STRATEGIC CHANGE MANAGEMENT WITHIN KENYA WOMEN FINANCE TRUST LIMITED

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DECLARATION

I declare that this research project is my original work and has not been submitted for degree in any other university

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D61/70366/2008

This research project has been presented for examination with my approval as the University Supervisor.

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First and foremost, I would like to thank God Almighty for giving me the gift of life for me to be able to achieve all my dreams and aspirations.

Secondly I would like to thank all my family members especially my Mum Grace Wakarima and my Dad, James Mwea for their dedication to their children to ensure that they achieve all through education. My brothers and sisters, I cannot forget the days we used to compete against each other to have the best grades.

Thirdly, to management and staff of Kenya Women Finance Trust Limited for enabling me mature and grow with the institution and being part of the change that is being felt all around.

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Lastly to my dear and very good friends, Pamela, Solomon and Engineer Abiero for your friendship and support all through the time we were students and now we have culminated all the hard work to completion. God bless you abundantly.

DEDICATION

I dedicate this research project to my mother Grace Wakarima for her immeasurable love, endurance and wisdom and to my late brother William Jason Fundi who inspired me to do so many things.

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ABBREVIATIONS AND ACRONYMS

AMFI Association of Microfinance Institutions.

DTM Deposit Taking Microfinance

KWFT Kenya Women Finance Trust

MFI Microfinance Institutions

MSME Micro Small and Medium Enterprises

NGO'S Non Governmental Organisations

KTDC Kenya Tourist Development Corporation

SWOT Strengths, Weaknesses, Opportunities, and Threats

CBK Central Bank of Kenya

ABSTRACT

The study was meant to investigate the change process that has taken place within Kenya Women Finance Trust, a microfinance institution that has been in existence for the last 28 years and which want to remain relevant in the finance sector in Kenya which has been undergoing tremendous and rapid changes both in policy and structure in the last two decades. The most significant change in the Kenyan finance sector is the enactment of the Microfinance Act of 2008 which in summary defines all microfinance institutions in Kenya that will be monitored and regulated by the Central Bank of Kenya and the terms and conditions set by Central Bank under which such MFIs shall be allowed to collect deposits from the general public. It is in this law that KWFT has taken the path to change.

The study therefore tries to understand the change management process that KWFT has undertaken, the strategic measures adopted by KWFT and the challenges the organization and its stakeholders are facing in the wake of adapting to the changes and how those challenges can be overcome.

The research design adopted was a case study since the study was based on only one institution and both primary and secondary data was used to gather information on the change management process; primary data being information gathered from interviews conducted to the top management within KWFT and secondary data from KWFT financial reports, its annual publication and strategic plan reports.

The study in summary gives an opportunity for the organization to access changes so far made and see whether the goals expected have achieved. The study also tries to understand the buy-in process of the staff which should be in line with mission and vision of the organization. The study also provides much relevant information to scholars and analysts in the financial sector who may want to understand more about the microfinance industry that has experienced rapid growth and expansion in the last decade.

The study gives limitations and suggestions for further research in that few MFIs have been granted a license by Central Bank to operate as regulated MFIs. A cross sectional study should be done to establish experiences by other MFIs in the wake of the licensing.

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

In today's business environment, more than any other preceding era, the only constant is change. Successful organizations effectively manage continuously adapting their bureaucracies, strategies, systems, products and cultures to survive the shocks and prosper from the forces that decimate competition (Waterman 1987). Waterman's quote gives an overview of the challenges that organisations face in the business environment and the need for strategy as a tool for survival becoming more and more relevant as the years go by.

Strategy is a management game plan for the business (Strickland, Thompson 1992). A game plan constitutes all stakeholders in an organization ranging from the employees to the suppliers to the top management and must take into consideration the strengths and weaknesses (or opportunities and threats) that the organization could be facing.

David, F (2008) defined strategic management as the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives .It is the process of specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs.

Strategic management invokes changes which will affect all. Changes however could be either positive or negative: positive in the sense that the desired goals or objectives set by the organization are met or negative if the goals are not only unattainable but that there is resistant to change among some or all stakeholders.

A successful strategic management process follows 3 stages: Strategy formulation where the mission, vision of an organization is truly defined and a SWOT analysis is done to measure its capabilities and obstacles.

This stage will also determine how the available resources will be allocated; Strategy implementation is the action stage. It is here that all workers need to be motivated and provided with incentives in order to attain an impact on the goals set. There is need for the employees to see the benefits that will be derived for both the company and themselves when the change is implemented. Strategy evaluation is lastly when the work done is assessed to measure how successful the change process has become i.e. whether the intended objectives and goals were met and whether there is need for improvement, enhancement or corrections (Strickland and Thompson, 2007).

The most successful organizations in the world including Toyota, Coca Cola, Sony, and Microsoft consider strategy as a key to survival and this statement cannot hold more truth than in the financial circles which is still reeling from the financial meltdown of 2008-2009. Strategic decisions came into play for many of the financial institutions in the world who were facing a cash flow crisis. Decisions ranging from mergers and acquisitions, divestiture form non-core, loss making businesses, utilization of existing capacity to enhance efficiency were some of those that were made by those institutions in order to stay afloat (AMFI 2009). In Kenya, most organizations particularly those in the financial sector adopted a combination of the above mentioned but a good number of them addressed the need to improve capacity with what was already existing such as increased products for customers whilst maintaining branch and /or office networks. The study of Kenya Women Finance Trust Limited will try to examine the strategic management process undertaken and whether the intended goals and objectives have be realized with the strategic decisions made by the management of the organization (AMFI 2009).

1.1.1 Concept of Strategic Change Management

Change can be defined as a transition or alteration of a state to another. Carlo Milana, (2009) means a transformation from one state/form to another. Change is for the better or for the worst and has an adjustment period which varies depending on the individual. Change is measured by its impact on all who are connected to it.

As the twenty first century unfolds, a large number of organizations are altering how they operate and how they relate to the environment (Cummings, Worley 2008). Change is forcing organizations to downsize or become leaner or more efficient, to rethink business strategies and open up to new business ventures in the face of stiff competition, governments have been forced to divest from running businesses in order to cut costs and give room for improved services by the private sector etc.

In general, the influence of technological, socio-economic and regulatory changes and the subsequent globalization process has been a threshold in the evolution of competitive structure in many industries (Ndope 2007).The change process that every organization undergoes is to either make the existing organization better or fine-tune the status quo (Cummings, Worley 2008).

Strategy can be seen as building an organization's resources and competencies to create opportunities or capitalize on them. This means identifying existing resources and competencies, which might be a basis for creating new opportunities in the market place (Mute 2008). Strategic management therefore means creating a bond between what an organization owns in terms of resources and skill and what the external environment entails. If there is no bond or fit between the two, then sustainability of an organization can be put to task.

Today's managers must embrace strategic management practices in their day-to day running of organizations. As change is rapid and continuous and unpredictable, organizations have to understand the impact of these changes to their work environment and must ensure continuity through inculcating a culture of change among its workforce. This therefore holds that the managers of these organizations must be the driving force to change. Organisations should seek to obtain and maintain congruence between the environment, values and resources, making change when there are pressures from either the environment or other resources (Thompson, 1997) .John Wiley (2003) defines change management as a systematic approach to dealing with change, both from the perspective of an organization and on the individual level. A somewhat ambiguous term, change management has at least three different aspects, including: adapting to change, controlling change, and effecting change. A proactive approach to dealing with change is at the core of all three aspects. For an organization, change management means defining and implementing procedures and/or technologies to deal with changes in the business environment and to profit from changing opportunities.

Change management is an internal operation driven activity involving organizing, budgeting, motivating, culture building and leading the strategy work as intended (Burnes 2004). Change frequently disrupts the normal way of doing business and therefore change management must be communicated and handled well. People need to be encouraged to recognize the need for the change to occur and the benefits of adapting to the change for both the workforce and the organization as a whole.

Resistance to change can occur to individuals, groups and organizations if the change management process is not understood. Resistance to change can be caused by many reasons including fear of the unknown, lack of effective communication on the organizational objectives to change, perceived job losses and peer pressure. All these reasons can be avoided if the change processes involve all within the organization to create unity of purpose which will promote a sense of ownership to the change.

1.1.2 Kenya's Finance Sector

Kenya is considered a key developing country in Sub-Saharan Africa. The Kenyan economy is rated 14th in Africa (IMF report, 2006). With a GDP growth of 1.7% in 2008 and per capita income of $1729 (IMF report, 2010), Kenya is considered a sleeping giant. The financial sector can be described at least robust with the presence of all financial institutions. (The Central Bank of Kenya report of February 2010) indicates that there are 44 commercial banks, over 3000 Saccos, mortgage financial institution, 2 Microfinance Institutions and I Post Office Savings Bank in Kenya. A credit reference Bureau, Credit Reference Bureau Africa Limited was granted a license to operate in February 2010.

Just like any other economy in the world, the Kenyan economy underwent a tumultuous period during the global financial crisis of 2008-2009. The inflation rate skyrocketed to 26.2% in 2008 up from 9.8% in 2007 and the GDP dropped from a high of 7.1% in the period of 2003-2007 to1.7%.The downward trend affected the financial sector the most and this was the period when there was a cash crunch.

1.1.3 Microfinance Industry

A microfinance institution is any institution that provides financial services to low income households and seeks to do so in a sustainable and efficient manner (AMFI 2009).Globally, the microfinance industry has over the last decade experienced rapid increase in growth and interest due to its potential to provide crucial financial services to the unbanked population. Long touted to be the eventual window out of poverty, the microfinance sector has had considerable growth and attention over the last two decades.

In Kenya, the umbrella body, AMFI (Association of Microfinance Institutions) states that there are 41 MFIs in Kenya. Well known Kenyan Microfinance Institutions include Equity Bank, KREP Bank, Kenya Women Finance Trust Limited, Faulu, Jamii Bora Bank, SMEP etc. With a total clientele of 4 million customers as at 2009, the outstanding loan portfolio held by the MFIs in Kenya stood at $ 303 million. The MFIs are considered to be the backbone of the informal sector financing. Majority of the members of such financial institutions are lower income to middle income class and who mostly operate micro or small and medium enterprises (MSME). Such businesses are associated with the informal sector. Unfortunately it is the same informal sector that is facing challenges in accessing financial services from the mainstream financial institutions like banks but prefer going through unconventional sources like the Saccos, merry-go rounds, MFIs etc.

According to Maura (1999), he observed that the following are the main reasons why there was a preference of the informal financial sector: Belief that the core objective of the informal sector is to enhance social ties and not profit making; solidarity and friendship methodology of lending adopted in the informal financial group; the existence of forced savings of a contractual nature. The provision of credit services particularly suited to the needs of the participants; low default risk and absence of minimum investment threshold to be used as security. With low bank penetration and a very large informal sector, Africa is fertile ground for microfinance. (AMAF 2009) An estimated 300 million low income Africans need microfinance services but only about 20 million currently have access .That said, the microfinance sector experienced difficulty during the financial meltdown of 2008, 2009 (AMFI 2009).

Just like the mainstream banks, the MFIs could not access money for lending and as such most had to seek alternative methods of borrowing and operational purposes as most overseas coffers were dry. This period was considered a time for reflection for most MFIs in terms of existence minus the support from outside. Growth of MFIs is driven by NGOs that were supported by donors. A large number of these NGOs have collapsed or are unable to operate sustainably (Christen *et al* 1995)

Microfinance institutions in Africa operate in the form of Credit unions, banks specializing in microfinance products, non- banking financial institutions etc. Given the security free loan products and social image that the microfinance institutions portray, many of the African countries are awash with Microfinance institutions that have proven to be not only successful their operations but also be able to generate enough to give the mainstream financial institutions a run for their money(AMFI 2009). The world over there are cases of NGOs that started out by offering microcredit, transforming themselves into commercial banks with admirable/ comparable levels of profitability to commercial banks(Christen *et al* 1995).

Equity Bank is a Kenyan example of a microfinance institution that has transformed itself to become an example of what the microfinance industry potential in shaping the economy of a country. Having been formed in 1984 as a building society, Equity Building Society acquired a banking license in 1996 to transform to Equity Bank. Currently with a customer base of 4.1 million customers, Equity is the largest bank in Kenya as it accounts for 52% of all bank accounts in Kenya. With its core business towards small and medium businesses in Kenya, Equity Bank has amassed a total asset base of sh111 billion and first quarter 2010 profit of sh1.7 billion, (Equity bank April 2010 Financial Report) Equity Bank thus offers a true testimony to what strategic change can accomplish to an organization.

1.1.4 Kenya Women Finance Trust Limited

Kenya Women Finance Trust Limited (KWFT) was founded in 1981 as an affiliate of Women's World Banking which is based in New York, U.S.A. The idea of setting up the organization came about from Kenyan professional women who knew how difficult it was for women to access credit services from the mainstream banks. They saw a gap that KWFT could fill in the market and knew that the best way to receive positive response was to target the low income level women especially those from the rural areas. KWFT was therefore originally set up as an NGO focusing on the financial and non-financial needs of low income women in Kenya. With the big dream, there was need for management to overcome financial and perceptual obstacles. However this did not materialize and the institution went to an organization complete standstill.

KWFT then sought donor funds both internally and externally to finance operations for provision of credit facilities to the clients and to facilitate opening of offices countrywide. This decision enabled Kenya Women Finance Trust to begin creating its identity as a nationwide Microfinance institution in Kenya. The first offices were set up in 1991 in Karatina in Nyeri and Kilifi at the North Coast with an initial membership of 100. As at 31st December 2009, KWFT boasted of 390,000 clients scattered in 180 marketing offices countrywide with a total staff of 1351. Other achievements noted as at 31st December 2009 include: Loan disbursements of sh13.5, savings portfolio of sh3.9 billion, outstanding portfolio of sh 10.35 billion. Net operating surplus stood at sh 500 million at the end of the same period.

As a microfinance institution, KWFT targets small and micro enterprises to access cheaper and collateral-free capital using mainly group-based lending methodology, a method based on the Grameen Bank Model. Besides capital, KWFT loan portfolio includes asset based products like solar installation, LPG purchase, water harvesting solution kit, green house farming kit and also a school fees product. On 31st March 2010, KWFT received from the Central Bank of Kenya, the license to operate as a deposit taking microfinance institution. This will enable the institution expand its product portfolio by providing banking services to its customers. KWFT members are also provided with non-financial that include business training, financial management, health care and women empowerment. With a tag line of banking on women, KWFT has created livelihood of millions of Kenyans since the institution believes that the woman has come of age over the years and most homesteads rely on the women for their existence. As such by supporting the woman, KWFT is supporting the family.

The future is full of surprises, uncertainty, trend and trend breaks, irrationality and rationality, and it is changing and escaping from our hands as time goes by (Manaerman 1998).Organisations these days are literally fighting against all elements for survival. With the ever changing environment, continuous change must be inculcated in the day-to-day running of organizations if they want to keep pace with the goings on. From information technology (IT) to consumer tastes and preferences, change has affected all elements in the environment. Burkes (2004) stated that change is so complex and multifaceted, Carnall (2003) suggested that mastering the challenge is not a specialized activity to be facilitated or driven by an expert but an increasingly important part of every manager's role.

Change management is a structured approach to transitioning individuals, teams and organization from a current state to a desired future state. This process involves defining new values and behaviors, roles and positions among the workers in an organization to overcome resistance to change and to cement goal congruence and a common vision between an organization and its customers. Pettigrew and Whipp (1993) proposed a model for a successful change management to occur in an organization that involves five interrelated factors: Environmental assessment-collect and utilize information on internal and external environment; Leading change- creation of a positive climate for change, the identification of future directors and linking together of action by people at all levels in the organization; Linking strategic and operational change; human resources as both assets and liabilities and coherence of purpose.

This clearly shows that change must be accepted by all the facets of an organization and that the fact that it is continuous, stakeholders must realize that the change process must be understood and must achieve the goals and objectives set by the organisation. Strategic change in an organization is key to the development of plans which are critical in the day to day running of organizations. Strategic change does not necessarily cause a mission drift. Rather it is a process meant to re-energize an organization's business processes whilst maintaining the core objectives of the organization.

In the Kenyan financial sector change came in the form of a new law i.e. the Microfinance Act. The law was enacted in 2006 to pave way for more players in particular the MFIs to join the mainstream financial sector. The Act enables for the regulation of all Microfinance Institutions under the main regulatory body, the Central Bank of Kenya. The Act applies to Microfinance Institutions especially those that are intending to mobilise public funds through savings. It allows for the MFIs to apply for licensing from the Central Bank for either a community operation or nationwide operation. The act therefore gave the MFIs the impetus to adapt to the growing demand by the regulatory body Central Bank to have all MFIs regulated in order for easy monitoring of public funds through savings that are being mobilized by the said institutions for their collateral and also for lending (Manaerman 1998).

On 21st May 2009, Central Bank of Kenya issued the 1st Deposit Taking Microfinance license to Faulu Kenya Limited while the 2nd one was issued to Kenya Women Finance Trust Limited on 31st March 2010. Other MFIs have submitted applications awaiting approval from Central Bank.

1.2 Statement of the Problem

Intense competition and volatility in the Kenyan market today, among commercial banks as well as Micro finance institutions have become the order of the day. This has led to soul searching from the institutions on how best to survive and borrowing of ideas especially through watching what strategies competitors are undertaking has also increased competition in order to outdo each other whilst maintaining and/or improving the market share. Change management decisions have been undertaken in many organizations so that they are able to keep up with the changing environmental conditions and also as competition intensifies for business, then targets are raised in order to maintain market share or increase.

KWFT has been undergoing a transformation phase for the past 5 years. Therefore, there is need to study the impact of the change process on the organization and what the new licensing of its subsidiary. KWFT Deposit Taking Microfinance (DTM) portends for the organization as a whole and how prepared is the organisation to meet the demands of its customer base as well as meeting its institutional set targets (Mutugi, 2006).

Previously, several research studies have been done to study the impact of strategic decisions made by organisations towards its customers. For example, Odongo (2008) studied the response of Kenya Tourist Development Corporation (KTDC) to changes in the environment and saw that the company needed to be fast in implementing changes in the way it operates as competition became more aggressive. Others were Mutugi (2006) who studied the impact of MFIs to the changes in the turbulent financial environment. Mutugi concluded that clear and achievable strategic plans need to be set up in most MFIs so as to present a formidable force in the financial sector. Mute (2008) studied managing change at the Nairobi City Water and Sewerage Company where she confirmed that the government long-term plan of divesting from non-essential services has enabled the Nairobi Water company undergo major changes in order to improve services and modernize operations.

However, it is clear evidence that no research has been done within any local Kenyan MFI to understand the impact of the changing market environment on the management of a Microfinance institution in the wake of the new law governing such institutions and what change management strategies it is using to adapt to the change. Therefore this research intends to bridge the knowledge gap that exists by studying the strategic change measures that are applied in the Kenya Women Finance Trust (KWFT). This will enlighten the management in KWFT in relations to changes that occur in the business environment and help in adopting the appropriate strategies as competition among financial institutions persists.

The questions that the research will aim to answer are what is the significance of strategic change management within Microfinance Institutions in Kenya? What are the elements of strategic change management in KWFT? What are the challenges associated with strategic change management in KWFT?

1.3 Research Objectives

The objectives of the research are to

i. Examine the main reasons why change management was necessitated in KWFT.

ii. Examine the strategic change management measures adopted in KWFT\

iii. To find out challenges associated with the implementation of strategic change management in KWFT.

1.4 Significance of the Study

The study will be useful for both individuals and institutions interested in microfinance or increasing the access to finance. For example, the Central Bank of Kenya as it is the regulatory body of all financial intermediaries who will benefit from the findings related to its role as the regulatory body of all financial institutions in Kenya. The study will also offer insight to other MFIs on how to address the change management process when they intend to become regulated. Women Entrepreneurs who may wish to become members of KWFT may also interested in the findings so that they could consider KWFT as their financier since it offers women only products and also academics wishing to study more about MFIs.

Further Research work is recommended since the study is not exhaustive but will provide valuable information and data relevant for future studies related to the microfinance industry.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Many organisations are currently undergoing some type of change. Many of these change programmes arise from organized management strategies such as culture change, business process engineering, empowerment and total quality. Other change initiatives are driven by the need for organisations to reposition themselves in the face of changing competitive conditions. Strategic change often involves radical transitions within an organisation and encompasses strategy, structure, systems, processes and culture (Strickland and Thompson 2007). The track record of success in bringing about strategic change within most organisations has been poor in most organisations since many simply fail to grasp that they are performing an implementation which actually means turning plans into reality rather than formulation that is hard to achieve.

For strategic intent to become a reality, it is necessary to change the way in which individuals within an organisation behave (Burnes 2004). This requires more than restructuring and new systems; there are key issues that managers leading change need to addressing major change requires a shift in the underlying culture of the organisation and therefore the attitudes and behaviors of the employees. Many change initiatives stumble because they fail to deliver this shift by addressing the cultural and political reality of organisations. This occurs because there is a misunderstanding about the nature of culture in organisations; how difficult it is to change culture; the wide range of interventions that are required if a cultural shift is to be achieved. For change implementation efforts to be successful, these organisations need to be designed to fit the organizational context, that is, they need to be context sensitive. All too often, because of the complex nature of change, organisations attempt to pull down off- the- shelf solutions or recipes which they have seen work in other contexts, but which are inappropriate to their context of operation (Johnson and Scholes 2005). Change is about changing people, not organisations. Organisations change when the managers and employees change their way of doing business. It is necessary to recognize that employees are an intrinsic part of the change process.

There are various types of change, the routes that can be taken to deliver strategic change and the link between change and culture. A framework, the culture web, is introduced which can be used to audit an organisation's existing culture, identify the barriers to change and build a picture of the desired future state of the organisation. A second framework, the change kaleidoscope can be employed to develop context sensitive approaches to change (Lamb et al 1984). Change can be classified by the extent of the change required and the speed with which the change is to be achieved; the speed of change is about the way that change is implemented and ranges across a continuum from an all-at-once type of change to a step-by-step incremental kind of change. The extent of the change required ranges across a spectrum from transformation to realignment. Transformation entails changing an organisation's culture. Culture deals with the shared and taken-for-granted assumptions and beliefs within an organisation .It is a fundamental change within an organisation that cannot be handled within the existing organizational realm (Miller 1993).

2.2 Management of strategic change

The future is full of surprises, uncertainty, trend and trend breaks, irrationality and rationality, and it is changing and escaping from our hands as time goes by (Manaerman 1998). Organisations these days are literally fighting against all elements for survival. With the ever changing environment, continuous change must be inculcated in the day-to-day running of organizations if they want to keep pace with the goings on. From information technology (IT) to consumer tastes and preferences, change has affected all elements in the environment. Burkes(2004) stated that change is so complex and multifaceted that Carnall (2003) suggested that mastering the challenge is not a specialized activity to be facilitated or driven by an expert but an increasingly important part of every manager's role.

Change management is a structured approach to transitioning individuals, teams and organization from a current state to a desired future state. This process involves defining new values and behaviors, roles and positions among the workers in an organization to overcome resistance to change and to cement goal congruence and a common vision between an organization and its customers. Pettigrew and Whipp (1993) proposed a model for a successful change management to occur in an organization that involves five interrelated factors: Environmental assessment-collect and utilize information on internal and external environment; Leading change- creation of a positive climate for change, the identification of future directors and linking together of action by people at all levels in the organization; Linking strategic and operational change; human resources as both assets and liabilities and coherence of purpose. This clearly shows that change must be accepted by all the facets of an organization and that the fact that it is continuous, stakeholders must realize that the change process must be understood and must achieve the goals and objectives set by the organisation.

Strategic change in an organization is key in the development of plans which are critical in the day to day running of organizations. Strategic change does not necessarily cause a mission drift. Rather it is a process meant to re-energize an organization's business processes whilst maintaining the core objectives of the organization. Aosa (1998) notes that as the organization environment changes, it is necessary that the firm continuously adopts its activities and internal configurations to reflect the new external situations; failure to do this endangers the future success of the organization. (Kiptugen 2003)

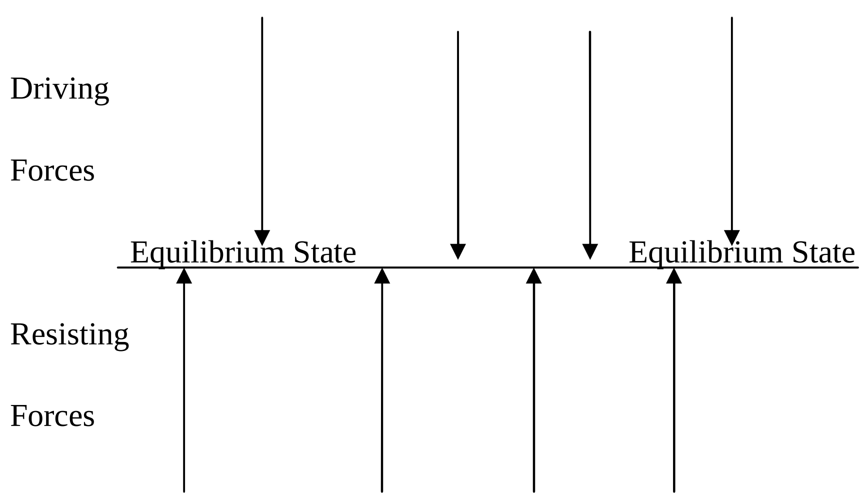
2.3 Theories of strategic change

Contemporary theories of management tend to account for and help interpret the rapidly changing nature of today's organizational environments. As before in management history, these theories are prevalent in other sciences as well (Lamb, 2004). Strategic change can be planned or emergent: the former being prepared by the organization in anticipation of the changing market conditions while the latter takes place after the organization experiences and continues to do so, the changing market environment and therefore must adapt herein to fit in the changing work conditions.

According to Marrow (1969), planned change was a conscious decision embarked upon by an organization, as averse to types of change that might come about by accident, by impulse or that might be forced on an organization. (Burnes 2004). Various theories on planned change have emerged and the author of this school of thought has been thought to be the American social psychologist Kurt Lewin. Lewin (2005) indicated that there are 2 forces that are prevalent in the environment: Driving forces that push organizations towards a new state of affairs and they include globalization, virtual work and a changing workforce and restraining forces that maintain status quo which is more or less resistance to change. (Lewin, 2005) proposes that effective change will occur by undergoing a 3 step model process: unfreezing the current situation. This can be done by destabilizing the resisting forces in order to create disequilibrium in the environment. The next step would be moving the undesired behavior or features from within the organization. This can be effectively done by creating an enabling work environment and bringing the employees together in order for them to understand the need for the planned change to occur. (Burnes 2004). The final stage in the 3 step process is the re-freezing stage. This is where after all the desired conditions towards achieving the set goals and targets have been realized, then the features and highlights of that state are to be maintained for continuity of the good results thus re-freezing.

Lewin saw successful change as a group activity because unless group norms and routines are also transformed, changes to individual behavior will not be sustained thus changes in policies and practices within the organisation need to occur. (Cummings and Huse 1989). Due to the presence of the 2 forces, there is equilibrium since one force repulses the other to a stable condition. To effect change however, disequilibrium has to take place whereby the driving forces must be stronger than the restraining forces. This will then weaken the resistance to change and will force change to occur.

The illustration below shows how a state of equilibrium is achieved through sustaining opposing forces; driving and resisting forces.



(Figure 2: Action Research Theory/ Equilibrium Model.)

Bullock and Batten (1985) developed an integrated, four phase model of planned change:

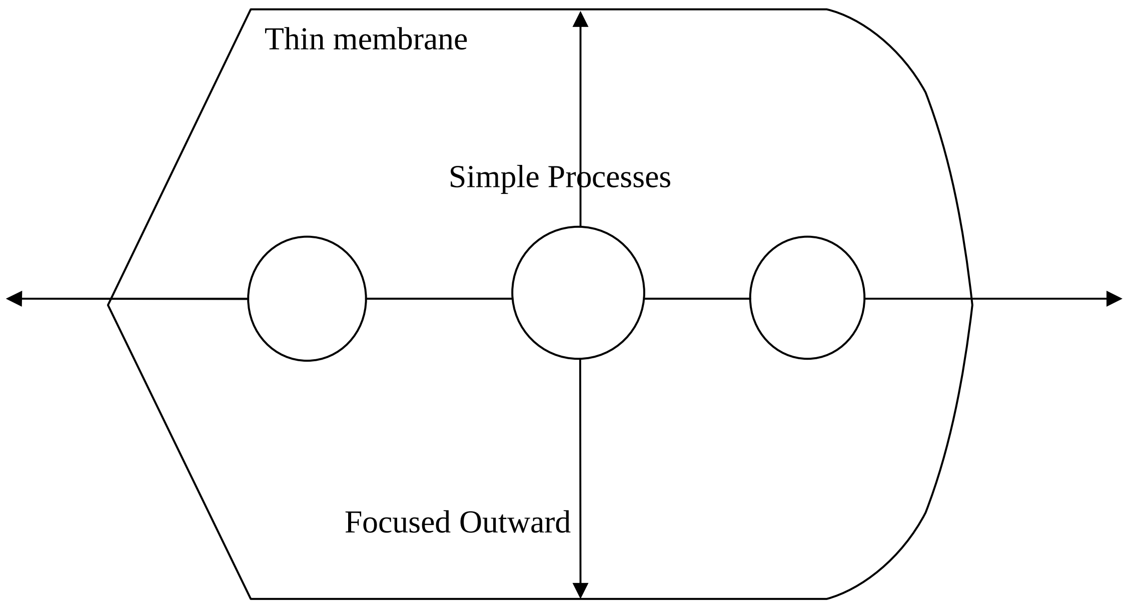
The first stage being the exploration stage was where an organisation seeks to determine the reason for the planned change and possible outcomes of the intended change. Due to the unpredictability of the change, the organization should seek help from an external consultant/ expert to assist with the planning and implementation.

The second stage was the planning stage. This stage involves understanding the problem at hand and collecting relevant information concerning the organisation and the intended route to change. A correct diagnosis of the problem is established, key objectives created and the organization workforce is explained the need for the change. The third stage was known as the action stage. Here, the change is implemented to realize the desired changes. A feedback mechanism is also created to ensure that the adjustments and reinforcements are implemented quickly.

The last stage was the integration stage. Changes, once implemented successfully are consolidated and embellished into the organization. The changes are re-inforced through feedback and reward system. This stage also means that the services of the external consultant are decreasingly required and is eventually weaned out once the changes are completed. (Burnes 2004)

Change, according to the proponents of the emergent approach, is a continuous, dynamic and contested process that is unpredictable and unplanned. The world is unpredictable for any meaningful organized change process to occur. Some of the popular emergent change theories include the chaos theory which is also known as the constant adaption theory. The theory explained that as chaotic and random as world events seem today, a similar scenario is evident in organizations, too. Yet for decades, managers have acted on the basis that organizational events can always be controlled. Chaos theory recognizes that events indeed are rarely controlled. Many chaos theorists refer to biological systems when explaining their theory. They suggest that systems naturally go to more complexity, and as they do so, these systems become more volatile (or susceptible to cataclysmic events) and must expend more energy to maintain that complexity. As they expend more energy, they seek more structure to maintain stability. This trend continues until the system splits, combines with another complex system or falls apart entirely. This trend is what many see as the trend in life, in organizations and the world in general. (Schumacher, 2009)

(Figure 1: The constant adaption: chaos theory model)



(The organization is like a living cell within a thin membrane linked to the environment thus allowing changes quickly. Evans J and Thach L (2008))

Kotter's theory is another example of how change can be realized when an organization is prepared to accept the consequences of the change. According to Kotter, successful organizational transformation must undergo an 8 step process. That process includes establishing a sense of urgency to receive the change, creating a guiding coalition among the organisation's stakeholders, developing a vision and strategy which would have arisen from the change process, communicating the change vision, empowering a broad-based action plan that will incorporate both internal and external influences, generating short term wins which can be used to motivate the workers and also gauge on the eventual successful completion of the changes to occur within the organization, consolidating the said gains achieved in order to produce more change. By motivating the workforce and encouraging good feedback networks, this step will continuously be realized. Lastly, Kotter believed that anchoring the new approaches in the organizational culture would firmly cement the new way of operating among the work force. Without changing the value and norms within the organization, then it becomes difficult to experience long term effects of the change process.

An illustration showing the concept that Kotter’s 8 step theory can be found on Appendix 4.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the following aspects: the research design, the data collection process, the instruments to be used for data gathering, as well as the data analysis method which was adopted in the study so as to meet the objective stated in chapter one of this study**.**

3.2 Research Design

A case study of Kenya Women Finance Trust was the research design used in this research. All data gathered was therefore related to this organization.

As the statement problem was focusing on only one institution, the interview method proved to be the most ideal for ensuring that the data received was appropriate and also that the respondents were easily approached.

3.3 Data collection

Data collection utilized qualitative research, Kothari (2004). Personal interviews targeted mainly the management team of KWFT who were based at the head office which comprised of the Managing Director, Operations Director, Head of Finance and 10 Departmental Heads as well as the regional heads who are based at the 16 Regional offices countrywide. For those who are working away from Nairobi, they were sent via email an interview guide (see Appendix 3).

3.4 Data Analysis

Content analysis is a methodology in the social sciences commonly used by researchers to analyze transcripts of interview with participants (Wikipedia). The data gathered from the interviews to be done was analyzed using content analysis.

Content analysis was expected to provide real evidence that the change processes have taken root in the organization and that an evaluation was done to show the impact of the change and whether the objectives of the change have been achieved. This type of analysis does not limit the respondents' answers and therefore the data gathered shed more light on the impact of the changes in KWFT given its strong presence in the market vis-a-vis the changes in the microfinance industry.

Content analysis is appropriate for case study scenario and has been used in similar studies by Mutugi (2006), Kagwathi (2007) and Kandie (2001).

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter presents results of the analysis of data collected through interviews with the top management of Kenya Women Finance Trust which composed of the Managing Director, Operations Director, Departmental heads based at the Head Office, Regional Managers and Regional Accountants based at the company's 16 Regional Offices.

All the respondents concurred that there has been a major change within the microfinance industry and it has even been made worse by the enactment of the Microfinance Act of 2008.

4.2 General Information on the respondents

Out of the 52 respondents expected to participate in the interviews, only 20 were able to respond since majority were attending a management seminar that was to take place over a period of 3 months thus the low response which represents 38% of the management team in KWFT.

A summary of the composition of the 20 can best be described using tables shown below.

Table 4.1: Department representation of respondents

Department	Frequency	Percent
Administration	2	10
Marketing	2	10
Legal	1	5
ICT	1	5
Finance	4	20
Operations	6	30
Human Resource	1	5
Audit	2	10
Risk	1	5
Total	**20**	**100**

From the table above, 30% of the respondents came from the operations department while 20% from the finance department which are the two main critical departments of the organization and who are primarily affected by the change. Their feedback was therefore critical in analyzing the findings.

Table 4.2: Period of service in KWFT

Years in Service	Frequency	Percent
Up to 2 years	7	35
More than 2 years	1	5
More than 4 years	0	0
More than 6 years	3	15
More than 8 years	2	10
More than 10 years	7	35
Total	**20**	**100**

From the table above, given the period that the change process began in KWFT, 35% of the respondents came from those new in the organization i.e. those who joined not more than two years ago and a similar percentage from those that have been in the organization for more than 10 years. This therefore means that the findings will be useful in gathering relevant information on the organization from those who have joined KWFT to assist in the change and those that have seen the two sides of KWFT, i.e. before and after the change.

4.3 Findings and Analysis

The interview guide sought responses on how the change process in KWFT had been embraced and whether the objectives of the organization had been met or not given that there were targets set. The analysis therefore in this chapter gives an indication of the changes that have taken place in the organization and what role the interviewees played in implementing the change and also whether the change has brought forth the desired results or new (emergent) results have also been realized in line with the long term goals of the organization.

The study was therefore an attempt to fill the knowledge gap that was prevalent in the study of the microfinance industry currently in Kenya that is experiencing rapid transformation.

4.3.1 Forces Necessitating Change.

The respondents were asked to describe the reasons why change was happening in the organization. All had mentioned both external and internal forces that made KWFT management embrace change within the organization.

The respondents felt that the external forces prompting KWFT to embark on change were due to the Microfinance Act of 2008 which constituted 40% of the reason for change, customers contributing to 28% of the reason for change, 16% due to growth within KWFT competition was 7%, 3% on the MIS evolution in the industry, donors 2%, and others like the suppliers and affiliated organizations like AMFI contributed to 4% of the reason for change.

The reason for the MFI Act to play a key role in the change process in KWFT is that it provides the necessary guidelines under which an MFI could operate in Kenya i.e. it has become a statutory requirement and thus give a foundation under which an MFI could eventually transform to become a full fledged bank. Five of the respondents further commented that the MFI deposit taking license will eventually be insufficient for KWFT and will be in a strong position to apply for a full banking license.

Customers of KWFT have also contributed greatly to the change i.e. 28% of the reason since they have asked that KWFT become a one-stop shop for their financial needs and cease become an income stream for other financial institutions since all the customers applying for credit in KWFT receive their loan cheques which they deposit in other banks. The income the banks receive from cashing the loan cheques could be channeled back in the organization. Few loan products have also forced some customers to supplement their money with loans from other financial institutions. 10 of the respondents felt that with the change to a regulated institution, KWFT will be in position to introduce other products that will meet all the financial need of its customers.

The exponential growth in KWFT in the last 10 years has contributed to 16% reason for change. All the 20 respondents mention the need for the organization to seek ways of managing its operations in a more efficient and sustainable manner. 80% of the respondents felt that KWFT has a huge loan book which is equivalent to a middle size bank and therefore the organization must seek to evolve to another state in order to absorb the growth and in preparation for the future.

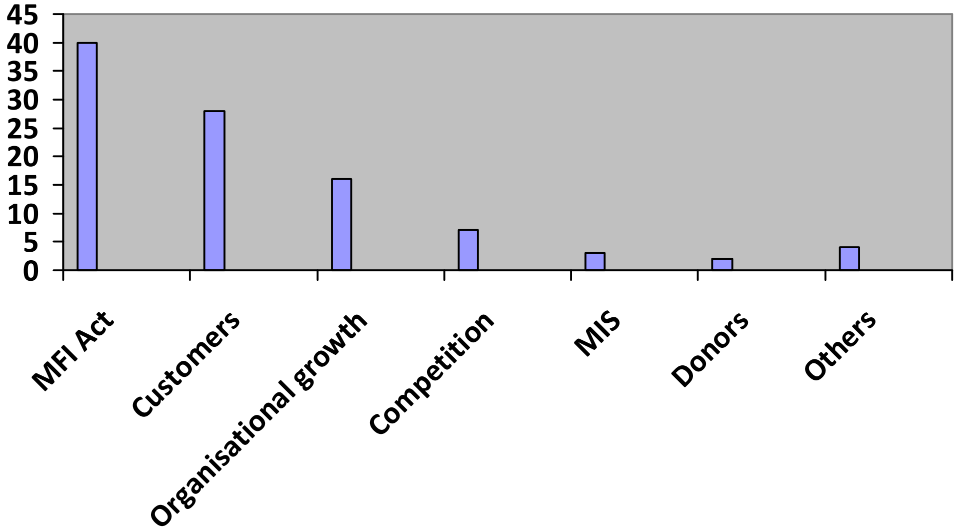
The influx of many MFIs in the industry and the setting up of microfinance departments in the main stream banks have also led to KWFT accepting change. As aggressive as the finance market is, the respondents gave competition 7% of the reason for change. The small percentage is due to the fact that KWFT is the industry leader in the MFI sector as 85% of the respondents have noted and that it is the competition that is trying to eat into the market share that KWFT holds but not successfully as KWFT has continued to experience growth.

All the respondents mentioned the influence of MIS to change even though the respondents gave it 3% of the reason for change. The information technology evolution has played a significant role in the way organizations do business and so KWFT has had to automate its processes.

Other reasons played a minor role but were mentioned included donors and funders at 2% and pressure from affiliate bodies and similar MFIs contributed to 4% for the reasons for change.

The chart below gives a representation of the analysis of the forces that have led to change in KWFT.

Figure 4.1: Chart on Forces Necessitating Change



4.3.2 Change Agents

The respondents were asked to identify the key change agents who are involved in the change process. 80% of the respondents listed the Regional Managers and Accountants as key change agents 15% of the respondents listed the corporate managers who included the C.E.O, the Managing Director and the head of finance and head of operations as the key change agents while 5% considered the customers as key change agents.

The Regional Managers and the Regional Accountants manage the decentralized Regional Units in the country and are in charge of both the loan book and also on the human resource stationed on the ground. Their influence therefore on ensuring that the change process is embraced by all is very clear and thus the high percentage.

As the corporate management, the influence of senior management in the success of the transformation cannot go unmentioned. 15% of the respondents felt that the senior management in KWFT also provides to the organization the direction within which the objectives of change can be evaluated at top level and as an organization.

5% of the respondents mentioned the KWFT customers as key change agents. The respondents felt that the customers are the reason why change is taking place in KWFT and that for the change to be considered successful, the customers must embrace the change positively by accepting the new transformed institution and driving the business to greater growth through continuous borrowing.

4.3.3 Channels of communicating change.

The respondents were asked to give the main channels that the organization used in communicating the change. 100% respondents said that periodic meetings and seminars have been an effective tool used to communicate the change process to the staff, 50% of the respondents gave memos and circulars, 20% of the respondents gave periodicals as another communication tool and 40% felt that external consultants have been an effective tool to communicate the change in the organization.

Periodic meetings and seminars scored highly because the respondents felt that the sessions are usually interactive and thus the respondents were able to ask questions and also hear the opinions of the top management on how to embrace the change. The respondents would therefore be in congruence with the objectives and goals of the organization. 80% of the respondents' mentioned the need for regular meetings specifically on the evaluation on the changes that have occurred in order to correct or enhance the processes.

The study therefore shows that the 3 most common methods of communicating change effectively in the organization are periodic meetings and seminars, memos and periodicals.

4.3.4 Change Management Measures adopted in KWFT

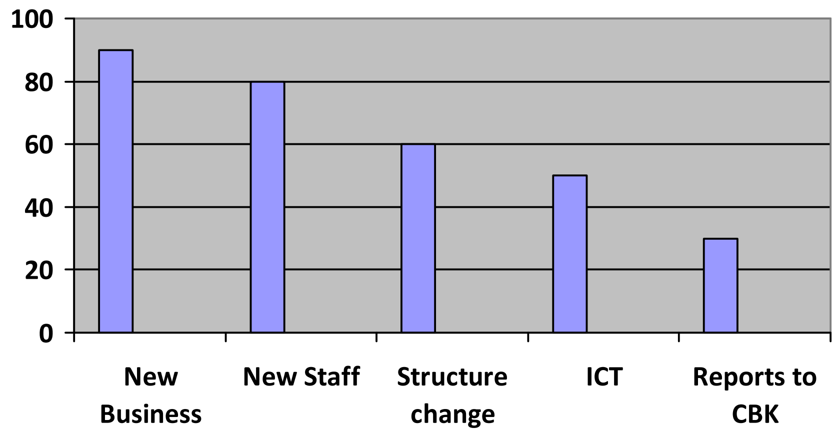
The respondents were asked to prioritise the changes in terms of significance that have occurred in KWFT. 90% of the respondents indicated that the change in business to cater for the deposit taking business was the strongest measure that the organization has undertaken. 80% felt that the hiring of experienced staff who have worked in the mainstream banks as the second most significant change in the organization. Changes in the organizational structure played the third most significant change as 60% of the respondents said so. The changes were necessitated to incorporate the new business and also due to the regulatory requirements given by Central Bank. New departments like the Human Resource, Risk and Compliance, Audit, Security and Administration were created while the Marketing department was upgraded to a full department from one which was under the arm of the operations director's office. The new organizational structure could be found in appendix 6.

The implementation of the new ICT software system i.e. the T-24 banking software, was mentioned as the third most significant change experienced at KWFT at 50%.

Submission of periodic reports to Central Bank of Kenya was the fourth most significant change at KWFT as it was mentioned so by 30% of the respondents.

A graphic illustration of the key management changes can be shown below. The more significant the change, the higher the percentage of influence by the respondents.

Figure 4.2: Changes adopted by KWFT



4.3.5 Challenges of implementing Strategic Change

The respondents were asked to mention the challenges that KWFT faced and is still probably facing as it continues to embrace the change process within.

100% of the respondents mentioned resistance to change as the most significant obstacle to change mainly due to perceived job insecurity and lack of knowledge. 20% of the respondents said that the staff within the organization believe that their jobs would no longer suffice since they do not acquire banking skills that were considered necessary due to the new line of business KWFT is pursuing. 60% said from experience with other organizations that have transformed, there is usually a retrenchment phase where staff with little or no skill are redundant and forced to leave.

60% of the respondents talked about KWFT not being fast enough in developing new products and services that will cater for the ever-growing needs of its customers. The introduction of new products was considered very slow and that in light of the new business, 40% of those respondents gave an indication that there should be a new product regularly in the year.

50% of the respondents talked about the difficulty in embracing the new IT system and that 20% of the respondents said that the organization had stored inaccurate data for its clients and therefore difficult for data transfer to the new system without doing a cleanup exercise which was cumbersome, time-consuming and fraught with errors. 80% of the same respondents talked about the IT system being slow to be updated and that it was only recently up to date in the beginning of this year and therefore difficult to give accurate information concerning client queries.

The new organizational structure meant that new positions were created and existing positions re-aligned to fit to the new structure. 45% of the respondents indicated that the difficulty of re-aligning some of those positions was felt and that the staff who were moved to other departments or new posts felt insecure.

40% of the respondents said that financial constraints was a challenge since the organization had embarked on a serious campaign of opening front office banking halls in the major towns in the country and that exercise was expensive. The respondents felt that the money used for expansion was quite a cost considering that it would take a long time to recover the amount spent on capital expenditure.

High expectations by the customers was mentioned by 25% of the respondents who said that the KWFT customers did not really understand the relevance of KWFT being a regulated MFI and the customers thought that KWFT was now a fully fledged bank. The customers thought that KWFT could now provide products like mortgages and current accounts which it was not licensed to do.

4.3.6 Overcoming challenges to change

The respondents were asked to mention what would make KWFT continue to become relevant in the market. The responses received were considered as answers to the challenges mentioned above.

The respondents rated staff development as a top priority. 50% of the respondents felt that the Human Resource Department should focus more on creating a curriculum for learning for the staff so that the staff could be updated with the new methods of business, customer service and management. Also the Human Resource department could assist in creating champions to change in order to develop unity of purpose and create an atmosphere for positive change.

A vibrant and busy marketing and product development department was considered as the 2nd most top priority in the organization so that the market becomes full of KWFT products that KWFT customers could have a wide range of products to choose from. 40% of the respondents felt that the Marketing department should be launching at least two new products annually. 50% of the respondents also felt that a market survey of the industry players need to be done in order for KWFT to compare itself to its competitors and also investigate its market share to see whether there is a threat that it could be taken up or whether there is potential to take up a more larger share. 5% of the respondents talked about the possibility of KWFT taking over another MFI in order for KWFT to increase its market share.

60% of the respondents mentioned continuous investment in ICT as the 3rd most important priority for KWFT in order to remain both relevant and cost effective. 80% of those who mentioned ICT felt that products like M-Pesa, mobile banking services by the mainstream banks have made banking much cheaper and convenient and so KWFT cannot be left behind in this technology and therefore there is need for KWFT to adopt newer methods of managing its processes in order to cut on costs and to continue to embrace new technology as has the rest of the industry players.

20% of the respondents mentioned the role of the mother organisation i.e. Kenya Women Holding Company as the 4th most important way of handling its challenges. As Kenya Women Holding owns 100% of KWFT, the respondents felt that the value addition services that the holding company had intended to offer should commence in order for the customers of KWFT to feel important and relevant in their businesses. Services like market linkages, advocacy, business trainings, business adverts through the company website could go a long way in cementing the relationship between KWFT and its customers to more than just a borrower- lender type of relationship.

While these solutions are applied and implemented in the organization, there is need for KWFT to increase their impact. Staff training, advertisement, investment in ICT are some of the key variables necessary to increase the pace of transitional change.

The key fundamental concern for KWFT should be that change is inevitable and as the organization continues to transform so shall the strategies be changing to keep up with the every growing pace of development within the micro finance industry.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Kenya Women Finance Trust has come a long way from being a Nairobi based NGO in the early 80s to a deposit taking Microfinance institution regulated by Central Bank in 2010.The transformation process from one entity to another has been both a planned and emerged change. The corporate strategy for the institution had always been to prepare the organization eventual transformation to a banking institution while at the same time the continuous rapid changes in the environment has forced the organization to keep up with the changing demands and needs of the consumers.

The proponents for change to take place in the organization have overtaken any challenges that the organization may be facing and therefore it is crucial for KWFT to continue with the process of change within so that the organization is able to fulfill its vision of being the leading women financial service provider with a difference.

The objectives of the study which were to examine the reasons for change and the measures of change adopted by KWFT and note challenges that KWFT faced while undergoing through the change process have been clearly addressed.

5.2 Limitations of the Study

While the study examined the process of change management within KWFT, there were limitations that were realized. The study targeted 52 respondents but only 20 responded to the interview. Most of those who had not responded were those who had the interview guide sent via email.

The study only focused on only one institution since it was a case study of KWFT. This therefore means that the information could be biased as the respondents may want to present the institution in a good light and not really reflect the real situation on the ground. At the same time, the change management in KWFT may not necessarily occur in other MFIs that could also be undergoing a similar process. The findings therefore could be unique in KWFT and not relevant to other institutions.

Change is continuous and ongoing and whatever changes are happening today could become irrelevant tomorrow and therefore the change management process will continue to evolve as long as the changes occur within the environment. It is therefore imperative that continuous studies are done on the subject of change management process within organizations.

5.3 Conclusion

Kenya is emerging to be a financial powerhouse in Africa and is considered one of the emerging markets in Africa. It is in this context that Kenya's finance sector is undergoing a metamorphosis and likewise the Microfinance industry is not left behind. The change process that KWFT has undergone has positioned the organization to prepare to the ever-changing needs of the economy and in particular the customers. KWFT in its endeavor to become relevant to its stakeholders must continue in its path to meeting its obligations as a regulated MFI but at the same time invest in new and efficient ways of managing the business as well as be the leading innovator of both financial and non-financial products and services for women in the country.

Customer service standards must be maintained at the highest level at all the KWFT outlets so that the organization is able to attract new customers as it ventures into new business. Continuous market research is necessary to stay ahead of the competition. As a market leader in the Microfinance industry, KWFT is and will continue to be the centre of attention and scrutiny by other players in the industry and therefore the institution must continue to develop and roll out new products and services that are unique so that it can be ahead of the competition.

For change to be part of the organization, the staff must be motivated and trained to understand the new and different aspects of the organization and to facilitate an easy buy-in process because as the study indicates in Chapter 1 that it is not the organization that changes but the people that do.

5.4 Recommendations for further study

It is recommended that a similar study of a cross-sectional nature to conducted to find out how many of the MFIs in Kenya have adapted to the strategic management processes in line with the Microfinance Act 2008 and what lessons each MFIs can learnt from those that have preceded in undergoing a similar transformation process.

Currently, only two MFIs have been granted license by the Central Bank of Kenya to operate as a deposit taking Microfinance institution. An appropriate study of the success of the Microfinance institutions that have been regulated by the CBK would only occur if the players were larger in number so that a divergent histories and experiences can be put under study.

5.5 Implication on policy and practice

All the micro finance institutions in Kenya need to urgently address their status within the financial sector if they wish to remain relevant and competitive. The Kenyan government, local and international banks have eroded the market share previously enjoyed by the MFIs and as such any MFI wishing to continue operating must seek the licence to operate as a regulated MFI under central bank in order to source for funds cheaply and increase its credibility within the financial circles. In this regard, change management practices ought to be in the hearts and minds of the MFI industry players.

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APPENDIX 1: INTRODUCTION LETTER

University of Nairobi
School of Business,
P.O. Box 30197
NAIROBI

Dear Respondent,

RE: COLLECTION OF RESEARCH DATA

I am a postgraduate student in the above mentioned University undertaking a Management Research Project on "Strategic Change Management within Kenya Women Finance Trust Limited.

You have been selected to form part of this study. You are kindly requested to assist in data collection by responding to the interview guide accompanied by the interviewer. The information provided will exclusively be used for academic purposes only and will be treated with utmost confidence.

You will also be provided with a copy of the final report upon your request.
Your cooperation is highly appreciated.

Yours faithfully,

Christine Mwea	Eliud Mududa
MBA STUDENT	UNIVERSITY SUPERVISOR
RESEARCHER	SCHOOL OF BUSINESS

APPENDIX 2: INTERVIEW GUIDE

1. How long have you served in Kenya Women Finance Trust?

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2. What is your area of specialisation?

   ....

3. What is your highest level of education?

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   ....

4. Please indicate your workstation.
   ………………………………………………………..

5. What strategic changes have occurred recently in KWFT?

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6. .How would you rate the impacts of strategic changes adoption in the organisation?

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   ....

7. Who do you consider as the key change agents in the organisation?

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8. What factors influence adoption of strategic changes in your institution?

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9 .What is the impact of these changes in KWFT in the microfinance industry (competitors)?

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10. How does the adoption of strategic changes in KWFT assist in the improvement of operational efficiency and profitability of microfinance institutions?

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11. What methods were used in the communication of the new changes in KWFT?

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12. What are some of the challenges you think the organization has faced in light of the changes that have been undertaken?

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13. In your opinion, what should KWFT do to continue being relevant in the market?

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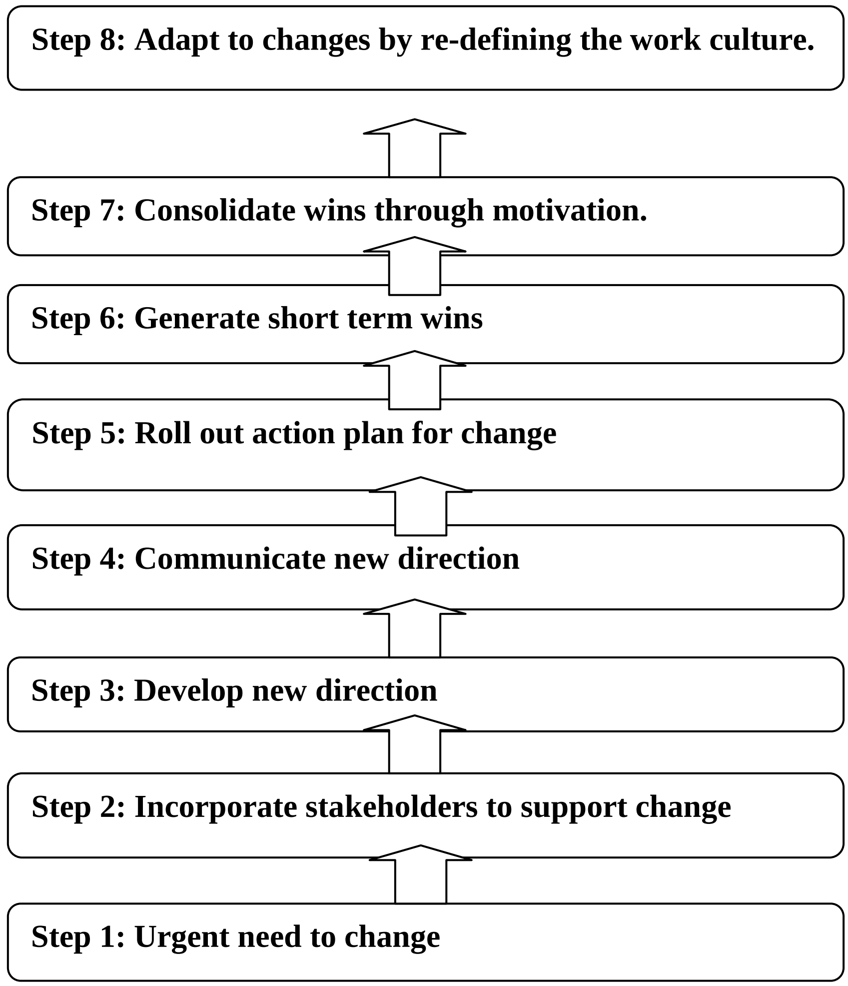
APPENDIX 3: SUCCESSFUL MICROFINANCE INSTITUTIONS IN AFRICA

COUNTRY	NAME	TYPE	OUTREACH
Kenya	Equity Bank	Bank	1.8 million savers
South Africa	Capitec	Bank	1.28 million savers
Cote D Iviore	FENACOOPEC- CI	Credit Union	598,000 savers
Ethiopia	ASCI	MFI	597,000 borrowers
Uganda	Centenary Rural Development Bank	Bank	559,000 savers
Rwanda	UPBR	Credit Union	533,000 savers
Burkina Faso	RCPB	Credit Union	513,000 savers
Morocco	Al Amana	NGO	481,000 borrowers

Report compiled from AMAF 2008(2006-2007 data)

APPENDIX 4: KOTTER'S 8 STEP PROCESS TO EMERGENT CHANGE



APPENDIX 5: KWFT-DTM ORGANISATIONAL STRUCTURE