CHALLENGES OF MANAGING STRATEGIC CHANGE AT THE NEW KENYA CO-OPERATIVE CREAMERIES LTD

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Declaration

I hereby declare that this is my original work and has not been submitted for any award at any other institution.

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I confirm that this project has been submitted for examination with my approval as the university supervisor.

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Dedication

I dedicate this work to my loving wife Christine and our lovely children Lynn, Clarence and Amity. My love and great dreams for you all inspired me to struggle and complete this project against many odds.

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Abbreviations and Acronyms

EPZA   - Export Processing Zone

GDP   - Gross Domestic Product

HF   - Housing Finance

HFCK   - Housing Finance Corporation of Kenya

ILRI   - International Livestock Research Institute

KCC   - Kenya Cooperative Creameries

KDB   - Kenya Dairy Board

NARC   - National Rainbow Coalition

NSE   - Nairobi Stock Exchange

RRI   - Rapid Results Initiative

SWOT   - Strengths, Weaknesses, Opportunities and Threats

UNDP   - United Nations Development Program

Abstract

Although change management has become a common activity for many organizations, there is often insufficient knowledge about many of the relevant issues among managers. Consequently, many change initiatives fail when managers meet challenges. This study sought to establish the challenges of change management at the New Kenya Co-operative Creameries Ltd and how the company addresses them. The study found that New KCC combines top-down and bottom-up approaches to managing change which results in a greater sense of participation and ownership by all stakeholders and lower resistance. The challenges experienced by the firm included frequent changes in its top leadership, political interference and bureaucracy, inadequate resources and rivalry from technologically superior competitors. New KCC addresses these challenges by maintaining a flexible approach towards change and pursuing a human resource strategy that places strategically competent people in managerial positions. It also conducts continuous reviews of performance to ensure an alignment between activities and objectives, and between its strategy and the environment. Resistance to change is treated as an opportunity for fruitful engagement between change leaders and followers. The study recommends that New KCC keeps up the practice of involving all stakeholders in change management. It also needs to map its challenges and responses in order to match them strategically. Given the Board of Directors' relatively more political nature compared to the management team, there is need to allow the latter a greater role in the firm's strategic decisions since they are better placed to safeguard the company's business interests. The study also takes note of the increasingly positive light in which recent literature views resistance to change. Consequently, it recommends a study to establish the value of resistance to the process of managing change. With regard to policy, the study considers the question of "political interference" in the running of parastatals. It questions the logic of referring to government actions as "interference" if it is accepted, at the same time, that the government owns the business. It is proposed that there should be greater acceptance of the government's involvement as that of a legitimate business owner and to factor this acceptance into the business strategies. This will significantly reduce the negativity with which government involvement is viewed.

CHAPTER 1

INTRODUCTION

1.1　Background of the Study

Strategic change is the movement of a company away from its present state towards some desired future state (Hill & Jones, 2001). According to Huczynski and Buchanan (2003), this change describes an organizational redesign that is major, radical, 'frame-breaking', or 'paradigmatic' in its nature and implications. It has also been defined as "changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy" (Schendel & Hofer, 1979) or "a difference in the form, quality, or state over time in an organization's alignment with its external environment (Rajagopalan & Spreitzer, 1997; Van de Ven & Poole, 1995).

Although different definitions lay varying levels of emphasis on different elements, a common feature is that strategic change is purposeful and is often undertaken in response to a given set of circumstances. Consequently, strategic change may be thought of as a series of actions or events that follow a preconceived plan in pursuit of a specific goal. According to Hill and Jones (2001), this movement towards "a desired future" is aimed at increasing an organization's competitive advantage. Strategic change is thus designed to set a firm's courses of action and how it will organize its activities so as to achieve its objectives using selected strategies (Chapman, 2005). Although such change is planned internally, the success with which it is implemented depends, not only on the organization's internal factors but also on the state of its external environment.

This study focused on the New Kenya Cooperative Creameries Ltd (New KCC), a dairy processing firm in Kenya. The history of New KCC dates back to the pre-independence years when its predecessor, the Kenya Cooperative Creameries Ltd (KCC), was the only dairy processor in Kenya, protected by the government as a legal monopoly. However, with the worldwide movement towards greater liberalization in the early 1990s, the fortunes of the company began dwindling as the government began withdrawing subsidies to key sectors. The withdrawal of the government's direct support to the firm led to its collapse in 1997 and opened the door for the entry of many private players. By the time the new government of the National Rainbow Coalition (NARC) bought back the company in 2003 and renamed it New KCC, the competitive landscape was completely different. There were already strongly established competitors who have continued to pose a challenge to the company as it struggles to remain competitive in a highly volatile environment.

1.1.1 The Concept of Strategic Change

Strategic change has become a common activity for many organizations today as a result of increasing competition. Business firms are increasingly becoming aware that managing change is just as critical as managing the process of delivering products and services to the market place. Thompson and Martin (2005) have identified three distinct phases of change which presuppose a well-planned process: formulation, implementation and evaluation. However, Mintzberg, Lampel, Quinn and Ghoshal (2003) and Pettigrew and Whipp (1991) argue that this division is a mere convenience and not realistic. They, instead, propose a holistic view of the entire process. In general, formulation involves the

setting of the mission, goals and objectives of an organization. It includes the analysis of the external environment and how it affects the organization, an analysis of internal resources, the assessment of stakeholder power and the impact of the organization's culture with regard to decision-making.

The formulation phase is followed by implementation which is concerned with putting the strategy into practice. It is during the implementation phase that change management becomes critical and where the success of the chosen strategy is largely determined (Alexander, 1985). Evaluation is the final phase and refers to the assessment of how successfully the strategy is being, or has been, implemented. It is not only concerned with performance but also helps to signal when the strategy requires adjustment in light of experience and in the context of a rapidly changing environment.

The strategy process has been criticized by researchers such as Stacey (2003), who believe that rational analysis and thinking tend to dominate the process at the expense of creativity and innovation. The rational approach is based on assumptions concerning predictability, measurability and control in business which do not always hold true, particularly for organizations that are going through change or those that are operating in highly volatile environments. In spite of the apparent rift between these two approaches, it is recognized that elements of each approach are present in many organizations' change programs and that each approach has an important role to play. The recognition of this fact within an organization's strategic leadership can significantly contribute to the successful management of its strategic change programs.

1.1.2 Challenges of Managing Strategic Change

The successful management of strategic change requires thoughtful planning on the part of change leaders and the involvement of stakeholders who are likely to be affected by it. A common challenge to strategic change management is resistance from those who feel that the change is being forced on them. According to Chapman (2005), introducing change in an environment characterised by such resistance renders the change hardly achievable. This is because a change in the 'status quo' normally creates some apprehension on the part of those who have not fully appreciated the change outcomes and their implications. It points towards the need to prepare the ground and make it fertile for change whenever it may occur.

Change scholars have argued that this resistance is sometimes driven by factors other than the change itself, including the anxiety regarding expected outcomes. In this respect, resistance is merely an indicator of underlying challenges that need to be addressed by change leaders. Management can use resistance as an indicator of underlying challenges rather than inhibiting it at once (Burnes, 1998). Such challenges include communication (the language of change), skepticism by stakeholders based on previous experience with failed change, an unsupportive organizational culture and ineffective change agents.

1.1.3 The Dairy Sector in Kenya

The dairy industry in Kenya has experienced phenomenal growth following its liberalization in 1992 and the licensing of informal milk traders a decade later. The industry plays an important role in the lives of many people, particularly those in the

lower segment of the economy. By 2010, it was estimated that 800,000 households depended on it for support with over 350,000 individuals being directly or indirectly employed in the sector (KDB, 2011). Small scale dairy farmers numbered over 60,000 while there were over thirty registered dairy processors. According to Hooton (2006), smallholder farmers and milk hawkers constituted a substantial proportion of the industry's stakeholders. Additionally, the subsector makes a significant contribution to agricultural GDP, accounting for an estimated 3.5% of Kenya's GDP in 2007 and about 14% of the total agricultural production (Keeler & Agonda, 2010; Atieno & Kanyinga, 2008).

A report by Ebony Consulting International (2001) described the liberalization of the dairy market in 1992 and the collapse of KCC a few years later as catalytic events that changed the nature of milk marketing and processing. The report states that this was followed by a more general breakdown in services following the termination of the government's subsidies to the sector. As a result, the economic life of many regions of the country was disrupted, particularly those that relied on milk as the backbone of their economic livelihood. This situation prevailed until the end of 2002 when the NARC government was elected on the platform of economic reforms. The new government embarked on a program to revamp key sectors of the economy, including dairy.

1.1.4 The New Kenya Co-Operative Creameries Ltd

The Kenya Co-Operative Creameries Ltd (KCC) was the oldest dairy processor in Kenya, having started its operations in 1925. Following the liberalization of the sector in the

1990s, other players emerged to compete with the company, gradually eating into its market share. In a paper prepared for Future Agricultures Consortium, Atieno and Kanyinga (2008) argue that the rise of small-scale milk traders in the 1990s contributed to the collapse of marketing cooperatives, which had been the backbone of KCC's business infrastructure. By buying raw milk from farmers and selling it to consumers, these traders severely limited KCC's role in the supply chain and it was only a matter of time before the company collapsed.

Attempts by a group of wealthy individuals to revive the company later, renaming it KCC 2000, did not bear fruit. It is in early 2003 that the company's ownership returned to the state after the newly-elected NARC government bought it back from private hands. In line with the political and economic reforms that were being implemented by the new government, the company began to experience better management and profitability. There was a steady rise in the company's business, with lost markets being recaptured and suppliers being offered better prices for their milk. Through the supportive efforts of many stakeholders, New KCC regained its prominence in the dairy industry. However, it continues to face challenges that prevent it from exploiting its full potential.

Statistics indicate that in 2005, the industry had a combined processing capacity of 2.5 million liters per day of which New KCC commanded a significant 52% (EPZA, 2005). In spite of this massive capacity, the company accesses only 30% of the total milk production, placing it in second place behind Brookside Dairy who command a significantly higher 38% (KDB, 2011). The emergence of many formal dairy processors

and small-scale milk vendors had the effect of stifling New KCC's access to a significant portion of its traditional milk market resulting in the under-utilization of its processing capacity.

The company is also yet to fully regain its predecessor's once strong export markets, most of which have been taken by the private processors. It should be noted that given the organization's status as a parastatal under the Ministry of Co-Operative Development, it has to take into account the political interests of the government as well as public sentiments. For example, top appointments at the firm are the prerogative of the parent ministry, a factor that contributes significantly to delayed appointments as the ministry has to consider many factors before acting. Like all state-owned firms, it is believed that some of the problems that the company faces are political.

Currently, the company is going through a transition that is expected to give its ownership back to farmers. This process has faced resistance from various stakeholders, notably small-holder farmers, who are unhappy with the proposed shareholding structure that they feel does not recognize their collective power. In this scenario, the management of the company is likely to face numerous challenges that need to be addressed. This study attempts to look at these challenges and how the company is addressing them.

1.2   Research Problem

Business organizations operating in volatile environments need to constantly adapt themselves to new realities. This adaptation is aimed at ensuring that they retain their

competitive advantage as well as the ability to achieve their goals. Changes in technology, information systems, the global economy, social values, workforce demographics and the political environment have a significant effect on the processes, products and services produced (Simons, 1999). Although the concept of managing organizational change has become nearly commonplace today, many organizations continue to face problems in managing change successfully so as to deliver the desired results (Hill & Jones, 2001). Research indicates that one-half to two-thirds of all major corporate change efforts fail. Among the factors contributing to this failure are resistance to change, a poor alignment between the organization's culture and its strategy, and a failure by both management and workers to follow effective change management practices (Paton & McCalman, 2000).

The dairy industry in Kenya has experienced volatility of varying magnitudes, particularly following the entry of private milk processors into a market that was for long controlled by KCC and the termination of government subsidies to the sector. Before liberalization, the industry enjoyed relative stability with KCC as a legal monopoly. The New KCC, however, finds itself in a changed business environment where it faces competition at all levels. As a parastatal, it is faced with the challenge of maintaining a competitive posture to ward off the threat posed by private-sector players. According to UNDP (2006), public sector organizations are often perceived as resisting change. Many of them only go after capacity (the ability to get things done) and not change (a different way of doing things). The formulation and implementation of change in such organizations is therefore not an easy task for change managers.

A number of studies have been done on change management in various companies in Kenya. Gekonge (1999), Bwibo (2000) and Otiso (2008) conducted separate studies into the change management practices at companies listed on the NSE, non-governmental organizations and the Africa Merchant Assurance Company, respectively. Taking a different approach, Sikasa (2004) studied customer perceptions of change management in the mortgage industry using HFCK (since renamed Housing Finance) as a case study. In a case study on KCC, Atieno and Kanyinga (2008) discussed the politics of policy reform in the dairy sector with a focus on policy-making in specific contexts. ILRI has also conducted studies but these have largely been geared towards policy change at sector level. The researcher is not aware of any study on the challenges of change management within any of the firms in the dairy sector. This is the primary motivation for this study which seeks to answer the question: what are the challenges facing change management at the New KCC and how has the company addressed them?

1.3 Objective of the Study

The objective of this study is to establish the challenges facing the management of strategic change at New KCC and how the company has addressed them.

1.4 Value of the Study

By studying the challenges that New KCC faces in managing change, this study hopes to provide value to various groups. First, it will provide an understanding of the factors that influence the management of change in the dairy sector. The fact that no such study has been conducted previously exposes the understanding of change management in Kenya to

a possible bias because of the lack of a research-based perspective from a key economic sector. Particularly, the study will enhance our understanding of the extent to which resistance constitutes a challenge to change in a parastatal.

The New KCC will also find value in the lessons that will be highlighted from the firm's experience from the vantage point of an outsider. The study hopes to make an addition to the existing literature in the field of strategic change management in Kenya and widen the scope of understanding. The researcher hopes that the study will contribute to the continuing endeavor to understand the different aspects of strategic change management with particular emphasis on the impact of resistance on the final outcomes of change.

CHAPTER 2

LITERATURE REVIEW

2.1   Introduction

Several perspectives and models have been proposed for investigating managerial activity and the behavior of individuals in managing strategy. The concept of change has equally attracted the attention of academics, researchers and managers particularly as it relates to its enabling an organization to remain relevant and competitive in a volatile environment. This chapter reviews some of the empirical studies that have been done in this field.

2.2   The Concept of Strategic Change

The magnitude, speed and impact of change are greater today than ever before. According to the chaos theory, the environment in which businesses operate has become more unpredictable, hence the need for better change management strategies. Organizations are today forced to operate in increasingly dynamic environments and are, therefore, under pressure to fundamentally change the way they do business (Collins, 2001; Stacey, 2003). Pearce and Robinson (1997) also point out that powerful forces are putting pressure on organizations to adapt their strategies, policies and practices in order to sustain or improve performance. Organizational change is, therefore, concerned with adapting to changing environments in order to improve or sustain performance.

Over time, every organization goes through some change. Apart from the ordinary changes associated with an organization's transition through the different stages of its life

cycle, it may also experience more monumental changes that affect it in fundamental ways. These include restructurings, process enhancements, mergers, acquisitions, and layoffs (http://www.cliffsnotes.com). The task of an organization's management is to use such changes, whether anticipated or not, as an opportunity for achieving growth (increased revenue and profitability) or for countering competitive forces. Depending on which aspect of the organization gets affected most by the change, it may be considered to be strategic, structural, process-oriented or people-centered. Similarly, the process of change may range from incremental (a series of relatively small changes) to quantum (major changes that have far reaching implications on how the company operates).

With respect to the degree of change, Balogun and Hope-Hailey (2004) describe four types. These are adaptation, reconstruction, evolution and revolution. Adaptation occurs incrementally and can be accommodated within the current paradigm. Reconstruction is more rapid and involves a good deal of upheaval in the organization without fundamentally affecting the paradigm. The third type (evolution) requires a paradigm shift but takes a longer period of time to effect. The authors describe this as a typical feature of learning organizations which embrace a continual adjustment of strategies in response to environmental changes. Revolution, the fourth type of change, is described as more rapid, accompanied by a paradigm shift. The pressure for change is usually intense as it arises from an extreme situation that threatens the survival of the firm (Stacey 2003).

While organizational change is a constant experience, knowledge about many of the critical issues involved in its management is often lacking in those responsible for its

progress. Change often involves a new way of thinking and acting. For an organization to experience a successful transformation of any kind, its leaders need to have a better framework for thinking about change and understand the key issues involved. Govindarajan (1989) states that the effectiveness of change management is, at least in part, affected by the quality of the people involved in it. Here, quality refers to the skills, attitudes, capabilities, experiences and other characteristics of people required by a specific task or position.

Hayes (2010) discusses the increasing complexity of change and describes three features of the kind of change organizations have to cope with today. He observes that change tends to repeat itself with some degree of regularity and that change patterns vary from one sector to another. However, as the rate of change increases, the time between the periods of discontinuity decreases. He argues that being aware of these trends is important for managers since they will increasingly be confronted with the need to manage both gradual (incremental) and sudden transformational change. As environmental complexity increases, so does the level of competence required in order to manage change in today's organizations.

The case for linking managerial competence with successful change management has been argued by numerous authors. Competence is considered as the essential connection between individuals and actions, and has been defined as "the capacity to get in touch with the environment in a constructive way" (Ingalls, 1979). Managers' competence in handling organizational change relative to environmental factors assumes greater

significance when considered in light of this definition. Aligning the actions of managers and the organization's environment has a bearing on the effectiveness and success of the change program. The competencies required for this are often described along technical, interpersonal and conceptual dimensions (Bartram, 2005; Goleman, Boyatzis & McKee, 2002). Firms that are keen on ensuring successful change usually seek to place managers with these competencies in key positions that can drive change.

Strategic change management has also been linked to organizational competitiveness and effectiveness. In this regard, Ansoff and McDonnell (1990) state that strategic change arises out of the need for a firm to exploit existing or emerging opportunities and deal with external threats. Organizations seek to create competitive advantages and innovate to improve their competitive positions. Kondalkar (2010) looks at how an organization can achieve effectiveness through change management and identifies 8 elements that should form part of its change strategy. These are direction, delegation, accountability, control, efficiency, coordination, adaptation and social systems. These variables help to create functional relationships amongst individual staff members, and between them and the firm. The gap between the aspirations of individuals and those of the firm must be narrowed in order to increase the organization's effectiveness in managing change.

2.3   Approaches to Managing Strategic Change

There are different approaches to managing change. Whereas some are sudden, others are evolutionary and extend over a period of time. Many researchers and academicians hold that change is not linear and cannot therefore be undertaken with mathematical exactitude

using fixed variables expected to yield a fixed answer (Thompson & Martin, 2005). Aosa (1996) makes this point by highlighting the unique environmental challenges in Africa and stressing the need for the adoption of relevant approaches towards tackling change in an environment of high volatility. This suggests that strategic change is context and environment-dependent and cannot be carried out through a prescribed formula.

Renowned management thinkers have espoused various models of change management. The action research model describes a systematic collection of data and the choice of a change action based on that data, which is a scientific approach to managing change. The process consists of steps such as diagnosis, analysis, discussion, feedback, action and evaluation (Lewin, 1951; Worley, Hitchin & Ross, 1995). These authors argue that this approach increases the overall internal efficiency and effectiveness of an organization's processes. The involvement of all members of the organization gives it a whole-system perspective that helps the business to easily identify and tackle problem areas.

Closely related to this is the logical incremental process developed by Mintzberg (1999) which advocates for the incremental management of change in order to manage complex strategy shifts. It involves a number of steps each of which increases the momentum towards the desired direction while helping to avoid major resistance. The first step involves being ahead of the formal information system by using multiple internal and external sources while helping managers to 'sense' the need for change. The second step is to build organizational awareness especially where key players lack information or the psychological stimulation to change. The third step is building credibility or change

symbols to help managers to signal to the organization that certain types of changes are imminent even when the specific solutions are not yet in hand. The fourth step involves the legitimization of new viewpoints while the fifth step is about the execution of tactical shifts and partial solutions (Quinn, 2004). The latter are defined as the steps that are taken in developing a new strategic posture in a partial, tentative or experimental manner.

Approaches to change are often categorized as either planned or emergent. According to Stroh (2005), planned approaches are largely internally focused. They attempt to help firms to obtain commitment to change and improve productivity with the least resistance. Planning change makes results tangible, helps to control processes, guides decision-making and provides security around uncertainties. Under this approach, various change management models have been proposed. They include Kurt Lewin's "unfreeze-move-refreeze" sequence, organizational development (OD) which includes team building and personal development, and the concept of the learning organization which advocates for participative management and the treatment of knowledge as important elements in managing change (Cummings & Worley, 2001; Graetz, 2000).

On the other hand, the emergent approaches to change propose the building of organizational capabilities over time as a means of managing change successfully. Unlike the planned approach, the emergent approach essentially involves all participants and focuses on aspects like changing the organization's culture rather than the structure (Stroh, 2005). These authors suggest that businesses operating in highly turbulent environments are more likely to adopt emergent approaches due to the relative flexibility

they offer. Organizations in such circumstances have a high focus on the management of human resources (employee behavior) as one of the avenues through which to deliver change to the whole organization more effectively.

2.4   Challenges of Managing Strategic Change

According to change management scholars, strategic change entails thoughtful planning and sensitive implementation. These, in turn, largely depend on a combination of factors such as the buy-in by stakeholders, the quality of communication, the organisational culture and systems, and the capabilities of change agents. How these factors combine determines the kind of challenges that an organization faces in managing change. These challenges are broadly described as systemic or behavioural, and as internal or external, depending on their source. A correct diagnosis of the challenges can greatly assist in the choice of responses and the attainment of the planned change.

Communication challenges arise from the central role that language plays in managing change. Chia and King (2001) note that the nature and role of language is often misunderstood. Language is regarded as problematic insofar as its use or misuse causes blockages in organizational communication. By communicating openly and providing advance notice of an upcoming change, for instance, managers and change leaders can substantially reduce resistance. An effective feedback system regarding the change and the mechanisms that are put in place to address employees' concerns about it, including reassurances that the change is not against them, all depend on the way language is used (communication).

Bridging the gap between change leaders and the rest of the team largely depends on the extent to which the two sides share a perception of change. From their position of leadership, managers may be able to visualize the final outcome of the change. However, their communication of this vision can be hampered by using language which does not take into account the possibility that their subordinates have not fully grasped the vision. Westwood and Linstead (2001) state that language is not just a medium whose content, patterns and practices may be made to serve management. It needs to be viewed more broadly so that it is used to create an environment that is right for change. According to Collins (2001), language that defines change in terms of achievement and stability alone ("where we want to be") fails to capture the reality of change as an ongoing process.

Butcher and Atkinson's (2001) definition of the "effectiveness' of change in terms of the stability it brings to an organization is criticized by Collins (2001). The latter argues that this view is limited because it is inherently top-down in its orientation. He argues that to overcome this, there is a need to develop change management practices that appreciate the process of change as a bottom-up activity. However, management thinkers warn that this is not easy. Butcher and Atkinson (2001) state that the difficulty in doing this lies in the tendency by managers to use language as a tool for exercising power. Consequently, managers view their role in change management as that of directing change in a top-down fashion.

Given this emphasis on power, it is clear as to why change frequently meets resistance from those who feel uncertain about its likely impact. Broadly defined, resistance to

change is any attitude that does not readily embrace change, including the mere expression of reservations about the expected outcomes. McNally (1994) states that this resistance is found within both management and staff. It is also clear, as current literature increasingly suggests, that people do not resist change for the sake of resisting. They are, instead, more often held back by the uncertainties that surround the proposed change.

Current literature tends to view resistance, not as a problem, but as a symptom of more fundamental problems that require attention. It is seen as an important tool for drawing attention to aspects of change that need further thought. Ascribing negative connotations to resistance is equated with "outdated" management styles (Perren, 1996; Burnes, 1998; Harvey & Broyles, 2010). The value of change is determined by its consequences which can only be ascertained after the change has happened. Rather than inhibiting resistance, therefore, managers can use it as a signal for what needs to be done better (Burnes, 1998). Perren (1996) even suggests that resistance can serve as a mechanism for testing, adapting and even stopping decisions made by "fallible" senior managers.

Another factor that contributes to successful change management is organizational culture. This describes the organization's attitudes, experiences, beliefs and values. It has been defined as the collection of values and norms that are shared by people and groups. These values and norms control the way individuals and groups interact with each other within the organization and externally. According to Wiener (1998), cultural differences have a huge impact on human behavior and can bring about misunderstandings in relationships which eventually become barriers to change in the organization.

In their discussion of corporate strategy, Johnson and Scholes (1993) described a cultural perspective comprising a strategy based on the experiences, assumptions and beliefs of management. They posited that these qualities permeate the whole organization over time and suggested six elements (stories, rituals and routines, symbols, organizational structure, control systems and power structures) which comprise a "cultural web" that an organization can use to expose its cultural assumptions and practices. By analyzing these elements, an organization can see its culture more clearly, identify what is working and what is not and, consequently, align its culture with its strategy more effectively.

In a later volume, Johnson and Scholes (2002) state that social processes can create rigidities that can be a hindrance to organizations when they need to change. A company's culture can be a major strength when it is consistent with its strategy, making it a powerful driving force in executing change. On the other hand, a negative culture can prevent a company from dealing with competitive threats or adapting to change in the environment when it needs to. According to Meyer and Stensaker (2006), an organization needs to develop a capacity for change by developing operational capabilities that sustain its long term performance. They argue that effecting change in a way that does not negatively impact an organization or compromise its ability to execute future change requires deftness in managing change while maintaining daily operations.

Change agents are widely recognized as the critical catalysts for driving change and bringing it to a successful conclusion. These are persons with the responsibility of drumming up support for change (Stacey, 2003). Organizations undergoing change often

have to deal with skeptical stakeholders. Some of the skepticism may arise from previous change initiatives that did not produce positive results leading to the perception that change campaigns are no more than "fancy" ideas from management with too much work and few benefits (Kanter, 1999). The actions of change agents and how they handle such attitudes determines the success or failure of the change effort (Modahl, 2000).

Organizations whose change management success can be attributed to change agents are those that give recognition to the change agents' role in the change management framework. The change agent is the person who takes leadership responsibility for the implementation of planned change. He therefore has a duty to stay alert to things that need revamping, be open to good ideas and pursue their implementation into practice (http://www.cliffnotes.com). In addition to acting as a central rallying point for the change, the methodical approach he uses makes success more likely. He may, for instance, gather data about the organization and use it to prepare everyone for the change.

CHAPTER 3

RESEARCH METHODOLOGY

3.1   Introduction

This chapter sets out various stages that were followed in completing the study. It discusses the collection, measurement and analysis of data. An explanation of how the study was executed is presented in the following subsections: research design, data collection instruments, data collection procedures and data analysis.

3.2   Research Design

A case study approach was adopted for the study since the unit of analysis was one organization. This approach aims at getting detailed information regarding the unit under observation. According to Kothari (2004) and Yin (1994), the case study approach involves a careful and complete observation of social units and allows the study to retain the holistic and meaningful characteristics of real life events. It emphasizes depth rather than breadth, based on a limited number of events or conditions and other interrelations. Data collected from such a study is considered quite reliable and up to date.

This study looked into the challenges facing the management of strategic change at New KCC. An open ended interview guide (Appendix 2) was used to collect information from selected respondents. The guide was designed with a view to identifying the key strategic changes that have taken or are taking place at the company, the causes of these changes, the challenges that were encountered and how those challenges were overcome.

3.3   Data Collection

The researcher used both primary and secondary data. Primary data was collected using open-ended interview guides while secondary data was collected from company and industry publications, published reports, journals and periodicals.

The interview guides had open-ended questions with provisions for further probing in order to obtain detailed and comprehensive responses from the respondents. The interview responses were expected to corroborate information collected from secondary sources. The interview guide was divided into four sections for analysis purposes. The first part aimed at collecting demographic data on the individual respondents and the organization. The second part was devoted to exploring the concept of strategic change and the identification of the important elements of its business strategy. The third and fourth sections were designed to collect information on the challenges that the organization was facing in the management of its strategy and to highlight the responses that it was putting in place to tackle those challenges, respectively.

The list of respondents was limited to managers at the firm who had responsibilities of a strategic nature. It was presumed that these managers had served the company for long enough to be familiar with the strategic changes that the company had undergone over its recent history. Based on this, the researcher hoped to meet with, and interview, the Managing Director and all managers responsible for Business Development, Sales, Procurement, Finance, Human Resources, Communications and Public Relations.

3.4   Data Analysis

The main method of analysis was content analysis. The responses were first reviewed for completeness and consistency and then studied closely to identify the key themes and concepts expressed by the respondents. Particular attention was paid to the choice of words used by the interviewees so as to establish the weight of each significant statement. These themes and concepts were analyzed for their relevance to the objectives of the study and to provide a preliminary overview of how the research question was being answered.

The concepts were subsequently inter-related to widen the perspectives within which their meanings were to be understood. Data obtained from secondary sources was contextualized within these meanings. The results of this analysis are presented in continuous prose in this report but a table has been included to highlight are relate the challenges that were discovered and the responses that were mentioned by the respondents.

CHAPTER 4

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1   Introduction

This chapter presents the findings of the study on New KCC based on the data that was collected. Responses to the questions that were asked were filtered to identify significant themes that are highlighted in this chapter. Since the study was focused on only one organization, a case study approach was taken with an interview guide being used to collect qualitative data. The findings are presented in narrative style although a table has been used in Section 4.6 to highlight and match the challenges with their responses as analyzed by the researcher.

4.2   General Information

The respondents interviewed for this study included the Human Resources Officer, the Export Sales Manager, the Finance Manager, the Procurement Officer and the Regional Sales Manager. Compared with the list of respondents that had been targeted in the proposed methodology, this was a high success rate since only the Managing Director's office was not represented. It is also to be noted that the respondents were middle-to-senior level managers, most of whom were answerable to other members of the company's top management, the latter being unavailable due to their busy schedules.

All the respondents were of the male gender and had served the company for a period ranging from 2 to 10 years. Their average age in the company was 4.5 years. This was

assumed to be a long enough period for them, individually, to understand and comment on the company's business strategy, in addition to the fact that they were appointed to those positions based, partly, on their knowledge of strategic planning. This is discussed further later on in this paper. Apart from the Human Resources Officer whose responsibility covered the entire workforce of the company comprising about 1,300 casual and permanent employees spread across the country, all others supervised an average of 9 staff each. All the respondents were based at the Head Office in Nairobi's Industrial Area which also includes a sales depot and the cheese factory.

4.3 The Concept of Strategic Change

Respondents were asked to describe the business strategy of New KCC and how the firm manages strategic change. According to the respondents, the company develops its business strategy with the help of external consultants. The current one was developed by Deloitte & Touche with the support of managers from all departments and covers a 3-year period. It is broken down by both year and department for ease of implementation. During preparation, the external consultant holds meetings with senior managers in order to perform a SWOT analysis for their respective departments.

Once this is done, a draft document is prepared and shared with all staff who are given an opportunity to contribute to it before a final one is produced. The company holds the strategy as the main guideline for all its activities and requires managers to refer to it consistently for guidance on all major decisions. Each year, the performance and progress of each department is assessed against the set objectives to determine whether the

company is on track towards achieving its objectives. Where necessary, targets are revised so as to take into account and reflect any new environmental realities. This is done to ensure that the degree of deviation from the overall objectives is minimal at the end of each strategic period.

Responses to the questions relating to the company's current strategy and the factors that drove its formulation revealed a high level of strategic awareness amongst managers. They all confirmed that they are conversant with the company's overall strategy as well as their own departmental strategic objectives. Those that were in their current positions when the current strategy was put together stated that they took part in its preparation. They unequivocally appraised themselves highly concerning their awareness of strategic change management as a concept and pointed out the need for the company to manage strategic change carefully given the volatility of the operating environment.

Asked to what extent external stakeholders were involved in the company's strategic process, the respondents said that New KCC cannot formulate or implement its strategy without the active participation of external parties. Moreover, as a public company, it attracts the interest of a wide range of stakeholders including the general public and the media. It was also stated that the company's business objectives have to be aligned with the government's blueprints for economic growth, including the Rapid Results Initiative (RRI) and Vision 2030. They are also anchored within the government's legislative and regulatory policies which are contained in instruments such as the Public Procurement and Disposal Act and the Dairy Industry Act.

The interviewees mentioned some of the factors that were considered in formulating the company's strategy. These included the company's revenue objectives and the need to reclaim lost markets. Financial targets were prioritized due to their impact on the firm's ability to achieve other objectives. Even though New KCC is a parastatal, it pursues its growth objectives vigorously as opposed to taking a perfunctory attitude that seeks only to accomplish a statutory duty. The reason for seeking growth so actively was given as the high level of competition in the dairy sector which makes it necessary to pursue growth so as to guarantee the company's viability over the long term.

The availability of resources was mentioned as a major consideration in managing change. Respondents described strategy as being about where the company wants to go and how it would get there. Therefore, the resources for moving towards the identified end-point were an important component of the plan. This was one of the areas where the company was said to face challenges as not every manager had the full complement of resources necessary for delivering his departmental objectives. For example, the export market has not been able to meet the objective of growing the company's export markets because not enough personnel are available to manage them. Another consideration for strategy formulation was the company's product choice. An export strategy would, for instance, only be viable for long-life products such as cheese and not for fresh milk.

4.4   Approaches to Managing Strategic Change

The strategic process at New KCC takes both a bottom-up and a top-down approach which ensures that all personnel are involved. In managing change, the same approach is

taken as everyone is considered to be a key player to ensure that the change is successful. The study respondents were, however, clear that the larger responsibility for formulation lay with the top management while middle management and the rest of the staff were mostly concerned with implementation. It was also stated that the company's approach to strategic change management is predominantly planned rather than spontaneous. Whereas ideas are generated and proposed based on market realities, their acceptance, approval and implementation always followed a predefined procedure. In this respect, the top management enjoyed a greater say in deciding what gets done. In the view of some respondents, therefore, middle to lower level managers are mostly confined to the role of implementing the strategy and only play a peripheral role in change management.

Asked about the key success factors in managing change, respondents mentioned the personnel, resources and the company's customers. The personnel were said to be a key factor both in terms of their ability to conceptualize and support any proposed change. As stated by one respondent, "if you get it right on conceptualization, you are not likely to get it wrong on winning support". If members of staff conceptualize and understand what the change is all about, it becomes easier for them to support it. Similarly, resources were considered to be important with respondents saying that decisions about resource allocation had the potential of promoting or inhibiting change. Problems arise when the actual allocation does not tally with the written strategy.

The competence of managers to lead change was mentioned as an important element in defining the company's approach to change. The interviewees said that managers ought

to be competent in strategic matters so as to deliver on set objectives. Such competence is necessary in order to manage resistance to change, critically evaluate where the company is and give clear guidance to those that work with them. The interviewees indicated that managers at all levels are involved in the process of change management at the company although the middle level managers play a more pivotal role in implementation.

On the role of communication, the interviewees said that it was a unifying force between change leaders and those expected to support the implementation. Communication created the context within which organizational objectives could be achieved and provided the mechanism through which timely feedbacks could be received on the progress and the challenges being experienced. It also led to a clear understanding of the roles and responsibilities of all stakeholders. External communication was also said to be important for the image of the company with respondents stating that external information flows needed to be managed well as part of change management.

Interviewees stated that the involvement of staff in the strategic process came in the form of providing the basic information that went into strategy formulation as well determining what changes to implement. This involvement helped them to perceive the company's strategic goals and to lend their support to change initiatives based on knowledge besides giving them a sense of ownership over the process. According to some respondents, this involvement was also essential for their own progress and development within the organization. It increased their confidence that what they were achieving for the company was also for their own good, thereby minimizing the problem of resistance.

On initiatives to create a supportive climate and to motivate employees to support strategic change, the interviewees said that management encouraged teamwork and practised fairness in passing opportunities around. An example was given of a department whose work involved some foreign travel, leading to some rivalry amongst employees for the opportunity to travel. The challenge with this was that those who were left out would tend to be less enthusiastic in their support for other initiatives. Managers had to ensure a balance as a way of motivating everyone to support change. Additionally, company actions that were seen to be positive by employees helped to create an environment where they readily aligned their individual goals with those of the firm. Such actions included the continuous training and development of staff, the maintenance of a reward and benefit scheme based on merit, and caring for the welfare of staff during difficult times.

Other practices included the anticipation of change, monitoring results by using performance scorecards and budgets and conducting appraisals. The company also maintained a flexible approach towards the implementation of change while remaining alert to environmental changes and creative to find alternative courses of action. Periodic appraisals and feedback are used to assess progress towards objectives and to design corrective measures. Additionally, everyone is required to stick to reporting standards in terms of time and quality. All reports are routinely studied to identify gaps between what is being done and what was planned. Respondents stated that keeping a strategy on track was as difficult as steering strategic change since a change could occur within another change. In their view, the antidote to this was vigilance to notice what had changed, creativity to find new methods and flexibility to adjust to those methods.

4.5 Challenges of Strategic Change Management

The challenges that were identified by respondents with respect to managing change at New KCC can easily be grouped into internal and external categories. In the internal category, challenges included inadequate resources, outdated technology, bureaucracy and an unsupportive culture. The external challenges included political interference in the company's business, unpredictable weather patterns, the seasonality of the dairy industry, the effects of political changes in the country and communication breakdowns between the company and external stakeholders. According to the respondents, the company faced challenges from the two domains in equal measure, more or less.

Poor technology was said to make it difficult for New KCC to compete with its rivals. Being outdated, it leads to high running and maintenance costs with frequent cases of the company being unable to service or replace machinery parts that are broken down if the suppliers are no longer in existence. The old technology also makes New KCC lag behind its rivals and consequently unable to cater to an increasingly demanding clientele. One respondent pointed out that the industry had moved to higher standards of packaging long-life milk while the New KCC still did it "the old-fashioned way". In his view, customers demanded packaging that allowed them to open a packet of milk and re-seal it for later usage. Most of the company's competitors had already adopted this new packaging while New KCC was still offering the traditional options.

The challenge of inadequate resources was mentioned in terms of their unavailability and their poor allocation. With regard to unavailability, it was felt that New KCC was

struggling to service the markets at its disposal with resources that fell far short of what was required. This was attributed to the monopoly status that the firm's predecessor (KCC) enjoyed prior to its collapse in 1997, when it controlled the entire country's milk market. Respondents believed that the New KCC brand was still the best known in the industry making it necessary for the company to deploy enough resources to satisfy the large market that is predominantly in the hands of rivals. It was also felt that resource allocation did not always tally with the agreed strategy. Other considerations seemed to overtake the rationale expressed in the strategy particularly due to pressure from external stakeholders. Constructing or maintaining processing plants in areas that were not viable was quoted as an example of allocations that are meant to appease external interests.

Bureaucracy was mentioned as a challenge and linked with the firm's status as a parastatal. The decision-making chain was said to extend too far up and away from the locus of operations, up to the Ministries of Cooperatives and Finance. These ministries had to be consulted before major decisions could be made. Even in relatively minor matters like a change of supplier, the decision could not be taken until approval had been obtained from external decision-makers. According to the respondents, this sometimes led to lost opportunities where the company could otherwise have gained some competitive advantage by making more timely decisions.

To the question on unanticipated challenges, most interviewees pointed at political turbulence at the national level and political interference by the government. One of the most significant effects of such disturbance and interference was said to be the departure

of people who played a significant role in change management. Further examples were quoted. These were the tension and turmoil that grips the country during political transitions, notably in the milk-rich regions of the Rift Valley and the high turnover in the position of the Chief Executive of the company. Typically, each chief executive comes with a different approach to business and leadership and introduces a raft of changes aimed at achieving his vision for the company. If changes are made before he achieves his vision, it only leads to the abortion of the change process.

Other unanticipated challenges included sudden policy changes by regulatory bodies which have a direct impact on the way New KCC conducts its business. The inadequacy of information systems for monitoring the environment was similarly mentioned as an inhibitor of change management. Managers required state-of-the-art information technology to be able to effectively monitor both the internal and the external environment for change triggers. This was considered even more critical for a public company which receives a lot of media and public attention with the possibility that information about it could easily be distorted by vested interests. The inability of the company to fully monitor such information posed the risk that the company could easily suffer setbacks in its image and negative perceptions by customers.

Although resistance to change did not feature prominently amongst the challenges, some respondents said that it did exist in very subtle forms. Some of them linked it with people's reluctance to move from their comfort zones or to change the way they did things. They also attributed it to the culture that is often associated with organizations in

the public sector where employees are considered to be relatively more lethargic in their approach to work, preferring to stick to the "standard" way of doing things. They stated that some employees did not readily support changes that were aimed at tackling work-related challenges out of fear that more efficient work systems would threaten their security. Another inhibitor of strategic change was said to be the self-interest of the individuals.

Factors in the external environment that had an adverse impact on change management at the organization included the increasingly sophisticated customers that the company has to serve, escalating costs because of an unfavorable exchange rate between the local and international currencies, the rising price of fuel (notably petroleum), volatility in the political environment and breakneck competition from rival dairy processors that are better equipped. The rising cost of inputs such as furnace oil and fuel and an unfavorable foreign currency exchange rate were also given as examples of prevalent challenges. In a situation of escalating costs and falling revenues, managers lose the boldness to introduce change for fear that such change can turn out to be costly and compromise profitability of their departments.

The liberalization of the dairy sector was also mentioned as a challenge that had exposed company to a wide range of competitors, including informal milk hawkers. The latter were said to have eaten into the market for processed milk over time, reducing the company's dominance in the market to just about 30%. Other challenges included the unfair practices of some "politically-connected" competitors who skirted around the

regulations concerning the importation of powdered milk, and the conflict between company interests and those of external stakeholders. Respondents said that New KCC's efforts to remain strong in the market could be thwarted if the external stakeholder interests were allowed to prevail.

4.6   Responses to the Challenges

The interviewees were asked to name some of the responses that New KCC had put in place to address the challenges they had just mentioned. Their responses included the recruitment of staff who understood the concept of strategy, the continuous training of staff on strategic matters by external consultants and the involvement of all stakeholders in the strategic change process. All these measures were aimed at building a wide support base for change initiatives and therefore minimizing resistance. Other measures were pre-emptive in nature, seeking to forestall the emergence of challenges. These included the anticipation of challenges while making plans for change, the periodic appraisal of achievements , and the promotion of efficient communication within the organization and outside so as to place all stakeholders at the same level of understanding.

According to the respondents, the New KCC relies on the competence and the innovativeness of its leaders at the board level and managers to find ways to deal with unanticipated challenges. However, to minimize the occurrence of challenges, a thorough analysis of each situation is normally undertaken in order to bring facts into a clear focus. Fact-based change strategies with clear objectives help to make proposals more acceptable to everyone. Change leaders usually reach out to all stakeholders to explain

the rationale for the change proposals. The respondents stated that, in their experience, once people became familiar with the facts, the likelihood of their support for the proposed change became much higher.

Another common strategy involved holding meetings with staff to demonstrate how the proposed changes affected their jobs for the better. The bottom line was that if the change was deemed to be good for the company, it was good for all since a stable and strong company was the guarantee of the safety of all stakeholders' interests. Most importantly, employees were encouraged not to perceive the change as being in the interests of the change leaders. In addition, all criticism was always received positively as a first step towards the minimization of an adversarial atmosphere. Efforts were made to consider everyone's sentiments before making counter-proposals. The respondents stated that during consensus-building discussions, those who had been opposed to change seemed to acquire new perspectives and change their minds. This approach had the advantage of allowing the company to use resistance as an opportunity for greater and more fruitful interactions between change leaders and followers.

To overcome the constraints imposed by rising costs, the company keeps a tight control on its costs so as to offer consumers quality products at a low price. It also maintains considerable flexibility in its pricing strategy so as to respond to market dynamics rapidly. Although the adjustment of prices is not entirely at the discretion of management (free from control by the board or government), the decision making process related to price-setting has been made flexible enough to allow the company to fix consumer-

sensitive prices within set limits. It was pointed out that New KCC exists with the goal of stabilizing the dairy sector and guaranteeing value for the dairy farmer. Unlike many of its competitors, it is not solely focused on profits but pursues a social service angle in its operations as a public institution.

The management of New KCC strives to work hand-in-hand with the company's board of directors. The management provides the board with continuous feedback on what is going on in their respective areas to enable the board to come up with guidelines for a conducive internal work environment. The company also seeks to create allies amongst powerful external stakeholders including the parent ministry as well as the Treasury. The representation of these ministries on the company's board is taken as an advantage to ensure that the viewpoint of the company's management is well understood and accepted at the highest decision-making level. Obviously, not every change initiative receives the support of external stakeholders whose interests may often be at variance with those of the company. To overcome such tensions, New KCC endeavors to bring all external stakeholders on board in the early stages of any proposed change. This helps to make them appreciate the company's perspectives and often works in favor of the company.

Although not every challenge had a matching response mentioned by the interviewees, Table 1 presents some of the challenges that were mentioned along with the measures that New KCC employs to tackle them. The implications of each challenge for the company's business strategy are also indicated.

Table 1:   Challenges and their implications and the responses by New KCC

Challenge	Implications of the Challenge	Response by New KCC
Outdated technology	High running and maintenance costs, the company lags behind rivals, inability to cater to an increasingly demanding clientele.	Invest in more efficient and competent manpower (skills) to offset the disadvantage brought about by low investments in technology
Inadequate resources	Inability to serve all markets; resource allocation influenced by economically irrelevant factors (such as when the company has to keep facilities in unviable locations).	Use of local distributors in export markets; formation of partnerships with local communities who own facilities.
Bureaucracy	Decision making takes too long, opportunities get lost, low staff morale sets in.	Enhance collaboration between departments to improve workflows and synergies; maintain close ties with state stakeholders in a strategically beneficial alliance.
Resistance to change	Reluctance to move out of comfort zones; fear that improved work systems could lead to redundancies; external stakeholders delaying or not providing approval for proposed activities.	Using resistance as an interaction opportunity between change leaders and implementers; recruiting staff with competence in strategic management and continuously training them.

Self-interest	Employees sacrifice the good of the company for their own good; competition for personal opportunities rather than for company goals.	Fairness by managers in awarding lucrative opportunities; meritocracy based on objective periodic appraisals.
Political turbulence and interference	Departure of key champions of change; disruption of workers' lives; managers denied a chance to implement their best ideas.	Maintain a flexible approach towards change management to cope with turbulence and frequent leadership changes. Pursue stability at staff level by keeping turnover at low levels.
Unpredictable weather, seasonality of dairy industry	Fluctuation in production cycles, hostility from suppliers and customers due to erratic supplies	Storage of products and controlled release to the market to smooth supply; departure from rain-fed agriculture; utilization of modern methods of dairy farming
Breakdown in communication with external stakeholders	Inadequate information systems for monitoring the environment, distortion of company image due to uncontrolled information flows, poor perception of the company by customers.	Strengthen the communication channels within the company as well as with external stakeholders.

High cost of inputs and unfavorable foreign exchange rates	Higher costs are a disincentive for change since most change management requires resources.	Greater cost controls and adherence to plans and budgets
Board and management conflicts	Management is more in touch with operational realities while board is more politically inclined, yet the latter wields greater power. Management's best ideas on driving change get shot down in this conflict, denying the company a chance for progress.	A system of constant feedback from management to the board on operational realities helps reduce the tension; managing director plays his role on both sides providing the glue that holds them together; New KCC strives to maintain positive relations with powerful stakeholders represented on the board.
Conflict between external stakeholder and company interests	Managing external stakeholder interests and harmonizing them with the company's business interests. Plenty of time spent and lost in reaching out to such stakeholders.	Effective relationship management with streamlined communications with stakeholders

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1   Introduction

This chapter presents the conclusions from the findings of this study and makes recommendations in line with those conclusions. Both the conclusions and the recommendations are made with the object of answering the research question at the heart of the study, namely, the challenges facing the management of strategic change at the New KCC and the responses of the firm to these challenges.

5.2   Discussion of the Findings

This study established congruence between many of its findings and the background literature. For instance, managerial competence in leading strategic change was found to be a key concern for New KCC. There was a high level of strategic awareness amongst managers, which turned out to be very useful in managing resistance to change. The managers' task was consequently limited to giving guidance to people who were already conversant with the key concepts in strategy. Communication was also recognized as an important tool for connecting planners and supporters of change and for promoting the understanding of roles and responsibilities amongst stakeholders. The study findings also agree with the position taken by Aosa (1996) that businesses in Africa need to adopt relevant approaches in dealing with change. Although the New KCC is constrained to take a planned approach as a parastatal, it is constantly making efforts to align itself with its environment so as to remain relevant and competitive.

The involvement of an external consultant has helped the company to own a high quality strategy while strengthening its personnel's awareness of the concept of strategy. The process of collecting data from staff and discussing the strategy with them provides them with an opportunity to enhance their own learning. In these practices, one can see the evidence of a learning organization that also employs aspects of the action research model in the management of change. Besides relying on the government's operating guidelines for parastatals, New KCC conducts its own research to establish what factors are relevant for its strategy.

The adoption of both bottom-up and top-down approaches to change management at New KCC appears to be the cause and the result of its involvement of staff at all levels in its strategic processes. This approach was found to be especially useful in ensuring that the company did not suffer from the all-too-common problem of resistance to change. It was also apparent that company's approach to strategic change management was predominantly planned rather than spontaneous. There was, however, considerable evidence of flexibility to match the high degree of volatility in the environment. This study reveals a multi-faceted approach to change management and a culture of alertness to change at New KCC. There was an awareness that keeping the strategy on track depended on the company's ability to manage change. That is the reason that vigilance, creativity and flexibility were emphasized as useful components of the change strategy.

An analysis of the challenges faced by the company reveals that there is an interconnection between some of them. For example, the company's inability to acquire

better technology was related to the inadequacy of financial resources. This inadequacy, in turn, contributed to the poor allocation of what was available since decisions ended up being dictated by factors that were irrelevant to the strategy. Similarly, internal and external bureaucracy was linked to the firm's status as a parastatal. The frequent changes in the top leadership of the company or unanticipated policy shifts in the government affected its change strategy by throwing its ongoing programs into some disarray.

The way in which New KCC responds to these challenges portrays an organization that is sharply conscious of its precarious position. For an organization that is sandwiched between the rigidities of government ownership and a highly volatile market, managing change is certainly a process that is replete with potential pitfalls. It is worthy of note, therefore, that New KCC makes such a determined effort to manage both ends so effectively in order to retain a leading position in the dairy sector. One of the practices that have served it best in this effort is that of hiring managers and staff who are competent in strategic thinking. This lends credence to the literature that suggests a strong correlation between the level of managerial competence and the success of strategic change management, regardless of an organization's operating environment.

5.3 Conclusion

This study establishes that successful change management depends, in large part, on the competence of managers in strategic management. They need to be conversant with setting strategic goals, identifying key success factors in the change effort, perceiving the link between organizational culture and strategy, and utilizing resistance as an

opportunity rather than a threat. It is clear that New KCC has taken initiatives to create and sustain a climate where employees remain motivated to support strategic change, rather than resist it. The upshot is that resistance to change could continue to receive less attention as a problem in change management since there appears to be an easy and straightforward solution for it, namely, the hiring of competent managers.

It was also observed that the strategy of New KCC has a strong foundational framework that makes the concept of strategic change a reality to everyone. This framework consists of the existence of clear guidelines by the government, the engagement of an external consultant for strategy formulation, and the policy of employing personnel who are competent in strategic management. This has created a situation where the company can count on a ready mass of strategically-aware individuals to support its strategy and any change that occurs. Instead of waiting for a change champion to emerge from some quarter, New KCC can bank on the alertness and knowledge of many of its stakeholders to anticipate change and prepare for it. In sum, the foundation upon which the strategy is built contains the solution for the "problem" of resistance if it should occur. Even more significantly, elements within this foundation have the capability to bring about change proactively so that change becomes part of the routine strategy of the company.

According to the findings, the challenges that New KCC faces are largely tied to its status as a parastatal. However, by distinguishing which of these challenges are internal or external, the company has been able to apply measures to tackle them within the different domains. The company clearly faces some tension between managing its strategic change

in line with rigid government guidelines on the one hand and acting in tandem with the ever-changing realities in the market, on the other. This tension cannot be entirely resolved while the government still retains sole or majority ownership of New KCC. However, the increasing realization by relevant stakeholders that the company requires greater flexibility in order to compete against its privately owned rivals gives hope that New KCC will continue to operate as a viable business and eventually regain most of its market share as envisaged in its strategy.

5.4 Recommendations

From the findings and discussions above, this study makes a number of recommendations for New KCC as well as for academic purposes. The company's success in managing strategic change has been associated with the quality of its management and staff. It is therefore recommended that New KCC upholds its policy of putting personnel who have competence in strategic matters into management positions and continues to facilitate their training on strategic matters.

The company is already making the best use of its communication infrastructure which is otherwise beset by low investments in technology. There is need to strengthen and streamline this area to ensure that information flows more effectively between decision-makers and implementers. This is essential to ensure that there is always a sound basis for decision-making in line with market realities. These actions will help New KCC to remain responsive to environmental forces and help it to remain profitable and competitive in the market. The communication system between the firm and its

stakeholders, including the public, also needs to be streamlined in order to manage the flow of information externally. As a public company, New KCC's corporate image has implications on how successful its change management will be. The image has the ability to communicate the firm's mission, the professionalism of its leadership at board level, the caliber of its employees, and its role as an agent of stability in the dairy sector. It is in the company's interests as well as those of the public that New KCC reflects a positive image through its communications.

It is further recommended that the management team at New KCC be granted greater leeway to make and implement decisions. This is recommended in view of the fact that the board, which currently enjoys a superior voice, is composed of individuals who are appointed for relatively short periods of time. In addition to this, their appointments have a relatively greater political factor which may not always be reflective of the business realities that the company is facing at any given moment. On the contrary, the management team is more connected with the operational realities, the budgets, the employees and the internal policies of the firm. They are also likely to stay longer at the company to drive the business towards the longer term objectives. It, therefore, would be beneficial to the firm for the management to play an enhanced role in decision-making, or not to lose out to the board every time there is a conflict between the two.

Finally, the government needs to support New KCC for it to continue fulfilling its social responsibility role (stabilizing the milk sector) even when the business environment is hostile. As a government-owned institution, there is a tremendous amount of importance

attached to its survival especially by the small-holder dairy farmers and the low-income consumers of milk. Additionally, milk needs to be recognized as a strategic product which can contribute to the economic well-being of Kenyans as well as to their health. On the economic front, milk production in Kenya is mostly in the hands of small-scale farmers and provides an income to many poor households. The continued existence of a dairy-processer with a significant market presence and an ability to pay the farmers for their produce will go a long way in strengthening the local economy. With regard to health, milk needs to remain affordable to poor households so as to achieve the country's objective of having a healthy population as envisaged in Vision 2030 and other national blueprints.

5.5 Limitations of the Study

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitation of the study was that some of the respondents that had been earmarked for interviews during the proposal stage declined to be interviewed. Apparently, this refusal was on account of their unwillingness to give views on a public company. Others were unavailable due to their heavy work schedules at the time of the interviews. Consequently, a smaller number was interviewed than was originally

intended. This has the effect of reducing the weight of the conclusions that are made from the study and limiting generalizations to other situations or companies.

5.6 Area for Further Research

This study only focused on New KCC as a case study, and has made conclusions and recommendations based on the findings. It is however recognized that New KCC is the only state-owned dairy processor in a sector that is dominated by private players. Although the results of the study may be applied to other players, it is recommended that a study be undertaken on the others to compare the challenges and responses across the sector. Similarly, a study on New KCC that targets a larger and more diverse number of respondents also needs to be conducted to help in corroborating the findings of this study.

Since the current study has only superficially dealt with the issue of New KCC's parastatal status and its presence in a sector dominated by privately-owned competitors relative to its management of change, it would be helpful to have a comparative study that focuses on a parastatal that operates as a monopoly or nearly so. Such a study would help to clarify one of the policy implications suggested by this study (see below). In particular, it should help policy-makers to decide whether there could be any merit in granting different levels of flexibility to different parastatals, based on the competitive landscape of their respective industries or sectors.

Research is also recommended on the popular subject of resistance to change. The findings of this study largely agreed with the emerging view in literature that considers

resistance to change in more positive light. However, these findings contribute to the increasing need to refine the theory surrounding resistance. A study aimed at establishing the actual value of resistance would be a great step in that direction. Such a study should specifically determine the impact of resistance to the final outcomes of a change initiative. The question that needs to be answered by the study is whether the outcome of the change initiative would have been better or worse, based on the organization's objectives, and if there had (not) been resistance, as the case might be.

5.7 Implications of the Study on Policy, Theory and Practice

One of the implications of this study that touches on policy, theory and practice relates to the question of political interference in the running of a firm that is fully owned by the state. The study established that the managers at New KCC believe that there is plenty of such interference although it did not seek to establish the nature of the interference or its merits and demerits. However, being a parastatal, it is clear that New KCC has the government as the shareholder with the right to determine (even dictate) the direction that the business takes.

The question to consider is whether the government should utilize this right "absolutely" in similar fashion to the way individual or corporate shareholders command the affairs of a private company. This does not preclude the need to address this concern by managers, not only at New KCC, but at all parastatals, in so far as such "interference" affects the business of the organization. However, before this question is resolved, it would be vain to expect the government to perform its shareholder role in any other manner other than

that which would be termed "political". It would equally be debatable to refer to the government's actions and decisions as "interference" while it remains as the legitimate owner of the business.

Although the findings reveal that strategic change at New KCC takes a mixture of both planned and emergent approaches, the former approach seems to be the more dominant. However, this seems not to be decidedly voluntary. Being a parastatal, New KCC does not have the liberty to create a strategy that is entirely its own. The broad guidelines are provided by the State. In these circumstances, strategic change can only happen if it is pre-planned and found to be in line with given parameters. This places the firm's managers in a relatively tricky situation given that all other players in the sector are privately owned. There is, therefore, need for the government to assess each parastatal's operating environment allow different levels of flexibility in decision-making based on the competitive landscape. A monopoly would, for instance, cope with greater controls compared to a firm like New KCC whose environment is highly competitive.

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APPENDICES

Appendix 1: Letter of Introduction

<div align="right">

Haggai Aura Wabuko

P.O. Box 9030-00200

Nairobi

<u>19 April 2012</u>

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Chief Human Resource & Administration Manager

New Kenya Co-operative Creameries Ltd

P.O. Box 30131-00100

<u>Nairobi</u>

Dear Sir/Madam,

Re: <u>Request to Conduct Interviews for My MBA Research Project</u>

My name is Haggai Aura Wabuko, a student at the University of Nairobi. I am required to submit a research report on "challenges facing the management of strategic change" and I have chosen New KCC as the focus of my study.

This is to request you to allow and facilitate me to speak to members of your management team on this subject. The study is strictly for academic purposes and any information provided will be handled with utmost confidentiality. A copy of the interview guide is enclosed for your perusal.

With much gratitude, I look forward to your invaluable help in my academic Endeavour.

Yours faithfully,

Haggai Aura

Appendix 2: Interview Guide

This study is strictly for academic purposes for the University of Nairobi. All your responses will be treated with absolute confidence. Kindly answer as freely, fully and truthfully as possible.

Demographic and Personal Information

1. When did you join the New KCC?

2. What is your current position and department/division?

The Concept of Strategic Change at the New KCC

3. What strategy or strategic initiatives is the New KCC pursuing at the moment?

4. What key factors were considered in formulating the current strategy?

5. Who is involved in strategic change management in the organization?

6. What are the strategic change management practices employed by the organization as pertains to your department?

7. What are some of the initiatives taken by New KCC to create and sustain a supportive climate for change within the firm?

Approaches to Managing Strategic Change at New KCC

8. Who is involved in the leadership of strategic change at New KCC?

9. What are the key success factors in successfully managing strategic change at New KCC?

10. What do you think about the relationship between managerial competence and successful strategic change management?

11. How is strategic change communicated, both internally and externally?

12. To what extent are challenges to strategic change management anticipated?

Challenges of Managing Strategic Change

13. What challenges do you face in managing strategic change at New KCC?

14. How does the firm's status as a parastatal impact on your ability to pursue strategic change effectively?

15. What is the level of resistance to strategic change from different stakeholders?

16. What is the impact of the organizational culture on the commitment of employees to change management in the company?

17. Are there any challenges that you meet which are not anticipated?

Responses to the Challenges of Managing Strategic Change

18. What organizational policies or systems have been put in place to respond to these challenges?

19. Are any external stakeholders involved in resolving these challenges?

20. How do you respond to challenges that you anticipate in your planning for strategic change?

Thank you for your time!

Appendix 3: Confirmation of Data Collection by New KCC