RESPONSE BY KENYA PIPELINE CORPORATION TO CHALLENGES IT FACED IN IMPLEMENTING STRATEGIC CHANGE

BY

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DECLARATION

This management research project is my original work and has never been presented for the award of a degree in any other university or institution of learning.

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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

To the Lord Almighty Jesus Christ who enabled me to undertake this course to completion. Glory be to His Name.

Isaiah 40:31 "but those who hope in the LORD will renew their strength. They will soar on wings like eagles; they will run and not grow weary, they shall walk and shall not faint".

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CHAPTER ONE: INTRODUCTION

1.1.Background of the Study

Change is any planned or unplanned transition from one scenario to another. Change could be biological, chemical, physical or strategic change. Thus in an ever-changing global economy Johnson and Scholes (2003) notes that organizations must find ways for operating by developing new competences as the old advantage and competences gained is quickly eroded owing to environmental changes. Because of the fact that changes are a necessity in private as well as public sector, every organization must change with the environment otherwise it would become irrelevant. Rose and Lawton (1999) observes that changes in the public service arise out of the need for efficiency, economy, effectives, performance evaluation ethics and market concerns. Rising demand for services and expectations of quality of those services have placed extreme pressure on managers and their organizations, depicting change as a continuous episode in the life of corporations.

While change happens to one person at a time, there are processes and tools that can be used to facilitate this change. Tools like communication and training are often the only activities when no structured approach is applied. When there is an organizational change management perspective, a process emerges for how to scale change management activities and how to use the complete set of tools available for project leaders and business managers. All aspects of organization development and change management are linked in these resources. They access information about group facilitation, culture change, consulting, managing change, planned change, and leading edge topics such as emotional intelligence and large group processes. Change management entails planning and coordinating the transition from one state to another in an organization. "Change management is a structured and systematic approach to achieving a sustained change in human behavior" (Todd, 1999).

1.1.1 Strategic Change

Change is any planned or unplanned transition from one scenario to another. Change could be biological, chemical, physical or strategic change. Strategic change is long term in nature, effects the entire organization and aims at achieving effectiveness. Operational change on the other hand is short term in nature, effects sections of the organization and focus inefficiency. According to Burnes (1998) there are three schools of thought that form the central planks on which change management theory stands; first there is the individual perspective school which assumes that individual behavior results from his interaction with the environment. Human actions are conditioned by expected consequences and behavior is rewarded to be repeated and vice versa. Psychologists argue that behavior is influenced by external stimuli.

Second there is the group dynamics school, which argues that individual's behavior is a function of group environment. Individuals behave in a way that conforms to group pressure, norms, roles and values. Change focus in such a case should be on influencing group norms, roles, and values to bring about successful strategic change. And third there is the open systems school whose focus is on the entire organization. It sees the organization as being composed of different sub systems, which are the goals and values sub systems, the technical subsystem, the psychological sub system and the managerial subsystem Miller (1967). A change in one part of the system has an impact on other parts of the system. Change can therefore be achieved by changing the sub systems but one then needs to understand the interrelationship of the subsystems.

1.2 Challenges of Strategic Change

Strategic change is long term in nature, effects the entire organization and aims at achieving effectiveness. Operational change on the other hand is short term in nature, effects sections of the organization and focuses on inefficiency. Thus there has been consensus that increasing environmental instability and uncertainty are forcing companies to change continuously Brown and Eisenhardt (1997). Organizations do face several challenges which are both from external and internal environment ranging from Political, Technological, Legal and Social. These include, among others, the technological advancement, and challenges relating to economic integration and regional trading blocs; hence the need to expand the existing market and the HIV/AIDS pandemic which affects human resources.

Resistance to change is one of the greatest obstacles to successful implementations of strategic changes. It is important to note that the people resisting don't see what they are doing as resistance they often see it as survival. Resistance to change is a reaction to the way a change is being led. Even managers resist change, particularly strategic change. "History is littered with managers apparently unable to adapt to new and threatening circumstances, and suffering the penalty of dismissal" (Whittington, 1993). But there are no born "resistors" out there waiting to ruin otherwise perfect plans. People resist in response to something. Because of this, managing resistance to change requires tact and patience. It is important for change managers to identify the level of resistance they are dealing with at any one time. Resistance to change can be grouped in three levels. Level one resistance is caused by lack of information, disagreement with data, lack of exposure to critical information and confusion over what it means. Level two resistance is an emotional reaction to the change based on fear and level three resistance is caused by lack of trust or confidence in the driver of the change. Thus it is important to study how organizations cope up with challenges they face during implementation of change as they modernize their procedures.

On the technical side, other challenges abound. Investments in IT projects are a costly hence the need to look for strategic partners to facilitate its expansion program. Other challenges includes; Lack of sufficient funding, Stakeholders' resistance to reform initiatives, need for sustained efforts in fighting corruption, timeliness of legislative changes and human resource issues like remuneration, skills and integrity.

1.3 Response to Challenges of Strategic Change

The basic claim of contingency and resource dependence theories is that organizations develop strategies that fit the environmental conditions they face in order to advance their goals. Contingency theory predicts that organizations will adapt their internal organizational structure to fit the external environment (Lawrence and Lorsch 1969; Donaldson 2001). In their classic statement of resource dependence Pfeffer and Salancik (1978) further theorized that organizations are dependent on the resources of external organizations for their survival and therefore develop strategies and structures to lessen their dependence and improve their power and leverage vis-à-vis those organizations. As the environment changes, organizations adapt their strategies to fit the new conditions. This suggests the adaption response i.e. as their environment changes, organizations will abandon strategies and structures that no longer fit, but will retain and bolster strategies that remain suitable.

Pfeffer and Salancik (1978) also specified the strategies that organizations need to pursue in the face of environmental complexity and uncertainty. These include political action, growth strategies, diversification strategies, and inter-organizational linkages, all of which help to reduce resource dependence, enhance bargaining power, and advance organizational goals. In the context of private and public sector firms, resource dependence refers to firms' dependence on suppliers, customers, government regulators, and other external agents. Growth strategies include expanding the volume of business and market share; diversification includes adopting different business strategies or expanding business activity across different product markets; and inter-organizational linkages include mergers, strategic alliances, or closer relations with suppliers or customers. This suggests the diversification response i.e. in response to increased environmental complexity and uncertainty, organisations will use political action, growth strategies, diversification strategies, and inter-organizational linkages to reduce resource dependence and enhance bargaining power.

A third dimension of organizational response to challenges concerns the extent of specialization and integration of activities across organizational units. Lawrence and Lorsch (1969:8) noted that "as organizations deal with their environment, they become segmented into units, each of which has as its own major task the problem of dealing with a part of the conditions outside the firm." Where the environment becomes complex and uncertain, Lawrence and Lorsch observed that organizations turn to "integration" and "integrating mechanisms" (pp. 11, 103). Thompson (1967) similarly argued that changes in task and technology lead to greater "reciprocal interdependence" across the various subunits of organizations. These leads to integration response, i.e. as the environment becomes more complex and uncertain, organizations will develop integrating mechanisms to achieve organizational objectives.

A fourth dimension of organizational strategy is the degree of centralization or decentralization of decision-making authority. Pfeffer and Salanick finished their analysis of resource dependence with a prediction that "uncertainty will result in greater efforts at coordination which requires the concentration of power and decision discretion" (1978:285). This implies that organizations with greater concentration of power will have better outcomes. While this prediction is at odds with recent trends in business organization, including the decentralization of operational units and supply chain management, it is consistent with recent trends in the consolidation and centralization of corporate ownership structures. This suggests the centralization response, i.e.
In the context of heightened uncertainty, organizations with greater concentration of power and decision-making will have better outcomes than those with less concentration of power and decision-making.

1.4 Kenya Pipeline Company Corporation

The Kenya Pipeline Company was incorporated on 6th September 1973 under the companies act (Cap 486) and started commercial operations in 1978. The Company is a State Corporation under the Ministry of Energy with 100% government shareholding. The company operations are also governed by relevant legislations and regulations such as; the Finance Act, The Public Procurement Regulations, amongst others. Kenya Pipeline Company operates a pipeline system for transportation of refined petroleum products from Mombasa to Nairobi and western Kenya towns of Nakuru, Kisumu and Eldoret.

A clean sweep of the top management at the State-owned oil distributor, Kenya Pipeline Company, is in the offing just four months after the entire board were replaced over suspected corrupt deals at the firm. Seven key management positions were declared vacant by placement firm Manpower Services, giving those interested in the positions up to July 22, 2009 to pitch for the appointments. The jobs that were on offer include those of the managing director and managers in the technical, engineering, procurement, finance, administration and internal audit departments. They were to replace George Okungu (managing director), Lucy Njoroge (procurement manager), Jabs Manyala (chief manager technical), Caleb Manyaga (finance), William Ooko (internal audit) and Joseph Gichuhi (engineering).These changes follow the recommendations of a forensic audit carried out by Pricewaterhouse Coopers (PwC) into illegal transactions with Triton Petroleum Company, an independent oil marketer, (Zeddy and Allan, 2009).

The Public Procurement Oversight Authority (PPOA) wants action taken against the sacked managers over 'questionable' civil works done on the Mombasa-Nairobi pipeline, popularly known as Line 1.Both PPOA and PwC did recommend sweeping changes. PwC wants action taken on the Triton issue while PPOA said expansion of Line 1 had issues, was defective and costly. According to the PPOA, the cost of the Line 1 expansion project, which was supposed to increase pumping capacity between Mombasa and Nairobi, was varied by percentages way beyond what is allowed under procurement laws. The entire project was to cost Sh2.6 billion, but owing to the questionable variations, the figure shot up to Sh6.5 billion, (Zeddy and Allan, 2009).

KPC officials had apparently inflated the overall cost to Sh8.1 billion, ostensibly to cover the rising prices of materials. The project was commissioned by President Kibaki in November 2008 after four pumps were installed at Konza, Makindu, Manyani and Samburu during the 18 months construction period. In March 2009, ten senior managers and the entire KPC board were sacked over the multi-billion shilling Line 1 contract, which was to double the flow of fuel products to 880 000 litres per hour. Besides the top officials who are now to be replaced, the company secretary, Mary Kiptui; operations manager, Peter Mecha; principal technical operations Philip Okwengu, chief accountant Thadeus Akama and chief technician Benedict Mutua were also sacked. Following the irregularities on Line 1, the parastatal has been forced to carry out additional civil works to erect three booster pumps at the source of the pipeline in Kipevu near Mombasa at a cost of Sh98 million. China Petroleum Pipeline Engineering Corporation (CPPEC) undertook the project to boost suction pressure at Kipevu in a bid to enhance the flow rate, but that is yet to be achieved.KPC insiders say the parastatal is losing money due to a lack of internal controls and urgently needs professionals who will change it into a customer service organization. The new team will also be expected to prepare the monopoly for privatization, (Zeddy and Allan, 2009).

1.5 Statement of the Problem

KPC management took modernization program which involved multi-billion shilling which involved improvement of the pumping capacity with an aim of doubling the flow of fuel products to 880 000 litres per hour from Mombasa to Nairobi. In the process it faced a lot of problems at senior management staff. Procurement procedures which were violated could have made it difficult for the modernization program. Employees who are key stakeholders could have misgiving arising from the controversial project. The entire project was to cost Sh2.6 billion, but owing to the questionable variations, the figure shot up to Sh6.5 billion, (Zeddy and Allan, 2009). (Wanjuki, 2008) did a study on human resource management challenges facing Kenya Pipeline Company in the implementation of enterprise resource planning , (Mburu,2008) did an investigation into the critical success factors (CSF'S) implementing enterprise information systems in Kenya : A case study of Chevron Kenya and Kenya pipeline company limited. Subsequently (Wanjagua, 2008) did Organization responses to external environmental changes : a case study of Kenya pipeline company and last (Owour,2006) did a study on Strategy development processes and factors influencing them at Kenya pipeline company limited. Against this background, it's likely that implementation of the program faced challenges, however no studies have been done to determine these challenges and how they were addressed by the management. This is the gap that the proposed study is intended to fill.

1.6 Research Objectives

To establish the challenges KPC faced in implementing its strategic change program and the strategies it used respond to the same.

1.7 Importance of the Study

To academicians and students of strategic management, this study will present the kind of challenges that are encountered when implementing strategic changes in the public sector. To

KPC, this research will provide valuable lessons learnt in the implementation of the Modernization program with a view of enhancing revenue collection. This will be useful to both current and future reform initiatives that KPC will implement.

For public corporations, this study will document and evaluate the efforts of the Management team with a view to serve as a record about the insights that can be extracted from their work and so as to provide a reference point for similar or related projects in the public sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Change Management

Senge (1990) states that only about 50 percent of all large-scale change interventions are successful. These facts have given management scholars and practitioners alike pause to solve the puzzle of how companies can ensure successful change without much distracting and distorting the intended change. One answer, proposed by several authors, in response to this puzzle revolves around what managers can do to ensure success in a change process flows smoothly Kotter (1996). Several authors argue that the decisions managers make are critical to ensuring that their companies stay apace and aligned with changing demands (Child, 1972, Romanelli and Tushman,1988).

According to Robin and Coulter (2002), if there was no change and the environment was relatively static, the process of strategic management would appear to be fairly simple and the manager's job relatively easy. Planning would be simplified, because tomorrow's operations would be no different from today's operations. The issues of effective organization design would also be solved since the environment would be free from uncertainty and there would be no need to adapt new changes, which sometimes are expensive and tedious to carry out.

However, the management decisions discussed here tends to emphasize the implementation process in line with the intended change. Decisions prior to the rollout of a change program -i.e. especially those related to clarifying the change itself, have received surprisingly little attention Lengnick-Hall (1988). Nevertheless, strategic change is not merely a matter of defining steps, procedures or systems that will ensure its successful implementation process. But change management also embodies taking a firm grasp or seminal change ideas, purpose and intended output in the whole change program, which then be thought through and clarified before the enactment of the change.

In contrast, majority of organizations are in favor of systematic decision making processes for developing and executing change management. The following contribution therefore focuses on key priorities in the decisions change management process. Inappropriate set up executions are two of the major reasons why certain change processes are only marginal successful or even completely unsuccessful (Kotter 1996). So from a theoretical and practical standpoint, there is a difference between; 'How do we do it right?' and 'What would right?'

As Kotter (1996) points out, there is a difference between leading change and managing change. If leading change revolves around conceiving a clear goal as well as logic for how to achieve it, managing change deals with the actual realization of that logic in a controllable process Kotter (1996). In essence organizations must clarify in a straightforward and systematic way what change would be right for their company even before they approach the subject of implementation. When change programs or projects are in their initial steps queries emerge, such as 'Does the change make sense?', 'Is it the right thing for the company?' or 'Is it happening at the right time?' Such queries and misgivings rob organizations of its drive, weaken the process and hinder long-term implementation (Bruch and Vogel, 2005). This usually happens as nobody wants to be associated with failure and consequential outcome.

2.2 Theoretical Foundations and Models of Change Management

According to (Burnes, 1998) there are three schools of thought that form the central planks on which change management theory stands; first there is the individual perspective school which assumes that individual behavior results from his interaction with the environment. Human actions are conditioned by expected consequences and behavior is rewarded to be repeated and vice versa. Psychologists argue that behavior is influenced by external stimuli.

Second there is the group dynamics school, which argues that individual's behavior is a function of group environment. Individual's behavior in a way that conforms to group pressure, norms, roles and values. Change focus in such a case should be on influencing group norms, roles, and values to bring about successful strategic change. And third there is the open systems school whose focus is on the entire organization. It sees the organization as being composed of different sub systems, which are the goals and values sub systems, the technical subsystem, the psychological sub system and the managerial subsystem (Miller, 1967). A change in one part of the system has an impact on other parts of the system. Change can therefore be achieved by changing the sub systems but one then needs to understand the interrelationship of the subsystems.

Major theorists and practitioners have proposed a number of models for strategic change management. A typical model to follow is the eight-stage process as proposed by Kotter. This practice in change management consists of the following stages; establishing a sense of urgency: Establishing a sense of urgency is crucial to gaining needed cooperation. With low urgency, it is difficult to put together a group with enough power and credibility to guide the effort to convince key individuals to spend the time necessary to create and communicate a change vision Bullock and Batten (1985). Examining the market and competitive realities, identifying and discussing crises, potential crises or major opportunities that may establish urgency.

Creating the guiding coalition; no one individual even a monarch-Chief Executive Officer is ever able to develop the right vision, communicate it to large numbers of people, eliminate key obstacles and get the change going. A strong guiding coalition is always needed-one with the right composition, level of trust and shared objectives. The group should be put together with enough power to lead change and also work together like a team. Position, power, expertise, credibility and leadership should be key characteristics to be considered when putting together this team. Developing a vision and strategy; without the power of kings and queens behind it, authoritarian leadership is unlikely to break through all the forces of resistance. In order to implement change successfully, it is necessary to create a clear vision to help direct the change effort. An effective vision should be imaginable, desirable, feasible, focused, flexible and communicable. In addition the firm should develop strategies for achieving the vision. The vision should be grounded in clear and rational understanding of the organization, its market environment and competitive trends. Strategy provides the logic and a first level of detail of how the vision can be accomplished, (Simons, 1999).

Communicating the change vision, use every vehicle possible to communicate the new vision and strategies. Such vehicles could include employee bulletins, employee meetings, memos, and newspapers, formal and informal interaction. In addition have the guiding coalition role the behavior expected of employees. Nothing undermines the communication of change than that which seems inconsistent with the vision. Careful monitoring of senior management behavior is a *good* idea so that you can identify and address inconsistencies between words and deeds. Empowering employees for the broad based action: Empowering involves getting rid of obstacles, hanging systems or structures that undermine the change vision and encouraging risk taking and non traditional ideas, activities and actions (Simons, 1999).

Generating short-term wins; ruining a transformation without serious attention to short term wins is extremely risky. One should plan for visible improvements in performance or wins and also create those wins. In addition the people who make the wins should be visibly rewarded and recognized. Consolidating gains and producing more change: credibly change all systems, structures and policies that do not fit the transformation vision. Hire and promote people who can implement the change vision. The system is re-invigorated with new projects, themes and changes agents.

Kurt (1946) in his work came up with three models of change management; The Action-Research model; the model is based on the emphasis that change requires action and also the recognition that successful action is based on analyzing the situation, identifying possible alternative solutions and choosing the one most appropriate to the situation at hand. An agent gathers data and solves the problem jointly with the client (Burnes, 1998).

The Three-step model: this model proposes going through the steps of unfreezing, moving and refreezing. Unfreezing involves removing those forces and maintaining the organization's behavior at its present level. Moving involves acting on the results of unfreezing, that is, take action to move the desirable state of affairs. Refreezing seeks to stabilize the organization at the new set of equilibrium (Burnes, 1998). The phase of planned change: in an attempt to improve on Lewin's model, (Cummings and Huse, 1989) developed an eight phase model. The phases of planned change approach have four stages of exploration, planning, action and integration (Bullock and Batten, 1985). Exploration involves becoming aware of the need for change, searching for outside assistance/agents and establishing a contract with the consultant, which defines each party's responsibility.

Planning involves the change process of collecting information, establishing change goals and designing appropriate programs so as to achieve these goals and finally, getting key decision makers to approve and support the proposed changes. Action phase involves change implementation and evaluation of results in order to make adjustments or refinements as necessary. Integration phase processes involve reinforcing new behavior, gradually decreasing reliance on consultants, diffusing successful aspects of the change in the organization and training managers and employees to monitor the change constantly and seek to improve upon them. This model according to its authors has a broad applicability to change situations since it incorporates key aspects of many change models. It overcomes the confusion between the processes and phase of change (Bullock and Batten, 1985).

Other model by Barbara (1999) identifies three overlapping phases in strategic change management these are; the description phase: this involves describing and diagnosing the situation, understanding what is involved and setting the objectives for the change. The option phase; this involves generating options for the change, selecting the most appropriate and thinking about what might be done. The implementation phase; this involves putting feasible plans into practice and monitoring the results.

Ansoff (1988) recommends four approaches to managing discontinuous change, which are the Coercive method and, the Adaptive, the Crisis method and the Managed Resistance. The Coercive method is applicable where there is high urgency. It has the advantage of speed but has a shortcoming of being highly resisted. Adaptive method is applicable where there is low urgency. Its main advantage is low resistance but the method is very slow. Crisis management method is applicable where there is threat for survival. Its advantage is low resistance but has the shortcoming of extreme time pressure and risk of failure. The managed resistance is applicable under conditions of moderate urgency. Planning and implementation are done together. It has the advantage of low resistance because it is tailored to time and comprehensive capacity to change. The disadvantage is that it is more complex than the other three approaches.

Planned change approaches were challenged by Dawson (1994) and Wilson (1992) due to dynamism and uncertainty in the environment. They are proponents for emergent change handling models. Dawson adopted a processual approach. This approach identifies the substance of change such as technology or legal requirements. The need for change is conceptualized and a transition term of new tasks, activities and decisions is achieved in the contextual framework of politics of change, human resources, administrative, business markets and the operations of new organization arrangements.

2.3 Change Management Practices

The change management practices are related to various things managers do as they handle various aspects of change and practices involves; Focusing the change Agenda, designing the right change management, Organization Acceptance and Attention.

Change processes are by nature complex, but they must have clear priorities in order to be manageable. Excessive complexity and an inconsistent focus are deadly to a program's executability, especially to a company-wide program. So as they ask themselves what the right change would be, companies must systematically define what the focal points of the change will entail and what, as a result, those focal points will not entail. Another critical factor for the success of a change process is top management credibility Simons (1999). So as they design the change, a company's top management must ask itself, 'What can we credibly implement?', 'What change can we really commit to?' and 'What type of change will fit our style so that we will be able to support it authentically and wholeheartedly later?'

Secondly, change programs and projects have to make sense from the beginning, when the actual idea of change came in to place. The feeling that a change is right for a company and the necessary sense of urgency to secure its realization will only occur if it is clear that the change has been tailored to the company and its particular business situation Bruch and Ghoshal (2003). Change is only possible when it is contextualized against the backdrop of a company's particular past and present Pettigrew (1987).

Change processes are only successful if they fit a company's current culture. Traditions, norms and shared values within a company must be included in the deliberations regarding the selection of a change program Heracleous (2001). Certain change processes cannot be executed in more bureaucratic cultures, while other types of processes simply are not compatible with team-oriented or innovative/ dynamic organizations Bruch and Ghoshal (2004b). In addition, the basic process of designing the program for a particular change should also account for a company's energy. Different types of change programs will be effective with companies characterized by comfortable inertia than for companies with other types of energy, such as change tiredness, high productive energy or resignative inertia (Bruch and Ghoshal, 2003, 2004a).

Management Decisions - Doing Change Right Once the question of which change program is right for a company at a particular point in time has been answered, the management must also systematically make decisions that will ensure that the change will be implemented successfully and have a permanent impact. Acceptance, attention, effective change agents as well as momentum and sustainability are all key in this regard Davenport and Beck, 2000) and Kotter (1996). Without these factors, change processes will not be put in motion, make headway only with great difficulty or have a fleeting or even negligible impact (Weick, 2000).

Third, insufficient acceptance is often considered to be the major source of resistance within organizations and the key reason why change initiatives fail and persists to haunt even in future. Well thought-out acceptance within employers and employees is based on an approach that integrates everyone involved in a way that promotes commitment and desire to change. As organizations continue to experience changes even the slightest, management must ensure that employees see that the change process has priority, is beneficial, is permanently present and that key information is not lost within the chain. So key levers of attention management include effective branding, in-depth, personal, top management communication and demonstrative, regular monitoring (Davenport and Beck, 2000).

2.3.4 Momentum and Sustainable Change Management Effects

One key factor for implementing change is having the right people to sell, implement, and drive the program from start to finish. One of the reasons change processes fail is because companies underestimate the importance of the individuals involved in the change and their interaction Kotter (1996). Change management loses momentum when a company does not address the issue of its own organizational energy. Organizational energy reflects the extent to which a company has mobilized its potential in pursuit of its goals (Bruch and Ghoshal, 2003; 2004a). Problems associated with energy during change manifest themselves as either insufficient urgency during the beginning phases of, a loss in momentum during or the reversal of positive impact after a change program. Change initiatives in turbulent environments are filled with unexpected transitions that managers must deal with to secure a change effort Brown and Eisenhardt (1998).

Three things can be done to avert these typical pitfalls. First, the required urgency for initiating a change can be achieved through a large number of visible, tangible activities such as consultations. Second, the primary means for maintaining momentum for a change is to strategically revitalize and refocus on the change. Third, integrating the result of the change into existing organization structures and systems should safeguard the long-term impact of a change.

2.3.5 Styles of Managing Change

Five styles in Managing change have been identified as follows; Education and Communication, Collaboration or participation, Intervention, Direction and coercion.

First, management needs to explain the reasons for and means of strategic change to win the support of everyone in the organization. Bowman and Asch (1987) point out that a change strategy of education and communication is based on the assumption that if people are given the rationale for change, they will see the need for it and therefore accept it. This may be useful when resistance, based on inadequate or inaccurate information, is anticipated.

Subsequently, to increase ownership of a decision and change process, and increase commitment to it, it is crucial to involve those who will be affected by the change to participate in identifying strategic issues, setting the strategic agenda, the strategic decision-making process or planning of the strategic change. This leads to better quality of decisions than would have otherwise been achieved. Also the change agent retains control of the change process but delegates certain tasks to teams or groups. The change agent could delegate certain elements of the change process, for instance, idea generation, data collection, detailed planning or the development of rationale for change to project teams of taskforces. These teams become involved in the change process and see their work building towards the change process. This is beneficial in that it not only involves members of the organization in idea generation but also in the implementation of solutions.

This involves the use of personal managerial authority to establish a clear future strategy on how change will occur. Direction is usually a top-down management of strategic change and may be associated with clear vision or strategic intent developed by someone recognized as the leader in the organization. This involves imposition of change or the issuing of edicts about change. It is the explicit use of power and may be necessary if the organization is facing a crisis. This style may be useful in crisis situations or rapid transformational change, (Bolognese, 2002).

Other strategies include use of power to bring about change. Change can be implemented in situations where the implementers possess some form of power. According to Bowman and Asch (1987), power strategies are used in situations where the change must be implemented quickly and a few resources are available for programmes of education or negotiation. Power is best used when the commitment of those affected is not necessary for implementation of the change, or when little resistance is expected, since if resistance is crushed by force, it can create problems later. Change implementers can also use manipulation strategies and as Bowman and Asch (1987) suggest, such a strategy could be used to get others in the organization to feel enthusiastic about change. This strategy can, be used either through inducement, persuasion, obligation and even coercion. Negotiation strategies are useful when it is obvious there are going to be losers as a result of a change and where losers are likely to resist.

These styles are not mutually exclusive and several of them or all of them may be used at the same time or in the same organization. Bowman and Asch (1987) suggest that in most circumstances it may be appropriate to use two or more strategies simultaneously, with different change targets.

There should be effective branding, in-depth personal top management communication and demonstrative, regular monitoring. The change agent should retain control of the change process but delegates certain tasks to teams or groups. Direction is usually a top-down management of strategic change and may be associated with clear vision or strategic intent developed by someone recognized as the leader in the organization. Use of coercion to bring about change may be necessary in crisis situations or rapid transformational change, Power strategies in situations where the change must be implemented quickly and a few resources are available for programmes of education or negotiation. Power is best used when the commitment of those affected is not necessary for implementation of the change or when little resistance is expected, since if resistance is crushed by force, it can create problems later. Manipulation strategies such as inducement, persuasion, obligation and even coercion can be used in order to get others in the organization to feel enthusiastic about the change. Negotiation strategies are useful when it is obvious there are going to be losers as a result of a change and where losers are likely to resist. These styles are not mutually exclusive and several of them or all of them may be used at the same time or in the same organization, Bowman and Asch (1987).

2.4 Resistance and Commitment to Change Management

If resistance to change is poorly managed, it can undermine even the most well-intentioned and well-conceived change efforts Bolognese (2002). But in essence there is evidence that no systematic plans had been developed for addressing resistance to the implementation of the system based on: fear of losing jobs Hardwick and Winsor (2002); negative experiences of previous problematic change projects; changes to their internal status McAdam and McGeough (2000). Ansoff (1994) notes further that resistance to change is a multifaceted phenomenon, which introduces unanticipated delays, costs and instabilities into the process of strategic change.

Low employee commitment could therefore obstruct acceptance of an implementation process and a range of intangible and therefore difficult to measure factor such as understanding, ownership and involvement, are also important in obtaining commitment Ghobadian, Gallear (2001) and Hardwick and Winsor (2002). Within the case organization difficulties were experienced in reconciling the rhetorical reasons behind the need for the new performance management system with its practical realities.

In response Johnson and Scholes (1999) notes that resistance can be minimized through, timing the change, identifying where job losses and de-layering should take place and implementing visible short term wins. Without proper leadership, employees will remain skeptical of the vision for change and distrustful of management and management will likewise be frustrated and stymied by employees' resistance to change. Building organizational capacity to the desired level can reduce systemic resistance and increase employee productivity.

2.5 Summary relating to change management practices

Uncertainty is causing companies to change continuously. Organizations need to anticipate the changes and ensure that the change is implemented successfully without distracting and distorting the intended change. The whole change program must be thought through and clarified before the enactment of the change. The focus of the change needs to be considered as well as the alignment of the changes to the organization's culture, situation, vision and goals. The management must consider how the change will be carried out and who will be involved; the acceptability, commitment or possible resistance of the change and the momentum of the change. Involving those affected by the change in decision making and planning, will increase ownership and commitment of the change process and will lead to better quality of decisions. The change process should have priority, be beneficial, permanently present and key information should not be lost within the chain.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A case study method was adopted focusing on KPC. This is because the subject of study was unique to the KPC. A case study is a comprehensive study of social unit be it a person, a group, a social institution, a district or a community.

3.2 Data Collection

Primary data was used. It was collected at the Nairobi headquarters of KPC, where the key departmental head offices are located. It is also where most policies are drafted and piloted before being implemented in other branch regions. This being a case study the focus will be on carrying out an intensified study of the change management at KPC. The researcher interviewed three respondents in-depth. An Interview guide (see Appendix 1) was used for this purpose. The persons who were interviewed were from Finance and strategy department, engineering department and the procurement department. These are the key people who were involved in the change process.

3.3 Data Analysis

Since the primary data collected was qualitative, content analysis was used. After the data collection, the recorded responses were checked for accuracy and consistency. They were also edited where necessary to facilitate qualitative data analysis.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the findings of the study. It is structured in two sections. The first is the analysis of the challenges. Secondly, the response to challenges of strategic change at KPC are discussed.

4.2 Response Rate

Data was collected using in-depth interviews aided by an Interview guide from three respondents of KPC from the various departments of the corporation. The Interview guide was administered to all three respondents and they gave various views about the Change Management undertaken. Majority of the respondents were involved in the initiation, planning and implementation of the Modernization Programme which was basically a strategic change. The persons who were interviewed were from Finance and strategy department, engineering department and procurement department. These are the key people who were involved in the change process. Of the 3 officers who were requested for an interview, 2 (100%) were available and were interviewed using the interview guide. Table 1 indicates the challenges cited by the respondents.

Table 1: Challenges Encountered

Challenges	Responses	
	Frequency	**Percentage**
1. Resistance to Change		
a. Internal	1	33%
b. External	2	67%
2. Lack of Skills		
a. Internal	2	67%
b. External	1	33%
3. Lack of Resources		
a. Financial	1	33%
b. Staff	2	67%
c. Other	1	33%
4. Long Procurement Process	2	67%
5. Infrastructural Challenges	1	33%
6. Slow reaction to Identified problems	2	67%
7. Technological Challenges		
a. Data Security	2	67%
b. Integration Challenges	1	33%
8. Unclear Strategy	2	67%

4.2 The Challenges faced in Implementing CRM Initiatives

This study sought to determine the challenges KPC faced in implementing modernization program initiatives and how KPC addressed those challenges. The challenges are described below.

4.2.1 Resistance to change

Resistance to change is one of the greatest challenges KPC faced in implementing the modernization program the findings indicate that 33% said internal stakeholders resisted the changes and 67% say external stakeholders resisted the changes. KPC last year that is in 2008 signed a syndicated term loan agreement for the parallel Nairobi - Eldoret pipeline with a consortium of banks at a cost of Sh14.8 billion with about Sh4.44 billion to be generated from the company's revenue. CfC Stanbic Bank, Barclays Bank, Commercial Bank of Africa, Citibank, and KCB signed although some later withdrew when Triton Petroleum issue of irregular receipt of fuel from KPC facilities hit the headlines On the other hand, the internal stakeholders resisted the change by criticizing the system and blaming it for all undesirable issues, including non-system issues and exaggerating the systems perceived failures and weaknesses.

4.2.2 Lack of Skills

The second greatest challenge was lack of skills both internally and externally. The some KPC staff lacked computing skills and was slow to learn how to use computers and reluctant to adjust to using automated systems. KPC key technologies can be identified through the modernization of the pipeline system such as SAP- ERP Information System, SCADA System, Tank Gauging system, Manifold modifications, Pump upgrades and Control Panel Modifications. This requires skilled personnel. Recruiting them, training them and developing their job descriptions were a challenge to KPC.

4.2.3 Lack of Resources

Another challenge was lack of resources. This took the form of financial resources, physical amenities and human resources. Because of a shortage of funds, some of the staff members were constrained to sharing computers or doing without them while in fact they needed to have personal computers. There also weren't adequate funds for purchasing patrol choppers. Lack of staff was a challenge that was further aggravated by the high staff turnover as a result of employees who were dismissed because of lack of integrity. Lack of staff to handle Modernization projects meant that the projects were not properly monitored and evaluated.

4.2.4 Long Procurement Process

Long and bureaucratic procurement process was also a challenge and this delayed several initiatives. For example, the tendering process for the Line 1 Capacity Enhancement Projects which was commissioned on 26th November, 2008 by His Excellency the President Honourable Mwai Kibaki at Pump Station No. 6 in Makindu. The project begun in 2007 and took over 15 months to complete. Four new pump stations have been built at Konza, Makindu, Manyani and Samburu. The project was to increase the white petroleum products flow rate from the current 440,000 litres per hour to 880,000 litres per hour. The Pump Stations have been constructed by China Petroleum Pipeline Engineering Corporation (CPPE).

4.2.5 Infrastructural Challenges

The Pipeline system currently consist of a 14" 450Km long pipeline with a flow rate of 440M 3 per hour, running from Mombasa - Nairobi commissioned in 1978; and a 446Km Western Pipeline Extension with a combination of 8" and 6" pipelines and a flow rate of 160M 3 per hour, running from Nairobi - Sinendet - Eldoret and Sinendet - Kisumu commissioned in 1994. Apart from transportation of the products, Kenya Pipeline Company stores products for the oil marketers. But demand of petroleum product at Western Kenya is still high as compared to what KPC can supply. KPC's challenge is to increase capacity of its infrastructure to deliver petroleum products to Western Kenya to meet local and regional demand.

4.2.6 Delayed Resolution of Identified Problems

Another challenge has been in form of delayed reaction to identified system problems in the modernization systems. This delay arises because KPC contracted China Petroleum Pipeline Engineering Corporation and are relying on them to support the system and implement enhancements to meet changing business needs. Because of distance and commitment to other projects, the China Petroleum Pipeline Engineering Corporation have not been able to respond quickly and adequately to emerging needs or identified problems. This has slowed down the improvement of the system.

4.2.7 Technological Challenges

Triton which was placed under receivership on December 19, 2008 owes millions of shillings to a number of financial institutions. The oil firm's was able to collect its petroleum products from KPC depots before getting clearance from its financiers which were mainly commercial banks like KCB.

4.2.8 Unclear Strategy

Lack of a clear strategy is a challenge that was evident when KPC Line1 enhancement project which was to cost Sh2.6 billion, but owing to the questionable variations, the figure shot up to Sh6.5.

4.3 KPC's Responses to the Challenges

Table two shows the responses to the challenges described in the previous section and the number of respondents who cited each of the responses.

Table 2: Responses to the Challenges

Response to Challenge	Frequency	Percentage
i. Seeking Political/ Government Support	2	67%
ii. Seeking Industry Support	1	33%
iii. Workshops and Meetings with Stakeholders	1	33%
iv. Promotions and Dismissals	2	67%
v. Training and Sensitization	1	33%
vi. Hiring more staff	2	67%
vii. Seeking Donor Funding	1	33%
viii. Value Migration	2	67%
ix. Teaming up	1	33%
x. Digital delivery	2	67%
xi. Mass Market	1	33%
xii. Expanding Bandwidth	2	67%

4.3.1 Seeking Government and Industry Support

A clean sweep of the top management and the change of entire Board at the Kenya Pipeline Company were as a result of government intervention. The fact that Unionisable staff had a salary increment of 20% was as a result of seeking industry support.

4.3.2 Workshops and Meetings with Stakeholders

KPC also organized workshops and joint meetings with stakeholders to discuss the concerns of stakeholders and agree with them on how to address the issues. Approval of fuel release and authentication procedure of information from external parties had improved due to implementation of new processes. Verification of documents is done prior to KPC issuing a third party holding certificate (TPHC) to the marketer and copied to the financier. The marketer and financier must acknowledge in writing receipt of TPHC. This is aresult of meetings with stakeholders and it is meant to ensure that oil markets get their products after getting clearance from their financiers.

4.3.3 Promotions, Transfers and Dismissals

Internal resistance was handled in various ways and this included promotion of those that were compliant with the system and dismissal or transfers of those that proved inflexible. The jobs that were on offer include those of the managing director and managers in the technical, engineering, procurement, finance, administration and internal audit departments. KPC regularly carried out employee reshuffles that aimed at placing the more skilled and change responsive officers in charge of critical areas.

4.3.4 Training and Sensitization

The staff that lacked skills and had the right attitude were trained and sensitized on the importance of the reforms and information and computer technology. They were also kept abreast of other reforms activities. KPC was planning in other areas and helped to see the benefits of modernization. Project training was given to all the Modernization core team members and their assistants. Morendat an ultra Training and conference facility has also been constructed and it will be used to provide training to staff and can also be hired by outsiders to earn KPC revenue.

4.3.5 Communication and Transparency

KPC also developed an internal magazine and it is used to educate staff, recognize top reformers and publicize the gains of reforming and modernizing. This magazine has made it possible for all staff to know how much revenue KPC is collecting every year and has provided an avenue for the staff to gauge and monitor the results of their own efforts in the reform agenda.

4.3.6 Hiring Staff

KPC tackled the skills gap by hiring skilled personnel and making it a policy to only recruit graduates who could quickly acquire computer skills. The staffs are outsourced competitively through professional firms such as Manpower. This ensures KPC gets highly skilled staff that is able to perform their duties diligently.

4.3.7 Budgetary Reallocation Donor Funding

KPC is to build the 14 inch 325 kilometre long parallel pipeline from Nairobi to Eldoret with a flow rate of 394 cubic metres but which is to be raised in future. This is a move aimed at reducing over-dependence on transporting fuel by road. The scope of line 2 covers building two pump stations among others. KPC is expecting to soon get new terms for financing project from banks under CfC Stanbic Bank as the lead arranger. The projects estimated to cost Sh14.8 billion are expected to be completed within a period of 18 months from date of commencement.

4.3.8 Continuous Business Process Improvement

KPC regularly undertakes Business Process Improvement (BPI) activities to get rid of uncritical processes and automate manual processes and these improved and streamlined processes have reduced the pressure arising from having inadequate staff while increasing operational efficiency. Operations are being captured by System Application Product (SAP) tool for accountability and transparency. Operations and finance departments were restructured to secure custody of fuel of KPC

4.3.9 Value Migration

KPC is currently implementing LPG loading facility projects in Mombasa and Nairobi and will eventually roll it out countrywide. This is a shift to an area that is closely related to the current core business but which targets a different niche of customers but which will also diversify customer base.

4.3.10 Teaming Up

KPC has alliances to achieve certain projects. The Company is teaming up with Tamoil East Africa on the implementation of the pipeline extension to Uganda and with Bharat of India to implement the LPG projects. With these alliances, KPC will achieve viable strategic objectives that will create value to the customers, employees, create further distinctive capabilities and have a very positive impact to the society. The LPG project will increase access to use of gas and save the forests while the pipeline extension will make it easy for customers in the Uganda and beyond to receive their products while creating further employment.

4.3.11 Digital Delivery

With the implementation of SAP, the Company has made it easy for the Company to Customers as well as suppliers to interface and do business easily. The Tank Gauging System and the SCADA helps the Company and the Customers to know their stocks by a click of a button.

4.3.12 Mass-market

The Company's implementation of the LPG projects in Mombasa and Nairobi will ensure that cooking gas is not a privileged product any more. It will make accessible to the mass market the product and expand the scope of consumption and thus create more value for the Company, the customers and the society

CHAPTER FIVE: DISCUSSION, SUMMARY AND CONCLUSIONS

5.1 Discussion

This proposal set out to find out whether there were any challenges KPC encountered while implementing changes that are an integral part of its modernization process. Another objective was to determine the responses that KPC developed towards the said challenges with a view to determine effective ways of managing and implementing change. The finding of this study indicates modernization project entailed a planned change but also incorporated emergent changes as it was rolled out. Some initiatives that were not original to the modernization plans were developed mid-stream and incorporated as part of it. For instance some officers at KPC were replaced; these included the officers that were holding the following positions; managing director and managers in the technical, engineering, procurement, finance, administration and internal audit departments. This example underlined the dynamic and adaptive nature of the change approach that KPC employed.

The findings also indicate that KPC encountered a number of challenges with most of the respondents citing resistance to change as the greatest challenge. This is consistent with the findings of Maurer R. (2006) and Whittington, R. (1993) who indicates that resistance to change is one of the greatest challenges change managers face, particularly when the changes involve the use of information technology. KPC's case is particularly interesting because the changes KPC was putting in place on the one hand affected external stakeholders as well who were influential and whose co-operation was essential to the success of the project. On the other hand, the internal stakeholders, who were supposed to champion the changes, were also resisting the changes. The findings indicate that KPC responded to the resistance by external stakeholders by getting allies from amongst the external stakeholders and also by using its power as an arm of the government to sustain the change process.

KPC also closed ranks with the external stakeholders by listening to them, helping them manage the change through training and recognizing them by seeking their inputs in subsequent change activities. This combined approach in handling resistance to change helped KPC succeed in implementing the changes. With respect to internal stakeholders, who also resisted the changes, KPC used its internal quarterly magazine to publicize the Modernization plans and achievements and thereby promoted openness as a way of dealing with resistance to change. Mabey and Mayon-White (1993) cite promotion of openness as a strategy of dealing with resistance to change so this finding was consistent with the literature. The findings also indicate that KPC promoted teamwork by recognizing sections and project units as opposed to individuals and the according to McCalman and Paton, encouraging teamwork is an effective way of managing resistance to change.

5.2 Conclusions

All the respondents interviewed in this study were in agreement that the modernization project was largely successful and this study reveals that KPC employed a change management strategy that was multifaceted and entailed a combination of the different approaches available in the literature. It can therefore be said that strategic management that involves change is best approached not with a prescription but with an awareness of the available methods of managing change and the possible problems and recommended ways of handling them.

Ultimately strong, visionary leadership is vital to see the planned strategy through all the challenges that beset the project in the face of various interests that were more comfortable with the status quo, some with strong political connections.

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APPENDICES

Appendix 1 Interview Guide

1. Name of Respondent (Optional):...

2. Job Title:..

3. Department:...

4. KPC has bee upgrading its systems as to increase its petroleum pumping capacity from 440,000 liters per hour to 880,000 liters per hour from Mombasa to Nairobi, Was this target met? If no explain why?

5. What made the cost of line 1 enhancement cost shot from Kshs 2 Billions to Kshs 6 Billions?

6. Was the existing organizational structure a challenge to implementation of change, if yes what was done about it?

7. Was commitment by all the stakeholders a challenge to the implementation of the strategic change? If yes what was done about it?

8. What are some of the challenges KPC experienced during its modernization program?

9. Communications about strategic change need to be timely and relevant. Were there any communication barriers? If yes how were they dealt with?

10. Did KPC respond to challenges by the use of adoption strategy, i.e. by abolishing old cultures that no longer fit the new strategy? If so kindly explain.

11. Did KPC respond to challenges by the use of diversification strategy, i.e. by increasing its market share through provision of new services? If so explain.

12. Do you have any further information you would like to share about the responses by KPC to challenges of strategic change management?