

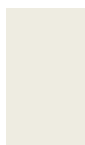
**CHANGE MANAGEMENT AT THE KENYA TEA DEVELOPMENT
AGENCY LIMITED**

BY

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DECLARATION

This Research Project is my original work and has never been submitted for the award of a degree in any other university

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

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DEDICATION

This research project is dedicated to my children Dennis, Betty and Pam for their faith in me, their moral support and encouragement throughout my course of study. May God bless you mightily.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to my Supervisor, Prof. Martin Ogutu, for his unwavering support, guidance and encouragement throughout this study. Without his wisdom, direction and patience, this work would have been difficult. I cannot forget to thank my Moderator, Dr. John Yabs, for his contribution to this research project.

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Finally, I thank God for spurring me on to take the bold step of going back to school and for sustaining me in all aspects throughout the entire course of study. My sincere appreciation to The 3Gs, and The Abigails for their prayers and encouragement throughout my course. Your faith in me and support through prayers were not in vain. May the Almighty God bless you all.

ABSTRACT

Organizations of today face an uncertain future due to various challenges posed by their dynamic and unpredictable environments. Economic and social factors such as globalization, political/legal, social/cultural, competition, liberalization, and advanced technology are among the various forces that drive change in organizations. In order to cope with these challenges, all organizations must be prepared to change. KTDA was privatized as part of the government comprehensive Public Enterprise Reform and Privatization Programme. Privatization was seen as able to introduce into the sector efficiency and competition and contribute to the economy while privatization and divestiture involved the transfer of a function, activity, organization or investment holding from the public to private sector. KTDA changed from a parastatal organization to a fully commercialized entity totally responsible for its own existence. The study had three objectives which were: to establish what change management practices were adopted at KTDA, what challenges were faced during the change management process and what measures were adopted in dealing with the challenges of change management. Primary qualitative data was collected from senior managers of KTDA using an interview guide. The six senior managers, who included the CEO, were interviewed and their responses have been analyzed and recorded in Chapter Four. Findings show that a planned strategic approach to change management was adopted. Strategic change management is a structured approach to shifting/transitioning individuals, teams and organizations from a current state to a desired future state. It ensures that predetermined objectives of introducing the process change are achieved, and it also helps prevent and resolve conflicts, service disruption, culture clashes and other problems associated with process change. The change process worked well for KTDA. It was embarked on as a matter of urgency considering the circumstances the organization found itself in. It was led by the CEO with his team of senior managers who all led by example. There was effective sensitization and education on what was happening and what needed to be achieved. The change was introduced in the whole organization and carried out systematically step by step until the desired results were achieved. Resources were availed, both financial and human, and KTDA recorded impressive growth in the number and size of factories, number of subsidiary companies and returns to the farmer. Everybody was involved in the change process and this contributed to its success. Although a lot has been achieved, there are a number of aspects that are not yet complete. These are indicated clearly in the summary of the findings in Chapter Five and some are elaborated further under recommendations for policy and practice. The growth and success of KTDA must have exceeded the expectations of the government when it was privatized over 10 years ago. However, since change is a continuous process, the KTDA management needs to address the issues revealed by this study in order to boost the achievements made and remain a shining example of what privatization can achieve.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

All organizations change at some point in their lives. Change can be defined as simply a transition from one state to another with a focus on being different. It is the only constant in today's life and it is inevitable and important for both individuals and organizations. Robbins & Barnwell (2002), say that change is particularly important in business organizations which face constantly changing environments. Opportunities arise, technologies evolve, competition becomes more pronounced and expectations of management and other critical constituencies change over time. These opportunities or problems may arise from within the organization or from outside it or both.

Change has been classified in many different ways according to the type or the rate of change required. The forces that operate to bring about change in organizations are many and varied. Likened to the winds, they vary from small summer breezes that merely disturb a few papers to mighty howling gales which cause devastation to structures and operations causing consequent reorientation of purpose and rebuilding (Senior & Fleming, 2006). The amount of change may be either incremental or transformational. Whatever the changes, organizations must formulate appropriate means of managing them the best way possible so that they remain relevant and viable. As expected, there is always an element of resistance to change which must be managed too as part of the change management process. The leadership structure within the organization is instrumental in this change process management as everybody is involved.

1.1.1 The Concept of Change Management

Modern organizations are subject to continual environmental change and consequently they must constantly change to realign themselves to the environmental changes. This can only be possible if organizations fully understand and appreciate the environments they operate in because the forces in the environment compel the system to change rather than allowing the system to assess and change itself. There is no accepted definition of what constitutes this environment, but it is generally accepted that the environmental variables which influence organizations are political, economical, sociological and technological.

Change management is the process of developing a planned approach to change in an organization (Burnes, 2004). It is embedded in the organizational strategy and involves strategic management. An organization strategy is the direction and scope of the organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholders' expectations. An organization's strategic vision, objectives, and strategy constitute a strategic plan for coping with industry and competitive conditions, outcompeting rivals, and addressing the challenges and issues that stand as obstacles to the organization's success (Thompson, Strickland & Gamble, 2007).

Strategic management is a systematic approach for managing strategic change which consists of positioning the firm through strategy and capability planning, real-time strategic response through issue management, and systematic management of resistance

during strategic implementation (Ansoff & McDonnell, 1990). It entails decisions and actions used to formulate and implement strategies that will provide a competitively superior fit between an organization and its environment to ensure achievement of organizational goals. A good strategy in itself, no matter how well crafted, does not guarantee success. Its successful implementation is critical and this calls for effective leadership within the entire organization. Effective strategic management creates a productive alliance between nature and the demands of the environment, the organization's culture and the resources that the organization has at its disposal (Pearce & Robinson, 2007).

Change management is the use of systematic methods to ensure that an organization's change is guided in the planned direction, conducted in a cost effective manner, completed within the targeted time frame and with the desired results. It is introduced in a planned manner and managed in a systematic fashion. It involves managing both the process and the people aspects and the resultant responses and employs efforts that are planned, proactive and purposeful (Samson & Daft, 2005). Change management helps ensure that predetermined objectives of introducing the process change are achieved, and it also helps prevent and resolve conflicts, service disruption, culture clashes and other problems associated with process change. Change management is not restricted to one level of management; instead it cuts across the lower, middle and top levels of management, depending on the circumstances and the level of authority at each level. The way change is managed depends on the type, origin, and magnitude of the drivers of change. Change may, therefore, take many forms (Senior & Fleming, 2006).

1.1.2 The Tea Industry in Kenya

The tea industry falls in the agricultural sector. It has many players who include private local and multinational firms. There is stiff competition among the many players within the industry as they often undercut one another. As a result, the Tea Board of Kenya plays the watchdog role to ensure that there is fair play within the tea industry. Established by the Tea Act (Cap.343 of the Laws of Kenya), the Tea Board of Kenya is charged with the responsibility of regulating and promoting the tea industry and to facilitate research into all aspects of tea growing, manufacture and pest and disease control. The Board also oversees the smooth and orderly functioning of the industry through policy guidance, licensing, registration and tea trade development.

The industry has faced several challenges especially due to the unpredictable weather patterns, the sharp increase in the cost of electricity, fuel and other key production inputs, competitive global market, value addition, quality assurance and cost of product. There is also competition from other agricultural crops like coffee, maize, bananas and dairy farming. The Government and the Ministry of Agriculture are committed to transforming the tea industry to effectively respond to global dynamics such as markets, environmental challenges, quality standards, labour and energy issues among other critical factors. The newly enacted Tea Amendment Act 2010 creates a perfect platform for the industry players and gives Tea Board of Kenya expanded mandate to promote and market Kenya tea in domestic and international markets. However, there are a number of issues that key players in the tea industry are currently unhappy about in relation to the role of the Tea Board of Kenya and discussions on the same are on-going to resolve them.

1.1.3 The Kenya Tea Development Agency Limited (KTDA)

The Kenya Tea Development Agency Limited has a history that starts with the formation of a Special Crops Development Authority (SCDA) in 1960 under the Agricultural Act to promote the cultivation of cash crops. This Authority was later replaced by the Kenya Tea Development Authority in 1964 when the Kenya Tea Development Order 1964 was promulgated. Kenya Tea Development Authority was established under Section 191 of the Agricultural Act by Legal Notice 42 of 1964 as a government parastatal soon after Kenya became Independent.

In 1998/99, the Authority embarked on liberalization of the smallholder tea sub-sector which placed its ownership in the hands of about 420,000 smallholder tea farmers. In June 2000, Kenya Tea Development Authority was replaced with an Agency by the same name. The Agency became operational after the authority's existence was revoked through a Gazette Notice. The new private company, KTDA (Agency), succeeded KTDA (Authority) and took over the assets, liabilities, obligations and the mandate of the Authority, including all its employees. This meant that the government automatically lost its stronghold on the sector.

KTDA (Agency) was mandated to manage all the 54 factories on behalf of the more than 420,000 small scale tea farmers across the country. This was not received well by the tea farmers as it was viewed as having been initiated by the KTDA management as a ploy to remove the government protection and intervention so as to control the management of the farmers' hard earned sweat. There had been a struggle and debate before the

privatization and the farmers had not been for the idea as they felt that government's involvement protected their interests and checked any attempt to exploit them by the KTDA. But privatization was inevitable according to Session Paper No. 2 of 1999 on liberalization and restructuring of the tea industry in which the government intended to reduce the continued dependence on government subsidy.

KTDA is the leading management Agency for the small scale tea farmers in Kenya. The new terms applying to the Agency are contractual agreement with the independent tea companies it manages. The 54 factories at the time of privatization have now grown to 65 representing 560 small scale tea farmers spread across the entire country. They are independent private sector companies, which procure management services and expertise from the Agency at an agreed commission of total sales proceeds. In addition to processing and marketing producers' tea, the Agency also offers other services such as extension, insurance, provision of inputs and financial services.

KTDA has 5 Subsidiaries which give various services to the farmers namely: The Chai Trading Co Ltd operating from Miritini Warehousing Complex in Mombasa to handle bulk packaging, buying and selling of high quality tea to local and international destinations and customers; Majani Insurance Brokers Ltd. which started as a Kenya Tea Development Authority Insurance Agency but was later licensed as an insurance brokerage firm; The Kenya Tea Packers (KETEPA) Ltd, registered as a private company to serve the local market only but later allowed to export tea to various destinations around the world; Greenland Fedha Ltd. which offers financial services. In addition, there

is the Tea House Ltd housed at The T-Spot Tea Lounge in Nairobi Central Business District.

The farmers are paid two types of prices for their tea, one for the quantity of tea delivered in kilograms per month and another paid at the end of the financial year based on the quality of tea delivered. The quality price is calculated as a balance remaining from the total proceeds from the sale of bulk tea processed after transportation, processing handling and marketing costs have been deducted. The percentage of the quality payment is determined by the price received at the end of the auction and efficiency of both the factory and the KTDA Ltd. Although the farmers are the producers and owners of the tea and the factories, the mandate of managing everything rests with KTDA. Determination of what is finally paid to them depends on the Agency. The farmers, therefore, often accuse KTDA of exploiting them by selling the tea at a higher price and paying the farmer a very small percentage of the proceeds (Daily Nation, 29/9/11). This has created an unhealthy relationship between the two parties for a long time.

1.2 Research Problem

Strategic change has become a constant phenomenon in organizations and calls for serious attention and proper management if an organization is to survive. A host of external factors influence the choice of a firm's direction and action. The globalization of markets, rapid advancements in new technology, higher levels of competition, decreased profit margins, focused attention on costs and cost management, challenges from new market entrants, all contribute to the drive for change within contemporary organizations.

Due to the pressure caused by the above factors, many organizations undertake transformational or strategic changes which involve significant alteration to the strategies, structures, composition, system processes and ultimately culture (Burnes, 2004). These factors constitute the external environment which is dynamic, unpredictable, demanding and often devastating to organizations which are unprepared or unable to respond to change. While organizational change is a constant experience, those responsible for change management often lack the knowledge and awareness of the many critical issues involved in the process.

Change management has been linked to the organization's competitiveness and response to changes in the environment (Ansoff and McDonnell, 1990). This implies the readiness to change within an organization and the ability to implement the proposed changes. It has been noted that organizations manage change differently and there are important contextual features that should be considered when designing change management programs. According to (Balogun & Haileys, 2004), these include scope, institutional memory, diversity of experience within an organization, the capability of managing change and the readiness for change throughout different the levels of the organization.

Since the introduction of liberalization and restructuring in Kenya in the late 90s, a number of government parastatals and public institutions have experienced significant changes aimed at making them more accountable for their survival and less dependent on treasury for financing. Session Paper No. 2 of 1999 on liberalization and restructuring of the tea industry led to KTDA being totally transformed into a fully fledged

commercialized private entity in 2000. The Agency's challenges at the competitive global environment pressurized it to critically re-examine its business strategies and practices to bring it in stride with the prevailing realities. In order to survive the global competition from industry players and continue being relevant and advantaged, KTDA had to devise measures to address the ever changing customer preferences and needs in order to satisfy the diverse stakeholders' expectations (Chai News, 2004).

KTDA embarked on various radical changes aimed at enhancing product quality, increased production, and creation of new markets. Such efforts as the launch of a new corporate logo signifying product quality, establishment of a subsidiary company (KTDA Mombasa Ltd.) for trading at the auction, factory expansion, introducing modern weighing machines to minimize inaccuracies and power generation at a number of factories, among others, were all meant to satisfy the shareholders who continually demanded greater returns (Tea News, June 2010).

The above radical changes taken by KTDA in its operational strategies for growth, expansion of its market and improvement of service delivery would have been expected to generate approval, appreciation, and satisfaction from the various stakeholders. However, these changes drew serious criticisms and hostility from the farmers who accused KTDA of exploiting them. (Daily Nation, 29/9/11).

While there are numerous studies done on strategic change management in various organizations in this country, including Kibanga (2008); Mute (2008); Rukunga (2003);

Muhia (2008); Odundo (2007); Gathua (2006); Nyamache (2003); Ogwora (2003); none of them has focused on change from a parastatal to a fully commercialized private entity in the tea industry or any other industry for that matter. Yet these studies have provided useful insights into how various organizations approach strategic change in different contexts and how they respond to the same. Nyamache (2003) studied strategic change management process in the Public Sector with special reference to the Civil Service Reform Program in Kenya covering the period 1993–2003. Ogwora (2003) dealt with strategic change management at the National Cereals and Produce Board while Odundo (2007) studied change management practices adopted by the Kenya Revenue Authority in its reform and modernization program. The last two organizations are parastatals. Mute (2008) handled managing change at the Nairobi Water and Sewerage Company Ltd. which is a wholly owned subsidiary company of the City Council of Nairobi. Although these studies concur on the various prescribed approaches, principles, models, techniques, tools and skills generally used in the change management process, they cannot be assumed to explain strategic management practices applied at KTDA.

This research study was an investigation into how change was introduced at KTDA and what their experience was. It sought to answer the following questions: What changes were carried out by KTDA since its privatization and what approaches were used in implementation to generate the reactions demonstrated by some stakeholders? What challenges were faced in the implementation process and how were these challenges handled?

1.3 Research Objectives

The objectives of this research study were to:

- (i) Establish the change management practices that were adopted at Kenya Tea Development Agency
- (ii) Determine what challenges were faced in managing the process of change at the Kenya Tea Development Agency
- (iii) Establish what measures were adopted in dealing with challenges of change Management at the Kenya Tea Development Agency

1.4 Value of the Study

The study aims at contributing to the existing body of knowledge in theory development of change management practices and their application in the change implementation process especially in relation to full commercialization of parastatals and the tea industry in Kenya in particular. Many studies have been undertaken on change management in organizations but none has focused on change management with regard to full commercialization of a public organization. The findings of this study will help to compare the change management practices used with those of other types of organizations. It will shed light on the results of Kenya Government's reforms and privatization efforts which led to the current status of the organization of study. The organization was the first and perhaps the only former parastatal organization to date that

is fully privatized. The study is intended to fill the knowledge gap specifically in regard to the commercialization of a public organization into a fully fledged business entity as there has been no such study in the country and within the tea industry in particular as clearly demonstrated by the review of the above studies.

The key beneficiaries of the research findings will be the management of Kenya Tea Development Agency Ltd and the tea industry in general. It will help them understand some of the issues that they have not been able to solve especially in their relationship with the farmers who are their major customer and most important stakeholder. The study will also help other organizations that may find themselves in similar circumstances to design effective change management interventions. The changes at the KTDA having come as part of the ongoing government reforms and privatization strategy, government officials could also use this study as a good reference case especially for evaluating the success and/or failure of government in the implementation of their strategy in the public sector.

Finally, the findings of the study will serve as a basis for further research in this area in future. This being the first study of its kind in the tea sector, it will become a useful reference for future researchers and will help them understand various issues which are currently puzzling and build on what is available.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter comprises the searching identification and understanding of information relevant to the research topic. Literature review follows problem identification. It sharpens and deepens the theoretical framework of the research and gives the researcher insight into what has already been done in the selected field of study. The chapter has covered change and change management issues under the following broad subheadings: organizational change and change management, change management practices, challenges of change management, and dealing with challenges of change management.

2.2 Organizational Change and Change Management

Organizations of today face an uncertain future as they grapple with the various challenges posed by dynamic and unpredictable environments. The dynamics of any organizational environment have been described in terms of environmental turbulence and a firm's performance is said to be optimized when its aggressiveness and responsiveness match its environment (Ansoff & McDonnell, 1990). The survival and success of any organization is dependent on its ability to deal with significant forces within its environment. Change is, therefore, an inescapable part of both social and organizational life (Connor *et al.* 2003). In a fast paced global economy, change cannot be an occasional episode in the life of a corporation. Organizations with rigid structures will be swept away while corporate structures that can adapt will survive and thrive.

Change should actually be the norm in the life of an organization and should be readily embraced.

Organizational systems are conceptualized as operating in three types of environment temporal, external and internal environments whose elements interact with each other to form triggers of change that are significant in bringing about organizational change (Senior and Fleming, 2006). A trigger of change is any organizational pressure arising from outside or inside the organization indicating that current arrangements, systems, procedures, rules and other aspects of organizational structure and process are no longer effective (Buchanan & Huczynski, 2004). Organizational change can, therefore, be prompted by many different triggers. The main pressure of change is from external forces which are many and varied; some are gentle while others are strong and rough and cause devastation to structures and operations in an organization. Environmental factors that cause organizational change have been grouped under PEST. This refers to political, economic, technological and socio-cultural factors that influence organizations, their strategies, structures and means of operating, including increases in size, complexity and specialization, greater strategic awareness, skills of managers and employees, and their human resource practices (Robbins and Barnwell, 2002).

Various levels of environmental turbulence translate into different types of change. Ansoff and McDonnell (1990) propose five levels of environmental turbulence: Predictable; Forecastable by Extrapolation; Predictable Threats and Opportunities; Partially Predictable Opportunities; and Unpredictable Surprises. Strebel (1996) proposes

weak, moderate and strong environmental forces while Stacey (1996) proposes Close to certainty, and Far from certainty forces in Senior & Fleming (2006). The above levels of environmental turbulence translate into various types of change in organizations.

Grundy (1993) presents 3 varieties of change: smooth incremental change which evolves slowly in a systematic and predictable way, bumpy incremental change characterized by periods of relative tranquility, punctuated by acceleration in the pace of change and discontinuous change which is marked by rapid shifts in strategy, structure or culture or in all three, for example, the privatization of a previously publicly owned utilities. Other authors who have contributed to varieties of change are: Strebel (1996), Stacey (2003), (Senior & Fleming, 2006), Tushman et al (1988) and Dunphy & Stacey (1993). Balogun and Haileys (2004) propose four types of incremental change divided into Adaptive and Evolutionary change and Big Bang Change divided into Reconstruction and Revolution. The end result of these varieties is either realignment or transformation and different organizations choose the variety that suits their situation best depending on their environmental challenges.

Organizational change is said to be revolutionary or evolutionary depending on its force and the effect on the organizational structure and processes. Revolutionary change is a radical change that shakes the entire organization and causes disruption and emotional trauma. Evolutionary change is implemented in small bits and incrementally (Robbins & Barnwell, 2002). Organizational change can be planned or emergent. Planned change refers to situations in which organizations have adequate time to formulate responses to

the drivers of change and maintain the viability of the organization with minimum disruption and cost. Unplanned or emergent change emerges as response to an unanticipated threat or event. The distinction between planned and emergent change is, however, not clear-cut and there have been criticisms of the idea that change can be planned logically and systematically Quinn (1980), Wilson (1992), Stacey (2003) and Strebel (1996).

Organizational change can be strategic or operational. Organizations undertake strategic changes to align their business strategies to the environment, thereby matching the resources and activities of the organization to that environment (Wheelen & Hunger, 2008). Strategic change involves fundamental changes in the business of the organization and its future direction while operational change aims at efficiency (Armstrong, 2003). Successful strategic change is built on an overall strategic management system of the organization which legitimizes the change program.

Change management is empowering organizations and individuals for taking over responsibility for their own future. It is the deliberate and coordinated actions taken to transform an organization to overcome environmental challenges in order to achieve its objectives. This requires tuning into the environment, challenging assumptions, crafting a vision and using diplomatic skills to get favorable responses (Johnson & Scholes, 2002). The way change is managed depends on the type, origin and magnitude of the drivers of change. Change management is a problem finding and problem solving activity. The problem is the future state to be realized, some current state to be left behind, and some

organized process for getting from one state to the other to ensure efficiency and effectiveness (Johnson, Scholes & Whittington, 2005).

2.3 Change Management Practices

Change in organizations can either be proactive or reactive. Proactive change involves actively attempting to make alterations to the workplace and its practices. Organizations that take proactive approach to change are often trying to avoid a potential future threat or to capitalize on a potential future opportunity. Reactive change occurs when an organization makes changes in its practices after some threat or opportunity has occurred. Paradigms play an important role in explaining a number of things. Organizational change entails understanding what needs to be done, what area of expertise is required, and the knowledge which goes to make the practice (Samson & Daft, 2005).

Approaches to change management have been heavily influenced by the changing paradigms in the field of management of organizations. There exist broadly two forms of change: Planned change and Emergent Change. Planned change is a process of moving from one fixed state to another through a series of preplanned steps. Emergent change approach, which emerged in the 1980s, views change as a continuous, open-ended and unpredictable process of aligning the organization to its changing environment. It recognizes the need for organizations to align their internal practices to their external conditions (Robbins & Barnwell, 2002). The approach to change management should be context-dependent and managers have to balance different approaches to management of change according to the circumstances they face. There are mainly two approaches: the

Top-down and Bottom-up and it is possible and helpful to combine both approaches sometimes. Organization-wide perspective of change means considering such factors as the environmental drivers of change, allocation of tasks and the processes adopted to promote change (Senior & Fleming, 2006). A number of theoretical models of change management have been advanced by various people. Each attempts to describe the process through which organizations successfully alter their business practices, their organizational structure or their organizational climate.

2.3.1 Models for Managing Planned Change

The first model for managing planned organizational change is Action Research which was first coined by Lewin in 1946. It is based on an action with a goal of making that action more effective. It refers to programs and interventions designed to solve a problem or improve a condition. It is based on the premise that an effective approach to solving problems must involve a rational, systematic analysis of the issues in question. Action research involves perception of the problem by some key individual, consultation with experts, systematic data collection about the system in relation to the goal, objective or need, taking action by altering the selected variables within the system and evaluating the results by collecting more data and taking action again. Action research involves the organization, the people, and a change agent.

The second model is the three-step model advanced by Lewin (1951). He viewed the organization as a system of interrelated parts and competing forces or opposing transient groups. System change engages forces resistant to and in favor of change. The change

process has three distinct stages: unfreezing, changing and refreezing, at which stage the new order is institutionalized, presenting the desired situation, a process of punctuated equilibrium according to Balogun & Hailey (2008). This model focuses on behavior modification and managers have a great role to play in positive reinforcement.

The third model is the 8-Step Change Model advanced by Kotter. To ensure successful change process, Kotter (1996) proposed eight steps as follows: create urgency around the need for change; form a powerful guiding coalition convincing people that change is necessary; create a vision that can help everyone to understand the need for change; communicate the vision; empowering others to act on the vision; planning for and creating short term wins; consolidating improvements and producing still more change; institutionalizing new approaches. Kotter argues that the eight steps should, however, be treated as a process and not a checklist. Successful change goes through all the eight steps. Cummings & Worley (2005) have suggested six steps which are part of Kotter's eight steps.

The fourth model of change is that of Bullock and Batten (1985) which involves four broad stages of change: Exploration Phase, Planning Phase, Action Phase and Integration Phase. Kanter et al (1992) proposed the Ten Commandments for executing change which comprises: analyzing the organization and its need for change, separating from the past, create a sense of urgency, supporting a strong leader, lining up political sponsorship, crafting an implementation plan, developing enabling structures, communicating, involving people and being honest, reinforcing and institutionalize the change.

2.3.2 Models for Managing Emergent Change

The first one is the Processual Model advanced by Dawson (1994). In this model, the temporal aspects of change are used as a means of breaking down the complex process of organizational change into manageable portions. The model entails Conception and the need for change, Process of organizational transition, and Operation of new work practices and procedure. Determinants of change are seen as the context of change, the substance of change and the politics of change and how they interrelate.

The second model is the Logical incrementalism advanced by Quinn (1980). Quinn criticizes the idea of planned change in organizations and argues that managers consciously and proactively move forward but incrementally. Quinn's model involves a number of organized moves, strategically formulated to produce the desired results. Quinn is strongly supported by Stacey (2003), Strebel (1996), in Senior & Fleming (2006) who argue that change leaders cannot afford the risk of blindly applying a standard change recipe and hope it will work because successful change takes place on a path that is appropriate to the right situation.

The third model is the Learning Organization Model advanced by Senge (1990). Senge says that a learning organization does not just embrace a sudden adoption of change but should continually be seeking it. In his view, a learning organization uses learning, experimentation and communication to renew itself constantly. His view is shared by Peddler et al (1991) who define a learning organization as one that facilitates the learning of all its members while simultaneously transforming itself. Strategy development

involves knowledge creation which is best undertaken in groups, developing shared mental models of issues through group dynamics. Senge argues that organizations should develop a culture of learning at all levels of the organization making change a part of 'the business as usual'. He suggests five basic features of a learning organization: Shared Vision, Systems Thinking, Mental Models, Team Learning and Personal Mastery.

Beyond planned and emergent change models, change agency and organizational change competency approaches have been proposed (Samson & Daft 2005). Proponents of these approaches argue that irrespective of the nature of change, change has to be led and managed. Someone has to take responsibility. Specialist skills are necessary to manage the different types of change. The following models of change agents have been proposed: a leadership model, a management model, a consultancy model and team model which involves a team comprising members of the organization from various departments. Change competency is the organization-wide capability to apply change management practices successfully and routinely, making change seamless and effortless.

2.3.3 Principles of Change Management

There is no single methodology of change management that fits every organization but there are a set of practices, tools and techniques that can be adapted to a variety of situations. Change in organizations has two critical dimensions: Business dimension and people dimension. For successful and meaningful change to be realized, both dimensions have to be fully managed. Business change elements include; the need for change, the change strategy, business processes, systems and structures, implementation and post-

implementation. The areas of concern are scale, magnitude, duration, and strategic importance of the change (Senior & Fleming, 2006). The people dimension involves the alignment of the organization's culture, values, people, and behaviors to encourage the desired results. Helping employees cope with change is one of the most critical success factors in change management. This calls for involvement at all organizational levels; ensuring that the change is owned by all; communicating the right information at the right time and conducting a cultural diagnosis to assess organizational readiness for change.

Prosci Research in 1998 involving 1000 organizations in 59 countries came up with the ADKAR Model of change management. The model is seen as effective in the management of the people dimension of change and entails the following five building blocks: Awareness of the need for change, Desire for participation and support, Knowledge of what is expected of the people and how they stand to gain, Ability to implement the desired change, and Reinforcement to keep the change in place by motivating the people. The four principles of change management entail urgency, vision, empowerment and execution (Hiatt, 2006).

2.4 Challenges of Change Management

Implementation of change does not automatically follow strategy formulation and neither does application of the above principles and models of change guarantee success. Despite its potential positive outcomes, change is often resisted at both individual and the organizational levels (Samson & Daft, 2005). As Machiavelli once said, there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain of success

than to take a lead in the introduction of a new order of things because the innovation has enemies in all those who have done well under the old conditions and lukewarm defenders in those who may do well under the new conditions (The Prince, 1611) while Toffler (1970) wrote about the psychological dimension of 'future shock' which was meant to emphasize that people are naturally wary of change. Resistance can take many forms and it is always very difficult to pinpoint the exact reason for the resistance.

There are two types of resistance to change: systemic resistance and behavioral resistance. Systemic or organizational resistance is caused by among other things organization design, organizational culture, resource limitations, fixed investments and inter-organizational agreements. These factors lead to what is known as the passive incompetence of the organization which is proportional to the difference between the capacity required for the new strategic work and the capacity to handle it. It occurs whenever the development of capacity lags behind strategy development (Jonson, Scholes & Whittington, 2005). The forces in the workplace include: ignoring the needs and expectations of members; when members have insufficient information about the nature of change; or if they do not perceive the need for change; or sabotage the efforts to implement it (Mullins, 2005). Behavioral resistance is caused by individual employees, managers who share common tasks and coalitions and power centres within the organization. Mullins (2005) has given the following as common reasons for individual resistance to change within organizations: selective perception, habit, inconvenience or loss of freedom, economic implications, and security in the past. Senior & Fleming (2006) suggest others as parochial self interest, misunderstanding and lack of trust of

those in authority, low tolerance for change, breakup of work groups and other competing commitments. It is important for management to understand the reason for, and nature of resistance and to adopt a clearly defined strategy for handling it.

Of all the challenges of organizational change, culture change remains the most daunting. Defined as the collective programming of the human mind that distinguishes the members of one human group from those of another, culture is a system of collectively held values (Hofstede, 1981). Organizational culture is a powerful determinant of individual and group behavior. It affects practically all aspects of organizational life from the way in which people interact with each other and perform their work, to the types of decisions made in a firm, its organizational policies and strategy consideration. Johnson, Scholes & Whittington (2005) refer to organizational culture as a cultural web because it appears to bring together the idea of culture as congruent with everything that happens in an organization. Organizational culture is considered a major obstacle to change although it can also be a vital ingredient of organizational success or failure (Brooks, 2003). Unfortunately, there is a natural incompatibility between strategy and culture which militates against change effort across the board.

2.5 Dealing with Challenges of Change Management

Managing change is wrought with challenges in spite of whatever approaches and strategies that are used. This is because change management cannot be worked out on a mathematical formula basis with a set of variables that will yield a fixed answer for combination, (Kazmi, 2002). Successful change management is the ability to handle the

change process and overcome resistance at both individual and organizational levels. Resistance to change is a multifaceted phenomenon. Nadler (1988) suggests three major problems associated with resistance to change: the problem of resistance to change, organizational control and the problem of power, conflict, change and political action. Kotter and Schlesinger (1979) have given the following recipe for dealing with behavioral resistance to change: Education and communication; Participation and Involvement; Facilitation and support; Negotiation and agreement; Manipulation and co-optation; Explicit and Implicit coercion. These tactics are useful in different circumstances and can be used in combination depending on the situation. Ackoff (1993) in "The Art and Science of Mess Management" identifies three different kinds of things that can be done about problems: they can be resolved, solved or dissolved.

The successful implementation of change demands positive action from top management and a style of transformational leadership in order to gain a commitment to change and willingness to handle the resultant resistance (Mullins, 2005). Reducing or overcoming resistance to change depends on the ability to identify the sources of resistance and the leader's ability to address the more individualized resistance to change. Suggested leadership qualities for change include: drive, leadership motivation, honesty and integrity, self confidence, cognitive ability and knowledge of the business (Kirkpatrick and Locke, 1991).

Organizational politics is a useful tactic in strategic change management process. Conflicts over goals should be settled by compromise, bargaining and negotiation

between managers, and coalition of managers by outright use of power (Hill and Jones, 2000). Negotiation leads to some level of compromise being reached, a win-win situation. Stakeholder analysis is another critical success factor in change management and in managing any resistance to change. Stakeholder readiness for change should be both intellectual and emotional (Johnson & Scholes, 2002). Using a process that combines education and persuasion to bring about attitude, and value change with changes in structures and systems to bring about behavior changes, will help modify organizational culture which is linked to organizational change on a broader scale. The management of cultural change is essential in ensuring continuous organizational dynamism but because culture is so deeply rooted in an organization's history and collective experience, working to change it requires a major investment of time and resources.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the description of the methods applied in carrying out the research. The chapter is organized in the following sections: research design, population, sampling techniques, research instruments, data collection methods and procedures and data analysis (Kombo & Tromp, 2009).

3.2 The Research Design

The research design used is a case study. A case study was adopted because the nature of data required to address the problem at hand is qualitative, not quantitative. A case study helps in collecting comprehensive, systematic and in-depth information about the particular organization of study and leads to an in-depth understanding of the problem that has been identified. This is a method of study in depth rather than breadth; it is essentially an in-depth investigation into the problem at hand. In a case study, a great deal can be learned from dealing with a few examples of the phenomena under study as opposed to other types of designs (Orodho, 2003). It is a very popular and powerful method of qualitative analysis.

3.3 Data Collection

Data collection involved collecting primary data through personal interviews which are conducted using a carefully designed interview guide. The primary data required for this study was obtained directly from individual interviewees through a semi-structured

interview guide (See Appendix 1). Semi-structured interviews are advantageous because they are flexible. This helps generate more in-depth information through probing the respondents. The study targeted specific people at KTDA and the tea farmers' representatives who are in advantaged positions to respond fully and more resourcefully either due to the nature of their responsibilities or their designations. The study targeted those who have been in the organization for the last 10 years or more and have witnessed or have been involved in the changes that have taken and are still taking place in the organization. These include: the CEO, Heads of Departments and other senior managers, General Managers of various tea factories and Directors of the Board who do not only represent the farmers interests, but they are also famers in their own right. In total, there were six interviewees. All the interviews were conducted personally.

3.4 Data Analysis

Data analysis involved scrutinizing the acquired information and making inferences. Since the data collected was qualitative in nature, content analysis was the best method of analysis. Content analysis systematically describes the form or content of written or spoken material. In a content analysis, a classification system is developed to record the information.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter discusses the findings of the study based on the analysis and interpretations of primary data from a carefully selected number of respondents. The findings focused on three main objectives of the study, namely, change management practices adopted, challenges faced during the change management process and the measures adopted in dealing with the challenges of change management at KTDA. The qualitative data was collected using an interview guide designed in line with the objectives of the study.

4.2 Respondents' Profiles

The respondents were drawn from senior management of KTDA and the tea farmers' representatives at the board who are well versed with the changes that have taken place and are still taking place at the KTDA. The study targeted six very senior managers who have been in the organization for the last 10 years or more and have not only been involved in the changes that have taken place at KTDA, but have also been part of the team that has led the change process. They included the CEO of the KTDA Holdings Limited who has been part of the process throughout.

The respondents were interviewed individually and their responses were recorded during the interview. All of them were willing to answer all the questions on the interview guide and they demonstrated a good understanding of the issues under study. They were

responsive and very resourceful even on matters of personal opinion. Their responses contributed greatly to the quality of the study.

4.3 Change Management Practices

The study sought to establish what change management practices were adopted at KTDA. The respondents said that the company adopted a planned approach to change management to help it move systematically from one state to another through a series of pre-planned stages which targeted the entire organization. This was in line with the forces of change which had a strong bearing on the choice of strategy that the organization formulated and the change process adopted. The respondents explained the political events that preceded the KTDA's change from the Authority to the Agency. They said that a wave of privatization, driven by external factors, had led to the on-going effort by government to lessen its involvement in marketing and pricing issues, a move aimed at realizing better profitability and less dependence on treasury for support. There was need for decentralized decision-making and the government wanted the shareholders to manage their own affairs if KTDA was going to make progress.

Some of the respondents said that outside the government involvement, there was agitation by farmers who had personal interests in KTDA and also some multinational firms who had a hidden business agenda in terms of tea buying and the running of the factories. The respondents concurred in that some of the personal interested forces were looking for management control of the tea business through their powerful political positions and affiliations. The respondents said that the Ministry of Agriculture proposed

the changes with approval of KTDA management. The government had argued that since the factories were limited private companies, they would be more efficient if they were on their own without any interference from the government.

The respondents said that following the government's argument in line with their reforms and privatization strategy, KTDA was fully privatized. The government relinquished its hold and transferred all its interests, assets and staff to the new KTDA. Asked whether in their opinion the changes were necessary, the respondents concurred that the changes were necessary to reduce bureaucracy and fast track the decision-making process. The government wanted to delink itself and leave KTDA to run the affairs of the farmers without its involvement. The respondents said that this move saved the industry from gagging and made KTDA more responsive to environmental factors.

The respondents explained that on privatization, KTDA adopted a new business name, Kenya Tea Development Agency Limited. The name was the same except for the word Agency instead of Authority and the Agency was a limited company, totally delinked from the government. This meant that KTDA was solely responsible for the management of the business and delivering value and satisfaction to the stakeholders. The old structure was dismantled and a new one had to be created as a matter of urgency in line with a new strategy. There was also need for a well organized process to deliver the desired results. The respondents said that the board started by hiring a new CEO who would lead the change process. They stressed that the company had to run like a business entity using

principles that would lead to achievement of objectives, steer business growth, and guarantee stakeholder satisfaction.

The respondents said that at the beginning, the organization hired the services of a consultant who worked closely with the senior management staff in formulating a five-year strategic plan with vision, mission statement and core values. The new CEO led the process together with his senior managers, clearly defining the strategy to the staff, going through the SWOT analysis and effecting the change step by step. The respondents said that major changes had been recommended which included restructuring, retrenchment, staff rationalization and creation of new subsidiaries to handle various services to ensure company growth, profitability and stakeholder satisfaction. The staff had to own the process.

Asked how the change was introduced, the respondents said that it was introduced in the entire organization gradually but steadily in a top-down fashion. They said that the company was more responsive to the environment, from strategy formation, structure to various processes, products and services. The respondents said that most of the change process was handled by the senior managers whose main role was employee sensitization on the need for the changes taking place, employee education and training. Their effort was enhanced by various circulars which were released regularly. The respondents said that Consultants were hired for specific assignments as part of the process consultation. The Ministry of Agriculture was also involved in the sensitization process in the early

stages strategically to enhance communication. Agricultural extension workers were also used to sensitize the farmers on what this change meant and how they stood to benefit.

On how the employees were prepared to accommodate the changes, the respondents said that a lot of sensitization had to be done on the need for change and reasons for restructuring. This was targeted to all KTDA staff and the farmers. The company had inherited a bloated staff from the government which was neither affordable by the new organization nor supportive to the new business strategy of survival, success and growth. The respondents explained that in the early stages of the process, counselors were used especially just before retrenchment. This was meant to prepare those who would be affected. Adequate funds had to be availed for the whole exercise as some had to retire early which meant compensation. The respondents said that most of the staff had been seconded from the Ministry of Agriculture and KTDA was given a choice to either retain them on their own terms or release them back the ministry. The respondents said that though the farmers had agitated for this change, privatization and what had come with it left them feeling insecure and culpable to exploitation by the various interested parties including KTDA whose intentions they were suspicious of.

When asked how the process was institutionalized and reinforced, the respondents said that this was done through concrete policies and processes which have been properly owned through performance management systems, proper monitoring and evaluation, regular audits and other measures that can guarantee results. They added that the senior management has been leading by example and have instituted proper disciplinary

systems, all inclusive sensitization and involvement, use of registration, and enhanced education by technical staff on what is happening stage by stage. The respondents said that there has also been strict adherence to the laid down procedures and practices and training programmes have been conducted on relevant areas.

Asked whether in their opinion the process had been successful, the respondents said that it has been a great success and added that there has been appreciable change in many aspects as well as culture change among many stakeholders. On what they consider as the major milestones of successes in the change management process, the respondents said that the new business strategies have led to enormous growth of the company from the initial 45 factories to 65 and from 3 subsidiary companies to 7 leading to the current KTDA Holdings Limited. They added that there has been increased production due factory expansion, technological advancement in all areas of operation including tea weighing, investment expansion, new markets and better returns which have led to KTDA charging 2.5 % commission in management fee instead of 5%, improved GDP (60%), promotion of rural infrastructure, foreign exchange earnings, creation of jobs and better job satisfaction.

On the effects of the changes on the business performance, the respondents said that the removal of government controls has made the industry more competitive and the environment more conducive to profitability. The business is more focused and the increased profitability is more quantifiable in terms of business segmentation. The company has embraced new technology and use of ICT and there is automation in areas

where the organization can now maximize on the time, quantities, quality and cost reduction. Decisions are made and acted on faster, expansion of markets, quality improvement, value addition and production enhanced due to development of alternative sources of energy, increased production due to enhanced capacity, modernization of factories, efficient and effective service delivery, more accountability, tremendous business growth (45 -65 factories and 3-7 subsidiary companies) within a short time, and better returns for the stakeholder.

Asked what the effects of change were in the management of the organization, the respondents said that there has been decentralization of the administration. The factories are now autonomous, board members are elected by the farmers, CEO reports to the board and the Board is the most powerful management organ in the new structure. They added that there is easier accessibility to those who matter, consultation which leads to sharing of ideas and empowerment and the current structure delivers efficiently, effectively and promptly. There is ownership of the process because the stakeholders are involved in the management of their own affairs. However, some of the respondents said that in some areas the changes are not good and there is need for vetting some of the directors. Politics is involved in their election and some of them are not competent. Many have vested interests which are in conflict with the farmers'. They said that a better and effective method of electing representatives to the board should be sought.

On the response of the stakeholders to the changes, the respondents said that the stakeholders are much happier about the increased shareholder earnings, better service

delivery, prompt response to queries and solutions to problems. The farmers are paid regularly and on time and their returns are much higher due to increased production, improved product quality and enlarged market share. There is communication and sensitization at Director level, continuous regular education through buying centre committees, factory boards, alignment of operations for efficiency and effectiveness and reports are released regularly. There has been improved information dissemination, and employees' issues are addressed much faster. However, some farmers are unhappy because dividends paid to them as declared by factories are divided into abilities which they do not understand. They also see the creation of too many subsidiary companies as pockets KTDA has created to put in money before the farmer is paid and are unhappy about recruitment of some new staff who are insensitive to customer needs.

When asked what areas of the needed change that may not have been exhaustively handled, the respondents said that farmers need education and sensitization on relationship between the size of the farms and returns because this has created a lot of problems between the farmers and KTDA; the election of Directors to the Board; partnership between KTDA and farmers who are not able to run their farms profitably; more new markets need to be captured; value addition should be owned by KTDA and not forced through the Tea Board of Kenya; need for evaluation of the gains/achievements before re-strategizing; some changes are haphazard; need for involvement of the entire staff in change process at all stages. Some of the respondents said that some of the stakeholders are yet to appreciate what is going on and what the company aims to achieve, so there is need for continuous education and sensitization.

The respondents said that some of the critical areas that need to be addressed include the overhaul of the organizational structure, accommodation of people from non-tea growing areas on the board, fluctuating global tea prices, rising costs of production, poor infrastructure especially the roads in the tea growing areas and staff policy on performance appraisals and remuneration needs to be reviewed. The organization needs to accommodate new people with new thinking and focus which would lead to a more dynamic organization. Some of the respondents said that women representation has to be considered as per the new constitution as there are no women on the board currently due to their social status in the tea growing areas which is a factor during elections. Extension workers are too few per the number of farmers represented and more need to be recruited for efficient and effective dissemination of information and farmers' education.

4.4 Challenges of Managing Change

The study sought to know what challenges were faced during the change management process. The respondents said that there was individual inertia to change and fear of the unknown especially at the beginning. They added that the issue of retrenchment of staff was the most difficult one as the morale of those left behind was very low. The respondents said that change separated people, destroyed the organizational culture and there was insecurity and suspicion among the staff. They added that it was not easy to accommodate the new members joining the organization as there was hostility towards them which caused interrelationship challenges.

The respondents said that resistance to change develops at all levels of the organization. Since change is an emotional process, resistance should be expected and it is natural. On the challenges of organizational structure, the respondents said that the organization is too large. There are too many subsidiary companies which translate into what one of the respondents called a mongrel of structure. They add that owing to the number of companies and boards, interviewing for all the jobs was a big challenge. The respondents said that initially, behavior-centered accountability guarantee output was inhibitive but was eventually faced out. The respondents said that other challenges to the change process had to do with the discipline issues and managing expectations from various stakeholders and competition from the multinational companies who try to buy green tea from farmers directly although tea hawking is prohibited. They added that though the returns have been higher, factors such as increase in numerous levies and taxes reduce the returns to the farmer; lower management fees cause financial pressure; slow procurement system and occasional untimely availability of resources militate against the gains made.

4.5 Measures for Dealing with Challenges

The study sought to know what measures had been adopted in dealing with challenges of change at KTDA. The respondents said that the business challenges were addressed, through a number of well planned activities. They explained that releasing some staff and hiring others with specific skills was useful in that those who left did not feel discriminated against. There were also regular senior management meetings to address any thorny issues followed by consultation and engagement in driving behavior change. The respondents added that introduction of new technology and automation of all the

operations had led to the achievement of quality standards. The resources were adequately availed throughout the change process which made it possible to accomplish all the planned stages.

The respondents explained that other measures that have mitigated the challenges of change management include: involvement of stakeholders in the management of the company; the use of consultants at specific stages of the process; major training of staff especially in customer service delivery; application of the new law on tea hawking; improved roads in tea growing areas; enhanced vehicle fleets and improved age of vehicles for efficiency; continued sensitization, communication, regular briefings by senior managers including CEOs of various subsidiaries and media involvement to enhance corporate image. Internalization of management fees has been expensive but the factories have been asked to chip in which has lightened the financial burden.

On how the cultural challenges were handled, the respondents said that injection of new employees mitigated any cultural inhibitions and enhanced the change process. The new employees included the CEO, a new head of marketing, a new head of human resources and other senior managers with the necessary and specific skills. One of the respondents said that tea plucking schedules in some parts of the country have been affected in areas where there are Seventh Day Adventists adherents who are against working on Saturday. This has affected the tea quality but the issue is being addressed. The respondents concurred that there has been a major new culture which is more businesslike and generally supportive. They added that the management has tried to help people through

their circumstances so that they move to accept and support the changes. This has been done through stakeholder analysis which leads to understanding why individuals and groups are not positively disposed towards change and helps in devising strategies to overcome their negative reactions.

4.6 Discussion of Findings

The study had three objectives which were: to establish what change management practices were adopted at KTDA, what challenges were faced during the change management process and what measures were adopted in dealing with the challenges of change management. The study found that strong forces from the external environment brought about the changes that took place at the KTDA. Its privatization was as part of the government comprehensive Public Enterprise Reform and Privatization Programme. Most Public Enterprises (PEs) were perceived as inefficiently managed, overstaffed, corrupt and archaic which had led to review of continued Government participation or involvement in their affairs.

This is consistent with the findings of Ogwora (2003) whose study found that parastatals and nationwide monopolies such as the National Cereals and Produce Board had not achieved the objectives for which they were set and their performances had remained poor due to lack of competition and weak management. It is supported by Nyamache (2003) who revealed that the need for efficiency, economy, environmental protection, effectiveness, evaluation, ethics and the market were the major forces of change in the private sector. The study found that due to economic reforms in the country, firms made

substantial changes in the change management in order to survive the turbulent environment.

Change is inevitable with most organizations because it is the only constant in today's life. The study revealed that managing change is not an easy process and requires skill, support and resources. The change process must be well managed if results are going to be achieved. Mute (2008) found that organizations undertake major changes in at least four general areas: strategy, technology structure and people. This is partly consistent with (Senior & Fleming, 2006) who say that change in organizations has two critical dimensions: Business dimension and people dimension and add that for successful and meaningful change to be realized, both dimensions have to be fully managed.

There is no single methodology of change management that fits every organization but there are a set of practices, tools and techniques that can be adapted to a variety of situations. The study revealed that a planned change management was adopted at KTDA. A top-down approach where change activities were decided at the top and led from the top was used. The study further revealed that Kotter's 8-step model was applied. To ensure successful change process, Kotter (1996) proposed eight steps as follows: create urgency around the need for change; form a powerful guiding coalition convincing people that change is necessary; create a vision that can help everyone to understand the need for change; communicate the vision; empowering others to act on the vision; planning for and creating short term wins; consolidating improvements and producing still more change; institutionalizing new approaches. The findings are consistent with

other studies that used the same kind of approach and model. These include Mute (2008), Odundo (2007) and Muhia (2008).

In line with Kotter's 8-step model, the study indicates that a sense of urgency was evident after the formation of a new company responsible for its own existence, survival, profitability and growth, and answerable to the stakeholders. A strategic management process was necessary. According to Thompson & Strickland (1993), this process involves determining the vision and mission; SWOT analysis; setting the strategic objectives; implementation of strategy through resource allocation; operationalization and institutionalization which involves matching of tasks, people, structure, technologies and reward systems; evaluating performance and initiating corrective adjustments. The study found that the services of a consultant were hired to get the process started professionally and to assist in strategic stages during its implementation. This is consistent with the study by Mute (2008) which found that the newly formed Nairobi City Water and Sewerage Company which was delinked from the City Council of Nairobi applied the same sense of urgency in their change management process.

A powerful guiding coalition of senior managers was formed and prepared to give strategic direction to the change process and get ownership. This group was led by the CEO. The vision, mission and objectives were spelt out to direct the change process and to develop strategies for achieving that vision. The new vision and strategies were communicated to all the stakeholders using every vehicle possible. The staff were sensitized on the changes taking place through regular reports, press notices, consultative

meetings, workshops and in-house training programmes. This is consistent with the study by Odundo (2007) which found that a powerful coalition of senior managers, including the CEO, was formed to lead the process of change at the Kenya Revenue Authority in its Reform and Modernization Programme. The findings are also consistent with Kibanga (2008) who found that for change to take place and be fully implemented by the staff, there was need for senior management intervention to give both leadership and direction to the change process at AON Minet Insurance Brokers Ltd.

Empowering action and overcoming challenges/obstacles to change was done through changing systems and structures that undermine the vision and injecting new blood into the organization which was supportive. Constructive feedback was encouraged and so was recognition and reward of achievement. Short-term wins were achieved through visible performance improvements, consolidating improvements and still producing more change, using increased credibility to change systems, structures and policies and instituting new approaches, developing the new means to ensure relationships development and success.

There was no let up as determination and persistence were encouraged throughout the change process and there was on-going reporting of progress to highlight achievements and future milestones. Change was made to stick through reinforcement of value of successful change via recruitment, promotion and new change leaders. These findings concur with the findings of Odundo (2007) in her study of change management practices adopted by Kenya Revenue Authority in its Reform and Modernization Programme.

Resistance to change is always expected in the change process. This is consistent with (Samson & Daft, 2005) who hold the view that despite its potential positive outcomes, change is often resisted at both individual and the organizational levels. There are two types of resistance: behavioral and systemic. Reasons given for behavioural resistance to change include fear of the unknown, lack of proper or full information on what is going on, fear of loss of security, fear of loss of power, lack of resources, no need for change and bad timing habit. Mullins (2005) adds selective perception and inconvenience to the above reasons while Senior & Fleming (2006) suggest others as parochial self interest, misunderstanding and lack of trust of those in authority, low tolerance for change, breakup of work groups and competing commitments.

The study indicates that availability of adequate resources both financial and human helped in the smooth running of the change process at KTDA and in mitigating some of the problems caused by resistance. Recruitment of new staff created tension and suspicion initially but eased out eventually. These findings were consistent with the findings of Mute (2008) in her study of Managing Change at Nairobi City Water and Sewerage Company Ltd which found that the old and new staff of the City Council in the newly formed Water and Sewerage Company had integration problems due to their diverse backgrounds and salary differences. However, her study found that there was systemic resistance to change due to inadequate resources unlike in the case of KTDA.

There are many managerial challenges of change management which require specific and talented type of individual to successfully cope with them. These require a leader who

will motivate the different types of people and character in a way that ensures change management process proceeds as smoothly as possible (Rukunga, 2003). The study found that the transformational leadership of the CEO with his team of senior managers contributed a lot to the success of the change management process at KTDA while continuous communication, sensitization and training, helped in institutionalizing and reinforcing the change process. This is consistent with the findings of Odundo (2007) in the case of Kenya Revenue Authority in its Reform and Modernization Programme where the CEO was part of the team of senior managers that led the change process. This approach of leading by example is bound to succeed.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a summary of findings in Chapter Four and gives a conclusion and recommendations for policy and practice based on the objectives of the study. The objectives of the study were to establish what change management practices were adopted at KTDA, what challenges were faced during the change management process and what measures were adopted to deal with the challenges of change management.

5.2 Summary of Findings

The first objective of the study was to establish what change management practices were adopted at KTDA. Findings reveal that external forces brought about KTDA's change from a government parastatal to a commercially privatized company. This was part of the on-going government comprehensive Public Enterprise Reform and Privatization Programme. Most Public Enterprises (PEs) were perceived as inefficiently managed, overstaffed, corrupt and unprofitable. This had led the Government to review its continued participation or involvement in their affairs. The study found out that a strategic change management approach was adopted at KTDA to help the company move systematically from one state to another through a series of pre-planned stages. The top-down approach was dominant. It is based on the assumption that if managers plan things properly, change can be executed smoothly. The changes were introduced in the whole company and the process was led by a strategic team of senior managers who included

the CEO. Consultants were used at specific stages of the process and Kotter's 8-step model was applied.

From the findings, a lot of sensitization was done to prepare the employees on the need for change and what they stood to gain. This helped them to accommodate and appreciate the changes. Involvement of senior managers who led the process by example helped a great deal. The process was institutionalized and reinforced through concrete policies and processes which have been properly owned through performance management systems, proper monitoring and evaluation, regular audits and other measures that can guarantee results. Findings further show that proper disciplinary systems have been instituted, all inclusive sensitization and involvement, use of registration, and enhanced education by technical staff on what is happening stage by stage and strict adherence to the laid down procedures and practices and the observation of the law. Training programmes have also been conducted on relevant areas. The company is more responsive to the environment and any necessary action is taken faster as there are no unnecessary hurdles.

The findings reveal that the process has been a great success and major milestones include: enormous growth, increased production, technological advancement, investment expansion, expansion of markets resulting in better returns, higher foreign exchange earnings, promotion of rural infrastructure, creation of jobs and better job satisfaction. The business is more focused and the increased profitability is more quantifiable in terms of business segmentation. Production has been enhanced through alternative sources of energy, quality improvement through value addition, while decentralization of the

administration has led to decisions being made and acted on faster, increased accountability and efficient and effective service delivery. The factories are now autonomous and representatives of the farmers on the board are elected by the farmers themselves. However, there is need for vetting some of the directors representing the stakeholders because they are not competent as politics is involved in their election. Many of them have vested interests which are always in conflict with the farmers’.

Results of the study indicated that the stakeholders are much happier about the increased shareholder earnings, better service delivery, prompt response to queries and solutions to problems, improved information dissemination, and employees’ issues are addressed much faster. However, the farmers are unhappy about the dividends declared by the factories because they are based on abilities which they do not fully understand. They also see the creation of too many subsidiary companies as pockets KTDA has created to put in money before the farmer is paid. They are also unhappy about recruitment of some new staff who are insensitive to customer needs.

As change is a continuous process, findings indicate that there is need for continuous farmers’ education and sensitization on the relationship between the size of the farms and returns and what the company aims to achieve through the changes that are going on. Possibility of a partnership between KTDA and farmers who are not able to run their farms profitably should be explored further; more new markets need to be captured; value addition should be owned by KTDA instead of being forced through the Tea Board of

Kenya; need for evaluation of the gains/achievements before re-strategizing; and the entire staff need to be involved in change process at all stages.

From the findings, critical areas that need to be addressed include the overhaul of the organizational structure, accommodation of people from non-tea growing areas on the board, fluctuating global tea prices, rising costs of production, poor infrastructure especially the roads in the tea growing areas and staff policy on performance and remuneration needs urgent review. Women participation and representation has to be considered along the lines of the new constitution as there are no women on the board currently due to the criteria used during elections. Extension workers are currently too few and there is need to recruit more for efficient and effective dissemination of information and education of the farmers.

The second objective of the study was to find out what challenges were faced during the change management process. Results showed that there was the usual inertia and fear of the unknown initially. Retrenchment of staff was the most difficult challenge to handle. Findings indicate that counselors had to be used for the psychological preparation of those affected. Change separated people and destroyed the organizational culture. This created insecurity and suspicion among the staff left behind and the morale of was very low at the beginning. As a result, there were interrelationship challenges caused by hostility towards new members joining the organization as it was not easy to accommodate them.

Findings reveal that other challenges faced relate to the size of the organization. There are too many subsidiary companies which translate into what was called a mongrel of structure and owing to the number of companies and boards, interviewing for all the jobs is a big challenge. Modern management practice advocates for a lean structure, coordination and communication. Stephen and Barnwell (2002) say that the more the levels that exist between top management and operatives, the greater the potential for communication distortion, and the more difficult it is for top management to vet the actions of the operatives. Findings indicated that discipline issues and managing expectations from various stakeholders also posed a challenge. Respondents said that though the returns are much higher, increased numerous levies and taxes have reduced the returns to the farmer and the lower management fees have caused financial pressure. Though availability of resources was not a challenge, resource mobilization was sometimes poor or untimely and procurement system was slow.

The third objective of the study was to establish what measures were adopted in dealing with challenges of change at KTDA. Results indicate that the business challenges were addressed through a number of well planned activities. Releasing some staff and hiring others with specific skills was useful. Regular senior management meetings to address any thorny issues, consultation and engagement helped in driving behavior change. Use of new technology, automation of all the operations and availability of adequate resources throughout the change process made it possible to accomplish all the planned stages. Findings indicate that other measures that mitigated the challenges of change management included involvement of stakeholders in the management of the company,

the use of consultants, training of staff especially in customer service delivery, application of the new law on tea hawking and a few other internal measures. Injection of new employees mitigated any cultural inhibitions and enhanced the change process.

5.3 Conclusion of the Study

From the above summary of findings, it is clear that the change management process at the KTDA has been a great success and has achieved a lot of what was intended to be achieved. Various factors that contributed to this success were the adoption of the strategic change management process using a top-down approach with senior managers leading the process and the involvement of a consistent transformational leadership throughout the change process. The CEO who was hired to lead the change process is still at the helm of the organization and this has contributed immensely to the success of the change process. Continuous learning within the organization also encouraged staff training and development to equip employees with skills to help them achieve the organizational goals.

However, in spite of this success, a number of issues still need to be addressed in order to consolidate the gains of the change management effort and continue making more gains. These relate to the structure, tea hawking by the farmers, the relationship between farmers and the factory employees and the need for farmers to understand the difference between the price of green tea and the processed tea, the pay for tea in relation to the size of farm, among other related issues, so that they can stop feeling exploited by KTDA.

5.4 Recommendations for Policy and Practice

Based on the findings and the above conclusion, a number of recommendations have been made for policy and practice. Firstly, in certain parts of the country where tea is grown, sizes of farms have become very small due to subdivision according to the sizes of families. Each family member insists on growing tea but the returns are affected by the size of farm. As change is a continuous process, there is need for continuous farmers' education and sensitization on the relationship between the size of the farms and returns. This effort will help the farmers to understand the criteria on which dividends declared by the factories are based and reduce the farmers' complaints. The possibility of a partnership between KTDA and farmers who are not able to run their farms profitably should also be explored further as it could boost the gains if it worked out. The outcome would be a win-win situation for both farmers and KTDA.

Secondly, as it came out clearly, there is need for vetting some of the Directors representing the farmers on the Board because some of those who end up on the Board are not competent as politics is involved in their election. Many of them are seen as having their own vested interests which are always in conflict with the interests of those they represent. There is need, therefore, to devise a better and effective method of electing representatives to the board to ensure that those elected are not only fair but they also understand the issues being discussed so as to represent the farmers effectively. The election process should guarantee inclusion of women on the Board as there are no women on the Board currently. This will be in line with the current constitution which safeguards women participation in all spheres of leadership.

Finally, organizational structures allow us to organize and deploy resources, define job activities, responsibilities and accountabilities, provide for decision making and information flows, help to establish the power structures for the organization and influence the identity and corporate image of the organization. There is need for KTDA to review the current structure with a view to making it smaller, simpler and more supportive to the business strategies. Creation of too many subsidiary companies for individual services offered to the farmers may not be sustainable in the long run. Some of the subsidiaries companies should be run as departments. There is also need for evaluation of the gains/achievements made before re-strategizing so as to reap maximum benefits from the change management effort.

5.5 Limitations of the Study

The main limitation was the failure of the study to include views of other levels of staff. It was concentrated on the top layer of senior management only whose views were more or less the same. Inclusion of views of other middle level and lower cadre of staff would have come up with different responses which would have enriched the findings of the study.

The study would also have been much richer if it was designed in such a way as to include the responses of General Managers of tea factories who have been with KTDA for the last 10 years or more and some farmers who would have served as a representative group of the tea farming community. This inclusion to the study would have brought in

some comparative information on KTDA as Authority and KTDA as Agency in terms of business practices and the success of the change management.

This being a case study, and the data required being qualitative, organizing for interviews with the select respondents took unnecessarily long due to their busy work schedules and the arrangement that had been put in place for reaching them. The study involved interviewing each respondent and recording the information given and this took a long time with each respondent. In view of the fact that the respondents are very busy people, this might have affected the quality of the responses especially on the questions towards the end of each interview.

5.6 Suggestions for Further Research

This study investigated the change management practices that were adopted by KTDA, the challenges of change that were faced and what measures were adopted to address the challenges. A further study could be carried out to investigate the performance of KTDA as compared to other companies within the tea industry, the factors that influence the business practices adopted, compare the challenges faced and how the challenges are addressed. Such a study would help various parties in learning from each other and in the long run improve their performances in specific quarters.

Another area that would present a rich ground for further research would be on the regulatory role of the Tea Board of Kenya in the management of the tea industry. This would bring in the views of all the key players in the tea industry which would be

beneficial to all the tea companies, the Tea Board of Kenya, those in tea business, the Government and the various stakeholders. The study would perhaps improve relationships among the various players in the industry and boost individual business performances and the economy as a whole.

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APPENDICES

Appendix 1: Interview Guide

SECTION A: General Information

Interviewee Name (Optional)

Position/Designation

Department

SECTION B: Questions

1. What structural changes have taken place at KTDA in the last 10 years?
2. What effects have they had on
 - (a) The business performance
 - (b) The management of the organization
 - (c) The stakeholders?
3. What necessitated the changes? What were the driving forces behind the changes?
4. In your view, were the changes necessary? Elaborate further
5. How was the change introduced and managed in the organization? Which part/section of the organization was it targeted for?
6. Have all the changes that have taken place at KTDA in the last 10 years or so been planned? Explain further

7. What change management practices have been adopted in dealing with the changes?
8. How were the employees prepared to accommodate the changes?
9. What has been the response of various stakeholders to the introduced changes?
Elaborate further
10. What have been the major milestones/success of the changes at KTDA
11. How have the changes been institutionalized/reinforced?
12. Is there any aspect of the needed change that has not been exhaustively handled or addressed? Mention them and give reasons for your opinion
13. To what extent were the necessary resources adequately availed to undertake the changes?
14. How did the organizational culture enhance or inhibit the management of change at KTDA?
15. What in your view were the major challenges of change management at KTDA in relation to:
 - (a) Resources
 - (b) Organizational structure
 - (c) Organizational culture
16. What are the critical areas that still need to be addressed and how could they be addressed in your opinion?
17. What measures have been taken to deal with or address the various challenges of change management?
18. In your view, is the change management process at KTDA a success story?

Appendix 2: Data Collection Letter

P. O. Box 60481 – 00200
City Square, **NAIROBI**

28th May, 2012

The General Manager, Human Resources
Kenya Tea Development Agency Ltd
P.O. Box 30213 – 00100
NAIROBI

Dear Sir,

RE: DATA COLLECTION FOR RESEARCH PROJECT

I am an MBA student at the University of Nairobi, School of Business and as a partial requirement for the award of the degree, I am conducting a research on Change Management at the Kenya Tea Development Agency Ltd.

The purpose of this letter is to request permission to get relevant information from selected senior members of staff on the change management process at your organization and the kind of experience you have gone through since the organization changed its status from the Authority to Agency. The information will be got through interviewing the select members personally. Those picked include the CEO and others who have been in the organization for 10 years and above.

I would like to assure you that any information received will be purely for academic purposes and will be treated in strict confidence. Attached is the letter of introduction from the University of Nairobi. A copy of the final Research Document will be given to your company on request.

I look forward to your assistance and support in this matter and thank you in anticipation.

Yours faithfully,

LYDIAH W. WAITHAKA

