CHANGE MANAGEMENT IN THE MINISTRY OF FINANCE OF KENYA

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DECLARATION

This research project is my own work and has not been presented to any other university for the purpose of study or otherwise

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

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

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ABSTRACT

This study focused on examining how the Ministry of Finance has managed change as regards management of change relating to reforms in the financial system and endeavored to establish the challenges of managing change in the Ministry of Finance. To achieve these objectives, interviews from four key departments involved in the financial reforms initiative in the Ministry of Finance were undertaken to get an in-depth view. The study can be of great significant interest to the corporate world in Kenya especially the Public Sector and may have generated new information that can be used for policy formulation by the ministry of finance, other government ministries, semi autonomous organizations, autonomous organizations and the business world at large. The research also advanced the work of previous scholars and academicians. Based on the research findings the study concluded that the planned approach, which supported teamwork and ownership to the change initiative, enabled the stakeholders to move in a common direction towards attaining successful reforms. Integrating the different cadres and professionals through a single senior manager improved the synergy, smoothened and ensured the change implementation. Also precipitating the benefits and challenges of change initiative, acted as a motivation force towards needed creativity and innovations that amplified more change. The study anticipated and encountered confines in terms limited representation, scarcity of available resources, personal bias and narrowed scope of study.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The Government recognizes the need to embrace required transformation and align itself to global and technological convergence forces that are reshaping institutions by continuing to implement structural reforms and raise stakeholders' expectations on the efficiency and performance in the public sector. The challenge is on delivering higher quality service at competitive prices. Social change also challenges the quality, focus and relevance of services to the citizenry.

This study seeks to discover how rigidities and boundaries of bureaucratic structures can be overcome to allow searching of relevant information and solutions that can assist in improving the financial systems. This will ensure that customers' services are conveniently met with needed efficiency and quality that satisfies their requirements. The organization should be able to take advantage of the scale and pace of technological change that facilitates the supply of services in new ways and discover the ample need to rethink on accountability and approaches to risk management for greater responsiveness while protecting the public interest.

1.1.1 Management of Strategic change

Change Management is a structured approach to transitioning individuals, teams, and organizations from a current state to a desired future state. It involves a series of changes beginning with vision, introduction of skills, adding incentives and resources and designing an action plan bringing positive results (Sacheva, 2009). Change management is about modifying or transforming organizations in order to maintain or improve their effectiveness through deliberate and conscious use of strategies.

Whatever particular form change takes and whatever objectives it seeks to achieve, organizations cannot expect to achieve success unless those responsible for managing it understand the different approaches on offer and can match them to their circumstances and preferences (Mitchell et al., 2007).

Strategic change can be defined as a difference in the form, quality, or state over time in an organization's alignment with its external environment. An organization's alignment with its external environment is a fundamental pattern of present and planned resource deployments and environmental interactions that indicates how the organization will achieve its objectives. Changes in this alignment encompass, changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy and changes in external environment and organization brought about to initiate and implement changes in the content of strategy (Rajagopalan & Spreitzer, 1996**).**

The tactical change is increasingly seen as not only a shift in structures and processes, but also as a cognitive organizational reorientation involving redefinition of the organization’s mission and purpose or a substantial shift in overall priorities and goals. The success of strategic change will depend not only on an organization’s ability to implement new structures and processes, but also on the organization’s ability to convey the new mission and priorities to its many stakeholders. Since an organization’s survival over time often depends on its conforming to normative expectations rather than simply operating with greater efficiency, the importance of ensuring both understanding and acceptance of new strategies among key constituents is a central element of the legitimacy imperative for organizations (Fiss & Zajac, 2006).

The management of strategic change is a major role of top managers as it involves influence of the strategic direction. Usually it happens in a top-down manner in that top managers decide strategy, plan how it will be implemented and then effect the changes required. However it should be clear that strategies can often emerge from lower down in the organization. If change is to be successful it has to link the strategic and the operational and every day aspects of the organization (Johnson et al., 2009)

1.1.2 The Ministry of Finance in Kenya

The Ministry of Finance derives its mandate from the Constitution of Kenya, which provides for proper budgetary and expenditure management of government financial resources. In addition, Parliament, over the years has enacted additional Acts to which the Ministry of Finance is a custodian thereby adding more responsibilities to the Ministry.

As a main function, the organization is charged with the responsibility of formulating financial and economic policies. It is responsible for developing and maintaining sound fiscal and monetary policies that facilitate socio-economic development. In this respect the institution regulates the financial sector which is central to the development of the country and on which all other sectors depend for investment resources.

Another duty conferred to the Finance ministry is the management of revenues, expenditures and borrowing by the government. The organization must ensure that it mobilizes adequate resources to support government programmes and activities. Consequently, it has the task of developing sound fiscal policies that ensure sustainable budget deficits. In addition the institution must ensure that government expenditure is within the revenue collected to reduce domestic borrowing, which tends to cause negative ripples in economic management. Given the need for support from development partners to enhance the country's economic recovery and poverty reduction efforts, the ministry has an obligation to effectively coordinate this support. The Ministry must therefore, provide direction in the identification, planning and management of donor support to ensure that it is targeted to those areas of the economy that need it most.

It is also the responsibility of the Ministry to initiate and guide all ministries and departments to prepare their ministerial budgets. The Ministry also provides Accounting, Auditing, Information Technology, Insurance, Pensions, Procurement, Clearing and Forwarding services, and Divestiture services among others to other government ministries and departments. The organization has established an elaborate network through its established departments, and sector institutions, to effectively deliver on its mandate.

The Ministry of Finance through the public financial management system aspires to facilitate the provision of essential public services to the people of Kenya. To accomplish this it needs to efficiently mobilize public resources through the revenue and tax systems and channel the public resources to the most needed and politically prioritized areas of service. The system should secure equity and transparency in the use of public funds and put efficient measures in place for control, payments, reporting and for efficient financial management at both service delivery and oversight levels.

Public Financial management reforms programme (PFMR) aims to strengthen public financial management systems in a bid to enhance more transparency, accountability and responsiveness to public expenditure policy priorities. The ultimate vision of the

Programme is not only to improve provision of essential public services but also to ensure economic growth, poverty reduction and good governance to the people of Kenya. This strategy describes the background and rationale for the reform, main objectives and measurable deliverables, strategic elements such as the comprehensive and sequenced approach, responsibilities and mechanisms for co-ordination and monitoring and evaluation as well as overall resource requirements and funding arrangements.

Progress has been made in an endeavor to modernize the public financial system notably in strengthened budget formulation, External Audit System, National Procurement System, revenue collection and administration, Internal Audit System, and a Streamlined Pensions Management.

1.2 Research Problem

Change management is the modification or transformation of organizations in order to maintain or improve their effectiveness. This is a deliberate, conscious use of strategies to match the prevailing circumstances and preferences in order to achieve and succeed in attaining the objectives of the organization (Mitchell, McKenna & Young, 2007). Change management is the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers'. It is an ever-present feature of organizational life, both at an operational and strategic level (Todnem, 2005).

All organizations need to change and develop if they are to remain competitive and satisfy clients' ever increasing expectations. Change management is of importance since it assists managers to undertake necessary plans to overcome possible constraints that may impede the organization's success. When these are done on time and with adequate involvement it would lead to mitigation of resistance to change, assisting stakeholders to embrace the needed transformation effort (Price & Chahal, 2006).

The Ministry of Finance has over the time initiated a number of Public Financial Management Reforms (PFMR) in order to enhance accountability and transparency in its public finance systems. The broad objective of the PFMR has been to strengthen PFM systems by enhancing transparency, accountability and responsiveness to public expenditure policy priorities. It is from this argument that the researcher deems it necessary to study the reforms initiative to find out how the Ministry of Finance is managing the public financial system change.

Change management has been studied by several scholars who have mainly concentrated on the private sector and semi autonomous organizations. Gwengi (2010) and Kibisu (2010) both studied change management in private sector. Amenya (2008), Muraguri (2007) and Kiptoo (2008) also studied change management in parastatals which are semi-autonomous, but not in the Central Government, while Maingi (2005) and Ogwora (2003) studied change management in transport and insurance industry. From the researcher's exploratory search, there has been no indication of a change management study having been undertaken in the Public Sector. The researcher therefore considers it essential to carry out a study in the Ministry of Finance as a representation of this important sector in our economy to bridge the knowledge gap. The two main research questions are: How is the Ministry of finance managing change in relation to Public Financial system reforms? and What challenges is the Ministry of Finance facing and how does it expect to overcome them?

1.3 Research Objectives

i. To determine how the Ministry of Finance is managing change relating to reforms in the financial system

ii. To establish the challenges of managing change in the Ministry of Finance

1.4 Value of the Study

This research project paper will inform those charged with change management on how to utilize future opportunities on change as pertains to financial management reforms, and how optimal efficiencies on performance can be maximized. Upon completion, the study will also contribute to the existing body of knowledge. The academicians, scholars and researchers will use the findings as reference point for further analysis and research. This will help in generating new ideas that will provide a foundation for positive impact on the various industries in the future. Therefore, the research will provide knowledge that is applicable outside the research settings with implications going beyond the researcher.

For the Ministry of Finance and other Government ministries, the research on change will assist them to solve particular existing problems. It will also guide on how decisions that have impact on the future are made. The study results will have an implication on formulation of policies and their implementation.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

To keep pace in a constantly evolving business world, organizations often find it necessary to implement major enterprise-wide changes affecting their processes, products and people. The primary goal of change management is to successfully implement new processes, products and business strategies while minimizing negative outcomes. Organizations can have a clear vision of the changes they want to implement and a technically and structurally sound foundation for making these changes, but the change initiatives can still wallow due to obstacles that arise during implementation. Failing to engage stakeholders and to inform them of the reasons, processes and expected benefits of major organizational changes can lead to lack of acceptance of the changes and, ultimately, failure of these initiatives. This can affect not only the organization and relations within the organization, but also clients and the organization's reputation. Change management leaders must therefore promote awareness and understanding of the change initiative to influence stakeholders' willingness to embrace the change (Amanda, 2007)

The twenty-first century is characterized by many, rapid changes. In an organizational environment, these changes affect the need for the organizations to adapt themselves to the demands of the environment and make internal structural and cultural changes. To facilitate initiation, ignition and implementation of change processes organizations, it is necessary to research the processes of change that have occurred in other organizations and the ways in which they have been implemented. This will assist in discovering the unique characteristics that either promote or thwart change in business systems. Change therefore is ‘‘Whatever a person himself or other people—reasonable people—consider replacing one situation with another, as long as the change does not result simply from the passage of time, but is new, substantial and both relevant and significant’’(Shoham & Perry, 2008).

2.2 Concept of Change

Change is inevitable in all aspects of life. Perhaps no arena is more subject to the shifting winds of change than the business landscape. Each day ushers in new technology, new regulations, and new challenges. In the wake of recessions, organizations routinely question the status quo as they redefine some longstanding practices in order to gain a competitive edge. The individual pieces of the business world are in a constant state of instability. As a result, strategies and organizations no doubt have to evolve to accommodate these shifts, pick up those pieces, put them back together, and continue working toward the goal of advancing the business (Gans**,** 2011).

Change is an ever-present feature that face today’s organizations as they face a more rapidly changing environment. The change must be continuously evaluated, recreated, and ensure continued application of improvement initiatives to ensure a competitive edge (Nayahangan, Little & Shevels, 2011). Kotter approaches change as a process and not as an event. There is a definite sequencing of time, strategy, understanding, acceptance and adoption of new systems, workflow, or ideas. He argues that change happens to individuals and is highly personal, guided by feelings of personal mastery, adequacy, sense of loss, entitlement and personal gain. He also observes that successful leaders must consider the differing priorities of the organization and filter those issues through the change process (Fickenscher & Bakerman, 2011).

2.3 Change Management

Change management is a structured approach to transitioning individuals, teams, and organizations from a current state to a desired future state. It is an organizational process aimed at helping employees to accept and embrace changes in their current business environment. Change in the organization is usually analyzed in the context of the organization in which the change is taking place. This is quite understandable and yields recognition of those internal factors most instrumental in the change process. From this organizational perspective, external factors seem to play a marginal role in change, at most a catalytic role (Macdonald, 1995).

Change management has been defined as the process of continually renewing an organization's direction, structure, and capabilities to serve the ever-changing needs of external and internal customers. Change is an ever-present feature of organizational life, both at an operational and strategic level. Therefore, there should be no doubt regarding the importance to any organization of its ability to identify where it needs to be in the future, and how to manage the changes required getting there (Todnem, 2005).

2.3.1 Public Financial management

Public financial management concerns the effective management of the collection and expenditure of funds by governments. As societal needs will inevitably be greater than the resources available to government, all public resources must be used as efficiently as possible with a minimum of government wastage. Efficient public financial management is central to creating a relationship of mutual trust and shared consensus between government and citizens that is at the core of the development process (McKinnon, 2005).

Reform of ineffective public financial management systems, processes and institutions is critical to secure long-term economic success, to maximize the efficient use of limited public resources, to create the highest level of transparency and accountability in government finances and, most importantly, to generate more and better services for the citizens of the country. Successful reform needs to take account of local conditions and should focus on both the process of reform, which is how to achieve the correct "enabling environment" as well as substantive changes to the fiscal framework dealing with what to change (McKinnon, 2005).

2.3.2 Change Management and Public Financial management

The Public Finance change must be implemented as part of an overall strategy which should be home-grown and country-led. Donors may contribute funds, ideas and technical skills and can develop strategies to support reform, but the reform strategy itself must be country-owned. An interactive engagement of government with business, civil society, labor and opposition parties will lend the strategy credence. This transformation must start with sound policy formation at a macroeconomic level, including defining the purview of the state, the framework of government, key institutional arrangements, and macro-economic policy (McKinnon, 2005).

The reform must be backed up with political commitment at the highest level and must enjoy continuing and unwavering support for the long-term. Financial reform is first and foremost a political process implying political costs and benefits. As such it requires astute political management backed by a real will to change. The Ministry of Finance should be instilled with the strongest possible political authority to oversee public financial management. Key institutions need to be empowered to operate autonomously from government. These include the Central Bank of Kenya, the revenue service, and a range of oversight bodies. These institutions should be provided with full legal (or constitutional) underwriting to do their job without interference, clear and transparent mandates, sufficient financial resources and human capital talent to operate efficiently, and the political space to carry out their work (McKinnon, 2005).

In order to manage the changes effectively the Government needs to make use of all available skills. This includes harnessing global best practice and making use of all available human capital, wherever it may be found, including the existing civil service, the private sector, academic and professional bodies, donor-provided training and technical skills transfer programmes. Reforms and the motivation behind them must be communicated proactively and deliberately at every stage to the stakeholders. Reform is made more feasible with timely and accurate data and government must invest in statistical and analytical bodies (McKinnon, 2005).

The progress of reform must be effectively measured and monitored by setting performance related benchmarks and indicators vis-à-vis agreed objectives, empirical measurement of these benchmarks, and analysis thereof by oversight bodies. There are a number of key changes that should be made to the fiscal framework which include improving the collection of revenue being critical, debt and cash must be managed efficiently, effective planning and allocation of resources is key and government should develop and institutionalize planning processes at all levels of government and effective oversight and monitoring are crucial to sound governance and Public Management reform (McKinnon, 2005).

2.4 Models of Change Management

Several scholars, writers and theorists have come up with several theories that try to explain the importance and need for moving from status quo to a desired future state. Some of the Key models explained below include the Kurt Lewin Model, Kotler's Eight Step Change Model, ADKAR Model and McKinsey 7 S Model.

2.4.1 Kurt Lewin Model

Kurt Lewin theorized a three-stage model of change that has come to be known as the unfreezing-change-refreeze model. The first stage emphasized on first becoming motivated to change (unfreezing). This phase of change is built on the theory that human behavior is established by past observational learning and cultural influences. Change requires adding new forces for change or removal of some of the existing factors that are at play in perpetuating the behavior (Wirth, 2004).

The second stage stresses on what needs to be changed (unfrozen and moving to a new state). Once there is sufficient dissatisfaction with the current conditions and a real desire to make some change exists, it is necessary to identify exactly what needs to be changed. A concise view of the new state is required to clearly identify the gap between the present state and that being proposed. Activities that aid in making the change include imitation of role models and looking for personalized solutions through trial-and-error learning (Wirth, 2004).

Third stage put emphasis on the need to making the change permanent (refreezing). Refreezing is the final stage where new behavior becomes habitual, which includes developing a new self-concept & identity and establishing new interpersonal relationships (Wirth, 2004).

2.4.2 Kotter's Eight Step Change Model

Some scholars and writers have argued that for there to be successful change transformation a process of eight stages has to be adhered to, namely, establishing a Sense of Urgency, forming a Powerful Guiding Coalition, Creating a Vision, Communicating the Vision, Empowering Others to Act on the Vision, Planning for and Creating Short-Term Wins, Consolidating Improvements and Producing Still More Change and Institutionalizing New Approaches. Most successful change efforts begin when some individuals or some groups start to look hard at a company's competitive situation, market position, technological trends, and financial performance. This first step is essential because just getting a transformation program started requires the aggressive cooperation of many individuals (Kotter, 2007).

Change typically begins with some people noticing vulnerability in the organization. The threat of losing ground in some way sparks these people into action, and they in turn try to communicate that sense of urgency to others. Change efforts often start with just one or two people, and should grow continually to include more and more who believe the changes are necessary. The need in this phase is to gather a large enough initial core of believers. This initial group should be pretty powerful in terms of the roles they hold, the reputations they have, the skills they bring and the relationships they have (Coutts, 2008).

In cases of successful transformation efforts, the leadership coalition also grows and grows over time. But whenever some minimum mass is not achieved early in the effort, nothing much worthwhile happens. It is often said that major change is impossible unless the head of the organization is an active supporter (Kotter, 2007). Successful transformation rests on "a picture of the future that is relatively easy to communicate and appeals to customers, stockholders, and employees. A vision helps clarify the direction in which an organization needs to move". The vision helps to spark motivation, keep all the projects and changes aligned, provides a filter to evaluate how the organization is doing, and it gives a rationale for the changes the organization will have to weather (Coutts, 2008).

In every successful transformation effort, the guiding coalition develops a picture of the future that is relatively easy to communicate and appeals to stakeholders. A vision says something that helps clarify the direction in which an organization needs to move (Kotter, 2007). Kotter suggests the leadership should estimate how much communication of the vision is needed, and then multiply that effort by a factor of ten. Leaders must be seen "walking the talk" – another form of communication – if people are going to perceive the effort as important. "Deeds" along with "words" are powerful communicators of the new ways. The bottom line is that a transformation effort will fail unless most of the people understand, appreciate, commit and try to make the effort happen (Coutts, 2008).

Transformation is impossible unless hundreds or thousands of people are willing to help, often to the point of making short-term sacrifices. Employees will not make sacrifices, even if they are unhappy with the status quo, unless they believe that useful change is possible. Without credible communication, and a lot of it, the hearts and minds of the troops are never captured. In more successful transformation efforts, executives use all existing communication channels to broadcast the vision (Kotter, 2007). Empowering others to act on the vision entails several different actions. Allow people to start living out the new ways and to make changes in their areas of involvement, allocate enough resources to the new initiative, carve out time on the agenda to talk about it, change the way your organization is organized to put people where the effort needs to be, free up key people from existing responsibilities so they can concentrate on the new effort (Coutts, 2008). Successful transformations begin to involve large numbers of people as the process progresses. Employees are emboldened to try new approaches, to develop new ideas, and to provide leadership. The more people involved, the better the outcome (Kotter, 2007).

Since real transformation takes time, the loss of momentum and the onset of disappointment are real factors. Most people won't go on a long march for change unless they begin to see compelling evidence that their efforts are bearing fruit. In successful transformation, leaders actively plan and achieve some short-term gains which people will be able to see and celebrate. This provides proof that their efforts are working, and adds to the motivation to keep the effort going (Coutts, 2008).

2.4.3 ADKAR Model

The ADKAR model consists of five sequential steps or actions namely, awareness of the need for change, desire to participate in and support the change, knowledge on how to change, ability to implement required skills and behaviors and reinforcement to sustain the change. The awareness of the need for change emphasizes on understanding why change is necessary as the first key aspect of successful change. This step explains the reasoning and thought that underlies a required change. At this level planned communication is essential (Behera, 2010).

With the desire to participate in and support the change the individual is able to reach a point where they make a personal decision to support the change and participate in the change. Knowledge on how to change is paramount as it provides knowledge about the change that can be achieved through normal training and education methods. Other methods of transferring required knowledge, such as coaching, forums and mentoring are equally useful (Behera, 2010).

Ability to implement required skills and behaviors is also greatly stressed by the ADKAR model as it compares the difference between theory and practice. Once knowledge on how to change is in place (theory) the practice, or actual performance of the individual, needs to be supported. This can take some time and can be achieved through practice, coaching and feedback. Reinforcement to sustain the change is the final stage of the model that is an essential component in which efforts to sustain the change reemphasized. Ensuring that changes stay in place and those individuals do not revert to old ways can be achieved through positive feedback, rewards, recognition, measuring performance and taking corrective actions (Behera, 2010).

2.4.4 McKinsey 7 S Model

The 7-S Framework considers organizations to be made up of several inter-connecting systems and that all these should be considered and planned for during a change. Attention must be paid to all systems or factors but the relative importance of each can vary, depending on the circumstances and the phases of the change. The Decision Making Phase is when the organization is deciding whether the change is necessary and right one. Some factors that take a more special importance in this phase include staff, style, shared values, and strategy (Behera, 2010).

Under staff, wherever possible and feasible, opinions should be gathered from all levels of staff. For style one should confirm whether the proposed change match with the management style and culture of the organization. If it does meet the criteria, then while this aspect should be monitored, it should not present much of a problem. But it is important to also note that sometimes a change may be necessary for organizational survival even if this is contrary to the management style and culture (Behera, 2010).

During the planning phase all seven factors should be analyzed and the eventual plan should address each one. All projects should, at the very least, have a formal stakeholder analysis and a communications plan. Both must consider internal and external stakeholders. If the decision phase revealed significant Change Management challenges, then the plan should include real and concrete deliverables to address these issues (Behera, 2010).

The Implementation or Execution Phase is the easiest to explain and the hardest to do. It involves, following the plan; monitoring progress; dealing with the issues and being prepared to change the plan. If the change is complex, it will not be possible to plan it in every detail. This is especially true when the change affects the more emotional factors (such as Shared Values).While change is often a continuous process, at some stage senior management will require a formal review (Behera, 2010).

2.5 Challenges of managing change

Most organizations today are under severe pressure to proceed with needed organization transformation in order to cope with increasing rates of environmental change and turbulence. Their management faces the challenge of managing change towards an accepted form. The organizations must be responsive, adaptable, flexible, and value adding for all stakeholders. Having this set of attributes for what the future organizations should be like, the key challenge for managers has less to do with what the transformation should have as a goal and more with how it must be carried out (Herman, 1996). Some of the major challenges of managing change explained below include managerial competency, human resource performance, ensuring managerial value, culture web, communication about change, and the resistance to change.

2.5.1 Managerial competency

Well managed people manage change more effectively. Over time, key managerial competence has been identified as being the ability to handle change, which in turn creates an increasing demand for development of associated competencies. The main challenge is for the management to use its competency to introduce the idea of 'lateral leadership' creating processes to stimulate trust, understanding and power shifts, to disrupt rigid patterns of thought and stimulate change (Paton & McCalman, 2008).

Change leaders must be seen as being the key feature in organizations to set the tone and be part of it and create and live within the social dynamics of the organization placing change at the heart of the setup. Managing change being a multi-disciplinary activity gives those responsible at whatever designation to possess a wide range of skills, resources, support and knowledge (Paton & McCalman, 2008).

2.5.2 Human resource performance

Making the human resource to perform efficiently in terms of resource utilization and more effective in terms of responsiveness to changes in the environment proves to be another major challenge. To attain a sustainable level of success the organization should mobilize its human resource to ensure that managerial performance is maintained from a reduced resource base by taking advantage of advanced technology at its disposal (Paton & McCalman, 2008).

The revolution in organizations could be achieved by creating responsive working environments that emphasize the need to co-operate across and within functions;

focus on service and quality; and search for holistic and integrated responses to trigger events; while encouraging participation, ownership and shared accountability. Organizations could achieve sustainable growth by embracing and maximizing the returns they receive from their accumulated knowledge base – their human capital. Their ultimate success will depend upon their ability to tap into the human resource and release the potential (Paton & McCalman, 2008).

For a successful change management it is paramount that leadership and the human resource ought to be aligned with the organization vision and its strategy. Employees must be on ‘top form’ and this can be achieved by considering their well being, stress levels, motivation and organization loyalty (Paton & McCalman, 2008).

2.5.3 Ensuring managerial value

Managerial value is added once it is ensured that organization systems, both tangible and intangible, are aligned with their environmental requirements and are capable of being appropriately developed. Therefore effective and sustainable management of change is about adding value in today’s competitive environment. The organizations challenge in this context is ensuring successful change by requiring adherence to the change rules. This can be achieved by ensuring ‘buy in’ to the process by those at the centre of significant change events without losing the objectivity. They should also believe with passion in the course of action to be undertaken. Senior management’s role is ensuring visible commitment and direction and also setting the required tone and show of belief (Paton & McCalman, 2008).

The management must focus their minds on ensuring successful implementation. Interest can be maintained by forcing the pace, organizing special interest events, reorganizing core management team, and ensuring continued senior management support. The management should also ensure role awareness. This awareness ensures that there is an understanding of the nature of value needed and therefore embark on a change journey that has established probable success that is beneficial, less costly with minimal disruptions and manageable risk. Maintenance of the goal though seeming obvious should not be overlooked. Focus and roles apply to change at hand, but by considering goals the discrete change is placed in the wider context of policy and strategy which incorporates the more fundamental corporate strategy that drives the strategic direction of the organization (Paton & McCalman, 2008).

2.5.4 Cultural web

The organizations culture breeds a ground for stereotypes to thrive. Stereotyping exists because in the perceived majority of cases the initial impression is justified in some tangible way. Organization cultures mainly consider the way they feel and behave in a certain maintained acceptable way. From this context the main challenge on the cultural web, is altering the organization's appearance, beliefs and behaviors to conform to the required change. However, it is worth emphasizing the importance of culture relating to creative management of change that is a unique cultural blue print, which dictates how it interacts with its environment while managing its people (Paton & McCalman, 2008).

Understanding the relationship between the cultural web and a changing environment greatly assists the organization to manage change. Therefore it is important to fully understand and address the cultural artifacts associated and potentially impacting upon any particular change situation (Paton & McCalman, 2008).

2.5.5 Communication about change

Organizations increasingly have a challenge of dealing with communication relating to change in a creative, purposeful and responsive way. To ensure that the change message is heard, understood and acted upon one has to take communication seriously. Communication is a two way process and for it to be successful stakeholders must be in the responsive loop to be listened and engaged. Particular attention should be paid to ensuring the timely communication of change related messages, matching communication channels to the recipient's needs and listening patterns/opportunities in an appropriate manner, and ensuring that uncertainty is minimized and negative impact of rumors is nullified (Paton & McCalman, 2008).

Effective communication, designed to inform, consult and promote action, will assist in overcoming both resistance and ignorance. It is therefore essential that organizations recognize the need to foster and develop the managerial communications talent required to facilitate change (Paton & McCalman, 2008).

2.5.6 Resistance to change

No matter how welcoming an organization is to change, it will still face a challenge of a certain degree of stakeholders' resistance to change. It may manage to reduce the frequency and potency of such resistance but it will never eradicate the fear of the unknown. People resist change because they fear the unknown and are comforted by the familiar (Paton & McCalman, 2008).

No matter the extent to which an organization has designed procedures, structures and cultures to encourage openness, responsiveness and innovation, there will always be detractors. Therefore, it should be noted that resistance to change can be reduced through creative organizational design and development, but it cannot be eradicated.

Effective communication holds the key to successful unlocking the door to change and to ensure long term survival of desirable change it needs be portrayed in positive terms (Paton & McCalman, 2008).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Chapter three outlines the methodology that was used by the researcher in carrying out the study. This included the research design, data collection and data analysis. Similarly, the justification for the study methodology was highlighted and given out.

3.2 Research design

According to the researcher, a case study design was found to be the most appropriate for the study focusing on the Ministry of Finance of Kenya. This design was desired because of the proximity to the subject under study and easy access to relevant and reliable information. It also offered needed in-depth scrutiny of the phenomenon being studied. The focus on this design was concerned with the depth of the research as opposed to the breath. In her research, Kibisu (2010) states that, case studies place more emphasis on a full contextual analysis of fewer events or conditions. An emphasis on detail provides valuable insight for problem solving, evaluation and strategy.

3.3 Data collection

Both primary and secondary sources of data were used for the study. The primary source of data was collected from in-depth interviews with senior level managers in the Budget department, Accountant General's department, the Integrated Financial Management Information Systems (IFMIS) department, and the Audit department. The choice of these units was basically because they are directly involved in the implementation of the Public Financial reforms. While undertaking this primary study questions were issued in advance to assist target informants avail enough time to search for facts and refer to relevant materials while preparing for the interview. The researcher then made appointments with the interviewees and questioned them at their own convenient times.

3.4 Data analysis

Since this was a case study, the presentations of findings were in qualitative form. Considering the kind of data intended, content analysis was found to be best suited method. Kibisu (2010) points out that the content analysis uses the conceptual and qualitative technique which aims at making inferences by systematically and objectively identifying characteristics of the message using the same approach to relate to trends.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This study sought to determine how the Ministry of Finance was managing change relating to reforms in the financial system and the underlying challenges of managing that change. It accomplished this by targeting main officers in the departments directly involved in the financial system reforms implementation in the IFMIS, Audit, Accountant General and the Budget division. Questions were prepared in advance in an interview guide and presented to senior managers in these departments to ensure adequate time to research on the same. Arrangements were then made with the informants to undertake the Interviews at their chosen convenient times. Questions were then posed to managers in reference to the interview guides to extract information on how changes relating to reforms in the financial system were being managed and challenges of managing the change.

4.2 Demographics of Informants

The study focused on the employees of Ministry of Finance of Kenya. The people who participated in the study were senior public officers in various departments of the Ministry. A summary of the interviewees demographics were presented in Table 1. The job groups and education levels were used as important pointers for the experience of the officers to participate in a study concerning strategic change management. From the results, all informants therefore had enough experience to participate in the strategic implementation study.

Table 1: Informants demographic information

Division	Job group	Title	Gender	Education Level
Accountant-General	L	Senior Accountant	Female	Bachelors Degree
Audit	L	Senior Auditor	Male	Bachelors Degree
IFMIS	P	Deputy Director of ICT	Male	Masters Degree
Budget	N	Principal Economist	Female	Masters Degree

4.3 Change Forces and Strategic objectives

4.3.1 Perceived Change Forces

The inquiry from Interviewees showed that the change initiative evolved as a result of both internal and external factors to the Ministry of Finance. According to the interviewees the Central Government via the Ministry of Finance precipitated the change in order to better manage its finances through the budgetary system which includes budget plans, budget implementation and reporting on the same.

The World Bank and the International Monetary fund were construed by the informants to uphold great interest in the financial reforms since they were major stake holders in Development Financing. The Interviewees argued that being lenders of development loans and development grants they required a reformed system that could report on time on the utilization of disbursed funds. This would assist them in monitoring and evaluation to ascertain the expected value addition to the Economy.

Parliament was also mentioned as a reckoning force towards financial reforms. They argued that being representatives of the People they pushed for financial reforms to ensure that the meager resources collected in terms of taxes, internal borrowings and external assistance are prioritized to areas that benefit their representation. Fiscal and monetary policy was also considered as another major aspect towards financial reforms in order to manage detrimental inflationary and Interest rates by way of government budgetary receipts and spending through the treasury. With the advice of the Treasury, the Central Bank was also seen as a major contributor because of the interest it has in ensuring controls in the flow of liquidity into the Economy through internal borrowings and cash disbursements.

4.3.2 Strategic objectives

The informants stated that for the financial change to succeed objectives had been well spelled out in advance with room for continuous improvements in order to realize the dream of a performing reformed financial system. These were perceived to be the grand ideas that would enable the Ministry of Finance meet the financial goals that are crucial towards attaining accountability and transparency.

The first objective pointed out was to enhance the operations of the government's financial systems and save on costs. With a well managed system it was recognized that most of the loopholes would be sealed to eradicate possible embezzlements and wastages. This they stated would be managed from the time budgetary plans are prepared, procurement of goods and services are undertaken, implementation of the budget is done and crucial reporting on receipts and expenditures is finalized. The costs saved, it was argued could be put in other deserving areas to help in improving the services and citizens livelihoods.

Secondly the interviewees claimed that the financial change initiative would enhance the financial systems management of all Ministries and departments. Since the reforms called for an integrated system, it meant that data could be accessed centrally for all users. With this possibility it was felt that there would be an enhancement in monitoring Ministerial and departmental expenditures, discover deviations from expectations on time and implement necessary action for rectification.

Thirdly the interviewees were also in agreement that with well managed reforms it would be possible to implement Internationally Accepted Standards on Financial Management. This means that the Kenyan Government would be integrated in the global village and be able to reap benefits of international financial status. This would enable the reformed financial system improve the status in terms of credibility and easing the energy put on sourcing highly required global funds. In this perspective the government would be able to access needed financial support and in effect improve the living standards of its populace.

Fourth the interviewees stated that the aim of financial reforms was to ensure adaptation to advancing Information and communication Technology (ICT). In order to remain relevant in the global village it was argued that the Government through the Ministry of Finance had to embrace new technology to remain competitive. This would ensure comparability with peer and advanced governments in terms of financial management while enhancing acceptability. The status would also promote and attract needed investors and partners that could help towards growing and enhancing the Kenyan Economy.

Finally the crucial objective was to align to the requirements of the Vision 2030 being the long term Goal of the Government's development strategy. The ministry of finance had to develop goals and objectives that were in tandem with the general strategic blue print for the entire government. In this case, the financial reforms had to be envisaged to fit into vision 2030 main stream strategy whose socio-economic, cultural, environmental and political pillars are meant to catapult the country into a semi-developed or fully developed nation.

4.4 Approaches to Change Management

According to the Interviewees, all levels of management and staff were involved in the change initiative relating to reforms in the financial system. The Minister for Finance contributed by offering the support needed in terms of financial allocation, selling the idea to donors and important stake holders. The Permanent secretary under his chairmanship of the steering committee contributed through crafting policies that would support financial reforms as well as arranging forums where major stake holders participated to allow acceptability and ownership of the change.

The informants stated that middle and lower level staff members were also very instrumental in the implementation and operation of the new system. They were involved in the initial study setups, tests, running of the system and training of juniors and peers in order to ensure that there was enough capacity to ensure the financial change continuity and success. The interviewees also viewed consultants as the most depended on individuals in the initial feasibility studies and the implementation of the financial reforms. They were involved in the initial training, procurement and setups of the change infrastructure, immigration of the test and live data and installation of the hardware and software change support systems.

As far as the Interviewees were concerned the change initiative was implemented in a number of phases. They indicated that there were initial studies on the viability of the system. This included visiting those Governments that had implemented a similar change program and had tangible levels of success. The interviewees observed that once the steering committed was convinced on its workability the change initiative was approved. This gave way to necessary procurement of required hardware, software, consultancy, training and financial support that would ensure smooth implementation of the change initiative. They stated that workshops and seminars for senior and middle level managers were then undertaken before roll out of the financial change to ensure needed support, motivation and ownership. They also observed that financial reforms were implemented in conjunction with the old system (parallel roll out) before embarking on full implementation of the change initiative.

The informants clearly stated that the financial change was well thought of and the initiative well planned for and was not as a result of impulse. They argued that it had a well defined process with set objectives. They also believed that almost equally the initiative was shared between internal and external stakeholders. They affirmed that Ministry of finance in making the decision on change management, was guided by successful implementation in other countries, financial and moral support from development partners, room for upgrading the change initiative in line expected future environmental turbulence and support from top management.

From the interviewees' information it was made clear that at the initiation of the financial reforms, the initiative conformed to the theorized three stage of the Kurt

Lewin Model. The informants asserted that the initial learning on the existing system showed dissatisfaction on how the financial system was being operated hence seeing the need to unfreeze it in order to undertake the required diagnosis for redefinition. The informants agreed that the responsible personnel with the decision making activities became motivated to change. Human behavior, cultural practices and new forces were established in order to support the anticipated change. This analysis therefore fitted well in the Lewins model first stage of unfreezing.

Informants further stated that when undertaking the implementation of the financial reforms the management and employees saw the need to change what needed to be transformed, that is moving to the new state. They argued that once the change facilitators convinced the stakeholders that there was sufficient dissatisfaction with the existing financial conditions and the real desire to effect change, they identified what needed to be changed ensuring the concept was accepted by all those involved. Required models and testing of the proposed system was undertaken to be convinced that that the expectations could be met better that the past. Focusing on this argument the researcher clearly observed that this could well be easily comparable to the second stage of the Lewins model.

Finally in comparison to the third stage of Lewins Model, initial execution of change, the interviewees observed that the change agents ensured that what was changed remained permanent by upholding the changes (refreezing). In this case the new situation became acceptable behavior which included developing new concepts, identifying and establishing new interpersonal relationships without reverting to any of the old ways of doing things.

The respondents agreed that in passage of time, the management saw the need to be more creative and embark on innovative measures to avoid stagnating. They agreed that further advancement and expansion of the reforms was needed to ensure that the goal of managing the financial reforms in the Ministry was attained. From the responses of the interviewees it was consequently established that Kotter's eight step change model became applicable to the Ministry of Finance change relating to financial reforms. A sense of urgency could be established when the informants stated that the management of the Ministry of finance gave in to pressure from both internal and external stakeholders to move to a better financial reformed system. The major driving factor it was agreed, was as a result of the discovery that success on the financial reforms could only be accomplished by being proactive and keeping the change initiative fire burning. This they stated could be accomplished through continuous involvement of staff in decision making and effective communication on inevitability of the financial change initiative if the organization was to remain relevant to meeting stakeholder's expectations.

From the informants responses it was clear that a sense of creating a guiding coalition and developing a vision and strategy were presumed important to meet the financial reforms expectations. This was easily observed when the interviewees confirmed that cohesive teams had to be created and leaders were to facilitate them in all manner of requirements to meet their set objectives. Also broad skills and experiences were taken into consideration in order to integrate the vision with existing diverse strategies.

The interviewees stated that involvement of users in decision making was there so as to ensure smooth implementation and ownership. This could be easily compared with communicating the change vision and empowering action in order to ensure required success in the financial change. The informants stated that there were continuous fortnight meeting that were held to gauge the conformity to financial changes and rectify any deviation from expectations. The successes the informants agreed were amplified, while discovered failures were suppressed and avoided. From this explanation the researcher observed that this could easily fit in the Kotter's sixth and seventh step of generating short term wins and consolidating gains and producing more change.

Ultimately from the informant's explanation it was evident that the management took into consideration seriously the effect and contribution of the cultural beliefs and norms. The interviewees consented that the management were able to overcome cultural barriers by continuous training, involvement in decision making and holding continuous periodical review meeting and evaluations. In addition the interviewees stated that continuous seminars and workshops were also held to improve teamwork and staff bonding. The researcher from this explanation therefore related this well with Kotter's eighth step of anchoring new approaches in the culture.

From the above analysis it was evident to the researcher that the most prominent models that fitted in the management of change relating to reforms in the financial system were inclined to the Kurt Lewin's Model at the initial stage of implementation while in consequent years it well transitioned to the Kotter's Eight Step Change Model.

After the findings from the informants the researcher went ahead to compare his finding with those of earlier researchers. Gwengi (2010), study on strategic change at Frogoken Kenya Limited established that the change initiative was based on emergent change in an effort to adapt to continuous environmental shifts. This was inconsistent with the research on the Ministry of Finance that inclined on Kurt Lewin and Kotter's planned change models. Kibisu(2010), through her study on Management change at Zain Kenya observed that the planned change dominated the findings. At he initial stage Zain used the Lewins three (3) basic stages of Unfreezing, moving to institute change and refreezing. Further on the responses she found out that Zain planned change borrowed heavily from the eight step Kotter's model for understanding and managing change. This was consistent with the Ministry of Finance research finding relating to change management in the organization that inclined to both models of planned change.

Amenya (2008) on the study of management of strategic change at Rift Valley Railways found out that the changes were both planned and emergent. Planned change was in form of new departments and change of the management structure to return to profitability. Though this was stated, the researcher confirmed that this did not fit in any planned model. The emergent change was observed at the time of crisis within the company as a reactive response to urgent problems that required urgent solutions. These research findings were inconsistent with the Ministry of Finance results in that they did not fit into any of the Kurt Lewins or Kotter's planned models.

Kiptoo (2008) in his research on strategic change at the University of Nairobi found out that planned change was dominant at the initial stages. However as reforms process progressed especially after changes from external and internal environment, emergent approach started to take root. This approaches were inconsistent with the Ministry of finance findings since they did not fit into any planned model and also because it later transformed to depend on emergent issues. On further analysis Kiptoo (2008), found from his research that the factors represented by Kotter's 8 step model was inevitable making this result to be consistent with the Ministry of Finance findings hat pointed towards the Kotters model.

Muraguri (2007) in her study on management of strategic change in the National Water Conservation and Pipeline Corporation found out from her respondents that change was consciously embraced upon and planned. They agreed that there was no emergent approach as a result of accident of impulse. From this research the Kotter's eight step model was best suited for the organization's change management process. These studies proved to align to the studies undertaken by the researcher on financial changes in the Finance Ministry as pertains to provisions of this model.

4.5 Change Management Challenges

Through an in-depth interview in Audit, Accountant General, Budget and IFMIS divisions of the Treasury, the study came out with several observations that established some of the challenges faced in the management of change relating to reforms in the financial system.

On managerial competency challenge responses from the interviewees indicated that there was a high degree on its deficiency. They indicated that some of the areas in their departments were not well managed since some of the required changes were not effectively implemented. Informants observed that managerial ability to handle change was also hampered by loyalty and secrecy policy applicable to the central government which hindered needed creativity and innovations. Through this weakness the interviewees agreed that managers avoided clear channels that could harmonize people's capabilities hence hindering stimulation of trust, understanding, power shifts and as a consequence suppressing the expected stimulants of needed reforms.

Also cited weakness in management competency, was that most officers in the divisions lacked multi-disciplinary training on a regular basis making it difficult for the leaders to effectively communicate the path of activities that could effect required changes effectively. Financial reforms were therefore found to suffer from not just managerial deficiencies but also lack of coordination between the managers and those that they managed.

On the Human Resource Performance challenge, informants perceived that the management had not taken into consideration the diverse requirements of different cadres of staff that could effectively motivate them towards embracing the change. It was evident from their responses that adequate information on the need for financial change had not been disseminated to ensure that staffs were well prepared for the changes relating to reforms in the financial system.

The interviewees also stated that the management failed to adequately involve the operations human resource in most key decision areas. As a result this suppressed the staff motivation and ownership towards the reforms leading to slow embracing of change. The informants felt that the reform idea had not been sold effectively since most of the training initiatives seemed to be an after thought. The ministry was also viewed as not doing enough to mobilize its human resource to ensure maximum managerial performance by taking advantage of advanced technology at its disposal. The interviewees further observed that a responsive working environment that emphasized the need to co-operate across and within functions was not readily provided.

As regards the managerial value systems challenge, it was evident from the informants that the management was elusive in ensuring that there existed well documented and verifiable change management value system. The interviewees observed that the management lacked the keenness to ensuring a well defined system to define how to implement financial reforms. They were also seen to lack the initiative to focus on ensuring that the implementation was successful. This lessened the spirit of team work leading to pockets of successful implementation with some areas of reforms lagging behind.

Additionally, over dependence on consultants made managers to relax in their responsibilities towards implementing the change relating to financial reforms. Hence the consultants made most decisions which were not vetted leading to de-motivated crop of staff because of the secrecy maintained by consultants. The informants stated that in management relinquishing their responsibilities, negative effects cropped in on the value addition towards financial change to a large extent.

On the cultural challenge, interviewees perceived that customs in the Ministry of Finance had greatly contributed to the slow pace of implementation due to the fear of the unknown once reforms took place. On the other hand tangible successes and benefits from positive culture were felt once ideas were sold and embraced positively. The interviewees agreed that the cultural norms acted as a catalyst to overcome most of other challenges that were eminent improving sense of ownership towards the system and enhancing the feeling of being part and parcel of the financial reforms.

The culture of wishing to hold to the status quo was perceived by the informants as the greatest hindrance towards change. Most managers and users felt that with the advent of financial reforms they would be trending on dangerous unknown grounds. This the informants agreed made the selling of the reforms idea difficult though with persistence and training the officers bought into the idea. The interviewees further indicated that the advancement and training culture in government was found to be the best form of adapting to new changes.

On the communication challenge interviewees agreed that communication was a key factor towards understanding change in all levels of government. Even with this in mind they felt that the modes were not managed adequately to ensure that all users embraced the financial change. They emphasized that most communications were through memos and circulars which in most cases did not reach the users and implementers of the change initiative. The managers armed with these memos and circulars only gave orders which tended to be detrimental since implementers had no prior information on the requirement by senior management.

The interviewees also felt that feedback on the staff involvement towards implementing the financial change was not forthcoming and if it was there came through the grape vine and not through official channels. This made staff feel un-appreciated and inconsequential towards this noble course. They felt that to overcome this, various progress meetings need to be set and held to continuously revisit what was being implemented and giving feedback on the advancements. Other areas informants felt were important included embracing and usage of modern technology to advance communications. They stated that websites and e-mails could be effectively used as easy avenues to communicate information for important policy and change management issues.

On resistance to change challenge the interviewees concurred with Paton and McCalman (2008) that change in any organization is inevitable and the government had to embrace many changes in order to ensure successful implementation of various plans. According to the informants the leadership and team structure at the ministry of finance enabled only minimal changeover training whenever a new plan was in place. A gap therefore existed between those who were willing to embrace change and those who would prefer to have the old financial ways continue.

Informants indicated that there existed pockets of resistance towards financial change due to uncoordinated implementation of the reforms by some members in the implementing team. They stated that instead of working as a team different professionals involved tended to work as groups concentrating on their expertise. They confirmed that this was detrimental in the initial stages and managers had to resolve this to ensure an amicable way forward. This situation led to formation of a cohesive team with clear objectives, led by a senior manager that harmonized different levels of expertise and ensured maximization of human resource value.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study objectives were to determine how the ministry of finance was managing change related to reforms in the financial system and establishing the challenges of managing the changes. Having analyzed the research data and coming up with discussions based on the research findings, this chapter will discuss these findings and draw summary discussions, conclusions, limitations of the study, suggestions for further research and recommendations for policy and practice.

5.2 Summary of Findings

On the first objective that sought to determine how the Ministry of Finance was managing change related to reforms in the financial system, the findings of the research showed that planned approach was predominantly evident in the reform process. All levels of management and staff were involved in the change initiative relating to financial reforms in order to ensure needed support, motivation and ownership in change implementation.

The majority of the informants believed that the financial change was well thought of, soundly planned for with clearly defined process with set objectives. To make the reforms meaningful and successful the interviewees agreed that both internal and external stakeholders were involved to in order to sought the required support. Principally the Ministry of Finance in its financial change implementation was guided by information from successful implementing countries, financial and moral support from development partners, preparedness to fit into possible environmental turbulence and top management support.

The Ministry of Finance through its planned change, communicated the financial reforms to stakeholders through workshops, seminars and training with an aim of enhancing the required support and suppressing possible resistance to the change. Once the transformation was in place, the ministry ensured upholding positive culture towards the reforms by developing new supportive concepts, identifying and supporting new inter personal relationships, supporting creativity and embarking on continuous innovative measures that enhanced more change.

To amplify the successes of the financial change initiative, the Ministry created an environment that was conducive to ensure that staffs were proactive and could be able overcome possible challenges to the reforms. This was primarily achieved through staff involvement in decision making and effective communication. The management also came up with a guiding change team that acted as change champions towards the financial reforms. This team undertook continuous fortnight meetings that assisted in discovering deviations promptly and effecting necessary corrective action, reverting back the change initiative to the intended strategic provisions.

The second objective aim was to establish the financial change management challenges. The study came out with several observations that established challenges faced in the financial reforms initiative. The first identified was the management deficiency in terms of some leaders handling the change casually due to existing inflexible loyalty and secrecy policies that suppressed creativity and innovativeness. Also cited limitation was the management capability in terms of training reasonable number of staff in multi-disciplinary skills in order to ensure success in the reforms, portraying lack of effective planning. In addition the informants also pointed out that some managers lacked coordination expertise between the managers and those they managed.

Another weakness pointed out was lack of proper involvement of staff that would be involved in the implementation of the change. This at the initial staged suppressed motivation and ownership but at a later stage was overcome by continuous involvement of staff in decision making. It was also evident that management was elusive to come up with a well documented and verifiable management value system. This may have affected the focus towards successful change implementation and could have lessened the spirit of teamwork leading some areas of reforms lagging behind schedule. Other profound challenges were identifying and fitting within cultural norms that would be supportive to the financial reforms and also overcoming resistance to the change initiative.

5.3 Conclusions of the Study

The first conclusion derived from this study in that in any change initiative it is important to take into consideration the stakeholders both internal and external to the organization. The internal stakeholders support the change initiative in terms of policy formulation, strategy implementation and continuous support while external stakeholders are important in terms of supporting the change initiative, giving moral support and availing needed financial and material support while acting as checks and balances.

A second conclusion from the study is that the organization used a planned approach in implementing the change. This planned approach enabled the organization to stir its members towards the change goals ensuring that the initiative was on track and resolving negative deviation on time. The approach ensured commitment by the stakeholders through formation of teams and evaluation committees leading to change system ownership, motivation and synergy towards meeting the financial reforms.

Thirdly the study showed that with a well thought change system the organization would be able to avoid surprises and plan for needed resources that support the initiative in terms of required hardware, software, consultancy, training and financial support that ensures smooth implementation. With these considerations, the planned change would be well placed to deal with future environmental turbulence and easily attract needed top management support.

Fourthly the research found out that with the passage of time, the management need support creativity and innovation in order to avoid stagnation. Further advancement and expansion of the reforms is needed to ensure that the goal of managing the reforms is attained. A sense of urgency and cohesion should also be emphasized to ensure that the change agents are focused to the change and avoid unnecessary digression from the core objectives. Consequently the involvement of users in decision making is also paramount in ensuring smooth implementation. This improves communication, cultural behavior change and ownership that empower the stake holders to take up needed action and ensure focus towards the vision.

Finally it was found out that the change imitative have to be surrounded by challenges. These are mainly in terms of managerial competency, human resource performance, managerial value systems, culture, communication and resistance to change. As far as managerial competency is concerned its deficiency may be detrimental and proper measures must be taken to ensure managers capabilities and abilities to handle change are enhanced to ensure success. The study found out that the challenge of Human Resource Performance is critical. The organization should analyze this resource and consider its diversity and direct its positive energy towards effectively motivating and embracing the change instead of destructive competition. The study showed that the managerial value systems challenge should be overcome by ensuring managerial policy and practice documentation and ensuring responsibility and accountability for the change. Positive culture should also be cultivated in order to ensure ownership and motivation towards the direction of change. It was also evident that communication played a great role in change and should be ensured in all levels of the organization to guarantee support for success. The study further observed that resistance to change was inevitable and the organization could only manage it through training, continuous involvement in decision making and effective communication about the change.

5.4 Limitations of the Study

The research was a case study Limited to departments of the Ministry of Finance. This could not be construed to be a true representation of the change management in the Central Government since other Ministries constitute other participants within the Government. Also the Ministry of Finance could possess unique approaches to change that may be completely different from other Ministries. This makes it difficult to make ideal conclusion from the findings that can be independently used in the future. This means that policy makers and academicians will in addition to making use of the information formulate other projections in tandem to ensure reliable decisions for the future.

There was scarcity of available resources in terms of time and funds. Due to the busy schedules in Ministry of Finance departments, it necessitated arrangements to be made with the interviewees to be left with the interview guides in advance and arrange when interviews would be undertaken. With this arrangement it meant that the in-depth information could be subject to manipulation by the officers and hence liable to personal bias which may therefore not represent the organizations opinion in some areas. In addition depending on other personal factors like departments, profession, incentives from the reforms initiative, personal feelings and emotions, attitude towards change and other aspects, the interviewees may have given personal judgments that may have been contrary to the Organizations point of view. Data collected also focused mainly on senior managers and hence other important stakeholders opinions were not incorporated in the research.

Finally the researcher had to move to different locations at different times to fit to the informants' busy schedules to be able to undertake interviews. Completing the research needed ample funds to be able to conclude the exercise amicably. Scarcity of these resources translated to narrowing down the scope of the study and in the process losing vital information that may have been overlooked.

5.5 Suggestions for Further Research

The study covered one Ministry, that is, the Ministry of Finance experience in the change management process. This study may not have covered the unique characteristics that could be in other ministries. The researcher therefore recommends a cross sectional study involving other ministries on different change initiatives that could include in addition the financial reforms. This study could be far-reaching since it would cover a wide scope that may include other experiences and challenges of study that could avail more important areas and results of the research.

Since this study dwelled on how the change was being managed and the underlying challenges it narrowed the scope due to time constraints. The researcher therefore sees the need to study the forces of change and how they are managed towards positive implementation of the change initiative. This may be blended with this study finding to add to a wider scope of knowledge that can assist future researchers and scholars.

Further research may also look at the role of management and leadership towards change. This would look at the role of management or leadership in integrating, directing, and coordinating knowledge towards successful change initiative. Here the study may expand its wings by looking at the merits and demerits of using the participative role as opposed to directive managerial role in implementing change.

5.6 Recommendations for Policy and Practice

The research found out that for an organization to succeed in its change initiative it should be ready to embrace and align itself to both internal and external environment. The study also found out that change is a continuous process that should be well thought for in advance, planned for and gradually implemented. Consequently managers should be able to come up with reasonable solutions that can overcome possible underlying challenges while at the same time planning on how to overcome environmental turmoil.

Therefore for policy proper strategies should be formulated and implemented to ensure that there are continuous evaluations and correction to negative deviations in order to ensure focus and success towards change initiatives. Consequently the management should set logical time frames for implementing change and revamp the change if the situation warrants it. The change should also encompass enough resources to accomplish in terms of funds, human resource, equipments and qualified and motivated change agents.

Also to be effective in Change Management, the organization needs to undertake continuous research so that every aspect in terms of successful implementation and challenges is thoroughly analyzed. This would easily point towards drivers of needed successes that can be concentrated on and un-earth failure root causes and find ways of suppressing such negative aspects.

As a practice the challenges in the change management should also be addressed by all stake holders to ensure effective implementation and support. Effective communication would also enhance clarity in roles, responsibilities and expectations leading to minimized resistance to change. The organization structures should also be aligned to the change initiative so as to support the contemplated change.

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APPENDICES

Appendix 1: Interview Guide

The guide is designed to collect views on change relating to the financial reforms in the Ministry of Finance.

Section A: Personal details

Department: ____

Position: ____

Number of years in that position: ____________________________________

Section B: Forces of change and Strategic Objectives

1. What forces necessitated the financial system reforms in the Ministry of Finance?
2. What were the objectives of the change programme?

Section C: Approaches to change Management

1. Who in the organization initiated the financial reforms?
    i. The Minister for Finance
    ii. The Permanent Secretary for Finance
    iii. The senior managers(steering committee)
    iv. Others (please specify)

    ____

    ____

    ____

2. Describe how financial system changes have been initiated by the staff (Head of the Unit, Section, Department).
3. Were external consultants involved in financial system reforms programme? If they were, please explain the roles that they played and areas they were involved.
4. Were the financial reforms implemented in defined phases of implementation? If they were, please mention the stages and expound on what was expected in each step in the change process.
5. Was the change well thought and prepared in advance or has it developed as situations continue to change? How would you group it, conscious reforms or are they through impulse?
6. Has the financial reforms agenda been a continuous unpredictable process aligning to changed circumstances or has it been through a well defined process towards meeting set objectives?
7. Has the financial reforms been driven by internal changes within and without the organization or has it followed a clearly defined path of executing the change?
8. Why do you think the organization chose implementing the reforms through the approach discussed above?

Section D: Change Management Challenges

1. What was the time frame set for implementing the financial reforms? Has the implementation been on course and if not how has the organization managed the divergence?

2. Have there been financial limitations in the course of implementing the change? If they exist, how have you overcome them?
3. Has managerial past knowledge and experience been a hindrance to Change? If this has been a challenge, how has it been handled?
4. How would you gauge the employees' performance towards the financial reforms? How has the organization handled the challenges of performance towards reforms?
5. Has the management been willing to contribute positively towards the financial system change? How has the organization ensured sustainable managerial contribution to these reforms?
6. Has the cultural norms and beliefs affected the way the financial reforms are implemented. If it has been an impediment, how has the organization responded and managed this challenge?
7. Has the information dissemination and feedback on financial reforms been a problem? How has the organization overcome existing communication gap?
8. Were the employees happy with the change? If they complained, what measures were put in place to resolve their reservations?
9. Are there any other challenges not covered in this interview and if any, how have they been overcome?
10. What actual results have you observed after implementing the reforms? What are your suggestions/recommendations on how to improve financial management reforms in the Ministry of Finance?

Appendix 2: Introduction Letter

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

MBA PROGRAM – LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O.Box 30197
Nairobi,Kenya

DATE ……………………………………..

<u>TO WHOM IT MAY CONCERN</u>

The bearer of this letter ……………………………………….

Registration No: …………………………………………………

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/She is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/herby allowing him/her to collect data in your organization for the research.

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

Thank you.

<u>DR. W.N. IRAKI</u>

CO-ORDINATOR, MBA PROGRAM