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FACTORS INFLUENCING STRATEGIC CHANGE AT THE CO-OPERATIVE BANK OF KENYA HEAD OFFICE

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D61/8392/2005

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE DEGREE OF MASTERS IN BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

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DECLARATION PAGE

This management project is the result of my independent study and has not been submitted for a degree in any other university

________________________________ __________________________

Kariuki Caroline Nyambura Date

D61/8392/2005

This management report has been submitted for examination with my approval as the university supervisor

_________________ ___________________________

Prof. Peter K'Obonyo Date

Department of Business Administration

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DEDICATION

This project is dedicated to my family, friends and colleagues.

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ACKNOWLEDGEMENT

I acknowledge my supervisor and the members and staff of the Co-operative Bank of Kenya head office for their support during the study.

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ACRONYMS

CBK	-	Central Bank of Kenya
COOP	-	Co-operative
FY	-	Financial Year
GOK	-	Government of Kenya
HR	-	Human Resource
IPO	-	Initial Public Offer
MS-Excel	-	Microsoft Excel
PESTLE	-	Political, Economic, Social, Technological, Legal and Environmental
SWOT	-	Strength, Weakness, Opportunity and Threat

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ABSTRACT

Strategic Change means changing the organizational Vision, Mission, Objectives and of course the adopted strategy to achieve those objectives (Jeff, 2007). Because the performance of firms might dependent on the fit between firms and their external environments, the appearances of novel opportunities and threats in the external environments, in other words, the change of external environments, require firms to adapt to the external environments again; as a result, firms would change their strategy in response to the environmental changes. The states of firms will also affect the occurrence of strategic change. For example, firms tend to adopt new strategies in the face of financial distress for the purpose of breaking the critical situations. Additionally, organizations would possess structural inertia that they tend to keep their previous structure and strategy (Jeff, 2007). This paper investigated the factors influencing strategic change at the Co-operative Bank head office.

The paper consequently aimed to address the following research question: "What factors influence strategic change at the Co-operative Bank head office?" A case study of the Co-operative Bank of Kenya head office was undertaken focusing on fourteen (14) senior managers holding the following offices: the Managing Director & CEO; Internal Audit; Risk Management; Press Secretary/Personal Assistant; Merchant & Investment Banking; Treasury; Cooperatives Banking Division; Retail Banking Division; Corporate & Institutional Banking Division; Credit Management Division; Finance & Administration; Operations Division; Company Secretary; and, Human Resources Division.

The study conducted interviews in order to collect primary data from the fourteen (14) office holders. However, only ten (10) of the respondents were interviewed. The data was then analyzed using content analysis and the information was then systematically presented using tables. The Research findings illustrated that content issues and context issues, especially the internal contextual environment are part of the factors that influence strategic change at Co-operative Bank's head office. Findings also illustrated that most internal environmental factors were influential, especially, the bank's human resource, strategic plan, financial

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resource and organizational culture. External environmental factors that were found to influence strategic change were both the economic and environmental factors.

Consequently, the researcher recommended that the management at the Co-operative Bank of Kenya looks into both the content and the internal contextual issues and come up with effective strategies on the implementation of strategic change at the bank's head office. An informed choice between fundamental and incremental change should also be made based on the organizations SWOT and PESTLE analysis. It is also strongly recommended that the top management involves all the departments within the bank's head office in the implementation of strategic change. This would ensure that the process is owned by all the managers (change agents) and that effective monitoring and evaluation is undertaken from all the departments within the organization.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Organizational change management does not only happen in business organizations but increasingly also in public sector organizations. Although strategic management integrates functional areas in the pursuit of sustainable competitive advantage in the marketplace, it is not fully integral. Strategic management sets goals, determines a strategic approach, examines the company, its competitors and the environment, and covers the appropriate integration of organizational behavior, organizational theory, finance, marketing, accounting and other functions in the pursuit of sustainable competitive advantage in the marketplace.

According to Nickols (2006) the overall process of change and change management remain pretty much the same. Thus it's this fundamental similarity of the change processes across organizations, industries, structures in different countries, continents i.e. globally makes change management a task, a process, and an area of professional practice. The environment as Stoner & Freeman notes (1992) determines both the amount of uncertainty an organization faces and the extent to which one is dependent on others for vital resources. In turbulent environments mostly caused by increased competition and globalization organization must devote more of their resources to monitoring their environment. According to Johnson and Scholes (2002), globalization is multi-faceted with economic, political-legal, social-cultural and environmental dimensions. It also refers to the strategy of approaching worldwide markets with standardized products, thus, organizations need to continually review their strategic orientation in order to remain competitive, hence the need for strategic change.

1.1.1 Strategic change

Strategic Change means changing the organizational Vision, Mission, Objectives and of course the adopted strategy to achieve those objectives (Jeff, 2007). Because the performance of firms might dependent on the fit between firms and their external environments, the

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appearances of novel opportunities and threats in the external environments, in other words, the change of external environments, require firms to adapt to the external environments again; as a result, firms would change their strategy in response to the environmental changes. The states of firms will also affect the occurrence of strategic change. For example, firms tend to adopt new strategies in the face of financial distress for the purpose of breaking the critical situations. Additionally, organizations would possess structural inertia that they tend to keep their previous structure and strategy (Jeff, 2007).

The strategic change process in any organization normally happens due to the awareness of the need for change. In the recent years especially, the nature of change has increased in degree and pace. In this regard, an organization has first to identify the factors that have created this necessity for change, identify their characteristics and then determine how the changes will be done. The factors that contribute to change range from cost reduction, redundancies, technological, cultural change and performance improvement. The introduction of change brings in a lot of resistance and conflict with the employees. This is because any change in 'status quo' brings in apprehension as no one knows what the outcome maybe. It is for this reason that management must prepare and anticipate the likely reactions of employees and determine how to deal with them. The different perceptions to change come because of the difference in the background of employees and their perception of the change outcome. Strategic change can be studied in terms of its effects at the individual, group, and organization, and society, national or international level, (Mullins, 1995) Perception refers to the way we see or view things or simply our attitude towards things or people. We perceive things in different ways because we have our own image of the world. According to Mullins (1995), we all have our own 'world', our own way of looking at and understanding our environment and the people within it.

1.1.2 Factors influencing strategic change

Several factors that influence the success of change within an organization have identified and discussed by various authors (see Reger et al. (1994); Armenakis et al. (1993); Meyer et al., (1990); Kelly and Amburgey (1991); Haveman (1992); Damonpour (1991); Schneider

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(1987); Staw and Ross (1985)). These factors can be generally categorized into the following change issues:

Content issues - refer to the change being implemented and are specific to each organization. Typically, these changes are described as either fundamental or incremental change, although researchers often use slightly different wording. Fundamental change often occurs in an attempt to meet environmental demands such as increased competition or new government regulations, Reger et al. (1994, p. 32);

Process issues - unlike content issues which involve the specifics of the change itself, process issues refer to the actions taken by change agents during the introduction and implementation of the proposed change. Change agents must prepare employees for change through open, honest communication. Armenakis et al. (1993, p. 683) explain, "creating readiness involves proactive attempts by a change agent to influence beliefs, attitudes, intentions, and ultimately the behaviors of a change target."

Contextual issues - refer to the pre-existing forces in an organization's external and internal environment. External contextual factors may include competitive pressure (Meyer et al., 1990), governmental deregulation (Kelly and Amburgey, 1991), or legislative and technological changes (Haveman, 1992). Internal contextual factors may include levels of professionalism, managerial attitudes toward change, managerial tension, technical knowledge resources, and slack resources (Damonpour, 1991);

Individual differences - in addition to, more macro-level factors, each organization includes a variety of different individuals. These individuals possess various dispositional and personality characteristics that have the potential to influence organizational attitudes and behaviors (Schneider, 1987; Staw and Ross, 1985). During organizational change efforts, these individual differences may influence reactions to change and, ultimately, commitment to change. This study aimed at investigating whether the identified factors that influence change within the organization are identifiable as factors influencing the management of strategic change at Co-operative Bank of Kenya.

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1.1.3 Overview of the Kenyan banking industry

According to CFC (2008), the year 2008 ended with 44 licensed commercial banks operating in Kenya's banking industry. The last two decades has been characterized as having too many banks but with too few branches. It should be noted that the six largest banks in terms of asset size control close to 70% of the market, while the mid-sized banks control much of the rest. However, the banking landscape has gradually changed over the last decade, with most large-size and mid-tier banks aggressively increasing their capital base and extending their branch networks across the country; while a few have expanded regionally. In particular, over the last three years there has been a concerted push by Kenyan commercial banks into the rural areas and lower income urban areas in an attempt to reach the previously 'unbanked' population. Over the same period, banks have also increased their focus on developing banking products for small and medium sized enterprises (SME's) as well as the retail end of the market. This move has been spurred by increased competition among banks which has compelled them on an endeavor to grow their market shares and source for lower cost deposits from the SME and retail market segments (CFC, 2008).

According to CBK (2008), the last banking industry survey results were for 30th June 2008. In the six months to this current data there have been a number of important changes in the banking sector: The Banking (Credit Reference Bureau) Regulations, 2008 were published in July 2008. The Regulations which became operational in February 2009 empower the Central Bank of Kenya (CBK) to license and supervise Credit Reference Bureaus (CRBs). The Bureaus will collate credit information from banking institutions that will facilitate lending decisions; The Finance Act, 2008 was assented to on 15th December 2008 amending among other statutes, the Banking Act. The key changes to the Banking Act related to: The minimum core capital for banks has been raised from Kshs 250m to Kshs 1 billion by the end of 2012. Institutions offering savings products based on Islamic banking principles will be required to pay a ''return'' on these products. Section 16 of the Banking Act requires institutions to pay interest on savings accounts so long as the minimum balance is maintained. Islamic banking principles prohibit the paying or receiving of interest, thus the

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concept of a ''return'' was introduced to ensure Islamic savings products comply with Section 16 of the Banking Act (CBK, 2008).

1.1.4 The Co-operative Bank of Kenya

Co-operative Bank of Kenya is registered as a co-operative society on the 19th June 1965. It does not however commence operations as it is not registered under the Banking Act. In this status, it cannot fulfill the main objective for its establishment, which is to mobilize financial resources and provide banking services to the co-operative movement. The Bank applies for a banking license to operate under the Banking Act, which is granted later on in 1968. With liberalization of the economy and globalization of the business, the bank embraced the new challenges by becoming a fully-fledged bank in 1994. The bank has an ownership structure of 80% co-operative movement and 20% individuals. This has made many perceive the Bank as largely a co-operative movement Bank hence "locking out" potential clients (www.co-opbank.co.ke/Main-Site/About-Us).

The change of Chief Executive Officer (CEO) and the management at Co-operative Bank in early 2001 ushered a new era where new ideas are adapted and managers reclaiming managerial responsibilities. The main objective then was to come up with innovative business strategies that would ensure the bank served its core customers (Co-operative Societies) and Non co-operative customers effectively. Co-operative Bank has played an outstanding role in the development of Co-operative movement in Kenya. Bank liberalization of 1994/1995 was introduced with the expectations that economic systems would become competitive and effective (Wagacha and Ngugi, 1995). According to CFC (2008) Cooperative Bank of Kenya received its commercial banking license in 1994 and has grown to join the league of the top 5 banks in Kenya in terms of asset base. The bank has a wide branch network and is jointly owned by co-operative societies and members of registered co-operative societies (www.co-opbank.co.ke/Main-Site/About-Us).

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The bank has seen impressive performance since 2002 when it turned around to profitability after recording three consecutive years of losses occasioned by disruptions of its headquarters during the 1998 bomb blast. Interest income from loans and advances has risen by 118% over the past five years buoyed by a growing lending book which stood at Kshs.43bn in FY07 compared to Kshs.22bn in FY02. Net interest income has more than tripled over a span five years to Kshs.4.5bn against Kshs.1bn in 2002. In FY07 interest income accounted for 54% of total income (48% in 2006) with the balance coming from non funded income. It is typical for a network bank such as Co-op bank to derive significant earnings from non interest income attributable to high number of depositors. However such over reliance on non-interest income is not sustainable in the long term as evidenced by an ever declining ratio of non-interest to total income of 44% in FY07 compared to 63% in FY02, coupled with a relatively slower growth in non interest income of 99% over the past five years contrasted with a growth in interest income of 317% over the same period (CFC, 2008).

The bank's vision is: "To be the leading and dominant Kenyan bank with a strong countrywide presence, playing a central role in the co-operative movement and providing relevant and innovative financial services to our customers for the optimum benefit of all our stakeholders." Its mission is: "To offer value-added financial services to our chosen market segments with special emphasis on the co-operative movement through a highly effective network of service points, excellent customer service and a highly motivated team of qualified personnel (www.co-opbank.co.ke/Main-Site/About-Us)."

1.2 Statement of the problem

In Kenya, several studies have been undertaken from as early as 1999 in relation to strategic change. These studies include: Gekonge (1999) undertook a survey of the strategic change management practices by Kenyan companies: A case of companies listed by the Nairobi Stock Exchange; Adieri (2000) did a survey of strategic change management practices within non-governmental organizations in Kenya; Okuto (2002) investigated the human factor in implementation of strategic change within large manufacturing firms in Nairobi; Mbogo (2003) undertook a study of strategic change management process in hybrid private public

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organizations: The case of Kenya Commercial Bank Ltd; Maingi (2005) looked at management of strategic change at municipal council of Mavoko; Mugo (2006) investigated strategic change management practices in the Kenya Power & Lighting Company Ltd; Kinuu (2007) investigated management of strategic change at Tarmcoil Kenya.

While all the above studies researched on practices and process involved in strategic change management, none of them investigated factors that influence management of strategic change despite there being overwhelming strategic change management practices by several organizations in Kenya. However, one study (Hassan, 2004) came close to undertaking research on factors influencing strategic change but, Hassan (2004) specifically addressed managerial and organizational factors influencing strategic change: A study of oil companies in Kenya, hence, partially filling the identified research gap. However, a more holistic approach needed to be adopted to fully fill this research gap, especially within the Kenyan banking industry where political, economic and technological factors as well as globalization have significantly changed the industry's dynamics. This paper therefore, intended to undertake an investigation of factors influencing strategic change at Co-op Bank by adopting a more holistic approach as opposed to that adopted by Hassan (2004) which only considered managerial and organizational factors. This holistic approach was based on the overall organization's operating environment guided by an evaluation of the bank's PESTLE environment as well as management's SWOT analysis. Consequently, this study aimed at answering the following research question: "What factors influence strategic change at the Co-operative Bank head office?"

1.3 Research objective

The study's objective was to establish factors influencing strategic change at the Co-operative Bank head office.

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1.4 Importance of the study

Strategic change has become a common practice in many national and international organizations. Consequently, this study was of importance to the organization under study and other organizations undertaking strategic change as the study not only identified factors influencing strategic change, but it also showed the relatedness between change management, employee perception of change and the role played by the HR department in eliciting staff support when effecting change. The study intended to assist the organization in assessing itself and if need be, make use of the final recommendations on the factors influencing strategic change.

Future researchers and academics can use the study as a reference point if one is researching on strategic change and related topics. The findings may also benefit other organizations that are facing challenges in the implementation of strategic change. The findings of the study were also useful to trainers in human resource in that they assist them in knowing the areas, which should be given concentration when training managers on strategic change.

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CHAPTER TWO: LITERATURE REVIEW

2.1 The concept of strategic management

The strategic management process is employed by many organizations in order to distinguish themselves from their competitors in the marketplace (David, 2001; Porter, 1985; Steiner, 1997). Although there are several schools of thought in the strategic management field, the generally accepted components of the strategic management process are: strategy formulation, strategy implementation, and strategy evaluation (David, 2001; Hill and Jones, 1998). Strategy formulation is comprised of developing or reviewing the organization's mission, vision, and long-term goals; conducting internal and external assessments to identify the organization's strengths, weaknesses, opportunities, and threats (SWOT); setting selection criteria and selecting the strategies that will afford the organization the best strategic positioning relative to its competitors (David, 2001; Steiner, 1997). Strategy implementation entails allocating the appropriate resources to ensure the selected strategies are properly executed (David, 2001; Steiner, 1997). Strategy evaluation involves setting control processes to continuously review, evaluate, and provide feedback concerning the implemented strategies to determine if the desired results are being accomplished, such that corrective measures may be taken if warranted (Hill and Jones, 1998; Steiner, 1997).

There are usually three levels of strategy associated with large-scale organizations. The corporate level strategy defines the organization's purpose and the lines of businesses in which it plans to operate, thereby providing the overarching direction for the organization. If an organization only operates in one line of business, its corporate level strategy and business level strategy are effectively one in the same (David, 2001; Hill and Jones, 1998). A business level strategy is the blueprint that should enable an organization to leverage its resources in order to differentiate itself from the competition within a particular line of business (David, 2001; Hill and Jones, 1998). The functional-level strategies serve to support the organization's business-level strategy by providing direction for the appropriate short-term activities required by each functional area to meet the goals established in the business-level

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strategy (David, 2001; Hill and Jones, 1998). Consequently, having properly aligned corporate, business, and functional level strategies aid an organization in its efforts to accomplish its goals, thereby strategically positioning itself to successfully compete within the marketplace (David, 2001; Hill and Jones, 1998; Porter, 1985). Combining highly differentiated and efficient human capital with clearly delineated corporate, business, and functional level strategies can prove to be a competitive advantage for an organization (Barney, 1991, 1997; Wright et al., 1995).

2.2 Strategic change

Change has become part and parcel of all organizations and individuals. The realities of yesterday are proving wrong today and change is coming in social, political and economic spheres of life. This change is disorienting people and they do not have a lot of influence as to whether the change occurs or not. Many organizations behave like individuals, sometimes they follow a certain logic or system and sometimes they react irrationally. Organizations will become communities other people with members, not employees, because few will be content to be owned by others (Handy, (1995). According to Nadler (2004), today's business environment produces change in the workplace more suddenly and frequently than ever before. Mergers, acquisitions, new technology, restructuring and downsizing are all factors that contribute to a growing climate of uncertainty. Jobs, health, even marriages can be placed at risk, jeopardizing productivity and profitability. People have deep attachments to their organization, work group, and way of working. The ability to adapt to changing work conditions is key for individual and organizational survival. Change will be ever present and learning to manage and lead change includes not only understanding human factors but also skill to manage and lead change effectively. Change is a phenomenon of time, involving both identity and process. A perennial polarity in our culture is between a traditional position suggesting a serene acceptance of what is and, a modern abhorrence of submission to the same. The ambition of modern times is, indeed, to understand and control change. Organizational change involves identity and process too, shaped by time. In their effort to capture the principles of organizational change, scientists and practitioners alike build explanatory models, and to the already numerous factors influencing organizational change,

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and by extension the complexity of the models, history added another one: the transition from one economic, political and social to another (Nadler, 2004).

According to Mckinsey (2006), indeed change is the only constant in today's life of individuals and organizations. Institutions embark on change processes with various aims; either to catch up with rivals, turn around a crisis situation, complete a merger ,enhance performance, for diversification or cost cutting it has been argued that firms that do not engage in change process at some time or other risk extinction or perform below expected standards. One of the central topics of discussions in management and organization theory in recent years has been change in business landscapes (Bettis & Hitt, 1995 and Parks &Kidder, (1994). These changes have been assumed to be forcing organizations to adopt new practices in order to remain competitive. These adaptive efforts may as well be referred to as change. Change can be described as a move from the norm or status quo. It is also a reconfiguration of systems in an organization to take up a whole or partial new shape so as to take up opportunities in the environment. Change is a phenomenon of time, involving both identity and process. The ambition of modern times is, indeed, to understand and control change. Organizational change involves identity and process too, shaped by time. In their effort to capture the principles of organizational change, scientists and practitioners alike build explanatory models, and to the already numerous factors influencing organizational change, and by extension the complexity of the models, history added another one: the transition from one economic, political and social to another (Burke, 1996).

Strategic Change is defined as any change where there is impact on the enterprise due to some radical financial, and/or organizational adjustment. It can be referred to as strategic in nature. It can be considered frame-breaking, culture-changing, transforming, radical, revolutionary, etc. where one or all of the four components (people, tasks, technology, and structure) are at the impetus (Carr, 2000). SC can be further defined as a disruption of the current work patterns with interest to replace undesired activities (Palvia and Chervany, 1995). In essence, the goal of the change transformation is to alter basic assumptions currently held in esteem by the organization, in favor of some altered version that leadership has deemed worthy (Roach and Bednar, 1997).

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One widespread and widely acknowledged typology of strategic change categorizes forms of organizational change according to different dimensions. A first dimension is the intensity of change, ranging from no change required to radical renewal of the company (Fopp and Schiessl, 1999). In this context, Nadler differentiates between incremental and radical change. The second dimension is the chronological positioning of the change. Here, a difference is made between anticipative and reactive change processes. Using these two dimensions, Nadler draws up a matrix in which he positions the basic types of change of company strategy. In so-called tuning, future environmental developments are anticipated to increase company efficiency. In contrast to this, adaption means the adaptation of the company to the environmental changes. What tuning and adaption have in common is that the change is evolutionary, and starts off in subsections of the company. If the whole company is restructured anticipatively through fundamental transformation, we speak of a reorientation. The alternative to this is reactive redesign, in which environmental changes are reacted to which have already taken place (Nadler, 1994).

The topic of strategic change, defined as an alteration in an organization's alignment with its external environment (Rajagopalan & Spreitzer, 1996; Van de Ven & Poole, 1995), has been at the center of a growing literature in both the strategy and organizational theory fields (e.g., Fombrun, 1993; Ginsberg, 1988; Hofer & Schendel, 1978; Johnson, 1987; Zajac & Shortell, 1989; for a review, see Rajagopalan & Spreitzer, 1997). An important development in this literature is that strategic change is increasingly seen as not only a shift in structures and processes, but also as a cognitive organizational reorientation (Barr, 1998; Barr, Simper, & Huff, 1992; Gioia & Chittipeddi, 1991; Reger, Gustafson, Demarie, & Mullane, 1994) involving "a redefinition of the organization's mission and purpose or a substantial shift in overall priorities and goals" (Gioia, Thomas, Clark, & Chittipeddi, 1994: 364). Most of the research in this direction has so far focused on how managerial cognitions and "sensemaking" processes affect the likelihood and content of strategic change (e.g., Barr, 1998; Meindl, Stubbart, & Porac, 1994; Nutt, 1998; Reger et al., 1994; Walsh, 1995).

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However, an important implication of this emerging cognitive perspective is that 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 (cf. Smircich, 1983). Since an organization's survival over time often depends on its conforming to normative expectations rather than simply operating with greater efficiency (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991), the importance of ensuring both understanding and acceptance of new strategies among key constituents is a central element of the legitimacy imperative for organizations. Although most prior studies have highlighted the substantive importance of strategic change for organizational survival, the processes by which organizations aim to present such change to both internal and external constituents have rarely been studied. However, strategic change frequently involves symbolic struggles over the purpose and direction of an organization. As numerous works in the change management literature have pointed out, "buy in" by constituents is crucial for change to succeed (e.g., Kotter, 1996; Quinn, 1996). As such, previous theories of sensemaking regarding strategic change need to be complemented by a better understanding of "sensegiving" (Gioia & Chittipeddi, 1991), the latter referring to the processes by which strategic change is framed and disseminated to an organization's constituents.

2.3 The process of strategic change

To ensure that the envisaged quality criteria are taken into consideration, a procedural model is required for the design, implementation and reinforcement of the intended strategic changes. The use of such a procedural model should make it possible not only to anticipate and maintain control over continuous change but also to react to changes, which arise suddenly in the environment of the company. The basis for the procedural model for the quality-oriented design of strategic change processes is an eiht-stage process for implementation of strategy proposed by Kotter (1997). These stages included: Establishing a Sense of Urgency; Creating a Guiding Coalition; Developing a Vision and Strategy; Communicating the Change Vision; Empowering Broad-Based Action; Generating Short Term Wins; Consolidating Gains and Producing More Change; and Anchoring New

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Approaches in the Culture (Kotter 1995). However, while Kotter's model represents a sequential procedure, the model presented in this paper describes a control loop system.

According to Pfeifer et. al. (2005), no strategy remains eternally valid, and so a strategy for a change process is by no means finished on completion of its implementation. On the contrary, during phase five, reinforcement, the company environment must be examined for factors, which might necessitate further development of the vision. The control loop would then be closed and the process would have to be repeated, starting with the adaptation of the vision. This characteristic enables the procedural model to be applied in an environment of continuous and rapid change. In addition to the detailed design of the five main phases of strategy implementation, a kind of quality gates concept has been developed to ensure the quality of the implementation process in the interests of a quality-conform design. Here, measuring points are inserted into the course of the process after predefined phases of the implementation process to allow the success achieved in the respective stages to be measured and evaluated. At the corresponding positions of the procedural model, quality features are derived for the implementation of the stages and appropriate review respecting evaluation aids are applied.

2.3.1 Taking a decision

Key element of the first phase is the process of strategy development. Inputs for this process are facts and figures about the five essential fields that have influence on a company: clients; competitors; society; laws; and environment. Considering these boundary conditions, the management team has to create a vision of how the company and its business case will look like in about ten years. A vision links an image of the company's future with a clear message about why the employees should strive to achieve this future. In doing this, a vision pursues three important objectives of showing the right direction, motivate and coordinate (Kotter, 1997). So what are the characteristics respecting the quality features of a good and effective vision? First of all, a good vision should describe a plausible and imaginable image of the future. During the development of a vision, the ideas and long-term interests of the company's employees, customers, investors and other interested parties must be taken into consideration. An effective vision should not take longer than five minutes to explain to any

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employee. Only a vision developed and formulated in this way can be accepted and realized on a broad basis. Strategic targets have to be defined according to the created vision. These strategic aims describe how the company's strengths will be conserved and augmented in the future (Bleicher, 1995). The next step is to derive operative aims. The operative targets are the link between the strategic aims and the projects and tasks in daily business. Crucial for the success of strategy development is the commitment of all members of the management team. If aspects of the strategy remain unsettled or critical aspects are solved in a win-lose situation, this will almost securely cause the failure of the strategy implementation. The criteria for passing the first quality gate are a commonly supported strategy, consisting of a vision according to the characteristics mentioned above, strategic and operative aims as well as projects/tasks to fulfill these targets (Bleicher, 1995).

2.3.2 Preparing for change

Creating feeling for urgency: Creating a feeling for the urgency of change is crucial in order to get the required cooperation of employees and managers. If the need for change is not understood, it will be difficult to put a group together which has enough power and credibility to initiate the required change program (Kotter, 1997). The greatest obstacle to creating a feeling for the urgency of the situation is the overbearingness and self-satisfaction, which so often prevails in companies. Basically, the following aspects can help to make the urgency of change patently clear (Kobi, 1996): showing the attractiveness of the change; confronting employees with clear expectations; showing that it can be done; and creating a positive attitude to the change. The aspects listed above can be understood as quality features of the second stage of the process. Consequently, the quality of how the urgency of change is created in a company can be evaluated by means of the quality features previously described. This involves assessment of the degree to which a quality feature is taken into consideration, on the one hand, and, on the other, measurement of the success of implementation of the feature. For example, the feature "Showing the attractiveness of the change" may, in the view of the management, have been given adequate attention during the design of the strategic change. However, in a staff survey 80 percent of the employees express considerable doubts and fears about the change process. In other words, the quality feature was given due attention, but was not successfully implemented.

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Forming leadership coalitions: A strong leadership coalition is indispensable. For this reason, the formation of such a leadership coalition is always an essential component in preparation for the development and subsequent implementation of a strategy. The quality features authority, expertise, credibility and leadership can be applied for the selection of suitable members for this coalition (Kotter, 1997). The integration of strong leadership figures is of particular importance. A combination of good managers to control the change process and strong leadership figures to push the process forward is decisive for the success of a leadership coalition. The appropriate size of a leadership coalition depends on the size of the company and on how far-reaching the envisaged change is. It is often the case that a coalition of change starts off with just one or two persons and then grows in larger companies to encompass 20-50 persons (Kotter, 1997).

Communicating vision and strategy: The true power of a vision is only completely unleashed when all the people in the company have a common understanding of their goals and their course. This consensus on a desirable future supports motivation for and coordination of the actions required to achieve the necessary changes. For this reason, communication of vision and strategy is of crucial importance. Studies show, however, that in any company there is twice as much discussion about the weather than about new strategies. Management communique´s are often incomplete or misunderstandable. In other words, the necessary quality of communication is missing (Schleiken and Winkelhoder, 1997).

Planning first successes: So-called first successes make a substantial contribution to the motivation of those employees who are involved in and affected by the change, since they indicate that the chosen strategy describes the right way and that it is worth keeping on with the implementation of the strategy. First successes, however, do not come of their own accord. As a kind of pilot change project they must be planned into the course of the change process as a whole and organized accordingly (Schuh, 1999). Basically, first successes must be clear and evident for all employees, i.e. they must not leave room for criticism. The successes must always relate to concrete implementation measures respective to transformation objectives in order to maintain their connection to vision and strategy. To

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ensure that first successes can be secured on completion of the third stage of the procedural model, their planning must already be initiated in the preparatory stage.

2.3.3 Designing strategic changes

In principle, every new strategy strives for satisfied customers and employees in order to secure the long-term economic success of the company. To achieve this, cooperation between management and employees must be designed according to the aspects: awareness, desire, knowledge and ability (Pfeifer, 2001). For this reason, the human being is at the center of attention in the third phase. After having had the vision successfully communicated to them in the preceding phase, the employees must now be motivated, empowered and legitimized to implement the strategy. The most effective framework for this is a coordinated process of target definition.

Identify constraints for implementation: Many change programs fail during the implementation phase due to unexpectedly arising problems (Lilie, 2002). The identification of these problems, which can be defined as constraints in the implementation process, is therefore the key to a successful implementation. One powerful tool for identifying the constraints and elaborate measures to elevate these constraints is the theory of constraints (TOC) by E. Goldratt (Dettmer, 1997). The measures, resulting from the application of the logical trees of TOC, are an essential input for the process of target definition shown below.

Target definitions – motivating, qualifying and legitimizing employees: The effective support of many people is indispensable for the successful implementation of significant business transformations. But if employees feel relatively powerless and have no freedom, they cannot make the required contribution to the change process (Doppler and Lauterburg, 2002). How can employees be motivated, qualified and legitimized? The precondition for effective empowerment is the consistent breaking down respective operationalization of strategic aims. This operationalization of strategy is the principle value of a system of target definitions. Furthermore, all the qualification measures and resources, which the employees will need for the implementation of the strategy, can be included in these target definitions and thus be guaranteed to the employees. And, in addition, a coordinated system of target definitions is

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the essential basis for efficient controlling during implementation of the strategy. Input for the process of target definition are both the operative aims and projects/tasks of the strategy development process which was introduced in phase one as well as the measures and tasks to elevate the constraints of the implementation process.

Securing first successes: The main aim of first successes is to verify the credibility of vision and strategy through visible results. Here, the task of management is to plan and consolidate first successes in order to be in a stronger success position for the further change process. First successes justify to a substantial degree the short-term costs incurred through change and thus reinforce the seriousness of the implementation measures. Employees are made aware that the sacrifices are paying off. First successes give the proponents of the change an opportunity to pause briefly and reflect on and celebrate the results achieved so far. After much effort and hard work, positive feedback increases morale and motivation. First successes neutralize cynics and self-centered opponents (Kotter, 1997).

2.3.4 Implementing strategic changes

According to Kotter (1995), in the fourth phase of the procedural model, the detailed implementation of the strategy takes place. A significant characteristic of enduring strategic change processes is the change period. The complete implementation of a new vision and strategy can take as long as several years. In such long-running change processes, a tool for controlling and steering of the change process is indispensable. Although the implementation process has to be planned and controlled, it is important to understand that the planning of the implementation and the implementation itself cannot be separated strictly. A change process is dynamic and this dynamic always requires adaptations in planning. Therefore the management should be willing and flexible to adapt even the target definitions, made in the earlier stage of the change process, if changed boundary conditions require this step.

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2.3.5 Reinforcing changes

Phase five of the procedural model stretches over several years after completion of implementation of the strategy. The task here is, on the one hand, to ensure that the changes are anchored in company culture. On the other hand, regular checks must be made as to whether the vision still maintains its validity. Factors in the environment of the company may make a further development of the vision necessary. The control loop would then be closed and the process would have to be repeated, starting with the further development of the vision. Another task in the phase of reinforcing changes is to gather and consolidate experience and knowledge gained from the strategy implementation phase. Knowledge of how the employees dealt with the change makes it possible to react more quickly and more flexibly to pressure to change in future situations. The model presented here for quality-conform design already contains, in several places, approaches for the anchoring of changes in company culture. The whole model is based on the inclusion and participation of those affected by the change. It is only through this participation and involvement, and the acceptance, which this nurtures, that people align values and norms within the company according to the new vision and strategy. A further aspect here is the systematic planning and consolidation of successes. Clear and plausible explanations must be given of how successes relate to the change program (Kotter, 1995).

2.4 Factors influencing strategic change

For over one-half century, researchers have attempted to provide insight into change dynamics and help organizations successfully implement change. Lewin (1947) argued that a successful change must involve three distinct phases: unfreezing, moving, and freezing. Building on the Lewinian phase model, several change researchers have described steps practitioners can employ in implementing organizational changes (Armenakis et al., 1999; Galpin, 1996; Judson, 1991; Kotter, 1995). However, adhering to the steps outlined in the aforementioned models does not necessarily guarantee organizational change success. Change agents must also be conscious of several factors specific to the changing organization. In a review of organizational change research conducted during the 1990s, Armenakis and Bedeian (1999) identified three factors common to all change efforts.

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Specifically, they reviewed research that involved content issues, contextual issues, and process issues. Research has focused on each of these factors on an individual basis, but little research exists integrating these change factors. In fact, Damonpour (1991) suggested that change success may ultimately be determined by the fit between content, contextual, and process factors.

Another factor that cannot be ignored in organizational change research is individual differences among the change agents and the change targets. Until recently, these topics received little attention in the change literature. Recognizing this absence, Bray (1994) called for an increase in organizational change research focusing on the micro-level factors influencing change success. Similarly, Judge et al. (1999, p. 107) suggested that change success may lie “within the psychological predispositions of individuals experiencing the change.”

2.4.1 Content issues

Content issues refer to the change being implemented and are specific to each organization. Typically, these changes are described as either fundamental or incremental change, although researchers often use slightly different wording. Fundamental change often occurs in an attempt to meet environmental demands such as increased competition or new government regulations. Reger et al. (1994, p. 32) describe fundamental change as “actions that alter the very character of the organization.” Incremental change, on the other hand, is often a step-by-step movement toward an organizational ideal. Management may attempt to fine-tune or adjust current operations to meet future goals. Similar to fundamental and incremental change, organizational content issues have also been characterized by episodic or continuous change. Episodic change is infrequent and intentional. Typically, management introduces change in an attempt to correct the misalignment between the current state of operations and the environmental demands. These changes may be spurred by external factors such as changes in technological demands or internal factors such as a change in key personnel (Weick and Quinn, 1999). While episodic changes may include changes in structure or ownership, continuous changes are perceived to be ongoing and constantly evolving.

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Management may implement continuous change in an attempt to upgrade work practices (Brown and Duguid, 1991) or social practices (Tsoukas, 1996). Other researchers have adopted similar dichotomous distinctions about organization change content such as first order and second order change (Watzlawick, 1978), continuous and discontinuous change (Hinings and Greenwood, 1988), and piecemeal and quantum change (Miller and Friesen, 1984).

2.4.2 Process issues

Unlike content issues which involve the specifics of the change itself, process issues refer to the actions taken by change agents during the introduction and implementation of the proposed change. Change agents must prepare employees for change through open, honest communication. Armenakis et al. (1993, p. 683) explain, "creating readiness involves proactive attempts by a change agent to influence beliefs, attitudes, intentions, and ultimately the behaviors of a change target."

Building on both Lewin's model of unfreezing, moving, and freezing and Bandura's social learning theory, Armenakis et al. (1999) suggested a successful change message must address five key areas. First, the discrepancy component involves an explanation of the gap between the current state of the organization and the desired state. Management may choose to point out the organization will not survive long-term if the current state of operations continue. The appropriateness component is more specific and conveys the idea that the proposed change (i.e. content) is appropriate in bridging the gap between the current state and the desired state. The change agent should focus on the factors guiding the choice of a given change effort in comparison with other possible courses of action. Efficacy is the third component and expresses confidence in the organization's ability to successfully implement the change. The change target should have confidence in their ability to successfully implement the change.

Knowing that the leaders of the organization, both internal and external leaders, are behind the change is also important to ensuring readiness. The principal support component addresses this objective. It is important for change agents to demonstrate that management is serious about the change and that this attempt is not just another "program of the month."

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Personal valence is the last component. It helps clarify the benefits of the change to the employees. The change target should clearly see the personal benefits of successfully implementing the change. For example, they may be able to perform their job better, pay might increase, or long-term job security may increase. The ability of the management team to address these five message components is influential in the change target's ultimate commitment to the change (Armenakis et al., 1999). Other researchers adopt a similar approach to Armenakis et al. (1999) five key message components, placing emphasis on honest, open communication by the change agents (Galpin, 1996; Judson, 1991; Kotter, 1995).

2.4.3 Contextual issues

Contextual issues, refer to the pre-existing forces in an organization's external and internal environment. External contextual factors may include competitive pressure (Meyer et al., 1990), governmental deregulation (Kelly and Amburgey, 1991), or legislative and technological changes (Haveman, 1992). Typically, organizations have little control over the external contextual forces. Instead, they must make changes in response to such demands.

Internal contextual factors may include levels of professionalism, managerial attitudes toward change, managerial tension, technical knowledge resources, and slack resources (Damonpour, 1991). Additionally, an organization's prior change history influences internal contextual issues (Armenakis and Bedeian, 1999). For example, cynical feelings may result from a loss of faith in the change agents or a history of unsuccessful change attempts (Reichers et al., 1997). Thus, the presence of cynical feelings has the potential to negatively influence change success.

2.4.4 Individual differences

In addition to, more macro-level factors, each organization includes a variety of different individuals. These individuals possess various dispositional and personality characteristics that have the potential to influence organizational attitudes and behaviors (Schneider, 1987; Staw and Ross, 1985). During organizational change efforts, these individual differences may

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influence reactions to change and, ultimately, commitment to change. For example, individuals highly tolerant of ambiguity (Budner, 1962) should be better equipped to handle the uncertainty associated with organizational change (Judge et al., 1999). Similarly, individuals high in openness to experience (McCrae and Costa, 1986) and high self-monitors (Snyder, 1974) should react more positively to organizational change efforts. Thus, a complete model of change should address not only macro-level forces such as content, process, and contextual factors, but also micro-level factors such as individual differences.

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CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

In order to investigate the factors influencing strategic change at the Co-operative Bank head office, the researcher adopted a case study research design. GAO (1990) defines a case study as a method for learning about a complex situation, based on a comprehensive understanding of that situation obtained by extensive description and analysis of that situation taken as a whole and in its context.

3.2 Data Collection

For the purposes of this study, the researcher collected primary data by conducting interviews. Interviews were selected as they allowed the researcher to acquire more data and information from the respondent through probing. The interview sessions were aided by an interview guide containing open ended and closed questions. The interviews were conducted within the respondent's office at the bank's head office in Nairobi or at any other convenient location as may have been preferred by the respondent. The researcher conducted interviews with the organization's senior management as they were deemed to be the agents of strategic change at the bank, hence, it is required of them to posses the necessary information regarding the planning and implementation of strategic change. According to the bank's organizational structure (see Appendix I), there were forty eight (48) senior management positions. However, the researcher only interviewed fourteen (14) senior managers holding the following offices: the Managing Director & CEO; Internal Audit; Risk Management; Press Secretary/Personal Assistant; Merchant & Investment Banking; Treasury; Cooperatives Banking Division; Retail Banking Division; Corporate & Institutional Banking Division; Credit Management Division; Finance & Administration; Operations Division; Company Secretary; and, Human Resources Division.

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3.3 Data Analysis

Data was content analyzed whereby the researcher qualitatively analyzed the respondents' comments and responses, with regards to the factors influencing strategic change at the Co-operative Bank head office where appropriate quantitative technique was used. In instances where the respondent had been asked to rate of categorically give a certain response as may be guided during the interview process, the data was edited, coded and analyzed using descriptive statistics such as percentages, frequencies, cumulative frequencies and mean. The data was then analyzed using both content and factor analysis and the results presented using pie-charts, graphs and tables.

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CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Response Rate

Mugenda & Mugenda (2003), analysis of the quantitative data posited that response rate refers to the percentage of subjects who respond to questionnaires/interviews. A response rate of 50% is adequate for analysis and reporting, whereas a rate of 60% is good and a rate of 70% and over is very good. Table 4.1 shows that 10 out of 14 respondents participated in the study. This constitutes 71% response rate. This was a very good response and was consistent with what Mugenda and Mugenda (2003) recommended.

Table 4.1: Response Rate

Office	Population	Response	Response Rate
Managing Director & CEO	1	0	0%
Internal Audit	1	1	100%
Human Resources Division	1	1	100%
Risk Management	1	1	100%
Press Secretary/Personal Assistant	1	0	0%
Merchant & Investment Banking	1	1	100%
Treasury	1	1	100%
Cooperatives Banking Division	1	1	100%
Retail Banking Division	1	1	100%
Corporate & Institutional Banking Division	1	1	100%
Credit Management Division	1	0	0%
Finance & Administration	1	1	100%
Company Secretary	1	0	0%
Operations Division	1	1	100%
TOTAL	14	10	71%

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4.2 Research findings

4.2.1 Content, Process and Individual differences

With regard to the implementation of strategic change as addressed in question one, Table 4.2 illustrates that one hundred percent (100%) of the respondents agreed that the Co-operative Bank of Kenya had undergone through strategic change whereby "strategic change meant changing the organizational Vision, Mission, Objectives and the adopted strategy to achieve those objectives."

Table 4.2: The implementation of strategic change at the bank

Response	Frequency	Percentage
Yes	10	100%
No	0	0%

Source: Research data

Table 4.3 addresses question two which focused on the influence of various strategic change aspects at the Bank. The table illustrates that one hundred percent (100%) of the respondents agreed that acquiring a banking license under the Banking Act had positively influenced the bank's capacity to achieve its mission and objectives over time; Seventy percent (70%) of the respondents agreed that change in the ownership structure (especially after the IPO) was somewhat influential; Eighty percent (80%) were of the opinion that change of the Chief Executive Officer and top management positively influenced the bank's capacity to achieve its current mission; Ninety percent (90%) agreed that change in the bank's customer base, especially the introduction of corporate and individual banking services had tremendously improved the bank's performance; all the respondents (100%) agreed that the introduction of diversified financial products by the bank has greatly influenced the bank's capacity to achieve its mission and objectives over time.

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Table 4.3: Finding on the factors that influence strategic change at the bank

Strategic change aspect	Percentage
Acquiring a banking license under the Banking Act	100%
Change in the ownership structure (especially after the IPO)	70%
Change of the Chief Executive Manager and top management	80%
Change in the bank's customer base	90%
Introduction of diversified financial products	100%

Source: Research data

Table 4.4 addresses question five and illustrates that all the respondents (100%) were of the opinion that as part of the management of Co-operative Bank of Kenya, there is need to monitor and evaluate the bank's strategies with an aim of reviewing and aligning them with the organizations objectives on a regular basis. However, sixty percent (60%) felt that the bank had not put in place effective monitoring and evaluation systems that were efficient enough in ensuring that each manager's contribution is optimally utilized in achieving the desired objectives.

Table 4.4: The need to monitor and evaluate the bank's strategies

Response	Frequency	Percentage
Yes	10	100%
No	0	0%

Source: Research data

4.2.2 Departmental influence on strategic decisions at the bank

The researcher was interested in determining the level of influence on strategic change of various departments within the Co-operative Bank. In order to measure the level of influence, the researcher coded the managers' considerations, where "Very influential" was given the value one (1.0), "Influential" was given the value two (2.0), "Indifferent" was given the value

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three (3.0), "Less influential" was given the value four (4.0) and "Not influential" was given the value five (5.0). Table 4.5 addresses question six and illustrates the degree of influence of various departments with respect to strategic change at Co-operative Bank of Kenya head office. As shown in the table, the managing director's office/company secretary and human resource department were considered to be very influential as their mean were one 1.0 and 1.4 respectively. Administration/legal services, finance/audit/risk management, retail banking and corporate and institutional banking were considered to be influential as their means drew closer to two (2.0). Operations/business support services/ICT, co-operative banking and merchant and investment banking were considered to be indifferent as their means drew closer to three (3.0). Credit management was considered to be less influential on its influence on strategic change at the bank's head office as its mean drew closer to four (4.0) at 3.5.

Table 4.5: Mean score on perceived departmental influence on strategic change at Co-operative Bank's head office

Office/Division/Department	Mean
Managing Director's Office / Company secretary	1
Administration / Legal Services	1.9
Credit Management	3.5
Operations / Business Support Services / ICT	2.5
Finance / Audit / Risk Management	1.9
Human Resource	1.4
Co-operative Banking	2.7
Retail Banking	2.3
Corporate and Institutional Banking	2.1
Merchant and Investment Banking	3.1

Source: Research data

The respondents also pointed out globalization, competitive strategies by other commercial banks, for instance mergers and acquisitions, and the Central Bank of Kenya regulatory measures as factors that influenced strategic change at Co-operative Bank's head office. The managers however, were upbeat on the success of strategic change and suggested that if more concrete measures were taken in the areas of organizational development and strategic planning, Co-operative Bank of Kenya would maintain its position among the top banks in Kenya in the long term.

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4.3 Findings from content Analysis

To apply content analysis, three themes were developed based on the responses. These themes enabled the researcher to classify the responses. The themes were: (1) factors “influencing” strategic change; (2) factors to which the respondents were indifferent; (3) factors considered to be “non influential” in the implementation of strategic change at the Co-operative Bank’s head office. The researcher then utilized the theme numbers in the interpretation and analysis of the respondents’ comments for each statement. The statements corresponding to each theme were tallied, resulting in percentages for each theme.

Table 4.6 addresses question seven which considered factors affecting strategic change at the Bank. The table illustrates the theme in percentage for each factor namely: content issues; process issues; contextual issues; and individual differences. As shown in the table “content issues” had the highest percentage of sixty (60%) on theme one (1), meaning that they were considered to be “influential” in strategic change at the bank’s head office; “process issues” had the highest percentage of fifty (50%) on theme two (2), suggesting that the bank’s management was “indifferent” with regard to their influence on strategic change; “contextual issues” had the highest percentage of sixty (60%) on theme two (2), meaning that the bank’s management was “indifferent” with regard to their influence on strategic change; “individual differences” had the highest percentage of fifty (50%) on theme three (3), implying that they were considered to be “non influential” in strategic change at the bank’s head office.

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Table 4.6: Results on the analysis of content, process and contextual issues and individual differences

Factors	**"influencing" Theme (1) percentage**	**"indifferent" Theme (2) percentage**	**"non influencing" Theme (3) percentage**
Content Issues	60%	30%	10%
Process Issues	30%	50%	20%
Contextual Issues	20%	60%	20%
Individual differences	20%	30%	50%

Source: Research data

The researcher was also interested in determining the influence of different factors within the bank's internal and external environments on strategic change at Co-operative Bank's head office as addressed in question three and four respectively. Table 4.7 illustrates the theme in percentages for the internal and external environments. According to the table the internal environment was considered to be "influential" as it had the highest percentage of seventy (70%) on theme one (1) meaning that the internal environment was considered to be "influential" in strategic change at the bank's head office. The bank's management was "indifferent" with regard to the influence of the external environment as it had the highest percentage of sixty (60%) on theme two (2).

Table 4.7: Results from content analysis of internal and external environmental factors

Environment	**"influencing" Theme (1) (percentage)**	**"indifferent" Theme (2) (percentage)**	**"non influencing" Theme (3) (percentage)**
Internal environment	70%	20%	10%
External environment	20%	60%	20%

Source: Research data

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CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The study's objective was to establish factors influencing strategic change at the Co-operative Bank's head office. The researcher reviewed (in Chapter Two) factors that influence strategic change namely; content issues, process issues, contextual issues and individual differences within the internal and external environments at the bank. Primary data was collected in accordance to the study's research methodology (in Chapter Three) and research findings drawn and discussed (in Chapter Four) relating to the factors that were either non-influential, indifferent and/or influential to strategic change at the bank's head office. This chapter draws out the researcher's conclusions and recommendations in light of the research findings.

5.2 Conclusions

The researcher drew conclusions based on the research findings (in Chapter Four) in line with the study's research objective. According to the research findings, it can be concluded that internal (content) issues and context issues, are part of the factors that influence strategic change at Co-operative Bank's head office. It can be inferred that since internal issues refer to the change being implemented and are specific to each organization, the management of Co-operative Bank of Kenya should carefully consider the choice between fundamental change as "actions that alter the very character of the organization," and incremental change as "a step-by-step movement toward an organizational ideal."

Internal factors include levels of professionalism, managerial attitudes toward change, managerial tension, technical knowledge resources, and slack resources. Additionally, an organization's prior history of change influences internal issues. For example, cynical feelings may result from a loss of faith in the change agents or a history of unsuccessful change attempts. Thus, the management of Co-operative Bank of Kenya should ensure that

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all the content and contextual issues are addressed adequately to ensure that strategic change is successful at the head office.

It should also be noted that, most internal environmental factors were found to be influential, especially, the bank's human resource, strategic plan, financial resource and organizational culture. External factors that were found to influence strategic change were both the economic and environmental factors. Management should therefore emphasize these factors and put in place effective strategies to address any negative influence on strategic change at the bank's head office.

In addition, management should emphasize the need to monitor and evaluate the bank's strategies with an aim of aligning them with the organization's objectives on a regular basis. Since from the study's findings a significant number of the managers (change agents) felt that the bank had not put in place effective monitoring and evaluation systems that were efficient enough in ensuring that each manager's contribution is optimally utilized in achieving the desired objectives, top management should be more sensitive to the recommendations made by other managers so as to ensure that strategic change is successful at the bank's head office.

From the findings, it can also be concluded that globalization, competitive strategies by other commercial banks, for instance mergers and acquisitions, and the Central Bank of Kenya regulatory measures are factors that influenced strategic change at Co-operative Bank's head office. Consequently, the bank's top management should consider these factors and realign its strategies accordingly.

5.3 Recommendations

Based on the conclusions of this study, the researcher recommends the following with regard to the factors that influence strategic change at Co-operative Bank's head office. First and foremost, the management at the Co-operative Bank of Kenya looks into both the internal issues and develops effective strategies on the implementation of strategic change at the

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bank's head office. An informed choice between fundamental and incremental change should also be made based on the organizations environmental analysis.

Secondly, rather than implementing strategic change as a sequential procedure, management should adopt a control loop system. This is because no strategy remains eternally valid, and so a strategy for a change process is by no means finished on completion of its implementation. On the contrary, during the last phase of implementation, that is reinforcement, the company's environment must be examined for factors which might necessitate further development of the vision. At this point the control loop would then be closed and the process would have to be repeated, starting with the adaptation of the revised vision. This characteristic approach enables the change procedural model to be applied in an environment of continuous and rapid change. This could go a long way in ensuring that strategic change at the bank's head office is not only successful, but is sustained in the long term.

Finally, it is strongly recommended that the top management involves all the departments within the bank's head office in the implementation of strategic change. This would ensure that the process is owned by all the managers (change agents) and that effective monitoring and evaluation is undertaken from all the departments within the organization.

5.4 Recommendation for further study

The researcher recommends that further research should be undertaken to investigate the nature of influence that the identified factors have on strategic change at the Co-operative Bank of Kenya. This would go a long way in providing insight into the nature and level of influence of the said factors.

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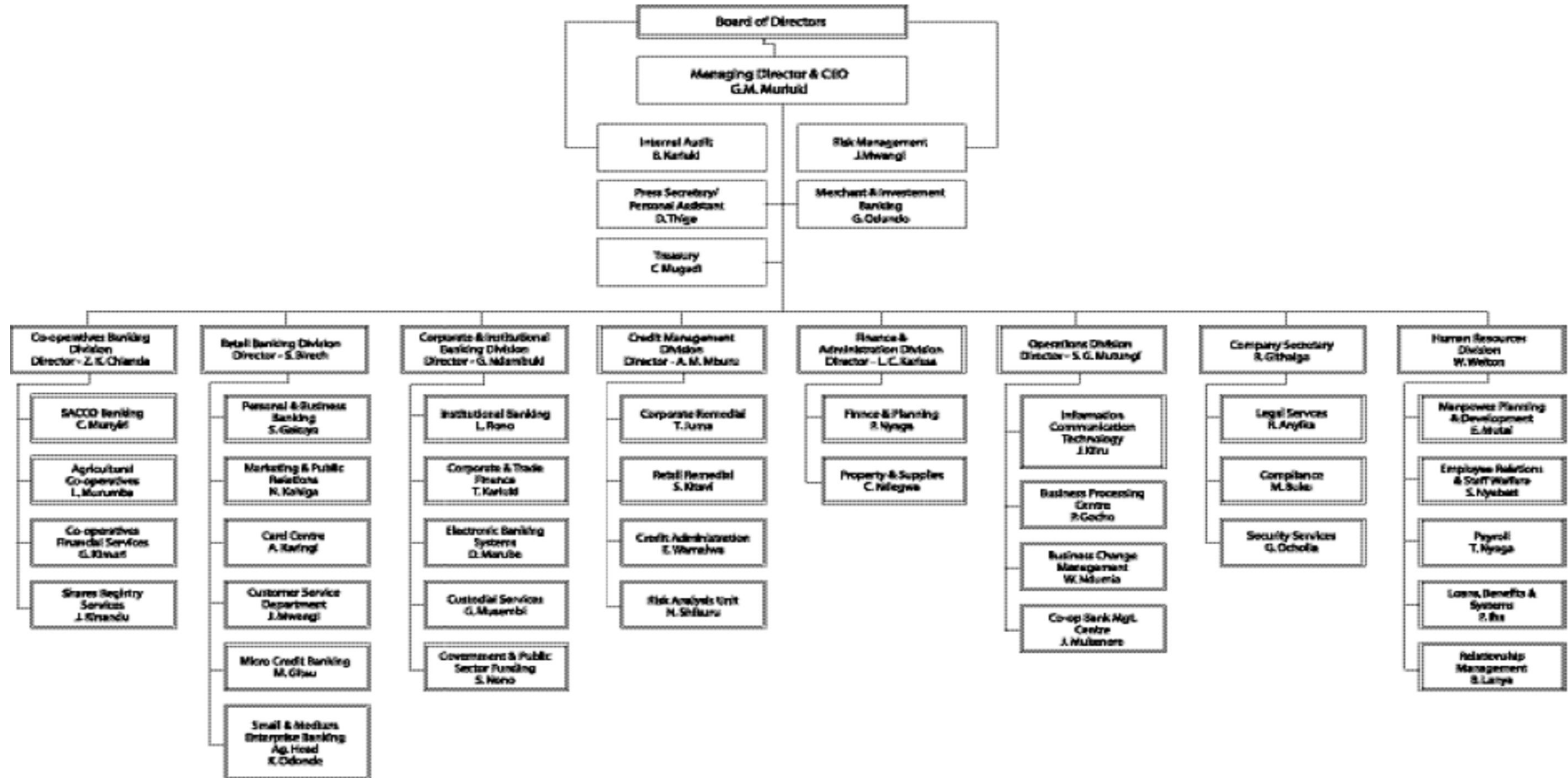
APPENDIX I: SENIOR MANAGEMENT ORGANIZATIONAL STRUCTURE



Source: Co-operative Bank of Kenya Prospectus 2008

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APPENDIX II: INTERVIEW GUIDE

1. "Strategic Change means changing the organizational Vision, Mission, Objectives and of course the adopted strategy to achieve those objectives." Bearing the above statement in mind, would you consider the Co-operative Bank of Kenya as having undergone strategic change since the establishment of the bank in 1965 under the Co-operative Act and its current operations under the Banking Act?

Yes ( )

No ( )

2. The Co-operative Bank of Kenya mission is: "To offer value-added financial services to our chosen market segments with special emphasis on the co-operative movement through a highly effective network of service points, excellent customer service and a highly motivated team of qualified personnel." Please comment on the following change aspects in the Bank's history and their influence on the Bank's capacity to achieve its mission and objectives over time?

a. Acquiring a banking license under the Banking Act

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b. Change in the ownership structure (especially after the IPO)

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c. Change of the Chief Executive Manager and top management

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d. Change in the bank's customer base

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e. Introduction of diversified financial products

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3. Strategic change is influenced by both internal and external environmental factors. Please comment on the degree of influence of each of the following internal factors in relation to strategic change at the Co-operative Bank of Kenya?

Factor	**Comment**
Organizational structure	
Human Resource	
Organizational Products	
Strategic plan	
Financial Resource	
Organizational culture	

4. Strategic change is influenced by both internal and external environmental factors. Please comment on the degree of influence of each of the following external factors in relation to strategic change at the Co-operative Bank of Kenya?

Factor	**Comment**
Political	
Economic	
Social	
Technological	
Legal	
Environmental	

5. As part of the management of Co-operative Bank of Kenya, please comment on the need to monitor and evaluate the bank's strategies with an aim of reviewing and aligning them with the organizations objectives on a regular basis. Is there need to monitor and evaluate the bank's strategies with an aim of reviewing and aligning them with the organizations objectives on a regular basis

Yes ( )

No ( )

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6. In a scale of one (1) to five (5) where: *1- Very influential; 2 – Influential; 3 – Indifferent; 4 – Less influential; 5 – Not influential;* how would you rate the degree of influence posed by the following departments or offices on strategic change at the Co-operative Bank of Kenya?

Office/Division/Department	**1**	**2**	**3**	**4**	**5**
Managing Director's Office / Company secretary					
Administration / Legal Services					
Credit Management					
Operations / Business Support Services / ICT					
Finance / Audit / Risk Management					
Human Resource					
Co-operative Banking					
Retail Banking					
Corporate and Institutional Banking					
Merchant and Investment Banking					

7. Please comment on the following statements with regard to strategic change at the Co-operative bank of Kenya.

Statement	**Comment**
Change occurring in an attempt to match increased competition	
Change occurring in an attempt to comply with new government regulations	
Change as actions taken to alter the very character and work culture of the bank	
Change introduced in an attempt to correct the misalignment between the current state of operations and	

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the environmental demands	
Change target and the personal benefits of successfully implementing the change clearly visible by employees	
Change due to pre-existing forces in the bank's external contextual environment	
Change due to pre-existing forces in the bank's internal contextual environment	
Change influenced by individuals possessing various dispositional and personality characteristics that have the potential to influence organizational attitudes and behaviors	
Adequate availability and accessibility of information about the change by all stakeholders at the bank	
Presence of uncertainty during strategic change at the bank	

8. Other than the factors discussed earlier, what other factors influence strategic change at the Co-operative bank of Kenya?

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9. What suggestions would you offer to ensure successful management of strategic change at the Co-operative bank of Kenya?

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10. Please comment on the overall influence of strategic change at the Co-operative Bank of Kenya on organizational performance?

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Thank You.