MANAGEMENT OF STRATEGIC CHANGE AT NEW KENYA CO-OPERATIVE CREAMERIES CO. LTD

BY

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A Management Research Project Submitted in Partial Fulfillment for The Award of Degree of Master of Business Administration (MBA), School of Business, University of Nairobi

November 2011

DECLARATION

This is my original work and that it has not been submitted to any other University or Institution for academic credit

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The Management Project has been submitted for examination with my approval as university supervisor.

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ACKNOWLEDGEMENTS

First and foremost I wish to acknowledge the Almighty God for his grace and faithfulness during the entire period of this project. I wish to register my sincere gratitude to my supervisor Ms Florence Muindi for her commitment to this project and devotion of time towards the progress of the study through the initial stages to this level.

I extend my gratitude to the former Managing Director New KCC Ltd Dr. Kipkirui Arap Lang'at for granting me the opportunity to use the company to use the company as a case study. My appreciation also goes to all Departmental Heads and key employees who have been particularly instrumental in my effort to access information on the company that is relevant to my area of study.

DEDICATION

I dedicate this project to my husband Arthur Ngugi for your encouragement, patience, understanding and support without which I would not have been able to undertake the study and to my parents Paul Mwangi and Margaret Mwangi who have been my inspiration to do the best in everything and for their invaluable support. May God bless you abundantly.

ABSTRACT

Parastatals are institutions owned by the Government through its Ministries and are more business oriented as compared to mainstream Ministries. The study sought to establish the Strategic Change Management Approaches adopted by New Kenya Co-operative Creameries (New KCC) Ltd and the challenges encountered in management of strategic change. The study was conducted using a case study research design. The researcher conducted in-depth interviews with New KCC Head of Departments who were and are involved in the management of strategic change. Information was also obtained from company's records, which were useful in compilation of the study report.

The study identified that to a large extent both planned and emergent approaches to change were adopted. The change effort was planned and there is a clear line in sight to a future desired state. The approach was top-bottom where change activities were decided at the top and passed down for implementation. The emergence of a down-up approach was encouraged with the participation of various departmental in initiating reform activities. This is because change cannot be characterized as a rational series within a given period of a time but rather a continuous process. In the decline stemming the company instituted measures like change ownership, financial controls, and improving the processing capacity which reversed the downward trend. Next they instituted quality certifications, putting its employees on performance contracts. Despite the constraints, change management at New KCC made considerable gains. The reform effort has resulted to detailed manpower and succession planning which effectively addresses the future needs of the group and career development of individual employees.

The results of this study can be used as a point of reference to other parastatals and other public sector organizations that are undergoing strategic change. For other academicians and other researchers wishing to carry out further research, the empirical information will contribute to existing literature in the field of strategic management.

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ABBREVIATIONS

NKCC/ New KCC	-	New Kenya Co-operative Creameries
KDB	-	Kenya Dairy Board
GDP	-	Gross Domestic product
LPO	-	Local Purchase Order
PMPs	-	Performance Management Programs
RRI	-	Rapid Results initiative
CSR	-	Corporate Social Responsibility
WAN	-	Wide Area Network
SAP	-	Systems Application Product
KCB	-	Kenya Commercial Bank
NARC	-	National Rainbow Coalition
NSSF	-	National Social Security Fund
IT	-	Information Technology
ICT	-	Information Communications Technology
MBA	-	Masters of Business Administration
MD	-	Managing Director

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Change is inevitable and ubiquitous in a rapidly expanding world. These landscapes of many external forces make it most difficult for organizational survival and prosperity. Indeed, the major dilemma faced by businesses today is managing strategic change initiatives efficiently and effectively (Graetz, Rimmer, Lawrence & Smith 2002). And according to Ulrich (1997), a primary difference between organisations that succeed and those that fail is the ability to respond to the pace of change. In other words, organisations need to monitor and scan their external environments, anticipate, and adapt timely to continual change (Marquardt 1996). A salient contention by Pettigrew, Woodman and Cameron (2001), is the relative lateness of anticipation and adaptation ability of firms and their inability to recognize the change in bases of competition that may have changed in their business environment can be a key attribute explaining a loss of competitive performance. Effective strategic leaders understand that change in the strategic environment is a continuous process. A part of strategic leadership entails having an understanding of when the environmental change implies a need for organizational change and when it does not. Making internal changes to accommodate external change is reactive, and strategic vision can help balance reactive and proactive changes (Senge, 1990).

Change management would not be considered particularly important if products and markets were stable and organizational change rare- however, this is not the case, nor has it ever been so. Change is an ever-present feature of organizational life, though many would argue that the pace and magnitude of change have increased significantly in recent years. The Institute of Management (formerly the British Institute of Management), which regularly carries out surveys of its members, has certainly found this to be true. In 1991, the institute reported that 90 per cent of organizations in its survey were becoming 'slimmer and fatter' (Coulson –Thomas and Coe, 1991).

Organization change is about making alterations to the organization's purpose, culture, structure and processes in response to seen or anticipated changes in the environment. Strategic management of change is all about identifying and embedding in the organization those changes that will ensure the long-term survival of the organization. Change can thus be thought of as a condition or process. Strategic change is about leaving vision to get fundamental aspects of the organization, including the organization's direction and culture. Strategic change is about forging organizational robustness in the face of environmental pressures. Hence, an accurate and insightful view of the current reality is as important as a clear vision (Senge, 1990).Robustness is the timely capacity to anticipate and adapt to environmental change in order to maintain competitive advantage.

1.1.1 Concept of Strategic Change

Strategic change is the deliberate process that uses systematic method to ensure that the organisation is guided in the planned direction and conducted an effective manner and completed with the desired results. It involves change in content of a firms

strategy as defined by its scope, resources deployments, competitive advantage and synergy (Watson T J 2003). Considering that business environment is ever dynamic strategic change is concerned with existence finding a fit between the firms and their external environment. The finding of a fit is a continuous process which organizations must strive to live with hence management of strategic change is a business activity which is ever present in the life of a business organization. Strategic change therefore implies the of a strategy that an organization has developed for the purpose of guiding the organization towards a desired direction
(Gichobi 2006)

Strategic change is a proactive, structural approach to address the people and organizational risk inherent in any change effort that will optimize the realization of business benefits and sustain long term performance (Worley, 1996) Strategic changes are deliberate actions undertaken today to shape and prepare organizations for addressing the challenges and demands facing the organisation now and in future. Strategic change enables the organisation to take advantage of important opportunities and to cope with consequential environmental threats. Worley (1996) refers to this as integrated strategic change which is a deliberate coordinated process leading radically or gradually to systematic realignments between the environment and strategic orientation of the firm.

Niania 2000 argue that the organisation exist and depend on the environment or inputs and outputs and will therefore consume resources, transform them through various process and then release the outputs to the environment. The environment is therefore an important factor when considering the success and survival of an organisation. According to Aosa, (1996) Strategy is all about creating a fit between the external diametrical and internal conditions of an organisation in order to solve the strategic problem. In recent periods, the need for strategic change has been necessitated by changes in the global environment which has been increasingly turbulent and awash with increasing competition on changes in consumer tastes and preferences.

According to Burnes,B (2009) uncertainty arises on inability to understand, control events fully, both inside and outside the organisation consequently, forecasting an inexact activity. Internally dependence of management on support for others also creates uncertainty. Thompson A.A and Strickland III (1999) urged that organisation effectiveness is not only dependent the level of environmental uncertainty, but also on the degree of internal dependence present.

1.1.2 Concept of Strategy

Strategy is "the direction and scope of an organization over the long term; which achieves the advantage for the organization through its configuration of resources within a changing environment, to meet the needs of the market and to meet the stakeholders expectations" Johnson and Scholes (2004) strategic management is the process of which managers set an organization's long term course develop plans in the light of internal and external circumstances, and undertake appropriate actions to reach those goals. Goldsmith (1995). The actions referred to here are the strategies employed in meeting a firm's short term and long term objectives. In the process of employing strategy, Pearce and Robinson (1994) recommend three critical ingredients for the success of a strategy. Strategies exist at a number of levels in the vertical organizations structure. Corporate level strategy is at the top level of the organizations. It's concerned with overall direction, purpose and scope of the organization. It's formulated by top level managers after the directors and involves setting of vision and mission of the organizations. Business level strategy is at the middle level of the organization. It relates to the direction of each of the individual businesses within an organization or groups of companies. Functional level strategy concerns with functions and processes such as finance, manufacturing, technologies, human resources (Burnes 2009; Johnson and Scholes 2003)

Strategy in an organization has to be purposely formulated implemented and controlled to ensure success. Strategy management therefore includes understanding the strategic position of the organization, making strategic choices for the future and turning strategies into action. In order to ensure success, an organization has to be continuously scar its environment, both internally and externally to determine the changes that have to be made to a firm's strategy and internal capability in order to ensure the success in its future environment (Ansoff H.I and McDonnel E, 1990). This is due to the dynamism and turbulence taking place in the environment in which organizations exist. The raprodity of change in the social, political and economic environments is creating a market impact on organizations as well as individuals (Harigopal, 2001). The rate of technological change seems to increase every time when new scientific discoveries are made, work values within organizations changes. There is knowledge, expansion require organizations to operate

1.1.3 Management of Strategic Change

Strategic change management is the process of managing change that an organization requires to adapt to changed strategy . It aims at coping with both the environment in which the organization operates and constraints, challenges and threats it faces, thus ensuring that the organization and its environment remain in harmony, creating conditions for growth and prosperity (Burnes, 2009). Once an organization strategy has been formulated change management is employed to ensure that the changes required to achieve the strategy are put in the planned direction, conducted in a cost effective manner and completed with the targeted time frame and with the desired results (Davis and Holland 2007) Management of strategic change is therefore the set of managerial decisions, actions, priorities, monitoring and control that are put in place to ensure long-run performance of an organisation and achievement of corporate structures goals. This includes aspects such as scanning of the environment, strategy formulation, implementation, evaluation control.

Strategic change management directs or facilitates change and often both, depending on the circumstances and it requires identification of available option and choices and that the choices made take account of short and long term interest of all the stake holders. (Johnson and Scholes, 2002). Whereas developing the strategy for an organization is important the success of implementation of such strategy is dependent on effective management which is needed to empower organizations and individuals to implement the strategy. Critical mass of individuals or groups with active commitment is necessary to provide the energy for change to occur (Beckhard and Harris 1987). It is therefore incumbent on leadership to communicate the change and change process to all constituents in order to elicit willingness and commitment to change. This involves articulating organizations goals and objective with utmost clarity. Organizational leadership should guide the organisation during the whole process of change (Pearce and Robinson 1994) and has a responsibility of preparing organization members for change (Constod, 2006)

Successful strategic change management process depends largely on the context in which changes is taking place. The time within which completion is needed; the scope or degree of change, organizational resources, diversity of staff groups and division in organizations; managerial and personal capabilities to implement change; readiness of work force to change; and power that change leaders have to inspire change all play a crucial role in change management of strategic process (Johnson and scholes, 2002). Two approaches to change management have been developed: planned approach and emergent approach. The planned approach to change management change is viewed as a process of moving from one state which is fixed to another through a series of predictable and pre-planned steps. This approach is suitable when organization operate in a stable and predictable environment as in 1950's and 1960's (Ansoff and Mc Dowell 1990; Burnes, 2000). Emergent approach to change management developed is based on the presume that change is a continuous, open-ended and unpredictable process requiring aligning and realigning a firm to its changing environment. Regardless of the strategic change, management approach adopted by an organization the four critical issues than an organization should address are:- the need for leader to drive the change process; type of change to be implemented; obstacles or resistance to change; measurement or evaluation of objectives and goals of the change process. Managing change process can be a tricky and difficult task (Howard 1994)

1.1.4 New Kenya Co-operative Creameries

The Kenya Co-operative Creameries Ltd was formed in 1925 as a farmers owned co-operative company whose objective was to harness milk from the farmers, process the milk into various products, profitably sell and market the products in Kenya. The organisation was formed as State Corporation and enjoyed monopoly protection until 1980's when the government liberalized the economy. New entrants to the milk industry started operating notable ones being Brookside dairy and other independent co-operatives which developed prototype business to that of KCC. The organisation was a loss making out fit when competition in the milk industry was ushered in by liberalization in 1993.

The Kenya Co-operative Creameries Ltd underwent a change in ownership in August 1999. This was after the debenture holders Kenya Commercial Bank (KCB) placed KCC under receivership and Price water house Coopers were appointed as receiver managers. In August 2000, KCC 2000 was formed and acquired the company through bids invited by the receiver manager. KCC 2000 turned out to be an acquisition of assets of KCC by individuals in a non transparent manner. The farmers who were the share holders of the company felt left out in bids acquisition and vowed to sell their milk produce to the competitors. In 2002, the government as the regulator of co-operative movement formed New KCC to take over the management of KCC 2000. New management was put in place with the objective of turning round the organization. A restructuring process was undertaken and new organization structure aligned to the environment which now had several competitors was formed. Co-operative societies which previously owned KCC were reinstated in ownership as a step towards ensuring a steady supply of milk

The company is yet to gain its foothold in the market amidst stiff competition in the market from Brooke side dairy, Githunguri dairy and Limuru dairy other small formal and informal milk processor. Further, being a state run company, various challenges are prevalent which include; lack of enough machinery to handle increased capacity. This has led to losses for both the company and the farmers. With increased business opportunities and the company is yet to put in place necessary measures to create and retain the new markets. The company has set up various cooling facilities across the country that handles different capacities which have been increasing with time. This include Sotik, Eldoret, Kinagop, Iten, Kapsabet, Lessos, Kilgoris, Nyeri, Mombasa, Kitale, Kisumu, Naivasha and Nanyuki. The processing factories include; New KCC Ainabkoi, Naivasha, Nyahururu, Nairobi and cheese factory in Nairobi. (Source Kenya Dairy Board)

1.2 Statement of the Problem

Change in organizations usually result out of either internal or external environmental factors that interfere with the achievement of the set goals and objectives (Kanter,1996,, Harmel and Prahalad, 1994, Kotter 1996) Every change comes in its unique way and its successful implentation is related to the set of values, resources and skills of the firm and the prevailing environment. The change focuses on the significant alteration in the strategy, process, systems and procedures and organisation culture. There is no one right formulae for the change management. Kazmi (2002) indicates that change is not linear i.e. it can not be worked on a mathematical formula basis with a set of variables that will always yield a fixed answer to their combination. Aosa (1992) points out the necessity of carrying out change within the context of the unique environment challenges in Africa. When KCC went down it destabilized the dairy sector where the price of raw milk went to as low as Ksh 8. This impacted on the economy and Agricultural Gross Domestic Product (GDP. Most farmers then stopped dairying and the little who had remained had no financial muscle to do modern farming method. The current challenges are on the climate changes where Kenya has experienced failed rains in the past 6 seasons. In the dairy season the company experience a flush of milk delivered which is converted to milk powder. The dry spell has posed challenges to the type of animal feeds the cow feeds on which affects the quality of milk.

There are various reasons as to why KCC businesses had declined as there were serious financial irregularities and procurement abuses due to lax management then. Delays in payments to farmers and suppliers were prevalent as the company faced very serious capital constraints. The company resulted to huge borrowing to settle outstanding creditor payments and finance purchase of milk from dairy farmers. In an attempt to address lost market share KCC became a “buyer of last resort” in the industry. This resulted to KCC being flooded with milk it could not process and sell to consumers. Much of the milk was converted to powder and stored. The powder could not be reconstituted into liquid milk when needed; this proved very costly and further strained the company resources. Over time, stocks of powder became unmanageable, tying further the much needed capital. Moreover, purchases were debt managed thus profit margins shrank. KCC could not meet its commitment as and when they fell due.

Moreover, purchases were debt managed thus profit margins shrank. KCC could not meet its commitment as and when they fell due. Kenya co-operative Creameries Ltd underwent a change in ownership in August 1999. This was after the debenture holders Kenya Commercial Bank (KCB) placed KCC under receivership and Price water house Coopers were appointed as receiver managers. In August 2000, KCC 2000 was formed and acquired the company through bids invited by the receiver manager. KCC 2000 turned out to be an acquisition of assets of KCC by individuals in a non transparent manner. The farmers who were the share holders of the company felt left out in bids acquisition and vowed to sell their milk produce to the competitors. In 2002, the government as the regulator of co-operative movement formed New KCC to take over the management of KCC 2000. New management was put in place with the objective of turning round the organization. Co-operative societies which previously owned KCC were reinstated in ownership as a step towards ensuring a steady supply of milk. The company faces a big hurdle in reclaiming lost markets and assuring old and potential clients of its commitment not only to meet their demands but also to provide high quality products at all times.

The company is yet to gain its foothold in the market amidst stiff competition in the market from Brooke side dairy, Githunguri dairy and Limuru dairy other small formal and informal milk processor. Further, being a state run company, various challenges are prevalent which include; lack of enough machinery to handle increased capacity. This has led to losses for both the company and the farmers. With increased business opportunities and the company is yet to put in place necessary measures to create and retain the new markets.

A number of studies have been carried out on strategic change management. these include; (Nyamache, 2003, Ongaro, 2004, Gekonge 2005, Nyororo 2006, Menya 2008, Ng'ang'a 2010), among others. Nyamache (2003); focused on strategic change management in civil service of public sector, his findings were that despite considerable improvement the strategic change failed in its objectives of achieving a reduction in budget deficit and improved productivity and efficiency through a well motivated civil services. Ongaro (2004); looked at strategic change management at National Cereals ansd Produce Board (NCPB). He concluded that the highes pressuring change was the need to plan ahead for reinforcement of the change which was found to have been very poor. Gekonge (2005); looked at strategic change management practices on quoted companies at Nairobi Stock Exchange (NSE). His results revealed that the main challenge of managing change in most Kenyan companies was resistance of employees to change. Nyororo (2006) focused on strategic change management at National Social Security Fund (NSSF). She found out that the change management process at NSSF is planned and the change management approach was top-bottom where change activities were decided at the top and passed down for implementation. Menya, (2008); expounds on changes in Rift Valley Railway (K) ltd and the models that were used in change management. His findings were that Rift valley Railways corporation adopted a number of models in its change process. This emphasizes that there is no single style or formula that can be used in management of strategic change. Nganga (2010) focused on strategic change management practices at Brookside dairy company Kenya. Her findings were that several change management concepts were utilized and that culture, resistance to change and teamwork determine the success of strategic change. However, to the best of researcher's knowledge, no studies have been carried on strategic change management during turnaround of an organisation in the dairy Industry like New KCC, exists a knowledge gap. The emerging research question of this case study are: what approaches were used in strategic change management at New KCC? What were the challenges faced in the management of strategic change at New KCC?

1.3 Objectives of the Study

The objectives of the study were:

(i)To determine the strategic change management approaches adopted at the new KCC

(ii)To understand challenges encountered in management of strategic change at the New KCC.

1.4 Value of the Study

The study will be important to the following users:-

Managers of the New KCC will be in a better position to understand how to manage future changes in the organization by aligning the organization's capabilities and competencies in a more efficient and effective manner. The study shall bring into prominence the role of leadership in management of strategic change. The challenges during strategic change management shall be elicited indicating how best to manage them hence the study shall be a reference and guiding point for future strategic change management practices.

The organizations involved in turn around strategies will find the study to be a useful guide on how to pull the organization from loss making situations to profit making positions. New KCC will use the study to consolidate the gains made in the management of change and use the knowledge in other future strategic change management in the organization.

Government shall use the study in successfully making strategic changes in organizations that may require a similar turn around. It will provide information to future scholars who might need to research on the challenges to management of strategic change in organizations which have undergone loss making situations. This is so because the study will add to the existing literature in the field of strategic change management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Change

Strategic change is a proactive, structural approach to address the people and organizational risks inherent in any change effort that will optimize the realization of business benefits and sustain long term performance (Worley 1996). Strategic changes are deliberate actions undertaken today to shape and prepare organizations for addressing the challenges and demands facing the organizational now and in the future. Strategic change also enables the organization to take advantage of important opportunities and cope with consequential environment threats. Worley (1996) refers to this as integrated change while is deliberately coordinated process leading to radically or gradually systematic alignments between the environment and the strategic orientation of the firm.

Strategic change enables an organization to move from its current position and state towards some future position as a way of increasing its overall effectiveness (Jores, 2001). Change is inevitable and has organizations respond to and manage makes the difference between survival and death. Seeing the need for change and having ready resources for implementation is one thing, but the process of actually implementing the change is another. Organizations should therefore make the necessary efforts to adopt sound change management practices in order to achieve competitive advantage in their rapidly changing business environments. Strategic change touches all the price of an organisation; structure technology, culture, communication power and politics.

Structure of the organisation must be aligned to the strategic change adopted by the organisation. Depending on the strategic change adopted Michael Porter (1980) five forces model call for different structures of the organisation. In low cost leadership strategy where the organisation attempts to increase markets share by keeping cost low compared to competitors a mechanistic structure characterized by standard operating procedures, close supervision, routine tasks and detailed control reporting can be adopted. However, in a differentiation strategy, an organic structure characterized by emphasis on delegation, innovation, creativity, research or learning organization is preferred. Miles and Snow (1978) proposes stable organisation structures for analyzers and defenders strategy while fluid or learning organizations structures are proposed for prospective strategy. Structure are essential for ensuring organizations survival especially in highly competitive environments because they facilitate continuous innovation and improvisation and allow intensive real time communication (Brown and Eisenhardt 1997). Structures also influence organisation focus on customers and decision making process which are dependent organisation complexity, Campbell et al (1992).

Culture of an organisation as epitomized by symbols, stories and myths, power relationships, control system, rights and ceremonies, value systems etc are part of strategic change. Peters and waterman (1982) noted that organisation culture is a major determinant of organizations performance. Barles (1989) in his study of the success of west countries noted that influence of organisation culture in creating systems of beliefs and myths within organisation. Organisation culture in relation to strategic change defines how an organisation should behave in a given set of circumstances and legitimizes certain forms of action as it proscribes others. Corporate heroes have the role of shaping the future of the companies(Burnes, B 2009) Various rites; rites of passage, rite of questioning and right of renewal helps in changing the status quo through participative initiatives like strategy development, vision building and job redesign programs which are part of strategic change.

Technology is the work process techniques, machines and actions used to transform organizational inputs into outputs. Strategic change involves aligning technology of the organisation to the strategy adopted. In this era of explosion in information, strategic change must enhance organizations capability to gather, process and disseminate information for effective competitive actions and responses (Hitt, Ireland and Hoskisson (1997 pp41). Technology has a direct link to major competitive advantages aspects of quality. Customer care, market coverage, advertisement and promotion, organizations image and ability of prospecting. Technology adopted also affects the structure of the organisation and therefore its efficiency and effectiveness (John Woodward 1958)

2.2 Management of Strategic Change

Managing strategies is about managing the unfolding non-linear dynamic process during strategy implementation (Hurchy 1994). It involves change or alignment in policy, systems, styles, values, staffs and skills in an organization to realize a strategy (Peters 1976). The process of managing strategic change involves more than just strategy. It encompasses the path from strategic intent to strategic realization (Carnall, 1990) strategic realization is the transformation of strategic intentions into actions through services of organizational changes, actions and decisions (Strabel, 1996). Strategic Change management is the use of systematic methods to ensure that a planned organizational change can be cost effective and efficient manner and completed within the targeted time frame (Thompson and Stricland 1999).Todd (1999) defines change management as a structured and systematic approach to achieving change in human behaviour within an organization, focusing on the people aspect of change. According to (Nauheimer, 2005)change management is the process tools and techniques employed to manage the people side of change, processes to achieve the required outcomes and to realize the change effectively within the individual change agent, the inner team and the wider system.

Change can be particularly difficult to achieve in organizations which have long established and largely settled patterns of operations (Spafford and Surnson 2007). Rose and Lawton (1999) inferred that change has become and enduring feature of organizational life. They continue to say that few people in public or private sector can claim to have been untouched by either the pace or direction of change. Managers in both sectors increasingly find it difficult to make sense of business environments in which they operate. One of the reasons is the speed of change (Johnson and scholes 2002) Resistance to change is bound to occur especially when change is significant. Significant change is a disruption in our expectations of the future and is viewed as a loss of control (Marshal and Courer 1996). People are not likely to change the way they have been successfully working, especially when it is not clear what the goal of the whole operation is and who will benefit from the changes (Doppler and Lauterburg, 2000). Strategic change has therefore to be carefully planned and the change process has to be managed well for successful results.

The objective of organizational change management is to maximize the collective benefits of all the people involved in the change and minimize the risk of failure of implementing the change (Nyalita 2006) successful change management process largely depends on the context in which change is needed of the scope or degree of change, the organizational resources and characteristics needed to be maintained, diversity of staff groups and the organization culture, management and personal capabilities to implement change degree of change resources available, readiness of the workforce to change and the power that changes leaders have to inspire change (Johnson and Schole 2003)

2.3 Theoretical Foundations of Change Management

According to Burnes (2009), the 3 schools of thought that form the central plants on which change management theory stands are:- individual perspective, group dynamic school and open system school. The individual perspective which assumes that individual behaviour results from the individual conditioned by the expected consequences and behaviour that is rewarded tend to be repeated and the unrewarded negative behaviour eventually disappears. To bring about organizational change, managers must use strong incentives and involvement, discussions and debate (Skinners 1974). The group dynamic school urges that an individual behaviour is a function of the group environment.

Individuals behave in a way that conforms to group pressure, norms, roles and values. The focus change must therefore be at the group level and should concentrate on influencing and changing group norms, roles and values in order to bring about successful strategic change management (Bell and French 1984)

The open system school whose focus is on the entire organization. It sees the organization as composed of different sub system, which are the goals and values. Sub systems the technical subsystems the psychological sub systems and the managerial sub system (Miller 1967). A change is one part of the system can therefore be achieved by changing the sub system but then one needs to understand the inter relationship of the sub system.

2.4 Planned versus Emergent Approaches of Change

According to Burnes (200), change has always been a feature of organizational life, though many would argue that the frequency and magnitude of change is greater now than before. Planned change is a term first coined by Kurt Lewin to distinguish change that was consciously embarked upon and planned by an organization as averse to type of change that might come about by accident, by impulse or that might be forced on an organization. Planned change approach views organizational changes as essentially process of moving from one fixed state to another through a series of predictable and pre-planned steps. Emergent change approach starts from the assumption that change is a continuous open-ended and unpredictable process of aligning and realigning an organization to its changing environment. According to Burnes (2000), the rationale for emergent approach stems from the belief that change cannot and should not be solidified, or seen as a series of linear event within a given period of time. The emergent approach, therefore, stresses the developing and unpredictable nature of change. It views change as a process that unfolds through the interplay of multiple variables within an organization.

Though the proponents of these approaches claim their universal applicability, Burnes (2000) differs. He argues that such approaches are developed in particular circumstances at particular time and often with particular organization in mind. It follows then that organization and managers would understand the approaches they find suitable. Aosa (1996), says that there is need to synchronize the management and implementation of change and implementation of change with the context with which a change is being carried out. This is especially true within the African context where management has been shown to be different.

2.5 Models of Change Management

There are many different change management models. These include; McKinsey 7-S Model, Lewin's Change Management Model, Kotter's Eight Step Change Model and ADKAR model. There are many differences and many similarities to each of these models. The McKinsey 7-S Model was created by Tom Peters and Robert Waterman while they were working for McKinsey & Company, and by Richard Pascale and Anthony Athos at a meeting in 1978 (12Manage, 2007). The McKinsey 7-S model is a holistic approach to company organization, which collectively determines how the company will operate (12Manage, 2007).

There are seven different factors that are a part of the model: shared values, strategy, structure, systems, style, staff, and skills, which all work collectively to form the model (12Manage, 2007). There are many benefits and disadvantages of the McKinsey Model. There are four main benefits of the McKinsey 7-S Model: It is an effective way to diagnose and understand the organization; it is a guide for organizational change; it is a combination of both rational and emotional constituents; and all parts are interrelated, so all portions must be addressed and focused on (12Manage, 2007). One major disadvantage is that when one of the parts is changed, all parts change because they are all interrelated (12Manage, 2007). Another major disadvantage is that this model ignores differences (Morgan, n.d.). After five years many of the companies that used this model fell from the top (Morgan, n.d.).

Lewin's Change Management Model was created in the 1950s by a psychologist named Kurt Lewin (Mind Tools, 2007; Syque, 2007). Lewin recognized three stages of change, which are still widely used today: unfreeze, transition, and refreeze (Syque, 2007). The majority of people tends to stay within certain safe zones and is hesitant of change (Syque, 2007). These people tend to become comfortable in this unchanging environment and become uncomfortable when any change occurs, even if it is a minor one (Syque, 2007). In order to overcome this frozen state, we must initiate an unfreeze period, which is done through motivation (Mind Tools, 2007). Motivation is important in any organization, even when it is not changing. The transition period is when the change is occurring, which is a voyage and not a step (Syque, 2007). The transition period takes time because people do not like change (Syque, 2007). This is when leadership is critical for the change process to work. Another important part of this stage is the reassurance that this is good for the company as well as the employees. At the end of the transitional voyage, comes the next stage: refreeze (Syque, 2007). This is the stage where the company once again becomes stable (Syque, 2007).

As with the previous model there are many disadvantages and benefits of Lewin's Change Management Model. Benefits include: that this is a simple and easily understood model for change; the model is done through steps; this is an efficient model that is used today (Mind Tools, 2007; Syque, 2007). The main disadvantage of this model is that it is timely, but you must consider that it is timely for any change to take place. Another disadvantage is that at the refreezing period, many people are worried that another change is coming, so they are in change shock (Syque, 2007). nge shock causes employees to not be as efficient or effective in their jobs (Syque, 2007).

The third model is the Kotter's Eight Step Change Model. There are eight steps in this model. Step One: Increase urgency for change, this involves examining market and competitive realities, identifying and discussing crises, potential crises. Step Two: Forming a powerful guiding coalition. It involves assembling a group with enough power to lead the change effort and enhancing the group to work together as a team. Step Three· Creating a vision. This involves creating a vision to help direct the change effort and developing strategies for achieving that vision. Step Four: Communicating the vision by using every vehicle possible to communicate new vision and strategies and teaching new behavior by the example of the guiding coalition. Step Five: Empowering other to act on the vision by getting rid of obstacles to change, changing systems that seriously undermine the vision and encouraging risk taking and non-traditional ideas, activities and actions. Step Six: Create short term goals by planning for visible performance improvements, creating those improvements and recognizing and rewarding employees involved in the improvements. Step Seven: Consolidating improvements and producing still more change by using increased credibility to change systems, structures and policies that don't fit the vision and hiring, promoting and developing employees who can implement the vision. Step Eight: Instituonalising new approaches by articulating the connections between the new behavior and corporate success and developing the means to ensure leadership development and success.

As with the two aforementioned change models, Kotter's Eight Step Change Model has many disadvantages and benefits. One advantage is that this is a step by step model, which is easy to follow. Another is that it does not focus on the change itself, but rather the acceptance and preparedness for this change, which makes it an easier transition. One disadvantage is that you cannot skip any steps or the change process will completely fail. As with the other two models, change still takes time with this one too.

Many scholars view this model to be the best choice because it is a simple model and also because it fully prepares the employees of the company before the vision is even created, which means that the actual transition will be much easier in the long run. There are fewer disadvantages to this model than others. Overall it is the best fit for most companies because substantial change is needed for the divisions because it's history. This will also help ease the transition because the division has quite a history compared to the rest of the company, so people are not as set in the ways, as they would be if the division had been around longer.

The fourth model is ADKAR change management model. ADKAR is a goal-oriented change management model that allows change management teams to focus their activities on specific business results. The ADKAR model was first published by Prosci in 1998 after research with more than 300 companies undergoing major change projects. In 2006, Prosci released the first complete text on the ADKAR model in Jeff Hiatt's book ADKAR: a model for change in business, government and our community. This model is intended to be a coaching tool to help employees through the change process.

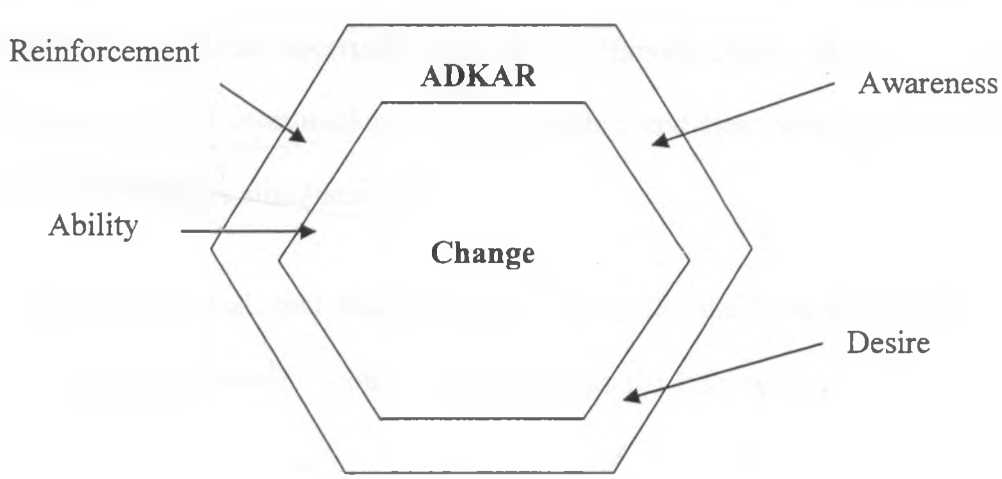
The model was initially used as a tool for determining if change management activities like communications and training were having the desired results during organizational change. The model has its origins in aligning traditional change management activities to a given result or goal. For example, Awareness of the business reasons for change is a goal of early communications related to a business change. Desire to engage and participate in the change is the goal of sponsorship and resistance management. Knowledge about how to change is the goal of training and coaching. By identifying the required outcomes or goals of change management, ADKAR becomes a useful framework for change management teams in the planning and execution of their work.

The goals or outcomes defined by ADKAR are sequential and cumulative, (J. A. Pearce et al 1988). An individual must obtain each element in sequence in order for a change to be implemented and sustained. As a manager, you can use this model to identify gaps in your change management process and to provide effective coaching for your employees. The ADKAR model can be used to:

- diagnose employee resistance to change
- help employees transition through the change process
- create a successful action plan for personal and professional advancement during change
- develop a change management plan for your employees

The ADKAR model has the ability to identify why changes are not working and help you take the necessary steps to make the change successful. You will be able to break down the change into parts, understand where the change is failing and address that impact point. To use the ADKAR model effectively, you will need to understand the underlying framework for change initiatives. In the diagram below, change happens on two dimensions: the business dimension (vertical axis) and the people dimension (horizontal axis). Successful change happens when both dimensions of change occur simultaneously.

ADKAR MODEL



2.6 Challenges of Management of Strategic Change

Change strategies have always proved to be a challenge for management. To ascertain success of any change strategies, the management team must be open and alert to all forms of resistance as well as development, supported by an in-depth understanding of the culture and operational processes of an organization. Given that strategic change does not move in a logical sequence of event (Pettigrew & Whipp 1991), management will frequently face ambiguity, as they explore the amalgam of economic, personal and political imperatives. The sort of change management in which the change is analyzed and then structured and planned in phases stems from the early work of Kurt Lewin who was a pioneer in the field of organizational change (Burnes 2004b)

In addition to the inability to recognise change, it is no longer sufficient to adjust one change to compensate another. Arguably, organisations will have to handle all the challenges of change simultaneously (Brown & Harvey 2006). These challenges of changes, at the organisational level, have elevated the importance of managing change and in particular, the managing of employees' change experiences. This is because massive change has an impact on all facets of organisational members as it can create new dimensions of greater uncertainty (Brown & Harvey 2006). Hence, it is very important to ensure good coordination, strong leadership, and clear communication while managing various changes simultaneously.

There are three major trends that shape change. Specifically, the three trends are (a) the heightened competition brought about by globalization, (b) information technology, and

(c) managerial innovation. Globalization is changing the economy and markets in which organisations operate. And there has been an increase in the e-business sector that is changing how work is distributed and performed with the use of information and communication technology (ICT). Moreover, managerial innovation becomes more important as a form of response to both competition and information technology trends (Brown & Harvey 2006).

As scholars differ in their beliefs about the concept of change a number of different streams have arisen. For example, Tichy and Devanna (1986, 1990) identified the three distinct stages in the sequencing of organisational change by using the metaphor of the theatre to focus attention on the role of the change leader. The evolving role of the transformational leader is explained in three acts.

- Act I: Recognising the need for revitalisation (creating a felt need for change, overcoming political and cultural resistance to change),
- Act II: Creating a new vision (diagnosing the problem, creating a motivating vision, mobilising commitment), and
- Act III: Institutionalising change.

Hence the inability of a leader to perceive the needs and goals of the organization in achieving its change management process can be detrimental. Resistance to change can be expected when the possibility of a change in culture appears and it is a natural reaction or safety response to the interruption to the status quo (Doppelt, 2003). Human beings seek control and tend to fear and avoid ambiguity of disruption, whether it is positive or negative and hence what people resist in reality is not the change but the implications of the change (Conner 1998, Gichohi, 2006). Unless managers involved in change management respect employees views, they will be stuck in the middle in their efforts to implement organizational change (Mugo, 2006). To minimize resistance to change, managers must define the terms and persuade employees to accept them.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the methodology that will be used to conduct the research. It describes the research design, data collection methods and the process that will be used to analyze the results to be obtained from the data that will be collected.

3.2 Research Design

The proposed study will be conducted through a case study design. The study will focus in depth understanding of strategic change management approaches and the challenges in management of strategic change at New KCC. A case study is a powerful mode of qualitative analysis that involves a careful and complete observation of social units. It's defined as an examination of specific phenomena such as a program, an event or an institution. Case studies place more emphasis on full contextual analysis of few events on conditions and their interrelation (Kothari 2004).Primarily data collected from such a study is more reliable and up to date.

3.3 Data Collection

To meet the objectives of the proposed study, the study will collect primary data using a structured interview guide. The interview guide contains both closed ended questions and open ended questions to avoid subjectivity resulting from limiting the respondent's answers to questions.

The interview guide has three sections namely general information, awareness and management role in strategic change, implementation of strategic change and change management. The interviewees will be heads of departmental units which include chief finance officer, chief human resources and administration, chief marketing officer, manager corporate affairs, chief factory operations, manager export and the general manager. This category of staff has the responsibility of managing strategic change and is therefore more conversant on the practices and challenges faced in the organization.

3.4 Data Analysis

The data to be collected through the interview guides shall be qualitative data. Qualitative method can be used to uncover what lies behind phenomena understudy. It can be used to gain quite some fresh material even in what was thought to be unknown. This will be analyzed using content analysis. The findings emerging from the analysis will be used to compile the report. Nachmias & Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends. This approach has been previously used in a similar research paper like one by Nyororo (2006). She argues that this method is scientific as the data collected can be developed and verified through systematic analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The objective of the study was to find out how New KCC the strategic change management approaches used by the company to effect its change program. Information was gathered from personal interviews which were conducted on the interviews were conducted on five senior management office Chief Finance Officer, Chief Factory Operations, Chief Human Resources, Manager export and the General manager. Only two respondents were not available for the interview that is the Corporate Affairs Manager and Chief Manager Sales and Marketing. All the respondents except for the general manager were present when the change management was effected to its implementation. The general manager who joined the organization in March 2011 was well informed on how the change was effected in the organization. Hence, the information got was adequate. Secondary data collected from various sources is as well reported.

4.2 Strategic Change at New Kenya Co-operative Creameries

The Kenya Co-operative Creameries Ltd underwent a change in ownership in August 1999. This was after the debenture holders Kenya Commercial Bank (KCB) placed KCC under receivership and Price water house Coopers were appointed as receiver managers. In August 2000, KCC 2000 was formed and acquired the company through bids invited by the receiver manager. KCC 2000 turned out to be an acquisition of assets of KCC by individuals in a non transparent manner. The farmers who were the share holders of the company felt left out in bids acquisition and vowed to sell their milk produce to the competitors. In 2002, the incoming regime was determined to reverse it. New Kenya Co-operative Creameries was registered on 25th June 2003 as a limited liability co-operative as a result of new government initiative. The National Rainbow Coalition (NARC) government was determined to turn around New KCC. The concern of the new regime was that despite massive capital infrastructure, skilled manpower, wide range of products, market good will that KCC enjoyed its operations were a loss venture. New management was put in place with the objective of turning round the organization. The company was involved in turn around strategies which were a useful guide on pulling it from loss making situations to profit making positions.

The company has attained super Brands status; an accurate and most reliable insight into many of East Africa's strongest brands, and which were awarded in recognition of the company's brands in a growing and challenging market. In addition, the company was Halal certified. The certifications had enhanced the ability to competitively market its product. For instance, in 2007, the company was able to serve the Middle East with Dried Milk Powder.

The company has engaged in a certification on its products in number of quality systems that will attract more consumers. The company has engaged in setting up state of the art machinery that will ensure no deviation in quality. The diversification of products is one of the major strategies.

Installation of the ICT has helped to make the businesses the company operates visible by integrating all processes to avoid island of information existing in respective functionalities. New KCC being a Multi-site and Multi-plant with the help of ICT, business disparities have been avoided hence stakeholders view the company as one unit. The company has embarked on an exercise that will see the company vehicles branded. This will add to the number of marketing avenues that the company is currently using. In addition, wall branding exercise in selected areas is already underway.

As the company was achieving its growth, so the stature rose. This has increased the company's involvement in Corporate Social Responsibility (CSR) activities. The company viewed itself as a community organization and therefore CSR activities are very community based. The face of New KCC has been seen sponsoring Athletics Kenya (AK) for the fifth year running dubbed as "Nurturing Kenya's Talent." The company hopes to use sports as part of their marketing program toward reaching a target market of Ksh 20 billion turnover by 2013.The company joined other companies in the World in intensively adopting the Performance Management Programs (PMPs) which consist of signing of a performance contract with regular review sessions. As a result, the company was able to award and reward employees based on merit, a practice that was reflected on salary increment and benefits. This motivated the employees hence better performance and reduced turnover. Further, the company trained all employees on culture change which proved to be a success by setting the mindsets of the employees to embrace change thereby reducing resistance to change.

In the past the company used to turn away milk with questionable quality standards. To help farmers avoid such losses; the company instituted regular sensitization projects and rapid extension services to introduce farmers to better dairy farming practices. Owing to the enhanced working relationship between the company and the suppliers, it managed to get back most of the suppliers lost to competitors, boosting the company's daily intake.

4.3 Forces Necessitating Change

The change processes at New KCC were as a result of both external and internal factors. Externally certain technological and political changes exerted pressure on the New KCC to change and shift from the past practices not bearing fruit and instead manage performance differently to produce tangible results according to its mandate.

4.3.1 Internal Forces of Change

Corruption and mismanagement

Some respondents identified corruption and mismanagement as one of the internal factors which necessitated change. Years of plunder, corruption dragged the New KCC to its lowest ebb. The most popular was In August 2000; KCC 2000 was formed and acquired the company through bids invited by the receiver manager. KCC 2000 turned out to be an acquisition of assets of KCC by individuals in a non transparent manner. The farmers who were the share holders of the company felt left out in bids acquisition and vowed to sell their milk produce to the competitors. However in recent times, aggressive reform policies have been implemented to prevent the mistakes of the past recurring. New KCC operations are now conducted in an atmosphere of transparency, accountability and with a renewed commitment to efficient delivery of provision of quality dairy products within and outside the African Region.

4.3.2 External Forces to Change

(a) Political Forces

According to the interview by the Chief Human Resource Officer and the General Manager, political intervention played part in New KCC reforms. This non transparent acquisition of assets of KCC gained political dimensions. Persons in political leadership then took advantage of the situation trying to benefit themselves in a selfish manner through the company. The incoming regime was determined to reverse it. New Kenya Co-operative Creameries was registered on 25th June 2003 as a limited liability co-operative as a result of new government initiative. The NARC government was determined to turn around New KCC. The concern of the new regime was that despite massive capital infrastructure, skilled manpower, wide range of products, market good will that KCC enjoyed its operations were a loss venture.

(b) Technological Forces

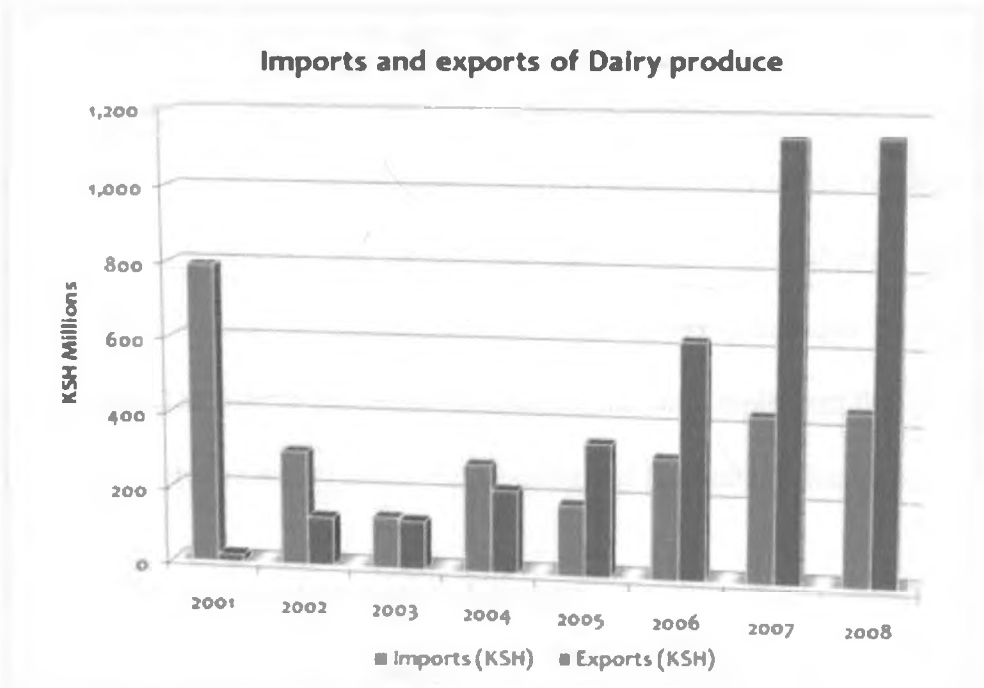
Lack of ICT knowledge was identified as another force necessitating change at New KCC. The growth of information technology infrastructure at New KCC has not proportionately kept pace with the modern information technology requirements. Most staff were seen as less enthuastic in embracing ICT. This resulted in inefficiency in generating LPOs, there was no system sharing of data in the financial operations hence no global view of the financial situation at any one time. Communication between locations was a headache as messengers had to be sent or vehicles dispatched. The company has invested heavily in ICT as a means of enhancing operational efficiency and gaining competitive advantage. There has been a great leap in terms of ICT infrastructure and hardware for example from a lowly 60 computers to about 300 computers. The company has moved from a "network-less" organization to one that supports a Wide Area Network (WAN). Further, SAP (Systems Application & Products) system has been adopted and this is able to control and management of the process from the time a requisition is made to the point of receipt of goods /services

(c) Economic Factors

Recent deteriorating economic performance of the economy and skewed distribution of wealth prevalent in Kenya has led to the worsening of conditions of life. The worst social effect on the country currently is the increasing rate of poverty aggravated by rising level of employment. The main agenda of the government is restoration of confidence and economic reconstruction to turn the economy around. Respondents were of the view that farmers need to get high returns from their ventures of delivering high quality milk to New KCC. The continued success of farmers will be a true example of how economic diversification when properly managed can translate into economic success for all stakeholders involved.

An appreciating Kenya Shilling is making Kenyan exports less attractive and imports more attractive. This means NKCC needs to revisit its exports pricing to remain profitably locally and not out price themselves. Dollar based pricing may also not be the be strategy with a weak dollar they may consider opting for Euro in the long-term if the dollar continues to appreciate against the euro. Kenya exports substantial quantities of milk and milk products to the region. Intra-regional trade in dairy products in the EAC has continued to gain momentum and benefits the Kenyan dairy industry. The main products exported are long life milk and powder milk. Dairy imports have gone down over time as Kenya becomes increasingly more self- sufficient in milk and milk products. However specialized milk products are imported mainly from New Zealand and the E.U. The graph below shows the trends in monetary value of the dairy products exported and imported from and into Kenya respectively for the last few years;

Table 1.1 Dairy Imports and Exports



Source: Kenya Dairy Board

4.4 Planned and Emergent Change

The respondents were unanimous in that the change effort was planned and there is a clear line in sight to a future desired state. The approach was top-bottom where change activities were decided at the top and passed down for implementation. A task force was appointed which carried out sample surveys of the business processes, working relations, working tools, staff competencies and staff initiatives. The findings of the task force were discussed and the proposals presented to the Board of Directors who then planned the change activities and a schedule of responsibilities and time-frame drawn. However as change progressed, the emergent approach started to take root.

The emergence of a down-up approach was encouraged with the participation of various departmental in initiating reform activities. This is because change cannot be characterized as a rational series within a given period of a time but rather a continuous process. It is a process that unfolds through interplay of multiple variables within the organization. Therefore, handling change is part of every manager's role and not work of a specialist. The role of the manager is not to plan and implement the change but to create and foster structure and climate, encouraging and facilitating change by the organization.

4.5 Management of strategic Change

New Kenya Co-operative Creameries has been implementing change over the last 10 years. Set below is a review of how the organization has been doing this viewed against known models of leading successful change.

4.5.1 Establishing a Sense of Urgency

From the available records, it is clear that this was done via a review of the company's performance. The future of New KCC depends on how effectively it responds to the emerging critical issues and rising competition in the dairy industry.

The way the company was managed was causing serious concerns with heightened levels of corruption. Further, the New KCC's structure and unproductive work culture and attitudes allowed little room for increased speed in business processes and effective management and operational costs. The company was known for poor service record and required strategic change re-alignment of its work organization to maximize synergies and gain resources productivity. New KCC therefore ought to form the basis for a result-oriented workforce culture that is intent on timely and efficient delivery of laid out objectives, and with a zero tolerance towards corruption. Misplacement or even complete loss of files was common place, which made for a very frustrated staff and supplier. ICT brought change in enhancing operational efficiency and gaining competitive advantage.

The clientele was alarmingly low hence reclaiming the lost market and reassuring existing, old and potential clients of the company's commitment to provide high quality products at all times was such a task. It thus resulted to the development of a strong marketing strategy and customer care programmes to stimulate enough interest in the core business of New KCC and attract new clients and at the same motivating existing clientele. A sense of urgency was properly established.

4.5.2 Creating a Guiding Coalition

The Board of Directors, government, General Manager and the Senior Management of the company were key stakeholders responsible in initiating change at New KCC. All the concerned stakeholders expressed need for a major reorganization of New KCC since in its current form it was a loss making company. In deed the NARC government was determined to turn around New KCC. The concern of the new regime was that despite massive capital infrastructure, skilled manpower, wide range of products, market good will that KCC enjoyed its operations were a loss venture. The new management team was to spearhead change management in its operations and see to it that the company regained to be profitable. A team responsible for driving change through the Rapid Results Initiative (RRI) program was instituted. This comprised a team of dedicated staff drawn from all departments to ensure no area of the business was left wanting.

4.5.3 Developing a Vision and Strategy

All those interviewed agreed that New KCC developed a vision statement. In fact all of them were able to put this vision down which is "To be the dairy company of choice providing quality food and beverage products of international standing". New KCC strategic plan for the period 2005-2010 was an attempt to identify and select most effective ways of using the resources available to achieve its objectives of implementing an optimized business model and continuously improve the products and services and processes to international stands at minimal risks. Various strategies were developed so as to achieve the vision which included: enhance strategic and performance management processes, enhance budgeting and planning process, segment the market and determine products requirements and develop and manage new products; cow, goat or camel milk and other non-milk products (water , juices), enhance development and management of customer relationships, identify and develop milk zones through partnerships with service providers, enhance the image and brand of New KCC and to provide quality dairy and beverage products that exceeds customers' and other stakeholders' expectations, while caring for the communities and the environment.

New KCC core values were identified as integrity, exceeding customer / stakeholder expectation, respect and diversity

4.5.4 Communicating the Change Vision

Those interviewed revealed that the change was communicated through employee meetings. A team responsible for driving RRI (Rapid Results Initiatives) was put in place. This comprised of a team of dedicated New KCC staff drawn from all departments to ensure no area of business was left wanting and at the same time to have clear communication done to all departments on the change management process. The respondents were unanimous that communication within New KCC has improved considerably and employees are made to feel part of the change process. Research indicates that the most effective managers, defined in terms of quantity and quality of their performance and their satisfaction and commitment of their employees, spend the largest portion of their time on communications of various kinds (Cooper, Report).

4.5.5 Empowering Employees for Broad Based Action

Those interviewed revealed that the employees were trained to cope with the change process. They underwent intensive training in use of the new system in finance and operations and also customer care. In its effort to interlink all the depots and cooling plants with the head office, so that they would access all the services available, New KCC did put up Wide Area Network (WAN) and EVDO networks. Further, the Rapid Results Initiatives team with the full support of the management made it a priority to ensure that all New KCC staff were an integral part of the strategic change implementation process.

4.5.6 Generating Short-term wins

Pillars were formed to generate short term wins which included growth in milk intake, return on investment, improvement of products and processes, employees' satisfaction, supplier and customer satisfaction. This were achieved by the company achieving super brand status indeed having the strongest brands in East Africa, the company engaged in certification on its products in number of quality systems that will attract more customers, growth in milk intake and processing of the same was recorded and further adopted Performance Management Programs (PMPs). In addition, lost markets were reclaimed and the company affirmed the clients of its commitment in meeting their demands and providing high quality products at all times. Employees that were able to achieve set targets were rewarded through promotions and some have been transferred from the most interior centers to the main towns. In motivating the employees, the company was able to award and reward employees based on merit, a practice that was reflected on salary increment and benefits.

4.5.7 Participation / involvement

Kotter (1996) avers that successful management goes beyond conventional management as is known and practiced by most managers. It involves leadership that seeks to establish direction, align people's aspirations, motivate and inspire people. The research sought to know the degree of involvement amongst different levels of staff and how external stakeholders were involved and consulted over the changes. From the interviews, the Board of Directors, Managing Director and Senior Management were responsible for initiating the change but also evident that all members of staff were involved in the change process.

Series of workshops were organized throughout the country. Change agents were identified, trained and exposed to external business environment so that they enforce the change message. A Rapid Results Initiative team was set-up to ensure implementation of the approved strategies and make recommendations for improvements or variations to the Managing Director. The research also sought to know the enthusiasm for the change that was evident amongst the various cadres of employees. The findings indicate that there was support for the change by both the top and lower staff level. Closely related to support for the change is the commitment of resources to change by New KCC. The findings indicate that the management freely and willingly availed resources thus there was a greater visibility of support for the change.

4.6 Anchoring New Approaches to Culture

The new approaches were also anchored in the culture of the organization. The organization structure appeared top heavy where all departmental heads reported directly to the Managing Director (MD). This has since changed where a deputy who works directly under the MD has taken up these reportees. The organization reviewed departmental set-ups and reporting relationships. The departments have been re-organised to minimize duplication of duties. For example, departments such as corporate affairs and sales and marketing were not deemed to be important in the organisation since the responsibilities of the two had not been clarified. Proper job descriptions have been developed and the role of the two departments clearly communicated to New KCC as a whole.

Staff re-orientation and re-training is on-going. Most staff were continuously trained on how to use new systems so as to embrace ICT and also in areas of customer care and employee relations. This included the minor things as answering a call either from within or without the organisation, keeping record of all visitors that come to any of New KCC facilities, either in the factories, cooling centres and head office. Span of control was expanded and the reporting layers were drastically reduced. Management Programs (PMPs) which consist of signing of a performance contract with regular review sessions were introduced as opposed to payment based on nepotism and racism.. As a result, the company was able to award and reward employees based on merit, a practice that was reflected on salary increment and benefits. This motivated the employees' hence better performance and reduced turnover. Further, the company trained all employees on culture change which proved to be a success by setting the mindsets of the employees to embrace change thereby reducing resistance to change.

Consumer preferences are also impacting on technologies of modern processing plans. For example, the young and trendy prefer fancy packaging to hold drinks like juices, yoghurts and other dairy products. This means that the processor have to purchase specific machine to pack the product in this type of package. A recent example is Del Monte packaging its juices with a screw cap on its Tetra Brik packaging. In line with being customer focused, all operations were to be customer friendly and New KCC now endeavors to maximize on profit. The relationship between NKCC and the farmers has now changed and its moving away from being price related. NKCC now assists farmers in offering them animal feeds on credit basis, which are deducted from the payments to the farmers. NKCC has recently partnered with Co-operative Bank of Kenya and Equity Bank of Kenya in arranging loans to the farmers which are repaid through payments for the milk received from them. Further, NKCC has maintained a close relationship with other suppliers for example Tetra park, transporters, oil companies by keeping in constant touch with the demand at the same time ensuring payment plans that have been arranged with them are carefully negotiated and that it sticks to these payment terms. (Refer Appendix III) As the company was achieving its growth, so the stature rose. This has increased the company's involvement in Corporate Social Responsibility (CSR) activities. The company viewed itself as a community organization and therefore CSR activities are very community based. The face of New KCC has been seen sponsoring Athletics Kenya (AK) for the fifth year running dubbed as "Nurturing Kenya's Talent." The company hopes to use sports as part of their marketing program toward reaching a target market of Ksh 20 billion turnover by 2013.

4.7 Challenges of Management of Strategic Change

Change strategies have always proved to be a challenge for management. To ascertain success of any change strategies, the management team must be open and alert to all forms of resistance as well as development, supported by an in-depth understanding of the culture and operational processes of an organization. New KCC faced various challenges in the change management process which included political influences, resistance to change by employees, high cost of training and installing of new systems. Being a state owned corporation where the government had 100% shareholding, senior positions appointments were done by the Ministry of Labour. For example change of ministers in the ministry translated to change of the managing director depending on individual and political interests where at New KCC the MD directing the change process left the organization at a time when the change management program was at its peak. This delayed implementation of the change management process until sometime later where the momentum was gained after the appointment of the current Managing Director.

Resistance to change was a major challenge to the management of change process where the employees felt that the change program was a necessary evil. The change interfered with the status quo and with introduction of systems this translated to reduction in paper work and to some employees this posed a threat to their job status as some positions would be declared redundant. For example through introduction of ICT, communication between locations was now made simple a vehicle would not need to be dispatched to pass communication from the Dandora complex to the Headquarters neither would you need a messenger for the same. Resistance to change by employees was further as a result of fear of not being able to develop the right skills required. For example most staff were not computer literate and with implementation of SAP changed the way the employees work and computer literacy was such a necessity.

The change management program meant that New KCC had to incur hefty costs in installing new systems and machines which costed the company millions of shillings. This meant the company had to borrow to finance the cost which translated to payment of the same debt at a higher interest rate. Training employees across the country was a cost that the New KCC had to incur as it needed to orient its employees to the new systems that the company had adopted. Financing these costs were a challenge for a company that had just had a turn around and was facing stiff competition from its competitors. Moving data from the old system that is from pastel to SAP systems was risky and challenging. The two systems had to run parallel and employees had to work extra hours which was very strenuous. There was no surerity as to whether the new system would work hence it had to be tested for six months.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter relates the findings of the research study to the objectives set out in chapter one. It comprises of the summary of the findings, conclusions and recommendations. It also highlights the limitations of the research study and suggestions for further research.

5.2 Summary of Findings

The objective of the study was to establish the change management approaches adopted by the New KCC Ltd. The previous entity that is KCC, was embroiled with the politics of the day, and it was essential that the structures are put in place in terms of ownership so that they are clearly defined. This was done by breaking away from the tradition of directors elected by farmers to government appointees. With these move it injected professionalism in running the company. Khandwalla, (2001) extended the view that effective management of internal processes will create a climate conducive for change management. Some of the management of moves were creation of internal controls like procurement procedures, expenditure being tied to the budget and stopping bank overdraft as a means of financing to asset financing. The company was able to effectively reverse the decline.

The results indicated that the company attained super Brands status; an accurate and most reliable insight into many of East Africa's strongest brands, and which were awarded in recognition of the company's brands in a growing and challenging market. It engaged in a certification on its products in number of quality systems that attracted more consumers. As the company was achieving its growth, so the stature rose. This has increased the company's involvement in Corporate Social Responsibility (CSR) activities The company joined other companies in the World in intensively adopting the Performance Management Programs (PMPs) which consist of signing of a performance contract with regular review sessions. As a result, the company was able to award and reward employees based on merit, a practice that was reflected on salary increment and benefits. This motivated the employees' hence better performance and reduced turnover. Further, the company trained all employees on culture change which proved to be a success by setting the mindsets of the employees to embrace change thereby reducing resistance to change. The study revealed that there were various forces necessitating change both internal and external which included Corruption and mismanagement, political and technological Forces and Economic Factors

Planned and emergent change approach were deployed where change activities were decided at the top and passed down for implementation. A task force was appointed which carried out sample surveys of the business processes, working relations, working tools, staff competencies and staff initiatives. The findings of the task force were discussed and the emergence of a down-up approach was encouraged with the participation of various departmental in initiating reform activities. This is because change cannot be characterized as a rational series within a given period of a time but rather a continuous process. Management of strategic change was initiated and this was viewed against known models of implementing change and the following were done. Establishing a sense of urgency, creating a guiding coalition, developing a vision and strategy, communicating the change vision, empowering employees for broad based action, generating short-term wins, participation of employees in the change program and anchoring new approaches to culture.

5.3 Challenges faced in Management of Strategic Change

The second objective was to determine various challenges faced by the company. New KCC faced various challenges in management of strategic change which included political influences, resistance to change, high cost of installing new systems and machines and training of employees as well as moving data from the old system to the new system adopted by the company. Being a state owned corporation where the government had 100% shareholding, senior positions appointments were done by the Ministry of Labour. For example change of ministers in the ministry translated to change of the managing director depending on individual and political interests. Resistance to change was a major challenge to the management of change process where the employees felt that the change program was a necessary evil. The change interfered with the status quo and with introduction of systems this translated to reduction in paper work and to some employees this posed a threat to their job status as some positions would be declared redundant.

The change management program meant that New KCC had to incur hefty costs in installing new systems and machines which costed the company millions of shillings.

This meant the company had to borrow to finance the cost which translated to payment of the same debt at a higher interest rate. Training employees across the country was a cost that the New KCC had to incur as it needed to orient its employees to the new systems that the company had adopted.

5.4 Recommendations

A number of issues arise from the study and warrant the following recommendations. The first is how the company can deal with legislations like Public Procurement and Disposal Act. The company operates in a very competitive and complex environment of which the Act creates bureaucracy in sourcing of materials and equipments. On numerous occasions competitors have taken advantage of quick decision making to acquire materials and equipments in which the company still grapples with long procurement procedures. It is recommended that the company should have a seamless strategic plan which outlines what is to be done in the next two years or so. This will enable the company to acquire high-tech assets way before the competitors have thought of.

Secondly, the company should seek cost efficient management of value chain activities. This can be achieved by operating at full capacities to enjoy economies of scale, adopting labor saving operating methods, trying to increase sales volumes so that a company can spread costs to other cost centers, and using the company bargaining power to the suppliers. The company should view itself as a Food Processing Company and not a Dairy company by competing with soft drinks and other liquid food processors.

It should endeavor in processing juice, mineral water and coconut products in order to increase its processing capacity

5.5 Limitations of the Study

Every study encounters some level of limitations because of scarcity of resources, mostly time. It was challenging at times to get respondents who were Heads of departments due to their busy schedules. This affected the length of the study and at times inadequate information was churned out during interviews. The study also focused on the current senior managers of the company and to some extent they were not involved in the change management process from beginning. Therefore, the interpretation of the findings of this study should be done with this limitation in mind.

The study depended largely on in-depth interviews and discussions with respondents. The senior management especially those who were there at the inception of the change program gave information that was very relevant. The Chief Executive Officer initially involved in the managing of change practices at New KCC was dismissed. Though the current Chief Executive Officer provided some information, personal experiences which were relevant for this study. The informant rate was high enough that these limitations had marginal effects on the overall findings of the study.

5.6 Suggestions for Further Study

The study has explored on the change management approaches and the challenges experienced by the company in effecting the changes. Further study should be done on the cause of decline right from the former KCC Ltd. This will shed light on what the causes of decline in most public sector companies and how to avert the decline.

The study also recommends a further study on the Effects of Strategic Change Management at New KCC Ltd to the Dairy Sub-sector in Kenya. This is because the growth of the dairy sub-sector happened concurrently with the growth of the company. A study of other public sectors that have succeeded in the Change Management should be done to establish the approaches adopted and how the challenges were managed.

5.7 Conclusion

The findings of the study have shed adequate light to draw pertinent conclusions about strategic change management approaches adopted by New KCC Ltd. It can be concluded that the approaches claim their universal applicability in particular circumstances, at a particular time and often with particular organisation in mind. The company's quest for change management had propelled stability in the dairy sector in Kenya and therefore encouraging more farmers to take dairying as source of the livelihood due to improved prices of raw milk. Therefore the change management in the company had a positive effect to the dairy sub-sector in Kenya.

Encouraging milestones towards achieving change management were well defined in the company's strategic blue print hence there was planned direction that was conducted in a cost effective manner and completed with the targeted time frame and with the right desired results. The future looks promising as more strategies are laid to solidify the success and improve the current state. It's however worthy to note that the change management approaches would not have seen the light of the day were it not for the situational factors that provided the proper environment for change to be implemented. Also it would have not been a success if there were no counter measures to combat a number of challenges met on the way. It would be generally concluded that change management approaches were employed in order to achieve a turnaround process in New KCC Ltd and the effects were felt in all facets of the company during the time of the study.

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APPENDICES

APPENDIX I

INTRODUCTORY LETTER

Faith N. Mwangi

P. O. Box 269-00200

Nairobi

Dear Sir/Madam

RE: REQUEST FOR RESEARCH DATA

I am a graduate student at the School of Business, University of Nairobi. In partial fulfilment of the requirements for the award of a Master degree in Strategic Management, I am conducting a research titled *Management of Strategic Change at the New Kenya Co-operative Creameries (New KCC).* You have been selected to assist in providing the required information as your views are considered important to this study. I am therefore kindly requesting you to fill this questionnaire.

Please note that any information given will be treated with utmost confidentiality and will only be used for the purposes of this study.

Thank you.

Faith Mwangi

MBA student (Resercher)

University of Nairobi

APPENDIX II

RESEARCH INTERVIEW GUIDE

PART A: AWARENESS AND MANAGEMENT ROLE IN STRATEGIC CHANGE

Are you aware of the strategic changes that have occurred at the new KCC?

If the answer is yes, describe how you came to know about the strategic change.

In your own view, what necessitated the changes?

How would you explain management's role in communicating the strategic change at the new KCC?

Would you describe the communication of the strategic change to be adequate or inadequate? How would you explain the staffs' reaction towards strategic change at the new KCC?

How did management handle the staffs who handle the staffs that had negative reaction or attitude towards the strategic change after communication?

PART B: IMPLEMENTATION OF STRATEGIC CHANGE AND CHANGE MANAGEMENT PRACTICES

Did the organization anticipate the changes and how were the changes carried out?

Were there structures like committees that were formed to guide the strategic change?

How did the change (committees) co-ordinate the strategic change in the organization?

What was the commitment of staff towards the strategic change implementation?

Were you part of strategic change implementation? If yes what role did you play?

How was urgency built to get employees to co-operate and participate in the reform?

What was the commitment of staff towards the strategic change implementation?

Was there any consideration of whether the strategic changes will be accepted and the anticipated resistance?

How did management handle the resistance that emanated during the change implementation?

Were there any form of rewards to the staffs who supported the strategic change? Describe the rewards

Did the top management support the change process? Explain

Was vision and strategy developed and how was it communicated to all involved in the reform programme?

Were the mission and vision articulated and well understood by the staff?

What were the major challengers in management of strategic change in your own opinion?

What was done to ensure that strategic change was institutionalized?

What steps have been taken to ensure that the change momentum is achieved and maintained?

Did you have short-term targets to monitor the changes?

Were those who achieved such targets rewarded?

DATA COLLECTION FORM

1. Does New KCC prepare financial statements?

2. If yes, please avail the researcher with financial statements covering the periods 2002 to 2010

3. Please provide the researcher with milk intake information list, company investment portfolio, change programs reports prepared during planning and implementation of your strategic plan.

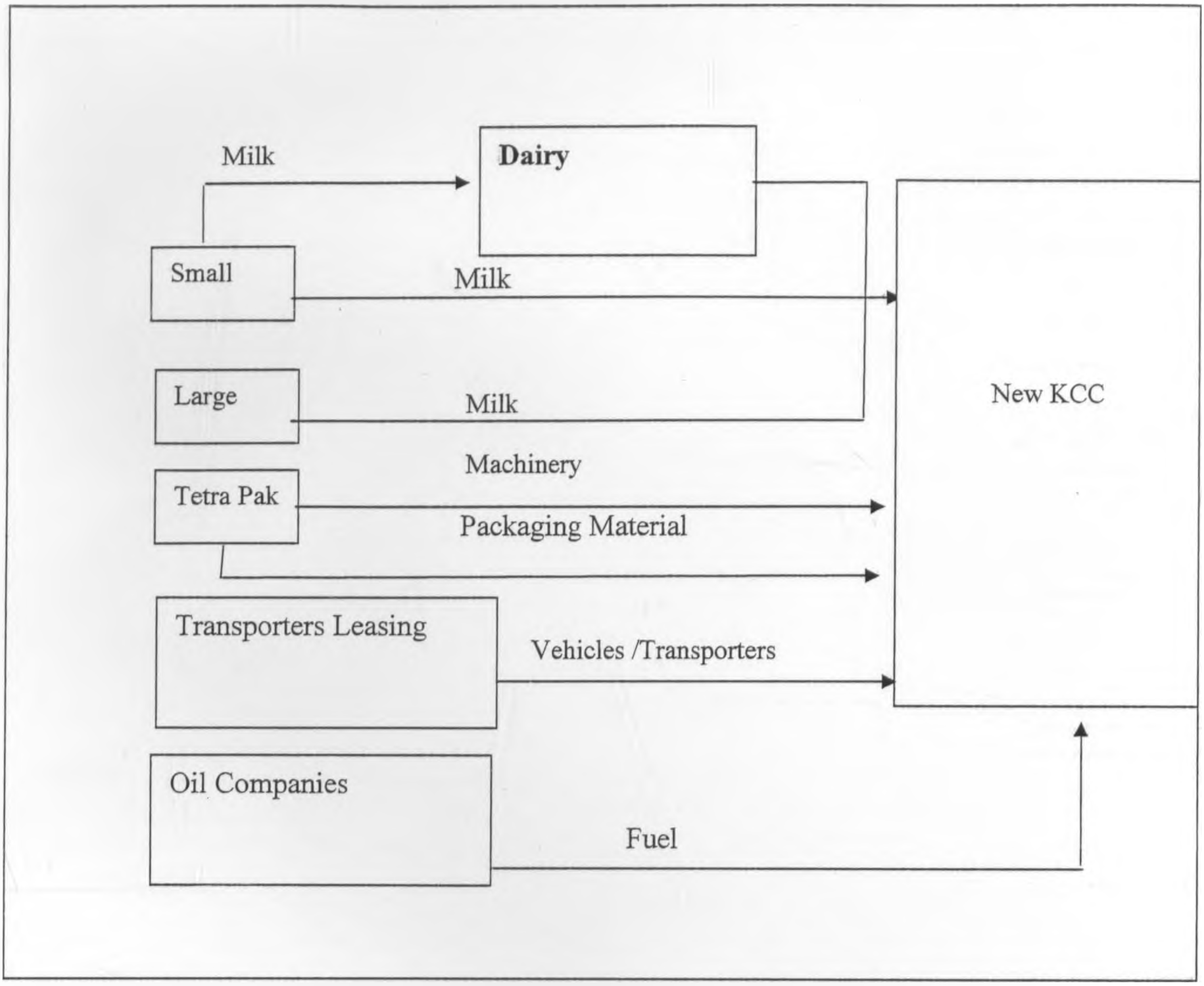
SECTION A: FINANCIAL DETAILS

YEAR	2002	2003	2004	2005	2006	2007	2008	2009	2010
REVENUE									
EXPENDITURE									
NET PROFIT									

SECTION B: MILK INTAKE DETAILS

YEAR									
LITRES									

Appendix III: Key Suppliers Relationships.



Source: Deloitte Analysis