=3.94) and that revenue streams have increased. Consequently, banks have been able to reduce its cost per revenue generated in the last ten years (M=3.80) and that commercial banks have realized increased return on asset in the last ten years (M=3.31).

4.6 Regression Analysis

The correlation between strategic change management practices and the performance of commercial banks in Kenya was developed through a multi-linear regression analysis. Coefficient of determination assesses the degree to which the differences in independent variables compensate for the variations in the dependent variable.

4.6.1 Model Summary

Table 4.10 demonstrates the a summary of regression results where, adjusted R square, R square, and standard error of estimate are presented.

Table 4.10: Model Summary

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.612[a]	.374	.291	.712
2	.612[b]	.374	.314	.700
3	.578[c]	.334	.292	.711

a. Predictors: (Constant), Culture, Structure, Technology, Leadership

b. Predictors: (Constant), Culture, Structure, Leadership
c. Predictors: (Constant), Culture, Leadership

The correlation coefficient (R) value represents the extent and direction of how the predictor variable and the outcome variable are related. In this model therefore the coefficient of correlation is 0.612 which indicates a confident correlation between strategic change management practices and organization performance. The R Squared is the coefficient of determination which indicates the phase of the disparity in the dependent variable that is described by the predictor variables. The R square is 0.374 which means that 37.4% of the variance in result variable (organization performance) is described by changes in strategic change management practices

4.6.2 Overall model ANOVA

The analysis of variance was used to establish if the model was significant. Low F statistic value indicates low variance in the data values. The significance level less that 0.05 shows that the model is significant to predict the result variable. The analysis of variables follows in the following sections. The ANOVA outcomes were obtained in Table 4.11.

Table 4.11: ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.094	4	2.273	4.489	.006[b]
	Residual	15.192	30	.506		
	Total	24.286	34			
2	Regression	9.092	3	3.031	6.184	.002[c]
	Residual	15.194	31	.490		
	Total	24.286	34			
3	Regression	8.110	2	4.055	8.022	.002[d]
	Residual	16.176	32	.505		
	Total	24.286	34			

a. Dependent Variable: Performance

b. Predictors: (Constant), Culture, Structure, Technology, Leadership

c. Predictors: (Constant), Culture, Structure, Leadership

d. Predictors: (Constant), Culture, Leadership

The significance value of the model was found to be below 0.05 at 0.006. It then suggests that the model is statistically significant and that organization performance was statistically predicted by strategic change management practices. Thus, the results show a positive relationship between practices of managing change strategically and performance among commercial banks in Kenya.

4.6.3 Regression Coefficients

The relationship between the practices during management of change and banks performance in Kenya was established using a multiple linear regression equation. A multiple linear regression equation was used in this research since there was more than one predictor variable investigated to explain performance. The analysis was done at a significance level of 5%. The outcomes are revealed in Table 4.12.

Table 4.12: Regression Coefficients

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-1.919	1.619		-1.186	.245
	Structure	.184	.133	.215	1.380	.178
	Technology	-.007	.116	-.010	-.057	.955
	Leadership	.723	.229	.615	3.160	.004
	Culture	.614	.173	.645	3.551	.001
2	(Constant)	-1.961	1.423		-1.378	.178
	Structure	.185	.131	.215	1.415	.167
	Leadership	.728	.209	.619	3.481	.002
	Culture	.613	.169	.644	3.620	.001
3	(Constant)	-1.299	1.365		-.952	.348
	Leadership	.779	.209	.662	3.723	.001
	Culture	.572	.169	.600	3.374	.002

a. Dependent Variable: Performance

$Y= -1.919 + .184X_1 + .007X_2 +.723X_3 + .614X_4+\varepsilon$

The regression equation shows that holding organization structure, technological changes, organization leadership and culture to zero, organizational performance declines by 1.919. A unit increase in organization structure affect organization performance by a aspect of 0.184 and a unit rise in technological changes leads to rise of organization performance by 0.007. In addition, a unit increases in organization leadership and culture results in a positive change to organization performance by a aspect of 0.723 and 0.614 respectively. However, from the results, the significant change management practices that influence the performance of the banks are change practices in the areas of organizational leadership and organizational culture since their p-value is less than 0.05. On the other hand, change practices in organizational structure and technological changes were found to be insignificant in affecting the performance of the banks. This is because their p-values of 0.178 and 0.955 are greater than 0.05, the level of significance.

4.7 Discussion of the Findings

The key purpose of the research was to find out the influence of strategic change management on commercial banks performance in Kenya. The research used primary and secondary data and descriptive statistics show that more than 50% of commercial banks are owned locally while less than 25% are owned by foreign investors. In addition more than 50% of commercial banks can be categorized as large in size based on the number of staffs. These commercial banks comprised of more than 400 employees. Furthermore, the study established that 71.4% of commercial banks which is nearly three quarters of the entire population have operated for more than 30 years. This imply that majority of commercial banks have experience a number of changes as far as technology evolution is focused. Based on the level of management of employees, the study discovered that more than 90% of the respondents were from top and middle level. The rest, 5.7%, were under supervisory level of management.

The study findings show that without incorporating strategic change management practices, performance of organizations will drop. This actually indicates that strategic change management practices positively affect how commercial banks in Kenya perform. The elements of strategic change management considered in this research comprised of change practices in organizational culture, technological transformations, organizational structure and organizational leadership. Based on the structure of a business, the research revealed a positive relationship with performance and that the company's structure is flexible to change. This finding is consistent with Ogbo (2015) who found that flexibility and decentralization of organizational structure improves performance through enhanced and faster decision making especially in Nigerian service and technical firms.

Additionally, the research found technological changes to positively affect and correlate with organizational performance. The current business environment is experiencing tremendous shift in mode of operation. Technology is the main feature that transforms mode of operation hence effective and strategic change management is key to competitiveness and greater organizational performance. The findings confirm Muzaffar, Ramzan, and Rizvi (2014) that establish a constructive relationship between technological change and performance of commercial banks in Nigeria citing reduced cost and increased efficiency of operation.

Furthermore, the study findings established a positive connection between leadership of an organization and performance. Strategic change management practice in Kenyan commercial banks has been realized since banks' leadership involve employees in change decisions hence motivating employees to embrace change thus leading to greater corporate performance. Bello, (2012) articulated that employees are the key resource in an organization and thus achievement of organization objectives requires their full participation. Effective leadership therefore includes analytical skills, inspiration, management, reward and motivation, all together to succeed.

The study findings also indicate a constructive relationship between organizational culture and performance. The commercial banks in Kenya have embraced a culture that motivates employees to embrace change management practices. As a result, employee performance increases if they have the same standards and values as that of the organization. The study findings support Kamaamia (2017) that all the components of organization's culture, including target-oriented action, work-oriented actions, employees' actions, open culture and professional activities, improve performance.

Generally, this research has revealed that strategic change management practices have affected organizational performance to a greater impact. The four aspects of performance considered in this study; customer satisfaction, internal processes, learning and growth and financial performance have been influenced positively. It can therefore be deduced that commercial banks in Kenya have implemented various strategic change management practices in addition to the four areas majored on in this study, resulting to increased organizational financial and operational performance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This part presents the summarized key outcomes, highlighted conclusions and policy recommendations derived from the study. The conclusions and recommendations deduced aimed at addressing the study purpose which was to find out the result of strategic change management practices on commercial banks performance in Kenya

5.2 Summary of the Findings

The study purpose was to determine the influence of strategic change management on commercial banks performance in Kenya. Practices of change management were proxied by changes in the organization structure, technological changes, organization leadership and culture. In regard to the commercial banks background information, the results suggest that many of the banks have more than 400 employees and therefore can be considered as medium sized and that they have been in operation for more than 30 years. Similarly, the study established that more than 50% (68.9%) of commercial banks in Kenya are locally owned while 22% are owned by foreign investors while the rest have both local and foreign shareholding mix.

The research findings suggest that among the banks, the popular organization structure attribute that influence the performance was the capacity to be changed quickly whenever the need arises and this was found to facilitate faster decision making. The introduction of technological changes among the banks was found to be gradual taking into consideration the customer capacity to embrace the changes and that employees were adequately prepared before the change. Similarly, the bank leadership were found to embrace change and that they delegate their change management process to other members to implement as they oversee the general implementation. The findings also reveal that the change management process had the greatest effect on the customers as reflected by the increased customer base and higher retention ratio.

The cumulative effect of the four independent variables was found to have an impact of 37.4 per cent (R2) on the performance of commercial banks with a moderate constructive correlation existing between change management and performance (r=0.612). Generally, the model was found to be a good independent to explain the performance of the banks as determined by the ANOVA significance level of 0.006 that is less than the critical value 0.05. Similarly, the results show that changes in organizational culture and leadership were significant predictors of performance with p-values of 0.001 and 0.04 respectively, while organization structure and technology were found to be insignificant predictors. Similarly, in absence of the banks undertaking the necessary changes in their operations, the findings suggest that the bank performance will decline.

5.3 Conclusion

The findings reinforce the importance of business units to undertake changes in their operations with a view to aligning themselves to the prevailing market demands. From the results, it can be deduced that changes in the bank culture and leadership are significant in affecting performance of the organizations. This means that commercial banks need to direct more attention on recruitment of appropriate leadership to the helm of the organization since a qualified workforce is expected to better respond to market demand and come with appropriate strategies. In addition, business organizations need to come up with operational culture that will attract customers to its premises because the way a bank handles its customer will determine if they will come back again to source services.

The findings also reveal that the technological adoption by banks as well as the organization structure does not meaningfully influencing the performance of commercial banks. This might be due to the, more similar structure and technology adopted by banks in Kenya. Hence it might be better to concentrate service delivery that is not technologically based since the same will be differentiated unlike basing on the decision-making process that is anchored on the organization structure which was found to be similar among majority of banks. The findings similarly suggest that customer satisfaction is the most significant performance perspective and thus require that the commercial banks come up with strategies intended at enhancing its services with a view to increasing customer loyalty. It is important that every operational move undertaken by the bank is made having its implication to the customer.

5.4 Recommendations for Policy

The outcomes suggest that leadership greatly affects commercial banks performance. This hence implies that banks should direct more of their attention to continuously reorient their leadership positions to help foster change. This will involve sourcing of qualified top leadership team that is diversified and well equipped with knowledge relating to the banking industry in Kenya. Further, appropriate training programs should be initiated targeted the top management.

The bank culture was also positively affect performance of banks and thus development of appropriate policies that will cultivate and ingrain a good culture among the staff and define their relationship with the external stakeholders is important.

The research findings reveal that changes in organization structure as well as the technology adoption does not significantly affect the commercial banks performance. Therefore, it is vital to make appropriate policy decisions that will differentiate the technology adopted by the commercial from one another since from such, differentiation and competitive advantage will result.

The customer satisfaction was also found to be a more dominant performance perspective. This means that banks should undertake customer loyalty programs and improve their service delivery policies.

5.5 Limitations of the study

The scope of the study was restricted to the commercial banks in Kenya and it implies that the findings would not need to be generalized to other industries or sector players. The regulatory environment of commercial banks is more stringent compared to other industries and this might influence the type and frequency of changes being undertaken by sector.

The research was also limited with regard to the independent variables whereby it concentrated only on four change variables, namely; organization structure, culture, technology and leadership. However, more dimension of change exists in a firm. Also the organization performance was assessed based on the balance scorecard perspectives.

The questionnaires were distributed to the bank employees and it is possible that they might be biased on the responses considering that they will be giving assessment of the own organization. In addition, the researcher targeted one respondent per bank which might be a limiting factor to the research. However, despite the limitations to the study, the results of the research are valuable for management practice and policy decision in both the banking sector and other sectors where changes in operations are being witnessed.

5.6 Suggestions for Further Research

The research focused on commercial banks in Kenya. Thus, it is proposed that a research be undertaken on other sectors in the country. In addition, a study can be undertaken among other commercial banks in different countries that face different regulatory conditions. Similarly, a research can be undertaken that involves more change management variables to facilitate comparison of the variable results.

The findings suggest that organization structure and technological changes are insignificant to the commercial banks performance. It is therefore recommended that a investigation be undertaken using a great sample size to establish whether the same outcomes will be realized. In addition, the research employed descriptive research design but another study can be undertaken using another inferential technique to validate the results.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

Telephone: 020-8095398
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsities

Tel: 020 8095398
Nairobi, Kenya

DATE: 09/10/2019

TO WHOM IT MAY CONCERN

The bearer of this letter CONSTANCE GICHOVI of Registration Number D61/10607/2018 is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report
We would, therefore, appreciate if you assist him/her by allowing him/her to collect data within your organization for the research.

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

Thank you.

for
PROF. JAMES NJIHIA
DEAN, SCHOOL OF BUSINESS

APPENDIX II: QUESTIONNAIRE

Kindly provide requested information in the questionnaire by putting a tick (√) on one of the options.

SECTION A: DEMOGRAPHIC INFORMATION

1. What is the nature of bank ownership?

a) Locally owned ( )

b) Foreign ( )

c) Both foreign and locally owned ( )

2. What is the staff head count in your bank?

a) Less than 200 ( ) b) 200 – 300 ( )

c) 300 - 400 ( ) d) 400 - 500 ( )

d) Over 500 ( )

3. How long has the bank operated?

a) Less than 10 year ( ) b) 10 – 20 ( )

c) 20 - 30 ( ) d) 30 - 40 ( )

d) Over 40 ( )

4. What level of management are you?

a) Top ( ) b) Middle ( )

c) Supervisory ( ) d) Others ( )

SECTION B: STRATEGIC CHANGE MANAGEMENT PRACTICES

5. Below are practices during change. Please indicate the extent to which the following dimensions are applied in the bank. Key: **5** - Very great extent **4** - Great extent **3** - Moderate extent **2** - Little extent **1** - No extent

Organization Structure	**5**	**4**	**3**	**2**	**1**
The bank organization structure is flexible to change					
There exists little uncertainty on the roles of each employee whenever an unplanned event occurs					
The organization hierarchy of authority is clear					
The bank organization structure facilitates faster decision making					
Technological Changes					
Bank employees are prepared well before introduction of a particular system					
The introduction of new technology in the bank is gradual					
The introduction of new technology is aimed at reducing the workload of bank employees					
The bank continuously builds on its existing IT systems in response to the market demands					
The bank has a combined data processing and communication system that enables it to react fast to changes in the operating environment					
Organization Leadership					
The bank leadership involve employees in change decisions					
The bank leadership delegates change management process					
The leaders motivate employees to embrace change					
The change was communicated to lower cadre staff before it happened					
Organization Culture					
The background of the bank employees is diverse					
Employees are proactive to change					
The bank learning process is encouraged					
The core values guiding the bank are specified					
The bank activities are customer focused					
At the bank, team orientation towards achievement of goals is encouraged					

SECTION C: ORGANIZATION PERFORMANCE

7. Below are some of the banks' performance positions. Please indicate how the bank's change management has affected the performance.

5 - Very great extent 4 - Great extent 3 - Moderate extent 2 - Little extent 1 - No extent

Customer Satisfaction	**5**	**4**	**3**	**2**	**1**
My organization has witnessed a high customer retention rate					
The organization customers keep on referring new others customers)					
The bank has witnessed growth in new clients					
The bank has experienced increased uptake of more products by client					
Internal Processes					
The banks operation systems are fast and reliable					
The banks has experienced increased innovation (creation of new products and services)					
The bank has experienced improved turnaround time in service delivery to its clients					
The banks has witnessed increased revenue from new products					
Learning and growth					
The bank has experienced increased employee productivity					
There has been reduced staff turnover					
The bank continuously organizes pore employee trainings to develop skills					
The bank organizes career development programs to its employees					
Financial performance					
The bank revenue has consistently increased in the last ten years					
The bank has been able to reduce its cost per revenue generated in the last ten years					
The bank has realised increased return on asset in the last ten years					
The bank revenue streams has been increased in the last ten years					

THANK YOU SO MUCH

APPENDIX III: LIST OF COMMERCIAL BANKS IN KENYA

Classification	Commercial Banks
Tier I	1. Barclays bank of Kenya 2. Equity Holdings Ltd 3. Kenya Commercial Bank 4. Standard Chartered Bank 5. Cooperative Bank of Kenya 6. Commercial Bank of Africa 7. Diamond Trust Bank
Tier II	8. Bank of Africa 9. Eco Bank 10. Family Bank 11. CFC Stanbic 12. NIC Bank 13. I & M Bank 14. National Bank 15. Bank of Baroda 16. Bank of India 17. Housing Finance
Tier III	18. Habib A.G. Zurich 19. Sidian Bank 20. Credit Bank 21. Citibank N.A Kenya 22. Spire Bank 23. Jamii Bora Bank

	24. Fidelity Bank
	25. Development Bank of Kenya
	26. Middle East Bank
	27. SBM Bank
	28. Trans-National Bank
	29. Dubai Bank
	30. Africa Banking Corporation
	31. City Finance Bank
	32. Paramount Universal Bank
	33. Consolidated Bank
	34. Guardian Bank
	35. Habib Bank (k)
	36. Gulf African Bank
	37. First Community Bank
	38. Giro Commercial Bank
	39. United Bank of Africa (UBA)
	40. Victoria Commercial Bank

Source: The Banking Survey by CBK (2018)

Net Income (Profit After Tax)

BANK NAME	2014	2015	2016	2017	2018
Equity	16,835,990	16,175,354	15,218,234	16,338,066	16,802,890
KCB	15,878,978	16,499,405	19,779,314	19,235,300	22,410,707
Co-Op Bank	8,351,328	10,471,865	13,051,563	11,635,532	12,409,077
CBA	3,774,515	4,615,261	6,592,785	5,686,595	6,062,175
DTB	4,152,438	4,792,851	6,151,903	5,499,671	5,786,916
Stanchart	10,404,276	6,213,446	8,686,728	6,522,653	7,875,092
Barclays Bank	8,387,346	8,400,582	7,111,346	6,679,577	7,144,124
Eco Bank	(320,211)	90,372	(2,023,883)	(1,115,359)	70,484
Sidian/Krep	514,041	372,321	28,047	(421,809)	(395,107)
Family Bank	1,787,601	1,936,656	331,295	(1,009,841)	604,914
Nic Bank	4,019,167	4,391,123	4,142,147	4,147,443	4,407,256
Cfc Stanbic Bank	5,478,396	4,697,036	4,425,402	4,338,997	6,176,072
National Bank	800,698	(1,183,294)	146,653	379,996	153,139
I & M Bank	5,618,877	5,811,128	6,342,589	5,487,491	6,338,856
Housing Finance	870,141	558,964	1,001,280	181,249	(428,825)
Bank of India	1,021,293	1,107,937	1,640,905	2,088,671	1,935,113
Transnational Bank	125,712	168,029	100,472	41,527	(71,941)
Guardian Bank	261,250	229,329	230,127	160,022	225,568
Consolidated	(281,632)	44,422	(211,360)	(335,681)	(540,034)
First Community Bank	50,438	(12,112)	(55,734)	151,797	(212,063)
Development Bank	219,948	120,019	59,724	26,402	114,445
Credit Bank	(91,715)	(59,795)	105,839	129,846	240,763

Gulf Bank	401,372	731,103	498,154	153,653	127,314
Uba	(282,038)	(262,651)	24,297	18,609	18,609
Prime Bank	1,736,019	2,023,189	1,904,716	1,842,009	2,021,326
Fina/Gt Bank	533,648	470,208	446,832	193,670	90,739
ABC	258,516	267,089	157,632	137,461	142,044

Source: Banks’ financial statements and annual reports