CHALLENGES OF IMPLEMENTING STRATEGIC CHANGE AT SUKARI SAVINGS AND CREDIT COOPERATIVE SOCIETY

BY

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION IN THE UNIVERSITY OF NAIROBI

NOVEMBER, 2012

DECLARATION

STUDENT'S DECLARATION

This research project is my original work and has not been presented for a degree at any other university.

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Date...

D/61/P/8429/04

Signature………………………………

SUPERVISOR'S DECLARATION

This research project has been submitted for examination with my approval as the candidate's University Supervisor.

MR ALEX JALEHA **Date ………………………………………...**

Signature…………………………………….

DEDICATION

I lovingly dedicate this study to my family, who supported me each step on the way and boosted me morally.

ACKNOWLEDGEMENT

I would like to express my sincere thanks to the Supervisor Mr. Alex Jaleha, Lecturer University of Nairobi School of Business for supervising this research paper. Beside I would like to thank Sukari SACCO management for their support during my research on their organization. Last but not least, my family for giving me the invaluable support to concentrate on this research and the one above all of us, the omnipresent God for giving me the strength to plod on and allowing me to undertake this project , thank you so much Dear Lord.

ABSTRACT

The objectives of this study were to identify the extent to which strategic change management practices have been adopted in Sukari SACCO and to determine the challenges facing implementation of strategic change management practices in Sukari SACCO. This research was conducted through a case study. It sought to investigate the challenges of change management practices at Sukari SACCO in Kenya. Primary data was collected for the purpose of this study. This was done using an interview guide. The interview guide was divided into two parts. The objective of the first part was getting the demographic information of the SACCO that was deemed relevant for the study. The second part of the interview guide was used to examine the challenges of implementing change management practices at Sukari SACCO.

The study found that factors that inhibit the strategic change process included among others political influence, competition from other financial institutions, high cost of insurance premium, resistance to change by the staff and directors and Funding/ resources limitation. On the question of what were the major outcomes of strategic change management, cost saving, efficiency in service delivery, increase in business volume, increased lending with high performing loans, healthy competition and increase in profits were cited. The study concludes that among the benefits include reduction in operational costs, enhanced revenue base, increased institutional capital, enhanced service delivery framework and improved brand visibility. There is also efficient resource utilization which will support in maintaining and improving market position. Among the many factors, Government regulation is one of the factors which provides fair playing field thereby ensuring fair and objective competitive practices.

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ABREVIATIONS AND ACRONYMS

AGM	Annual General Meeting
BOD	Board of Directors
BOSA	Back-office Savings Activities
FOSA	Front Office Savings Activities
IS	Information System
IT	Information Technology
KNFC	Kenya National Federation of Co-operatives
KUSCCO	Kenya Union of Savings and Credit Cooperatives Ltd
MFI	Micro Finance Institution
MSC	Mumias Sugar Company
MOCO	Mumias Outgrowers Company
SACCO	Savings and Credit Cooperative (or Credit Union)

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

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

Change is any planned or unplanned transition from one scenario to another. Strategic change is long term in nature, affects the entire organization and aims at achieving effectiveness. Operational change on the other hand is short term in nature, affects sections of the organization and focus on efficiency. Organizational change management is very important globally and it is influenced and affected by different internal and external factors, positively or negatively. Most organizations have been undergoing rapid changes during the last decade. Actually not all these change is immediately related to current economic problems.

The term Change Management most commonly refers to change management processes in an organization. Organizational Change Management is the process of aligning the organization's people and culture with changes in business strategy, organizational structure, technology and business processes (Todd, 2001). The goals of Change Management are to ensure that the risk of failure for implementation is minimized, while the benefits of change are maximized for everyone involved.

The challenges of change management are not new. Historically, most companies have simply accepted the pain because they don't know how to eliminate it. Many of the challenges stem from the fact that employees either do not clearly understand the change process or simply ignore it (Kimberling, 2002). Often, a company's change management system is bureaucratic, manual, and slow, which either creates the need for heroic measures, or encourages renegade behavior, whereby for instance, engineers are forced to expedite critical changes to keep production going using resources that should be deployed for other needs.

1.1.1 Strategic Change

Strategic change is defined as a difference in the form, quality, or state over time in organization's alignment with its external environment (Rajagopalan & Spreitzer, 1997). According to Hofer & Schendel (1978), strategic change is defined as changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy.

Considering the definition of strategic change, strategic change could be affected by the states of firms and their external environments. Since the performance of firms might depend 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 (Hannan & Freeman, 1984).

Strategic change occurs in firms when they experience changes of external environments occur. For their survival, firms should adapt to their external environments. The changes of external environments may motivate firms to alter their strategies. The strategic change in response to environmental change might be obvious strategic decision making in firms. Those situations would be suitable to test the effects of corporate governance on strategic decision making; therefore, this paper sheds light on the strategic change. A change in one part of the system has an impact on other parts of the system. Change can therefore be achieved by changing the sub systems but one then needs to understand the interrelationship of the subsystem (Chapman (2005).

1.1.2 Challenges of Implementing Strategic Change

Within strategic Change Management there are a variety of challenges that arise within an organization, during a project's lifecycle or with employees. As Change Management is implemented to make improvements, management and employees must be able to communicate extensively and clearly, evaluate, identify and monitor any and all problems very early, in order to determine what implementation factors are needed to make corrective changes. Below is a list of challenges that commonly affect organizations in which strategic change management is enforced (Kanter et al, 1999):

Lack of promoting a balanced change culture**.** Management presents this problem when they fail to promote the benefits of revamping a culture that lacks in communication, collaboration, and motivation. Lacking in these three elements creates a counterproductive work environment that affects productivity and establishes room for more errors, no improvements, and reinforcing employee resistance to change. Unwillingness to evaluate and identify problems when management and employees unwillingly choose to not evaluate and not identify past failures and not understand why these changes failed, it disallows them to further research and find solutions to the problems affecting the organizations business process. If the problems are not effectively and accurately identified, then change cannot be fully implemented. As problems increase, employees and management will find it very difficult to communicate on resolving these complex issue.

Employees' resistance to change poses a major threat to organizations when employees are not motivated to support the change process. When management seeks support from employees, they find it very difficult. This stems from management not communicating, rewarding and acknowledging staff for their efforts. This is based on employees who become very comfortable with existing business processes and choose not to implement change based on negative assumptions such as job security issues (Mabin et al, 2001).No communication amongst management and employees occurs when both parties fail to collaborate on why change is needed. Lack in communication will create a work environment where trust is underdeveloped, the work culture is unbalanced, and conflicts will continuously occur. As change is needed, employees, management, and leadership will ignore the signs, because they fear if they suggest change, they face loss of job security, loss of leadership, or fail to become rewarded or recognized based on their contributions. Oftentimes, management and employees will not recognize or acknowledge that beneficial change is needed and instead allow detrimental changes to take over.

Lack of support from employees, all levels of management and leadership within the organization. When employees are not involved to support the change process, it affects the learning, planning, decision-making, and implementation of change. Based on these affects, change will not take into effect and harmful changes will successfully overshadow. Not learning from continuous mistakes caused by change. One major barrier to change is when employees see change efforts continuously fail; they keep silent, and assume everything within their organization will return to normal. Without employee involvement, management will also emulate the negative behavior of its employees, which will further impede positive change from occurring (Burns and Stalker 1998).

Communication and documentation of the critical project success factors between the team members is very important, because they will become part of the scope of the project. In addition, these actions can reduce the possibility of conflicts occurring. Two other important concepts are beneficial changes and detrimental changes. It is very important to encourage and to support the team members that beneficial changes should be encouraged and supported and that detrimental changes should be discouraged and avoided (Ibbs et al, 2001).

1.1.3 Savings and Credit Cooperative Societies (SACCOs) in Kenya

A cooperative is an autonomous association of persons united voluntarily to meet their common economic cultural needs and aspirations through a jointly owned and democratically controlled enterprise .The key idea behind a co-operative society is to pool the scarce resources', eliminate the middlemen and to achieve a common goal or interest (Hathaway , 2003).

Co-operations has been practiced by people from time immemorial, people organised themselves to graze cattle communally, built houses, go hunting and even dig shambas together. Modern co-operative as a practice started in the year 1844 in Britain by Rochdale Pioneers and its principals are followed worldwide (Hathaway, 2003).These principals are voluntary and open membership, democratic administration, limited interest on share capital, cooperation with other cooperatives, promotion of education and provision of dividends to members.

The first co-operative in Kenya was initiated by the European settlers in the Rift Valley in 1908.The cooperative was called Lumbwa Farmers' Cooperative Society. It was not until 1931 when the cooperative society's ordinance became law that these societies could formally be registered as cooperatives. The first society to be registered under the new Act was the Kenya Farmers Association (KFA) which started as a company in 1923.A new ordinance was then passed in 1945 and a commissioner of co-operative was appointed the following year. By independence time, there were over 600 primary co-operatives in Kenya. Kenya National Federation of Cooperatives (KNFC) was formed in 1964, and in 1966 a new Act was passed under cap 490 of the laws of Kenya (Ouma 1980).

Primary cooperatives comprise groups of individuals who are either actual producers of products such as sugar, milk, tea, coffee or consumers who join up to save and obtain credit most conveniently (Njoroge,2003).Most primary cooperatives operates at the village level, district level and a few at national levels. Secondary cooperatives societies also referred to as unions are generally composed of primary cooperatives as their members. All cooperative societies are affiliated to a national apex body called Kenya Union of Saving and Credit Cooperative society (KUSCCO). Currently there are 5544 registered Cooperatives out of which only 3983 are active; the Cooperative sector has an asset base totalling USD 2.7 Billion with USD 1.8 Billion and loans given out. There are 230 registered FOSAs and 1983 non FOSA SACCOs. (Njuguna, 2009).

In August 2000, the Ministry of Cooperatives, Development and Marketing made a major breakthrough by gazettment of the SACCO Societies Bill for introduction to the National Assembly. The bill proposed to establish a new regulatory authority and provide a legal framework for the licensing, regulation and supervision of SACCOs. In 2009 saw the inauguration of Society Regulatory Authority (SASRA) which is a semi-autonomous government agency under the Ministry of Cooperatives', Development and Marketing. The mandate of the Authority as provided by the Act includes licence SACCOs to carry out deposit taking in accordance with the Act, regulate and supervise them including abiding with government financial instruments. SACCOs duly licensed to carry out deposit taking SACCOs business in Kenya for the financial year ending on 31^{st} December 2011 in total were 195 SACCOs. The SACCOs licenced show they have government financial prudent management of members deposits and they are able to also offer FOSA services including deposits taking, ATM services, money transfer, financially sound with stable capital to sustain members' deposits (Njuguna, 2009).

1.1.4 Sukari SACCO

Sukari SACCO was started in 1973 by the employees of Mumias Sugar Company. However, with time the society has amended its Bylaws to allow membership from neighbouring institutions such as Mumias Outgrowers Company Ltd, Transport Companies, and St. Mary's Hospital. From inception to 1995, the SACCO was offering savings and credit services strictly to the members within this common bond. In 1996, the society opened its common bond to allow sugar cane outgrowers (sugarcane farmers) in the region to patronize some of the SACCOs services. In the same year, the society also opened a FOSA (Front Office Savings Activities) facility which offers banking services to its members. Currently the membership of Sukari stands at 17,009, 1860 of whom are BOSA (Back Office Savings Activities) members with voting rights and therefore participate in the decision making process through the AGM. The non-BOSA clients are user members (mainly made up of sugar cane outgrowers) or customers who access financial services through the FOSA only.

In addition to the savings and credit services, the society offers payment services namely cane proceeds to farmers and MSC dividend processing. Like most SACCOs in the market Sukari SACCO has been subjected to intensive competition from other players in the market including commercial banks, microfinance institutions as well as other SACCOs that have a presence in Mumias and the neighbouring towns. The SACCO is a member of KUSCCO where it is represented by a delegate.

The society is governed by the Annual General Meeting (AGM) in accordance with Cooperative Societies Act (1997). The day to day running of the society is done by the board of directors through the staff of the SACCO. The supreme authority of the Society is vested in the Annual General Meeting (AGM), which constitutes the BOSA members of the SACCO. The Board of nine (9) Directors elected at the AGM is the governing authority, responsible for directing the affairs of the Society. A Board members' tenure is limited to 2 terms of 3 years each. All the nine Board members are employees of MSC and comprise seven men and two women. The dominance by employees of MSC is because under the current Bylaws, the FOSA members have no voting rights and therefore cannot participate in the AGMs. In line with Cooperatives Act, Sukari SACCO has a supervisory committee, which is responsible for SACCO regulatory compliance, internal controls and oversight. It is also responsible for the truth and accuracy of the Society's administrative practices and to ensure that procedures are adequate to safeguard members' and the institution's rights and interests.

Effective change management is important for an organization to ensure smooth transition from the old to the new. This study aims at identifying suitable ways of implementing change under minimal resistance from the stakeholders of the change. When there is resistance to change, morale is low and employees become de-motivated. It is therefore the intention of management to ensure that changes are implemented smoothly to ensure that the change is taken well and is maintained.

Sukari SACCO has already applied for licensing by SASRA. The mandate of the Authority as provided by the Act includes license SACCOs to carry out deposits taking in accordance with the Act, regulate and supervise them including abiding with the government financial instruments.

The key licensing requirements for deposit taking SACCO societies is capital adequacy and sound management practices. The SACCOs are required to provide evidence that they meet the minimum capital requirements as per SASRA. It is also imperative for the SACCOs Management to provide evidence that they fully understand the economic/business operational and financial risks associated with deposit taking businesses.

Sukari SACCO board has placed all required documents including the organizational structure with the technical capacity to prudent manage their deposit taking business. According to the Marketing Manager of Sukari SACCO, the process is ongoing and by November 2012, they will be fully licensed by SASRA. Once Licensed, Sukari SACCO will be considered among the rank of SACCOs which are financial stable and have prudent management in protecting members deposits, Board Members will be seen as democratically elected and are able to voluntary mobilize public deposit from their members on a much greater scale. It will be seen as a good performance SACCO that is able to balance the demands of all the stakeholders and ensure members' needs are served including promoting national development goals and shows a long term sustainability of the SACCO. The major challenge SASRA is facing on SACCOs regulation and licensing is resistance to change by the SACCOs management and this entails changing their strategy and spearheading the implementation.

1.2 Statement of the Problem

Change has always been a reality of organizational development. Yet, with the pace of competition today, organizations can no longer afford the delays and costs related to 'traditional' change management practices (Ackoff, 2000). The fact is, companies that react to change quickly are winning, companies that can't are fading fast. For instance, change is fundamental to product development. According to Duck, the process of taking market requirements, customer requests, and innovative ideas and turning them into viable products is impossible without managing change (Duck, 2000). While informal changes are acceptable early in the conceptual design process, they become complicated and expensive after the product has been released to manufacturing.

The challenges of change management are not new. Historically, most companies have simply accepted the pain because they don't know how to eliminate it. Many of the challenges stem from the fact that employees either do not clearly understand the change process or simply ignore it (Kimberling, 2002). Often, a company's change management system is bureaucratic, manual, and slow, which either creates the need for heroic measures, or encourages renegade behavior, whereby for instance, engineers are forced to expedite critical changes to keep production going using resources that should be deployed for other needs. Moreover, when change processes are bypassed in order to meet production demands, valuable design history is lost, which increases the likelihood that even more mistakes will be made in the future.

Without a formal change management process, changes are easily lost in the system, requiring team members to spend valuable time searching multiple data sources and different systems to track down and determine the history and impact of a change. The challenges of an inefficient strategic change implementation process often force an organization to shift focus and divert valuable resources away from areas of more critical need, which ultimately leads to wasted labor and missed delivery dates.

Lack of a better understanding of the factors that influence the effectiveness of strategic change management implementation in SACCOs, whose importance cannot be over emphasized, is indeed a knowledge gap the researcher will attempt to bridge. In spite of the attention that the management of change has received, organizations continue to have problems in managing organizational change and the search for generalized laws of change still pervades the discipline (Wilson, 1992). Research undertaken by Paton and McCalman (2000) indicated that one-half to two-thirds of all major corporate change efforts fail and resistance is the little-recognized but critically important contributor to that failure. Similarly, Emery, (1992) and Tichy, (1983) found failure of the management and workers to be the major impediment to the use of change management practices in Australian banking industry. There is evidence to suggest that the universal model of change management is inadequate to describe the diversity of approaches actually used by banks (Chapman, 2005). However, none of these international studies have focused on challenges of change management in the context of Cooperative industry.

Studies focusing on SACCOs in Kenya include Ademba (2006), who undertook a survey of corporate governance systems in SACCOs front office savings entities and Ndubi (2006) who focused on strategic responses of KUSCCO affiliated SACCOs in Nairobi province to changing operating environment. None of the two studies focused on challenges of implementing organizational change management practices in SACCOs in Kenya.

Other studies undertake in Kenya focusing on change management practices include the following:- Abdullah (2000) undertook a study of the strategic responses by Kenyan Insurance companies following liberalization; Gekonge (1999) undertook a survey of the strategic change management practices by Kenyan companies; Kasima (2004) focused on the change management practices and resistance to change in multinational oil companies in Kenya. Odhiambo (2005) focused on the problems and practices of strategic change management in the manufacturing sector; Ogwora (2003) focused on strategic change management at the National Cereals and Produce Board. Further, none of these local and international studies have addressed the challenges of implementing strategic change in SACCOs and specifically in Sukari SACCOs.

This study thus aims at filling the research gap that exists by carrying out a study on challenges facing the implementation of strategic change management practices.

1.3 Objectives of the Study

The Objective of the study was to determine the challenges facing implementation of strategic change in Sukari SACCO.

1.4 Value of the Study

Academic researcher -the study will contribute to the existing body of knowledge in the area of implementation of competitive strategies. It will also inspire future researchers to carry out further research in the same or related field.

The Government through the Ministry of Cooperative Development will get a better understanding of the challenges faced by SACCOs in implementing change management practices. On the basis of the findings, the policy makers in the Ministry will be able to formulate policies, which include recruitment, capacity building and budgetary allocations from an informed position.

The top management of Sukari SACCO, who are charged with the responsibility of spearheading timely and cost-effective change management initiatives for organizational improvement will have a better understanding of the challenges faced in implementation and the possible interventions that could be employed to overcome the challenges, on whose basis, they will be able to make informed decisions when formulating and implementing the change initiatives. Managers of Savings and Credit Cooperatives will gain also have a better understanding of the factors influencing organizational strategic change management in the SACCOs and the challenges to effective implementation of organizational change management. On the basis of the findings, the managers will be able to make informed decision when implementing strategic change management.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses the past study on change management practices in organizations. The specific areas covered here are the concept of change management, change management practices and challenges to effective implementation of organization**.**

2.2 Concept of Strategic Change

Strategic change is concerned with organizational transformation and deals with broad long-term organization wide issues. It will be aligned to the purpose and mission of the organization, its corporate philosophy on such things as growth, quality management, and innovation and values concerning people, the customers' needs served and the technologies employed. It occurs within the context of external competitive, economic, and social environment, the company's internal resources, capabilities, culture, structure and systems (Dawson, 1994).

Lamb (1984) views Strategic change management as a process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment. Hence management of strategic change is seen as how to create conditions that makes proactive change as a natural way of life (Doyle, 2002).

2.3 Approaches to Managing Strategic Change

A number of renowned practitioners have contributed models on change management. The action research model advocates for a systematic collection of data and then selection of a change action based on what the analyzed data indicates. It aims at providing a scientific methodology for managing planned change. The process of action research consists of five steps which are diagnosis, analysis, feedback, action and evaluation (Lewin, 1951).

The same approach seems to be supported by Dawson (1996) through the process/contextual perspective. It states that to understand the process of change, we need to consider the past, present and future context in which the organization functions, including external and internal factors. The substance of the change itself and its significance and timescale including the transition process, tasks, activities, decisions, timing, sequencing, political activity, both within and external to the organization and the interactions between these factors (Fopp and Schiessl, 1999). Dawson (1994) identifies five specific aspects of the internal context which are human resources, administrative structures, technology, product or service, and the organization's history and culture.

He also identifies four key features of the substance of change which are the scale, its 'defining characteristics', its perceived centrality, and the timeframe of change initiatives.

The substance of change influences the scale of disruption to existing structures and jobs. The transition process may be slow and incremental, or rapid. In addition, managers can draw upon evidence from the context and substance of change to marshal support and to legitimate their own proposals through organizational political action. It's therefore the interaction between context, substance and political forces which shape the process of organizational change (Fruin, 1998).

The fourth step is communicating the change vision since the real power of a vision is unleashed only when most of those involved in an enterprise or activity have a common understanding of its goals and direction. That shared sense of a desirable future can help motivate and co-ordinate the kind of actions that create transformations. The fifth step is empowering broad-based action to empower a broad base of people to take action by removing as many barriers to the implementation of the change vision as possible at this point in the process. The biggest obstacles that often need to be attacked are structures, skills, systems and supervisors (Hannan and Freeman, 1984).

2.4 Strategic Change Management in an Organization

Considering the definition of strategic change, strategic change could be affected by the state of organization and its external environment. Because the performance of organization might dependent on the fit between organization and its external environment, the appearances of novel opportunities and threats in the external environment, in other words, the change of external environment, require organization to adapt to the external environments again. As a result, organizations would change their strategy in response to the environmental changes. The states of the organization will also affect the occurrence of strategic change. They 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 (Hannan and Freeman, 1984).

Ansoff and McDonnell (1990) defined strategic change as a shift in the product of services mix produced by the organization and/or the markets to which it is offered. This definition of strategy is further enriched by Porter when he came out with ideas on competitive advantage. Selection of an attractive product market position is strategy in which presently there is no competition and for the future an entry barrier can be created is a sought after strategic position. Therefore, strategic change occurs in different contexts and is based on the environment. The key objective of strategic change therefore is to enhance the competitiveness of the organization and continuous adaption of the organization to various environmental turbulence levels.

Strategic change is recognized as an important mechanism through which organization achieve realignment with the changes in their environment. Such changes in the environment include competitive changes technological, changes and social changes which occasionally pose threats to their continued survival and effectiveness. According to Rajagopalana and Speitzer, (1997) there has been a great deal of research on strategic changes as change in either business, corporate or collective strategy or change in strategy making norms or values. They also define strategic change (Ginsberg and Grant

1985) in terms of theoretical models that reflect the different views of driving forces and performance outcomes of change (consequences).

2.4.1 Strategic Change and Environment

Organizations must constantly be aligned with their environments by either reacting to external events or by proactively shaping the businesses in which they operate. Organizations must continuously engage in strategic renewal (De Wit and Meyer, 2004). This is the process of constantly enacting strategic change to remain in harmony with the external conations. These actions are therefore closely tied to the organizations environment.

Therefore organizations need to develop a strategy to respond to the environmental changes, Ansoff and McDonnell (1990) state that a organization's strategic response to the environment will be more timely and effective if capability is developed in conjunction with the new strategy which it will support. Strategic responsiveness can be institutionalized within an organization through a series of related measures which jointly protect strategic work from the operational, make the strategic work more effective, and create a change supporting climate within the organization.

Huczynski and Buchanan (2003) say that the source of change can be internal or external. It comes in form of a trigger of any disorganizing pressure either arising from outside or inside the organization. This indicates that current arrangements, systems, procedures, rules and other aspects of organization structure and process are no longer effective.

External triggers for organizational change can include developments in technology, developments in new materials, change in customers' requirements and tastes, the activities and innovations of competitors, new legislation and government policies, changing domestic and global economic and trading conditions, shifts in local, national and international politics and changes in social and cultural values.

ADKAR is a goal-oriented change management model that allows change management teams to focus their activities on specific business results. The model was initially used as a tool for determining if change management activities like communications and training were having the desired results during organizational change. The model has its origins in aligning traditional change management activities to a given result or goal (Hiatt and Creasey, 2003).

By identifying the required outcomes or goals of change management, ADKAR becomes a useful framework for change management teams in the planning and execution of their work. The goals or outcomes defined by ADKAR are sequential and cumulative. An individual must obtain each element in sequence in order for a change to be implemented and sustained. As a manager, you can use this model to identify gaps in your change management process and to provide effective coaching for your employees. The ADKAR model can be used to: diagnose employee resistance to change; help employees transition through the change process; create a successful action plan for personal and professional advancement during change; and develop a change management plan for your employees (Hiatt and Creasey, 2003).

The ADKAR model has the ability to identify why changes are not working and help you take the necessary steps to make the change successful. You will be able to break down the change into parts, understand where the change is failing and address that impact point. The ADKAR model was first published by Prosci in 1998 after research with more than 300 companies undergoing major change projects. In 2006, Prosci released the first complete text on the ADKAR model in Jeff Hiatt's book ADKAR: a model for change in business, government and our community. This model is intended to be a coaching tool to help employees through the change process. To use the ADKAR model effectively, you will need to understand the underlying framework for change initiatives. In the diagram below, change happens on two dimensions: the business dimension (vertical axis) and the people dimension (horizontal axis). Successful change happens when both dimensions of change occur simultaneously.

2.5 Change Management Process

Change management is a set of processes that is employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change (Mullins, 1995). One of the goals of change management is with regards to the human aspects of overcoming resistance to change in order for organizational members to buy into change and achieve the organization's goal of an orderly and effective transformation (Diefenbach, 2006a). 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.

The 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. There is much research reporting on implementation of change programmes where the resulting picture is far from a replica of discrete set of economic, structural and technological contingencies (Senge, 1990; Pettigrew et al., 1992).

Change processes are only successful if they fit a company's current culture. Traditions, norms and shared values within a company must be included the deliberations regarding the selection of a change program (McAuleyet al., 2000). Certain change processes cannot be executed in more bureaucratic cultures, while other types of processes simply are not compatible with team-oriented or innovative/ dynamic organizations (Hiatt and Creasey, 2003). In addition, the basic process of designing the program for a particular change should also account for a company's energy. Different types of change programs will be effective with companies characterized by comfortable inertia than for companies with other types of energy, such as change tiredness, high productive energy or resignative inertia (Butcher and Atkinson, 2001).

Management Decisions – Doing Change Right Once the question of which change program is right for a company at a particular point in time has been answered, the management must also systematically make decisions that will ensure that the change will be implemented successfully and have a permanent impact. Acceptance, attention, effective change agents as well as momentum and sustainability are all key in this regard (Mullins, 1999).Without these factors, change processes will not be put in motion, make headway only with great difficulty or have a fleeting or even negligible impact (Mullins, 1999).

Insufficient acceptance is often considered to be the major source of resistance within organizations and the key reason why change initiatives fail and persists to haunt even in future. Well thought-out acceptance within employers and employees is based on an approach that integrates everyone involved in a way that promotes commitment and desire to change. As organizations continue to experience changes even the slightest, management must ensure that employees see that the change process has priority, is beneficial, is permanently present and that key information is not lost within the chain. So key levers of attention management include effective branding, in-depth, personal, top management communication and demonstrative, regular monitoring (Grant, 2005).

One key factor for implementing change is having the right people to sell, implement, and drive the program from start to finish. One of the reasons change processes fail is because companies underestimate the importance of the individuals involved in the change and their interaction Jeff (2007). Change management loses momentum when a company does not address the issue of its own organizational energy. Organizational energy reflects the extent to which a company has mobilized its potential in pursuit of its goals Jeff (2007). Problems associated with energy during change manifest themselves as either insufficient urgency during the beginning phases of, a loss in momentum during or the reversal of positive impact after a change program. Change initiatives in turbulent environments are filled with unexpected transitions that managers must deal with to secure a change effort Chapman (2005).

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

The Change Management process seeks to identify, analyze, plan, implement, review and close change requests (Calori, 2000). During the change management process, an initiator would submit a change request. The priority of the change must be assessed to determine the impact and risk of the potential request. As a part of the analysis of the change request, factors that must be considered are technical feasibility and projected costs and benefits (Miles, 1999). The impact the change will have on the production environment, services offered to the user, and business reasons must be discussed and approved. This is usually done by a committee which has been established to review and disposition change requests.

The change is then planned and implemented (Buchanan and Badham, 1999). After the implementation of the approved change, follows a series of testing. The results must be captured to ensure all appropriate areas have been incorporated into development, as expected. For this implementation approach, it is crucial to capture a history of all activity performed to adequately document the change. This approach covers the process of implementing change in an organization and takes coordination from many functions to ensure the product has been improved, business reasons satisfied, and services offered to customers are acceptable (Paton and McCalman, 2000).

2.6 Challenges of Implementing Strategic Change

Implementing strategic changes can be tricky and difficult if there is no unison from individuals and team members willing to execute the vision and strategies for change. As listed below, the implementation problems presented show that if management and individuals are not enforcing corrective changes, the process itself will not be successful (Jick, 1999).

As processes and changes occur in an organization, the organization itself, and persons involved, whether its management and/or the individual are oftentimes not well prepared for major change. Stemmed from the difficulties that arise, if the problems are not evaluated, identified and monitored, the implementation of change will fail. By making change seem like a bounded, defined, controlled, and discrete process with guidelines for success, the writing on change misleads managers who will find the reality far more daunting than they expected. Rather than a controllable process, we find chaos

(Fornaciari *et al,* 2001). Jick (1999) further argued that organizations become more involved with change, management and individuals find ways to overcome the problems in finding the best way to implement change. This list suggests strategies that one can use.

Analyze the organization and its need for change - look at the company's history of changes (successes and failures), patterns of resistance and analyze the forces for and against change; Create a shared vision and common direction - this should reflect the values of the company; the vision should include the rationale, the benefits, and personal ramifications; Develop a non-threatening and preferably participative implementation process -skillfully present and craft an implementation plan, make information readily available; explain the benefits for end users; start small and simple; publicize successes; Support a strong leader role - the change advocate role is critical to create a vision, motivate employees to embrace that vision and craft a structure to reward those who strive toward realization of the vision;

Line up sponsorship - broad based support is important (both formal and informal support); identify target individuals and groups whose support is needed; define the critical mass of support needed; identify where each key player is on the continuum; Develop enabling structures - examples include pilot tests, off-site workshops, training programs, new reward systems, symbolic changes like redesigned work spaces; Communicate, involve people and be honest - not every change effort calls for full involvement, communication and disclosure but most do; where possible there should be meaningful dialogue that gives people a stake in the change, and Reinforce and institutionalize change - it is important to reinforce the change, reward those who take risks and incorporate the new behaviors.

In contrast to the rational-linear view embedded in the traditional approach to change, there are those who perceive change management as a systemic process incorporating systems of interpretation and meaning (Hassard, 1991; Knights and Willmott, 1995). This view is particularly important, as it emphasizes the social aspects of exchange through which the locus of knowledge and the understanding of "real" things is subjectively shared and shaped by individuals through conversation and dialogue. What is seen as real is made real through sense-making processes (Weick, 1995), and "the social world is best understood from the viewpoint of the participant-in-action" Hassard (1991); and in Hammond (1996) on "appreciative inquiry" where the organization is seen as a mystery to be embraced). In an empirical sense, this perception of change management reflects the management of processes through liberal exchange of knowledge, building of trust and acknowledgement of the heterogeneity in values, preferences and interests.

In spite of the attention that the management of change has received, organizations continue to have problems in managing organizational change and "the search for generalized laws of change still pervades the discipline" (Wilson, 1992). There is a gap between what the rational-linear change management approach prescribes and what change agents do. It is suggested in this paper that one possible source of this gap can be revealed by the way change agents perceive and interpret the issue. Hence, close attention is paid here to change agents' perceptions of the nature of the organizational change process.

A company's culture can be a major strength when it is consistent with the strategy and thus can be a powerful driving force in implementation. However, a culture can also prevent a company from meeting competitive threats or adapting to changing economic and social environments that a new strategy is designed to overcome. According to Johnson and Scholes, (2002), social processes can also create rigidities if an organization needs to change their strategy. Resistance to change may be legitimized by the cultural norms.

According to Pierce and Robinson (2003), a key concern of top management in implementing strategy, particularly if it involves a major change, is that the right managers are in the right positions for the new strategy. Confidence in the individuals occupying pivotal managerial positions is directly and positively collated with the top management's expectation that the strategy can be successfully executed. Some of the characteristics to look out for include ability and education, previous track record and experience, personality and temperament. These, combined with gut feeling and top managers' confidence in the individual, provide basis for this key decision. One practical consideration in making key managerial assignments when implementing strategy is whether to emphasize current (or promotable) executives, or bring in new personnel. This is obviously difficult, sensitive and a strategic issue.

According Johnson and Scholes (2002), within any organizational structure, what makes organizations work are the formal and informal organizational processes. These processes can be thought of as controls on the organizational operations and can therefore help or hinder the translation of strategy into action. Processes range from formal controls (systems, rules and procedures) through social controls (culture and routines) to self-controls (personal motivation of individuals). According to Pearce and Robinson (2003), the structure is not the only means of getting things organized to implement a strategy. Reward systems, planning procedures, information and budgetary systems are other examples that should be employed.

Persons involved in the implementation process should include: Change strategists - they participate in the early phase, help to identify the need for change, creates a vision of the desired outcome, decides what change is feasible, chooses who should sponsor and defend it; Change implementers - they manage the day to day process of change; respond to the vision from above and the responses from below, and *Change recipients* - they adopt and adapt to the change and determine whether the change will take hold. Implementation is both art and science. How a manager implements change can be almost as important as what the change is. Effective change involves listening to the various "voices" within the organization and to the requirements of a particular situation (Duck, 1998).

As organizations begin to implement change, we discover per various research findings how change affects the implementation stage and individual behavior. With the lack of support from employees and management, not being able to clearly define goals, and lacking in the technology/capabilities to implement change creates a counterproductive work environment that draws up detrimental issues. Such issues range from resistance to change, cultural change and unresolved issues. These issues, in addition to other complex problems, are further discussed in key factors affecting the change outcome.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was applied by this study. The chapter begins by discussing the design to be used. It is followed by target population, sample size and sampling procedure, data collection methods and procedures and finally data analysis and presentation of findings.

3.2 Research Design

This research was conducted through a case study. It sought to investigate the challenges of change management practices at Sukari SACCO in Kenya. A Case study was chosen as it enabled the researcher to have an in-depth understanding of the study. It is the most appropriate where a detailed analysis of a single unit of study is desired as it provides focused and detailed insight to phenomenon that may otherwise be unclear.

Case studies involve collecting empirical data, generally from one or a small number of cases. It usually provides rich detail about those cases, of a predominantly qualitative nature (Yin, 2004). Yin defines the case study research method as an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.

This was advocated by Young (1960) and Kothari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. It’s a method that drills down, rather than cast wide. The case study provides the researcher with in depth information, which assists in meeting the objectives of the study.

3.3 Data Collection

Primary data was collected for the purpose of this study. This was done using an interview guide. The interview guide was divided into two parts. The objective of the first part was getting the demographic information of the SACCO that was deemed relevant for the study. The second part of the interview guide was used to examine the challenges of implementing change management practices at Sukari SACCO. The study targeted the management of Sukari SACCO as they are deemed conversant with the strategic change management of Sukari SACCO.

The study focused on the employees of Sukari SACCO based at the head office in Mumias. All departments and functions of the Sukari SACCO were considered in the study in order to provide a reasonable level of breadth without sacrificing the depth and richness of the data (Eisenhardt, 2003). The General Manager,3 Board Members, 2 Supervisory Committee members ,Marketing Manager, Finance Accountant both BOSA and FOSA, Operation Manager and Credit Manager.

Secondary data were collected from the websites of the SACCO and the SACCO journals . Selected Sukari SACCO staff (management and subordinate), board members (new and old) was interviewed. Secondary data was obtained from the publications of Sukari SACCO.

When an instrument is valid, it truly reflects the concept that it must measure. However, an instrument cannot measure in a valid manner the attribute in each question it is varying, incoherent and inexact. For this study, face and content validity was applied. Face validity "is a rudimentary type of validity which basically ascertains whether the instrument gives the appearance of measuring the concept". It is an intuitive type of validity where researchers ask colleagues or a research expert to read the instrument and to evaluate the content in terms of whether it seems to reflect the concept that the researchers intend to measure (LoBiondo-Wood and Haber, 2002).

3.5 Data Analysis

Before processing the responses, the completed interview guide was edited for completeness and consistency. The data was then coded to enable the responses to be grouped into various categories. Content analysis was used to analyze the data as it was qualitative in nature. Content analysis is a research tool focused on the actual content. It is used to determine the presence of certain words, concepts, characters, or sentences within texts or sets of texts and to quantify this presence in an objective manner. Texts can be defined broadly as interviews, discussions, historical documents, conversations, informal conversation, or really any occurrence of communicative language (Kothari, 1990).

Data collected were purely qualitative and was analyzed by Content analysis. Using the content analysis it supported in bringing the researcher to an understanding of a complex issue or object or added strength to what was already known through previous research (Hamel *et al,* 2003). According to Eisenhardt , it emphasized detailed contextual analysis of a limited number of events or conditions and their relationships (Eisenhardt, 2003). Social scientists, in particular, have made wide use of this qualitative research method to examine contemporary real-life situations and provide the basis for the application of ideas and extension of methods (Miles and Huberman, 2004). The texts were coded and categorized as per the interview guide questions, examined the results which were used to make inferences about the responds as per the questions /interview guide tool.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on the challenges facing the implementation of strategic change management practices in Sukari SACCO. In-depth information was gathered from selected Sukari SACCO staff and this included the General Manager, 3 Board Members, 2 Supervisory Committee members, Marketing Manager, Finance Accountant BOSA and FOSA, Operation Manager and Credit Manager. Secondary data was collected from the websites of the SACCO, journals and relevant texts.

Since all the staffs interviewed were based at the Sukari SACCO offices in Mumias, they received the questionnaires through hand delivery. A letter of introduction, stating the purpose of the study was attached to each questionnaire. In addition, the researcher made telephone calls to the respective respondents to further explain the purpose of the study and set a time frame for the completion of the questionnaires. Once completed, the researcher personally collected the questionnaires from respondents. In addition, personal face to face and telephone interviews was conducted and the heads of departments, aided by an interview schedule. In this case the researcher was able to obtain additional information to corroborate findings from the questionnaire.

The whole data collection exercise took 12 days, each respondent a day. Two weeks were used for data analysis. The response rate was 100% because the senior acting Managing Director had explained to the respective staff the need for the assignment and the value it will assist the institution.

4.3 Challenges of Implementing Strategic Change at Sukari SACCO

The following paragraphs discuss the findings of the study.

On the question of how long has the SACCO been in existence, the respondents indicated that the SACCO had been in existence for the last 39 years.

On the question of Which external factors have contributed more to the changes that have been experienced in the company, the respondents indicated that institutional affiliation to apex organizations, strong brand names, support and prompt remittances from Mumias Sugar Company, Salaried Membership hence case of loan recovery, government regulations and SASRA(SACCO Society Regulatory Authority) requirements, completion in the financial sector, entry of other market players in the market, political influence, economic meltdown leading to default of the loans.

On the question of who implements the strategic change in this organization and how is the implementation of the change carried out, the respondents is implemented by the management by the management in conjunction with the board of directors. It entails the development of a strategic plan through market research which is deliberated by the board. At first the problem is identified, discussed analyzed and its outcome is expected through cost benefit then it's recommended for implementation. The strategic plan is reviewed periodically. The central management committee which comprises of nine members elected from the three member supervising committee.

4.3.1 Challenges to Effective Implementation of Organizational Change Management

The study sought to find out how the organizations have aligned itself with the environment; the respondents indicated that by providing timely services and innovative product. Through provision of products and services, through corporate social responsibility. Through coordinating market survey periodically and by introduction of pocket friendly interest rates.

On the question of which are the processes that are employed to ensure significant changes are implemented in an orderly manner, the respondents indicated that by having a well-planned strategic change process where milestone are set out with specific timelines. Through adoption of an effective and up to date systems. Also by measuring strategic change by time frame set specific objectives and targets are set and a review of progress from goals achieved. Teamwork, capacity building, good corporate governance, effective communication, marketing and resource mobilization are put in place.

The study sought to find out how the SACCO goes about implementing the strategic change management towards environment. The respondents indicated that the SACCO embraces professionalism and corporate social responsibility as Sukari SACCO operates as a responsible corporate entity hence addressing interests of the community environment by involving stakeholders at all levels to manage the challenges and also by training its employees frequently and the product appraisals. On the question of how the strategic change that has taken place at Sukari SACCO can be describe the respondents indicated that the strategic change is long and slow but successful since it has taken the SACCO long to be fully implemented. Others have said that it has taken long but it has been successful.

The study sought to find out what are the benefits of strategic change management in the SACCO the respondents indicated that among the benefits include reduction in operational costs, enhanced revenue base, increased institutional capital, enhanced service delivery framework and improved brand visibility. There is also efficient resource utilization helped in maintaining and improving market position. It has assisted in increasing lending capacity with low risk exposure.

On the question of which factors favor the strategic change processes in the SACCO the respondents indicated that among the many factors, Government regulation is one of the factors which provides fair playing field thereby ensuring fair and objective competitive practices. Vibrant board of directors and Updated computer systems and computer system were also seen as the factors which favor the strategic change processes in the Sacco.

On the factors that inhibit the strategic change process the respondents included among others political influence, competition from other financial institutions, high cost of insurance premium, resistance to change by the staff and directors and Funding/ resources limitation. On the question of what are the major outcomes of strategic change management. Cost saving, efficiency in service delivery, increase in business volume, increased lending with high performing loans, healthy competition and increase in profits. The study sought to find out what are the major successes of this strategic change management process the respondents indicated that Informed decision making, efficient service delivery, expansion of the SACCO in business, improved management. Members get informed through loans lent because they can carry out various development plans.

4.3.2 Challenges of the External

The study sought to find out how the organization is currently responding to changing environment the respondents said that the SACCO is improving service delivery while developing new products to meet the changing needs and keep up with the competition, education members to be risk takers and innovative also improving service delivery to members. Undertaking regular customer satisfaction surveys. On the question of how the strategic change management practices affected by the firm structure the respondents indicated that firm structure at times hinders change due to the bureaucracy it portrays. Flow of information and decision making are also affected by the firm structure. Flow of information and decision making also affects the SACCO.

The study sought to find out how leadership influences the strategic change management at Sukari SACCO. The respondents indicated that Leadership provides directions. Undertakes evaluation to ensure change in management takes place as planned. It also interferes with implementation. Lacks of exposure from directors have adversely affected effective change. In effective leadership still remains a challenge.

On the question of the challenges experienced in strategic change management at Sukari SACCO the respondents indicated that there was Change resistance by employees, lack of proper education/training on need for change and results of change and Resource limitations. On whether the organizations have a clear vision while implementing strategic change management practices in the SACCO? The respondents indicated that the organization currently has a five year strategic plan which envisions the change to be achieved by the year 2015. On whether employee adaptability affects change management in the institution? The respondents indicated that Employees are the key factors to manage change which failure to which or lack of understanding it tend to be slow and difficult. The human resource component is key in driving our goals.

The study sought to find out whether employees resist implementation of change within the institution? The respondents indicated that it was not on a very large scale since with time they start accepting the new strategies. On how the challenges of employee resistance were addressed within the institution, the respondents indicated that they were addressed through Training. The management engages employees to understand the causes and address such concerns to pave way for change. Board meetings are also called to address the issues of resistance to change. Strict adherence to human resource policy guidelines is emphasized. On whether the organization culture affected change management in the SACCO respondents indicated that it plays a big role since the practices are borrowed heavily from the Mumias sugar company and have been entrenched overtime.

The study sought to find out whether the institution's culture is consistent with the change management strategy the respondents indicated that it is sometimes not consistent. Regulatory requirements have made change process from institution culture. On the question whether the institution's structure provides overall framework for strategy implementation the respondents indicated that the process, systems and structures have been aligned to strategy implementation.

The organization structure guides the flow of information, responsibility and accountability. On the question whether the SACCO’s mission, strategy and key long term objectives influence the goals and values of its management? Most of the respondents agreed with the statement to a greater extend. On whether managerial abilities, education background and experience affected change management implementation, the respondents indicated that the level of education, management and people skills. Lack of adequate professional skills affected effective implementation.

The study sought to find out whether system incompatibility pose a challenge to change management in your institution the respondents said that the system must facilitate the changing process and this is not always easy. The study sought to find whether in the respondents’ opinion, what are the external factors that have contributed more to the changes that have been experienced in the institution the respondents indicated that

Competition from other financial institutions, Government regulation (SASRA) and changing customer preferences.

Finally the study sought to find out which are the possible solutions to the challenges of change management in the institution the respondents indicated that Training and involvement of all stakeholders and review of budgetary allocation as some of the possible solutions to the challenges of change management in the Sacco.

4.4 Discussion

Organizations must constantly be aligned with their environments by either reacting to external events or by proactively shaping the businesses in which they operate. Organizations must continuously engage in strategic renewal (De Wit and Meyer, 2004). This is the process of constantly enacting strategic change to remain in harmony with the external conations. These actions are therefore closely tied to the organizations environment. This was also connected to the respondents as they indicated that by providing timely services and innovative product through provision of products and services, through corporate social responsibility and through coordinating market survey periodically and by introduction of pocket friendly interest rates.

Huczynski and Buchanan (2003) say that the source of change can be internal or external. It comes in form of a trigger of any disorganizing pressure either arising from outside or inside the organization. This indicates that current arrangements, systems, procedures, rules and other aspects of organization structure and process are no longer effective. The factors that inhibit the strategic change process the respondents included among others political influence, competition from other financial institutions, high cost of insurance premium and external insurance, Resistance to change by the staff and directors and Funding/ resources limitation.

According to Pierce and Robinson (2003), a key concern of top management in implementing strategy, particularly if it involves a major change, is that the right managers are in the right positions for the new strategy. Confidence in the individuals occupying pivotal managerial positions is directly and positively collated with the top management's expectation that the strategy can be successfully executed. Leadership influences the strategic change management at Sukari SACCO. The respondents indicated that Leadership provides directions, undertakes evaluation to ensure change in management takes place as planned. It also interferes with implementation. Lacks of exposure from directors have adversely affected effective change. In effective leadership still remains a challenge.

Change processes are successful if they fit a company's current culture. Traditions, norms and shared values within a company must include the deliberations regarding the selection of a change program (McCauley al., 2000). At Sukari SACCO, the culture is sometimes not consistent. Regulatory requirements have made change process from institution culture. One key factor for implementing change is having the right people to sell, implement, and drive the program from start to finish. One of the reasons change processes fail is because companies underestimate the importance of the individuals involved in the change and their interaction Jeff (2007). At Sukari SACCO the following have been the hindrance to change: Competition from other financial institutions, Government regulation (SASRA) and changing customer preferences.

CHAPTER FIVE

SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and it also gives the conclusions and recommendations of the study based on the objectives of the study. The study objectives were to identify the extent to which strategic change management practices have been adopted in Sukari SACCO and determine the challenges facing implementation of strategic change management practices in Sukari SACCO.

5.2 Summary of the Findings

The study aimed at identifying the extent to which strategic change management practices have been adopted in Sukari SACCO and to determine the challenges facing implementation of strategic change management practices in Sukari SACCO.

5.2.1 Challenges Facing Implementation of Strategic Change Management Practices

The study found that factors that inhibit the strategic change process the respondents included among others Political influence, competition from other financial institutions, high cost of insurance premium and external insurance, Resistance to change by the staff and directors and Funding/ resources limitation .The management is aware of this fact and explained that finances are a major constraint to the realisation of the strategic objectives. While resource constraint is not uncommon in many strategic plans, a financial plan emphasizing on the sources of funds is a critical part of the strategic plan. It is worth noting that the operating budget estimates in their strategic plan addresses only expenditure but is quiet on how the plan will be funded.

On the question of what are the major outcomes of strategic change management. Cost saving, efficiency in service delivery, increase in business volume, increased lending with high performing loans, healthy competition and increase in profits. The study sought to find out what are the major successes of this strategic change management process the respondents indicated that Informed decision making, efficient service delivery, expansion of the SACCO in business, improved management. Members get informed through loans lent because they can carry out various development plans.

Some of the observations made were that Sukari SACCO has developed a number of products to address the diversified needs of its membership. However the performance of some of the products suggests that the demand and uptake of the products is low. Low demand of products could mean that they do not adequately address the needs of the members or that members do not have adequate product information.

Competitors such as Cooperative Bank are aggressively marketing their products and therefore attracting a section of their members. The entrance of Equity Bank whose model is to reach to low income earners should be a concern to the society. Over and above attracting new members, the society will also be required to retain the existing ones. It will therefore need to improve its liquidity position through aggressive savings mobilization. Also, the society needs to reduce loan processing time and improve on customer service. The society is currently enjoying a good image in the market and it has the potential of attracting new members by capitalizing on this image through properly coordinated marketing activities and messages that would enhance its image in the market. If the society can successfully capitalize on its image by stepping up its marketing activities it will be able to counter some of its challenges and therefore achieve its desired position in the market.

It was found that was not on a very large scale since with time they start accepting the new strategies. The respondents indicated that Leadership provides directions. Undertakes evaluation to ensure change in management takes place as planned. It also interferes with implementation. Lacks of exposure from directors have adversely affected effective change. In effective leadership still remains a challenge.

The supreme authority of the Society is vested in the Annual General Meeting (AGM), which constitutes the BOSA members of the SACCO. The Board of nine (9) Directors elected at the AGM is the governing authority, responsible for directing the affairs of the Society. A Board members’ tenure is limited to 2 terms of 3 years each. All the nine Board members are employees of MSC and comprise seven men and two women. The dominance by employees of MSC is because under the current Bylaws, the FOSA members have no voting rights and therefore cannot participate in the AGMs. In line with Cooperatives Act, Sukari SACCO has a supervisory committee, which is responsible for SACCO regulatory compliance, internal controls and oversight. It is also responsible for the truth and accuracy of the Society’s administrative practices and to ensure that procedures are adequate to safeguard members’ and the institution’s rights and interests.

The society does not have an elaborate staff development programme. However, they send their staff for training according to their work requirements. Where necessary the employees attend trainings organised by Cooperative Bank and KUSCCO. The Board reviews the remuneration of the staff every year. This review is also pegged to the financial performance of the society in the preceding year. Staff appraisals are done at the end of the year. However, the management staff indicated that staff appraisal for unionasable staff is difficult because it is usually done under the Collective Bargaining Agreement (CBA).

In November 2006, the SACCO acquired FinE-xtreme system from Lanstar Technologies which is developed using MySQL and resides on Linux. The system integrates both the front and the back office operations and is far much more reliable than the previous systems in use and much more user friendly to the users. The system is still relatively new in the SACCO and some areas are still being fine-tuned. The SACCO does not have an I.T policy. This document is very necessary in a computerized environment as it would clearly define what staff can and can't do with the SACCO’s equipment, and ensure that the use of computers is in line with the SACCO's policy. Staff can feel secure and comfortable in the knowledge they are operating within safe guidelines while the

SACCO protects their I.T investment by ensuring correct operation of the equipment by staff.

5.3 Conclusion

The study concludes that among the benefits include reduction in operational costs, enhanced revenue base, increased institutional capital, enhanced service delivery framework and improved brand visibility. There is also efficient resource utilization which helped in maintaining and improving market position. Government regulation was seen as one of the factors which provides fair playing field thereby ensuring fair and objective competitive practices. Vibrant board of directors and Updated computer systems and computer system were also seen as the factors which favor the strategic change processes in the SACCO. Sukari has been able to cultivate a trusting and friendly relationship with its members over time. The members regard it as both a financial and social institution because, according to staff interviewed the society understands their needs. Also, they have a sense of ownership, which creates loyalty because the society is a user-owned and managed institution. Competitors such as Cooperative Bank are aggressively marketing their products and therefore attracting a section of their members. The entrance of Equity Bank whose model is to reach to low income earners should be a concern to the society. This will particularly be an issue as the society endeavours to retain and attract the outgrowers and business people in the region.

The study also concludes that by having a well planned strategic change process where milestone are set out with specific timelines, adoption of an effective and up to date systems. measuring strategic change by time frame set specific objectives and targets and review of progress from goals achieved, teamwork, capacity building, good corporate governance, effective communication, marketing and resource mobilization if put in place will support Sukari SACCO in managing and implementing strategic changes in an effectively way with focus on adapting to the dynamic environmental changes .

The society has a comprehensive strategic plan. However, the strategic plan is not tied to a business plan. A business plan shows financial performance and projections versus the strategic objectives and goals of the society. A business plan takes into account, the realistic situation in the SACCO and therefore outlines objectives. The success of a strategic plan for a business entity is measured by the impact it has on the financial standing of the institution. It is therefore imperative that the management of Sukari SACCO completes the strategic plan and incorporates a business plan to monitor the financial results over the planned period. The already formulated strategy plan , need to focus on a comprehensive holistic inclusion of the staff in the implementation An approach where the activity is carried out through a staff committee facilitated by an external consultant would be more appropriate. The staff committee would then report to the Board sub-committees on a monthly basis. The Board would then study the policy proposals and give directions for amendments as necessary. This would hasten the process thereby laying the policy framework for the fast growth the Society is experiencing.

On the factors that inhibit the strategic change process among others Political influence, competition from other financial institutions, high cost of insurance premium and external insurance, Resistance to change by the staff and directors and Funding/ resources limitation. While the Society may not have the funds and capital base required to effectively compete with commercial banks, continued aggressive deposit mobilisation will assist the society to get cheap funds for lending and hence improve the net income and the operations of the SACCO.

5.4 Recommendations

The study recommends that the management should ensure that they employ and deploy qualified and competent individuals. Also the study recommends that Sukari SACCO should employ monitoring/supervision mechanism, also allocate enough funds to allow project completion especially on implementation of strategic plans. This will go a long way in improving the services to Sukari SACCO by improving its image. The society needs to study its market with a view of reviewing these products so as to make them more attractive to the target markets. However, the current product offering, (especially credit products) have excluded the sugarcane outgrowers. The society needs to realise that the sugar cane outgrowers present an opportunity for the society and therefore there is need for it to develop products for this market segment.

There is a need in the development of a funding strategy when developing any strategy which will compel the management to know how much is available internally and what options are available to finance critical activities.

The study also recommends that Sukari SACCO should embark on staff improvement through training and offering conducive environment for their work to improve their productivity which in turn will win support from the staff and thus make strategic change implementation a reality in Sukari SACCO.

Another recommendation that Sukari need to observe in their strategic implementation plan is the open ended completion date for most of the activities. There is a principle in management that states that work expands to fill time available for completion. This is to say that without clear cut off date for an activity there is a tendency for persons responsible not to recognize the urgency of an activity. In such a situation, the management is likely to focus their energies and efforts on routine activities which tend to affect the short term operating results.

Assigning responsibility for various activities in the strategic plan is an important part of a monitoring and evaluation system for the strategic objectives. It enables the board to monitor progress of the strategic plan and hold the general manager and his team accountable. The implementation plan shows that the board and manager are responsible for most of the activities. While it is important for the board to keep tabs on the implementation, its involvement in the implementation may cause delays because the board does not have much time to work out the details and implement them. Hence, best practices suggest that the board delegate the implementation activities (especially the operational ones) to staff.

The competitive advantage of the society is the ability to respond to the needs of members within a short period of time; however this competitive advantage is not clearly defined and has not been discussed within the SACCO. The society need to continuously develop its products by conducting thorough market research so as to understand and meet member needs.

5.5 Suggestions for Further Studies

The study was only carried out in the Sukari SACCO thus the same study should be carried out in the other Saccos to find out if the same results will be obtained. Strategic change management is also in other industries. The study focused on SACCO industry thus a further study need to be carried out in other Micro finance institutions to enhance more understanding in this area of strategy.

5.6 Suggestions for Policy and Practice

The study will facilitate the policy makers in institutions to be aware of specific needs in the strategy implementation such as communication, coordination, planning and staff motivations. The findings of the study will be beneficial to the SACCO industry in implementing superior policies that will enhance customers service and hence more penetration of the market. Effective policies will give direction and guidelines on how an institution should be run and adapt to changes within their environment including continuity, uniformity and certainty on the SACCO’s operations.

The study will also assist stakeholders and interested parties in understanding the challenges facing the implementation of strategic change management practices in Sukari SACCO.

5.7 Limitations

There is a serious dearth of secondary and reliable statistics-based information on the challenges of implementing strategic change from SACCOs, given the initial non regulatory, few SACCOs have been able to focus on strategic changes and its challenges to the SACCOs staff. The most critical gap found during the study was lack of information, data on previous interventions by any SACCO including the Ministry of Cooperative and Marketing.

The Board Members interviews were new and they seems not aware of any strategic plan the SACCO had undertaken and we had to take them through the whole process including presenting the strategic plan which was developed by the SACCO in 2005 and this took more time than anticipated during the interview.

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APPENDICES

APPENDIX 1

INTERVIEW GUIDE

The information provided here will be used solely for academic purposes and will be treated with maximum confidentiality.

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PART A: Demographic Information.

1. For how long has the SACCO been in existence?
2. Which external factors have contributed more to the changes that have been experienced in the company?
3. Who implements the strategic change in this organization? How is the implementation of the change carried out?

Part B: Challenges to effective implementation of Organizational Change Management

1. How does the organization align itself with the environment
2. Which are the processes that are employed to ensure significant changes are implemented in an orderly manner?
3. How does your SACCO go about implementing the strategic change management towards environment?
4. How would you describe the strategic change that has taken place at Sukari SACCO?
5. What are the benefits of strategic change management in the SACCO?
6. Which factors favor the strategic change processes in your organization?
7. Which factors inhibit the strategic change process?
8. What are the major outcomes of strategic change management?
9. What are the major successes of this strategic change management process?
10. How is the organization currently responding to changing environment?
11. How are the strategic change management practices affected by the firm structure?
12. How does leadership influence the strategic change management at Sukari SACCO?
13. Which are the challenges experienced in strategic change management at Sukari SACCO?
14. Does your organization have a clear vision while implementing strategic change management practices in the SACCO?

15. Does employee adaptability affect change management in your institution?
16. Do employees resist implementation of change within the institution?
17. How are the challenges of employee resistance addressed within the institution?
18. Does organization culture affect change management in your institution?
19. The institution's culture is consistent with the change management strategy
20. The institution's structure provides overall framework for strategy implementation
21. Do your organization's mission, strategy and key long term objectives influence the goals and values of its management? To what extent do you agree with the statement?
22. Does managerial abilities, education background and experience affect change management implementation? Yes/no? If yes explain how.
23. Does system incompatibility pose a challenge to change management in your institution?
24. In your opinion, what are the external factors that have contributed more to the changes that have been experienced in the institution?
25. Which are the possible solutions to the challenges of change management in the institution?

THANK YOU FOR PARTICIPATION!!!