

STRATEGIC CHANGE MANAGEMENT AT ENERGY REGULATORY COMMISSION OF KENYA

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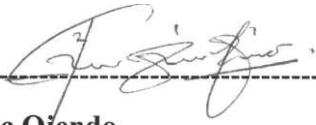
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t O V V s l K K A i

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DECLARATION


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

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Date 10.11.09-----

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

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CHAPTER ONE: INTRODUCTION

1.1 Background

1.1.1 Change Management

Change management, whether in the private or public sector is a daunting exercise and it is important to properly manage strategic change in organizations since it impacts on performance. Bracker (1980) argued that the word strategy comes from the Greek stratego, meaning "to plan the destruction of one's enemies through effective use of resources". The concept remained a military one until the nineteenth century when it began to be applied to the business world, though most writers believe the actual process by which this took place is untraceable (Bracker 1980; Chandler, 1962). Chandler (1962) put forward the view that emergence of strategy in civilian organization life resulted from an awareness of the opportunities and needs - created by changing population, income and technology - to employ existing or expanding resources more profitably.

According to Mintzberg et al (1998b), there are five main and interrelated definitions of strategy: a plan, which involves some form of consciously-intended course of action which is created ahead of events; ploy, a manoeuvre to outwit an opponent; pattern, where after an event, an organization acts in a consistent manner over time; a position, which involves positioning the organization in order to achieve or maintain a sustainable competitive advantage; and a perspective, an abstract concept that exists primarily in people's minds. Experts have proposed various approaches to change management. Predominant among these are planned and emergent approach. They argue that the planned approach, which has been popular till the 1980's view organizational change as a process of moving an organization from one fixed state to another through a series of pre-planned steps. The emergent approach views change as a continuous open-ended and unpredictable process of aligning and re-aligning an organization to the environment.

Burnes (2004) observes that, given the rise and fall of industries and technologies over the last two decades, organizations and society at large are in a period of rapid and unprecedented change, a period where old certainties no longer hold good, and new ones are yet to emerge. An alternative view is that the pace and uncertainty of change varies from company to company, industry to industry, and even country to

country. As a consequence, at any one point in time, some organizations will be experiencing extreme turbulence whilst others appear to operate in a relatively stable environment. However, the pertinent issue is how organizations can cope with both the turbulent environment in which they operate, and the constraints, challenges and threats they face.

Philip Selznick (1957) introduced the idea of matching the organization's internal factors with external environmental circumstances. This core idea was developed into what we now call SWOT analysis by Learned, Andrews, and others at the Harvard Business School General Management Group. Strengths and weaknesses of the firm are assessed in light of the opportunities and threats from the business environment. Igor Ansoff built on Chandler's work by adding a range of strategic concepts and inventing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification strategies. He felt that management could use these strategies to systematically prepare for future opportunities and challenges. In his classic *Corporate strategy* (1965) he developed the "gap analysis" still used today in which we must understand the gap between where we are currently and where we would like to be, then develop what he called "gap reducing actions".

De Wit and Meyer (1999) linked strategic change in an organization to uncertainty. Kenny (2001) identified the degree of uncertainty and the scope of strategic projects as key elements of the impact they have on an organization. Rogers (1995) claimed that innovation brings with it uncertainty. Projects resulting from the implementation of a radical strategic direction in an organization may well involve change and innovation, but certainly will involve high levels of uncertainty. De Wit and Meyer (1999) identify two types of strategic change, 'evolutionary' and 'revolutionary'. They point out that "when well managed major organizations make significant changes in strategy" the processes used are "typically fragmented, evolutionary and largely intuitive". In their view, the strategy evolves and the formal planning process is just "one-building block in a continuous stream of events". They maintain the normal process for the development of strategy is a process which they call "logical incrementalism" by which the executives of an organisation will broadly outline the

strategic directions, but delay committing to detail until as late as possible, recognizing the complexity of reality.

Nauheimer (2005) described change management as the process, tools and techniques to manage the people-side of change processes, to achieve the required outcomes, and to realize the change effectively within the individual change agent the inner team, and the wider system. There are a multitude of concepts on Change Management and it is very difficult to distil a common denominator from all the sources that are applying the phrase to their mental maps of organizational development. But obviously there is a tight connection with the concept of learning organizations. Only if organizations and individuals within organizations learn, they will be able to master a positive change. In other words, change is the result from an organizational learning process that centres around the questions: 'In order to sustain and grow as an organization and as individuals within; what are the procedures, what is the know-how we need to maintain and where do we need to change?', and, 'How can we manage a change, that is in harmony with the values we hold as individuals and as organizations?'

1.1.2 The Energy Sector in Kenya

Kenya's energy sector is one of the most important sectors in the country. During the 2006/07 fiscal year, Kenya Power and Lighting Company (KPLC) and Kenya Electricity Generation Company (KenGen), Kenya's main power utility companies, contributed KShs 3.2 billion in taxes. This was equivalent to 6% of tourism earnings, Kenya's number one foreign exchange earner. Wood fuel is the most prevalent source of energy but it plays a limited role in the modern commercial and transport sub-sectors. It accounts for approximately 70% of total energy demand (Bhushan, 2000). Petroleum is the next most important energy source and accounts for about 26% of the total energy demand, but accounts for 86% of modern energy sector demand.

Kenya has no exploitable oil reserves, and imports all of its petroleum (Bhushan, 2000). Ethanol use accounts for just under 1% of Kenya's energy requirement. It was produced as a by-product of sugar refining in Western Kenya and used for blending with petrol. Since only a small quantity was produced, it was consumed only in Nairobi and nearby areas (Karekezi and Mutiso, 2000). Ethanol is no longer used in

fuel blends but is exported. World market prices are now more attractive. Electricity accounts for about 8% of total national energy demand. The bulk of electricity in Kenya is generated from hydro. National electricity consumption has been growing steadily. This rise in consumption can be attributed to the increase in demand for electricity in the small-scale enterprise and domestic sectors (Bhushan, 2000). Stagnation in investments in new generation and transmission capacity has resulted in significant mis-match of demand and supply of electricity. The situation is critical especially during dry seasons, because the Kenyan power system is largely hydropower based.

In the global arena, over the last two decades, global power sector restructuring and reforms have been driven by the desire to mobilise investment resources to match rising demand from electricity. This demand called for increase in production and distribution of electricity as well as improvement in the quality of electricity service to consumers. Most countries have encouraged rapid growth in private sector participation in the power industry matched by a corresponding decline in public sector investments.

In a few countries, almost complete divestiture of the power assets has taken place. In some countries, governments legitimized their monopoly involvement in the power sector by legislating state enterprises as the sole producers, suppliers and distributors of electricity, thus effectively locking out private sector participation from this commercial infrastructure. Policies existed in many countries, which regarded the power sector as a strategic infrastructure that could best serve national interests if owned and managed by governments. These have changed. For this reason, reforms in the power sector have been accompanied by reforms in the legal and regulatory frameworks, which hitherto governed the sector.

The thrust of reforms in the electric power sector consists of privatisation and deregulation. Privatisation in its widest sense refers to private sector participation and includes management contracts, leasing concessions and finally, divestiture. Deregulation on the other hand relates to changes in the organisational structure and the market mechanism of the regulatory regime. Removal of monopoly status, market entry by new economic operators and determination of tariffs through market

mechanisms reflect, to a large extent, deregulation of a power sector. Absolute deregulation of the power sector has not been witnessed in most countries and where it exists, it is maintained with some form of regulation in order to create order and remove any elements of monopolistic behaviour.

Generally, the long lasting reform process starts with legal and institutional reforms that include unbundling, if deemed necessary. This is followed by liberalisation and re-regulation of any activities that cannot be fully liberated due to their monopolistic nature. Different countries have pursued different reform options. The USA, for example, first enacted market entry reforms which facilitated independent power producers (IPPs) to sell their generated power to utilities through the introduction of a 1978 legislation- the Public Utilities Regulatory Policy Act. It is worth noting that in California where there are still controls, there have been serious power supply deficits as few investors were prepared to develop new generation capacity.

Through the instigation of donors (bilateral and multilateral institutions), developing countries have since the 1980s continued to undertake power reforms to enhance the techno-economic efficiency of their electricity industry (Sunding,1996). Such reforms have included tariff adjustments to reflect economic cost of electricity delivery and right sizing of utilities to free up more resources and privatisation of non-core activities. Reforms implemented in some Latin American countries such as Chile, Peru, Argentina, Columbia and Bolivia, have gone beyond improved financial management of utilities. In these countries, vertically integrated utilities have been unbundled into separate generation, transmission and distribution entities and then privatised either partially or fully. Other reforms also introduced in these countries include allowing competition in bulk power supply, direct access to large retail consumers by power generation companies, introduction of spot markets for power, and dispatch of power based on short-run marginal cost merit order.

Reforms in the Eastern and Southern African region have, in comparison, a long way to go to reach the levels witnessed in Latin America and elsewhere, particularly in the developed economies such as Great Britain and the USA. South Africa, Uganda, Zambia, Kenya and Malawi have established electricity regulatory bodies that are in charge of regulatory functions previously performed by their respective ministries

(Mugenyzi et al, 1998; Chiwaya, 1999; Ntsaba, 2001). Uganda has gone a step further to legislate a new law, which has, inter alia, removed the monopoly status legally accorded to the Uganda Electricity Board (UEB), which has now been unbundled into separate generation, transmission and a number of distribution companies, all of which are to be privatised (Bidasala, 2001).

In Uganda, Tanzania, Zambia and Zimbabwe, electricity generation has been liberalized and this policy reform has led to private sector participation in all the four countries (Marandu and Katyega, 1998; Dube, 1998; Bhagavan, 1999; Turkson, 2000). In South Africa, the only key reform, which has been put in place, is the creation of a power sector regulator in 1995, under the Electricity Act number 41 (Ntsaba, 2001). South Africa's power utility, Eskom, is vertically integrated and is virtually a monopoly, even though there have been policy pronouncements that it will undergo some unbundling. It is worth noting here that in South Africa, there are 429 other power distributors, but despite their large number they are dwarfed by Eskom, which dominates the electricity industry. A Southern Africa power pool has been in operation for some time and connects South Africa, with Eskom as the dominant economic operator, to neighbouring Zimbabwe, Zambia, Mozambique, Democratic Republic of Congo, Botswana and Namibia. Tanzania and Kenya are also planning to connect their grids to the Southern Africa Power Pool largely to access surplus power from the South during periods of drought, which in year 2000 sharply affected economic activities of countries in East Africa.

Privatisation of power utilities in all these countries has so far not been done, despite policy statements by their respective governments of plans to off-load their interests to the private sector. In other sectors of the economy where privatisation is being pursued, the preferred option has been to take on board "strategic partners" to provide the capital needed for expansion. This is in addition to paying agreed amounts to governments for equity participation, an arrangement that has not been successful, due to its slow pace and poor performance.

In Kenya, reforms have been undertaken largely due to the pressure from the donor community, which insists that reforms are a prerequisite for development assistance to the power sector. As the Kenyan government continued to seek further development

aid from the World Bank, more power sector oriented conditions were introduced covering electricity tariffs and rationalisation of the public sector electric power players. On the tariff front, the requirements in the late 1970s and early 1980s for tariff increases were to ensure that revenues of the power industry before taxation provided a rate of return on re-valued assets of at least 8% p.a.

The Bank also recommended rationalisation of ministerial responsibilities over the development of the power sector since at that time there were two ministries overseeing development of electricity generation projects, i.e. the Ministry of Energy and the Ministry of Regional Development, Science and Technology. In addition, there were six state parastatals involved in power development. Rationalisation was effected in 1983 with the merger of the Ministry of Energy and Regional Development. This new ministerial structure was in place until 1988 when the Ministry was once again split into two ministries; Energy and Regional Development, thus creating, once more, a ministerial conflict in terms of policy formulation on electric power development. The World Bank once more called for the power sector rationalisation in terms of policy formulation and project developments.

Prior to 1996, there were six parastatal organisations involved in electric power generation, transmission and distribution. Rationalisation of parastatal organisations, involved in electric power supply led to the creation of two public sector companies; one for generation and another for transmission and distribution. All generation assets were placed under the state-owned Kenya Electricity Generating Company (KenGen) and transmission and distribution assets under the Kenya Power and Lighting Company (KPLC) in which the state has majority shareholding. Liberalisation of electric power generation started in 1996, and this has now seen market entry by four independent power producers (IPPs). Further reforms involved right sizing of KPLC's personnel establishment.

1.1.3 Energy Regulatory Commission

Energy Regulatory Commission was previously Electricity Regulatory Board. The Electricity Regulatory Board was established under Section 119 of the Electric Power Act, 1997 which also stipulated the composition of the membership of the decision-making body, the Board. Its objective was of regulating the generation, transmission,

distribution and use of electrical energy in Kenya. In this regard it was mandated to issue licences in the Electric Power Sub-Sector, to ensure provision of adequate, reliable and sustainable electricity for developing the Nation.

In accordance with the Act, Electricity Regulatory Board was an industry-specific regulatory body and therefore had potential to provide industry-specific expertise and focus. The Board members (seven in number) were appointed by the Minister of Energy. The Board of Electricity Regulatory Board was comprised of the Chairman (appointed by His Excellency, the President of the Republic of Kenya), the Permanent Secretary Ministry of Energy and five members, two representing the private sector in general and three representing national bodies on behalf of workers, employers and manufacturers. The Board had institutional autonomy but however depended on the Ministry of Energy for policy guidance with respect to the power sub-sector.

The Board was supported by a complement of staff under the leadership of the Executive Chairman, consisting of experts in the technical, financial, economic, legal, public relations, customer care and support services. The Board was funded through a levy imposed by the Minister of Energy on electricity sales, penalties and license fees. The functions of the board were to carry out the following:

Set, review and adjust transmission and distribution tariffs; Investigate the tariff structure; Enforce environmental, health and safety regulations in the power sub-sector; Investigate complaints and mediate disputes between parties with grievances over any matter required to be regulated under the Act; Ensure there is fair competition in the electricity sub-sector where this is expected; and Approve electric power purchase contracts and transmission and distribution service contracts.

On 7th July 2007, the Electricity Regulatory Board changed to Energy Regulatory Commission following the operationalization of the Energy Act, 2006. Energy Regulatory Commission is now the single sector regulatory agency with the responsibility for economic and technical regulation of electric power, renewable energy and downstream petroleum sub-sectors. This covers tariff setting and review, licensing, enforcement, environmental compliance, dispute settlement, indicative

energy planning and approval of power purchase and network service contracts. The objects and functions of the new Commission are to:

Regulate importation, exportation, generation, transmission, distribution, supply and use of electrical energy; regulate importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products; regulate production, distribution, supply and use of renewable and other forms of energy; protect the interests of consumers, investors and other stakeholders; maintain a list of accredited energy auditors as may be prescribed; monitor, ensure implementation of and the observance of the principles of fair competition in the energy sector, in co-ordination with other statutory authorities; provide such information and statistics to the Minister of Energy as he may from time to time require; collect and maintain energy data; prepare indicative national energy plan; perform any other function that is incidental or consequential to its functions under this Act or any other written law.

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The vision of Energy Regulatory Commission is to be a world class energy sector regulator that facilitates and enhances delivery of sustainable, robust and quality services. The mission is to regulate the energy sector in a fair, transparent and predictable manner consistent with government policy and sensitive to stakeholder interests. In line with Vision and Mission statement, the Commission commits itself to embrace the following core corporate values:

The Commission shall uphold high standards of professionalism, and all members of the Commission and professional staff are expected to adhere to their respective codes of ethics; the Commission shall follow clearly defined rules and regulations in the efficient and equitable delivery of its services; the highest levels of integrity shall be expected in all transactions; the Commission shall endeavor to be sensitive and expeditious in dealing with stakeholder concerns; the Commission shall at all times, embrace teamwork, mutual co-operation, extensive consultation and appreciation of diverse perspectives in the discharge of its functions.

1.2 Statement of the Research Problem

Energy Regulatory Commission plays a very important role in the development of the economy. Virtually, every economic activity depends on electricity and fuel. Transportation and manufacturing industries would be paralysed without fuel and electricity. Therefore, energy is the basic ingredient that drives all sectors of economy, be they tourism, agriculture, manufacturing or transport. Therefore, Energy Regulatory Commission plays an important role in the economy by regulating the energy sector. Duties of Energy Regulatory Commission include regulating the electrical energy and petroleum products, protecting the interests of consumers and investors, maintaining a list of accredited energy auditors, monitoring and ensuring implementation of principles of fair competition in the energy sector, and preparing indicative national energy plan.

Electricity Regulatory Board successfully transformed to Energy Regulatory Commission which has resulted in improved performance and regulation of the energy sector. There has been an improved solar electricity programme to provide schools in Arid and Semi-Arid Areas (ASAL) with solar energy. There has been an enhanced deliberate policy by the Government to light up slum areas as part of the overall slum upgrading program. There has been the improvement of an enabling environment for the importation and marketing of petroleum products through the removal of entry barriers. Finally, there are improved measures to support sugar factories in co-generation with surplus energy being fed into the national grid. All these make it necessary to study the change management model at Energy Regulatory Commission and its impact on performance, as well as identifying challenges in its implementation.

The energy sector is improving in performance and findings of studies in other sectors may not be useful in this sector. Therefore, there exists a knowledge gap in this area which the study seeks to address. The study will investigate strategic change management at Energy Regulatory Commission, what change management model Energy Regulatory Commission has adopted and what is the impact of the change management process on its performance.

1.3 Objective of the Study

The objective of the study is as under:

- i) To determine the forces that brought about change at Energy Regulatory Commission.
- ii) To determine the type of change that took place at Energy Regulatory Commission.
- iii) To determine the change management model adopted by Energy Regulatory Commission.

1.4 Importance of the Study

Knowledge gap exists in this line of study. Although energy regulating bodies exist in other countries, and not all countries have an energy regulating body, the Energy Regulatory Commission of Kenya is the only one of its kind in the country. This study, which is about change management at Energy Regulatory Commission, will therefore give an insight into the strengths and weaknesses of the way Energy Regulatory Commission managed change. These insights can provide important lessons to other organizations.

CHAPTER TWO: LITERATURE REVIEW

2.1 Forces of Change

Most of the forces of change can be traced to some fundamental forces of change. These are briefly listed as technical obsolescence and technical improvements, political and social events, globalization of markets and operations, increase in size, complexity and specialization of organizations, greater strategic awareness and skills of managers and employees and neo-protectionism.

Technical obsolescence and technical improvements stem from competitors or availability of new technologies. Political and social events stem from changes in political ideologies and inclinations over time. Globalization of markets and operations stem from improved communication, similarities in technological infrastructure and similarities of consumer demand and life style patterns leading to growing incidences of strategic alliances and joint ventures. Increase in size, complexity and specialization of organizations stem from the fact that most organizations have grown in size and increasingly utilizing specialized technology. These changes require new organization structures and skills for co-operation and co-ordination. Greater strategic awareness and skills of managers and employees require changes in the scope of their jobs and call for strategic development and growth of the company. Lastly, neo-protectionism stem from the fact that world trade has been fairly liberalized and many organizations face global competition as opposed to localized competition.

Companies no longer have a choice, they must change to survive. Unfortunately, people tend to resist change. It is not easy to change an organization, let alone an individual. This puts increased pressure on management to learn the subtleties of change (Comstock, 2006). Organizations encounter many different forces for change. These forces come from external sources outside the organization and from internal sources. Comstock (2006) points out that external forces for change originate outside the organization. Because these forces have global effects, they may cause an organization to question the essence of what business it is in and the process by which products and services are produced and delivered.

There are four key external forces for change: Demographic characteristics - the workforce is more diverse and there is a business imperative to effectively manage diversity. Organizations need to effectively manage diversity if they are to receive maximum contribution and commitment from employees. Technological advancement; both manufacturing and service organizations are increasingly using technology as a means to improve productivity and market competitiveness. Manufacturing companies, for instance, have automated their operations with robotics, computerized numerical control, which is used for metal cutting operations, and computer-aided design (CAD).

CAD is a computerized process of drafting and designing engineering drawings of products. Companies are working on computer-integrated manufacturing (CIM). This highly technical process attempts to integrate product design with product, planning, control, and operations. In contrast to these manufacturing technologies, the service sector of the US economy is using office automation. Office automation consists of a host of computerized technologies that are used to obtain, store, analyze, retrieve and communicate information. Market changes; the emergence of a global economy is forcing US companies to change the way they do business.

Companies are having to forge new partnerships with their suppliers in order to deliver higher quality products at lower prices. Social and Political pressures are forces created by social and political events. Managers thus may need to adjust their managerial style or approach to fit changing employee values.

Political events can create substantial change. For example, the collapse of both the Berlin Wall and communism in Russia created many new business opportunities. Although it is difficult for organizations to predict changes in political forces, many organizations hire lobbyists and consultants to help them detect and respond to social and political changes (Comstock, 2006).

Internal forces for change come from inside the organization (Comstock, 2006). These forces may be subtle, such as low morale, or can manifest in outward signs, such as low productivity and conflict. Internal forces for change come from both human resource problems and managerial behaviour/ decisions. Human Resource

Problems/Prospects stem from employee perceptions about how they are treated at work and the match between individual and organization needs and desires. Dissatisfaction is a symptom of an underlying employee problem that should be addressed. Unusual or high levels of absenteeism and turnover also represent forces for change. Organizations might respond to these problems by using the various approaches to job design, by implementing realistic job previews, by reducing employees' role conflict, overload, and ambiguity, and by removing the different stressors. Prospects for positive change stem from employees participation and suggestions. Managerial Behaviour/Decisions-excessive interpersonal conflict between managers and their subordinates is a sign that change is needed. Both the manager and the employee may need interpersonal skills training, or the two individuals may simply need to be separated. For example, one of the parties might be transferred to a new department. Inappropriate leader behaviours such as inadequate direction or support may result in human resource problems requiring change. Leadership training is one potential solution for this problem. Inequitable reward systems are additional forces for change.

Kotter (1995) lists the major economic and social forces driving change as; the increasing pace of technological change that is hinged on the information technology and a more developed transport network, greater international integration through greater liberalization and reduction of trade barriers, maturing of markets in the developed countries and stagnation of growth hence the trend towards seeking international/global markets for opportunities. The fall of communism and socialism also catalysed more privatization and heralded competition. The resultant effect according to Kotter has been globalization and increased competition. Globalization has diminished the shield or insulation that firms formerly enjoyed. Peters (1994) sees the ensuing change as going beyond tradition.

Kanter (1984) talks of the phenomenal change in the environment as originating from such sources as; the labour force, patterns of world trade, technological changes and political realignment. The forces mirror those advanced by Kotter (1995) with the only difference being that Kanter adds the people's dimension (labour), this may be for good reason given that she appears focused on the response to the changes. Her solution lies in the people to make decisions in response to the changes. Interestingly

even though Kanter's observations were made in 1984 - at least five years before the collapse of communism and socialism that were central to the cold war, the mention of political forces by Kanter, gives credence and concurrence to the reason advanced by Kotter (1995) on the influence of politics on business.

Kazmi (2002) sums up the business environment as being complex, dynamic, multi-faceted with far reaching impact. Kazmi adds that the traditional approach to strategic management has had its emphasis on control, order and predictability. But, the environment is proving to be more unpredictable, uncertain and non-linear. The environment can be summarized as characterized with ever recurring changes and herein lies the challenge for business managers.

Burnes (1996) says the magnitude, speed, unpredictability and impact of change has become greater than ever before. New products and processes are appearing in the market at an increasing rate. Boundaries are shrinking as globalization takes centre stage. The source of the next competition may not even be within imagination. Burnes says that protected markets are opening up while public bureaucracies and monopolies are changing hands to private sector or having the competitive market culture transferred to them.

2.2 Types of Change Management

Broadly there exists two forms of change management, planned change versus emergent change. Planned change views organization change as a process of moving from one fixed state to another through a series of pre-planned steps. Planned change distinguishes change that is conscious as opposed to change that was brought about by accidents or impulse.

Emergent change on the other hand views change as a continuous, open ended and unpredictable process of aligning and realigning the organization to its changing environment. This approach emerged in the 1980s and recognizes the need for organizations to align their internal practices to the external conditions. According to Burnes (2004) the rationale for the emergent approach stems from the belief that change cannot and should not be solidified, or seen as a series of linear events within a given period of time. The emergent approach, therefore, stresses the developing and

unpredictable nature of change. It views change as a process that unfolds through the interplay of multiple variables within an organization.

According to Burnes (2004), change has always been a feature of organizational life, though many would argue that the frequency and magnitude of change is greater now than before. Planned change is a term first coined by Kurt Lewin to distinguish change that was consciously embarked upon and planned by an organization as averse to type of change that might come about by accident, by impulse or that might be forced on an organization.

Though the proponents of these approaches claim their universal applicability, Burnes (2004) differs. He argues that such approaches are developed in particular circumstances at particular time and often with particular organizations in mind. It follows then that organizations and managers would understand the approaches on offer identify their own circumstances and needs and then choose the approach they find suitable.

Change Management is not a distinct discipline with rigid and clearly defined boundaries. Rather the theory and practice of change management draws on a number of social science disciplines and traditions. Though this is one of its strengths, it does make the task of tracing origins and defining its core concepts more difficult than might otherwise be the case, Burnes (2000), there are three schools of thought that form the central planks on which change management theory stands:

One is that the individual perspective school which assumes that individual behaviour results from his interaction with the environment. Human actions are conditioned by expected consequences and behaviour that is rewarded tends to be repeated and vice versa. Psychologists argue that behaviour is influenced by external stimuli.

Second is that the group dynamic school, which argues that individual behaviour, is a function of a group environment. Its emphasis is on bringing about organizations change through teams and work groups, rather than individuals. The rationale behind this is that because people in organizations work in groups, Individual behaviour must be seen, modified or changed in the light of group's prevailing practices and norms.

To bring about change, therefore, it is useless to concentrate on changing behaviour of individuals according to the group dynamics school. The individual in isolation is constrained by group pressure to conform. The focus of change must be at the group level and should concentrate on influencing and changing the group's norms, roles and values.

Third is the open systems school whose focus is on the entire organization. It sees the organization as being composed of different sub systems, which are the goals and values sub system, the technical sub system, the psychological sub system and the managerial sub system. 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 inter-relationship of these sub systems.

2.3 Models of Strategic Change Management

There are a number of theoretical models of change. Each attempts to describe the process through which organizations successfully alter their business practices, their organizational structure, or their organizational climate. Bullock and Batten (1985) suggests a 4 step model which is described below:

Step one is the Exploration phase. In this stage an organization has to explore and decide whether it wants to make specific changes in its operations and, if so, commit resources to planning the changes. The change process involved in this phase are becoming aware of the need for change; searching for solutions; searching for outside assistance (a consultant/facilitator) to assist with planning and implementing the changes; and establishing a contract with the consultant which defines each party's responsibility.

Step two is the Planning phase. Once the consultant and the organization have established a contract, then the next state, which involves understanding the organization's problem or concern, begins. The change process involved in this case are collecting information in order to establish a correct diagnosis of the problem; establishing change goals and designing the appropriate actions to achieve these goals; and persuading key decision-makers to approve and support the proposed changes.

Step three is the Action phase. In this state, an organization implements the changes derived from the planning. The change process involved are designed to move an organization from its current state to a desired future state, and include establishing appropriate arrangements to manage the change process and gaining support for the actions to be taken; and evaluating the implementation activities and feeding back the results so that any necessary adjustments or refinements can be made.

Step four is the Integration phase. This state commences once the changes have been successfully implemented. It is concerned with consolidating and establishing the changes so that they become part of an organization's normal, everyday operation and do not require special arrangements or encouragement to maintain them. The change process involved are reinforcing reliance on the consultant; diffusing the successful aspects of the change process throughout the organization; and training managers and employees to monitor the changes constantly and to seek to improve upon them.

Bullock and Batten (1985) is an integrated, four-phase model of planned change based on a review and synthesis of over 30 models of planned change. Their model describes planned change in terms of two major dimensions: change phase, which are distinct states an organization moves through as it undertakes planned change; and change process, which are the methods used to move an organization from one state to another.

Lewin (1947) previously developed a three step model which consisted of three steps: Step one is the Unfreezing. This step involves dismantling those things that support or maintain the previous behaviour. Step two is the Change step. In this step, the organization 'presents a new alternative'. This means introducing a clear and appealing option for a new pattern of behaviour. It occurs when people perceive need for change and try out new ideas. It involves strategy. Step three is the Refreezing step. This step require that changed behaviour be re-inforced both formally and informally in the organization. It is in this step that managers can have a great amount of influence through their use of positive reinforcement. It involves consolidating new practices.

A number of writers have expanded the number of steps in Lewin's model in an attempt to elaborate upon it. Indeed Bullock and Batten (1985) is an integrated, four-phase model of planned change based on a review and synthesis of over 30 models of planned change including Lewin's 3 step model.

2.4 Challenges of Change Implementation and Management

Warren, Ruddle and Moore (1999) point out that attitudes towards change result from a complex interplay of emotions and cognitive processes. Because of this complexity everyone reacts to change differently. On the positive side, change is seen as akin to opportunity, rejuvenation, progress, innovation, and growth. But just as legitimately, change can also be seen as kin to instability, upheaval, unpredictability, threat, and disorientation. Whether employees perceive change with fear, anxiety and demoralization, or with excitement and confidence, or somewhere in between, depends partially on the individual's psychological makeup, partially on management actions, and partially on the specific nature of the change.

Many authors (Lawrence, 1954; Maurer, 1996; Maurer, 1996; Strebler, 1994; Waddell and Sohal, 1998, among others) stress that the reasons for the failure of many change initiatives can be found in resistance to change. Resistance is a key challenge to change implementation and management. Resistance to change introduces costs and delays into the change process (Ansoff, 1990) that are difficult to anticipate (Lorenzo, 2000) but must be taken into consideration. Resistance has also been considered as a source of information, being useful in learning how to develop a more successful change process (Beer and Eisenstat, 1996; Goldstein, 1998; Lawrence, 1954; Piderit, 2000; Waddell and Sohal, 1998). Undoubtedly, resistance to change is a key topic in change management and should be seriously considered to help the organization to achieve the advantage of the transformation.

According to Johnson and Scholes (2004), knowing or envisaging change does not in itself mean that people will make it happen. There will be a tendency towards inertia and resistance to change; people will tend to hold on to existing ways of doing things and existing beliefs about what makes sense. Managing strategic change must therefore address the powerful influence of the paradigm and the cultural web on the strategy being followed by the organization. If change is to be successful

organization. Thus the importance of not only translating strategic change into detailed resource plans, critical success factors and key tasks, and the way the organization is managed through control processes, but also how change is communicated through everyday aspects of the organization. The approach to managing change will also be context dependent, varying from situation to situation and from one type of organization to another.

On one hand, resistance is a phenomenon that affects the change process, delaying or slowing down its beginning, obstructing or hindering its implementation, and increasing its cost? (Ansoff, 1990). On the other hand, resistance is any conduct that tries to keep the status quo, that is to say, resistance is equivalent to inertia, as the persistence to avoid change (Maurer, 1996; Rumelt, 1995; Zaltman and Duncan, 1977). So, inertia and thus resistance are not negative concepts in general, since change is not inherently beneficial for organizations. Even more, resistance could show change managers certain aspects that are not properly considered in the change process (Waddell and Sohal, 1998).

Change starts with the perception of its need, so a wrong initial perception is the first barrier to change. This can also be referred to as 'distorted perception, interpretation barriers and vague strategic priorities'. It includes: myopia, or inability of the company to look into the future with clarity (Barr et al., 1992; Kruger, 1996; Rumelt, 1995); denial or refusal to accept any information that is not expected or desired (Barr et al., 1992; Rumelt, 1995; Starbuck et al., 1978); perpetuation of ideas, meaning the tendency to go on with the present thoughts although the situation has changed (Barr et al., 1992; Kruger, 1996; Rumelt, 1995; Zeffane, 1996); implicit assumptions, which are not discussed due to their implicit character and therefore distort reality (Starbuck, Greve and Hedberg, 1978); communication barriers, that lead to information distortion or misinterpretation (Hutt et al., 1995); and organizational silence, which limits the information flow with individuals who do not express their thoughts, meaning that decisions are made without all the necessary information (Morrison and Milliken, 2000; Nemetfcu 1997).

The second main group of sources of resistance deals with a low motivation for change. Fundamental sources include: direct costs of change (Rumelt 1995);

cannibalization costs, that is to say, change that brings success to a product but at the same time brings losses to others, so it requires some sort of sacrifice (Rumelt, 1995); cross subsidy comforts, because the need for a change is compensated through the high rents obtained without change with another different factor, so that there is no real motivation for change (Rumelt, 1995); past failures, which leave a pessimistic image for future changes (Lorenzo, 2000); and afferent interests among employees and management, or lack of motivation of employees who "due change results less than managers value them (Waddell and Sohal, 1998). The lack of a creative response is the third set of sources of resistance.

There are three main reasons that the creativeness in the search for appropriate change strategies: fast and complex environmental changes, which do not allow a proper situation analysis (Ansoff, 1990; Rumelt, 1995); reactive mind set, resignation, or tendency to believe that obstacles are inevitable (Rumelt, 1995); and inadequate strategies vision or lack of clear commitment of top management to changes (Rumelt, 1995; Waddell and Sohal, 1998).

Sources of Resistance and Inertia in the Implementation Stage is the critical step between the decision to change and the regular use of it at the organization (Klein and Sorra, 1996). In this stage, two more resistance groups can be found. The first of them deals with political and cultural deadlocks to change. It consists of: implementation climate and relation between change values and organizational values, considering that a strong implementation climate when the values' relation is negative will result in resistance and opposition to change (Klein and Sorra, 1996; Schalk et al., 1998); departmental politics or resistance from those departments that will suffer with the change implementation (Beer and Eisenstat, 1996; Beer et al., 1990; Rumelt, 1995); incommensurable beliefs, or strong and definitive disagreement among groups about the nature of the problem and its consequent alternative solutions (Klein and Sorra, 1996; Rumelt, 1995; Zeffane, 1996); deep rooted values and emotional loyalty (Kruger, 1996; Nemeth, 1997; Strebel 1994); and forgetfulness of the social dimension of changes (Lawrence, 1954; Schalk et al., 1998).

Last but not least, a set of five sources of resistance with different characteristics have been bunched together around the last group of sources of resistance: leadership inaction, sometimes because leaders are afraid of uncertainty, sometimes for fear of changing the status quo (Beer and Eisenstat, 1996; Burdett, 1999; Hutt et al., 1995; Kanter, 1989; Kruger, 1996; Maurer, 1996; Rumelt, 1995); embedded routines (Hannan and Freeman, 1984; Rumelt, 1995; Starbuck et al., 1978); collective action problems, specially dealing with the difficulty to decide who is going to move first or how to deal with free-riders (Rumelt, 1995); lack of the necessary capabilities to implement change-capabilities gap-(Rumelt, 1995); and cynicism (Maurer, 1996; Reichers, Wanous and Austin, 1997).

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CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter details the research design used to achieve the objectives of the study which were to determine the forces that brought about change at Energy Regulatory Commission, to determine the type of change and to determine the change management model adopted by Energy Regulatory Commission.

3.2 Research Design

The research was conducted through the case study method. This method is intended to enable the researcher have an in-depth account of the change management practices implemented by Energy Regulatory Commission and how they have affected the organization's performances. Case study designs are the most appropriate research design because this is the study of a single unit or institution hence will facilitate intensive study and analysis of the same. It is a form of qualitative analysis where the study is done in institutions or situations and from this study, data generalization and inference are made.

3.3 Data Collection

An interview guide (Appendix 1) was used to collect data by interviewing responsible personnel of the organization. Both primary and secondary data are to be collected and used for the study. Primary data is to be gathered using open-ended questionnaire regarding management of strategic change. Secondary data is to be obtained from such sources as materials posted on web sites,

3.4 Data Analysis

Data from interview and secondary sources were summarised according to themes. The content analysis technique is to be used to analyse the data. The findings emerging from the analysis is to be used to compile a report. Nachmias and Nachmias (1996) define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends. This approach has been used previously in a similar research paper like the one by Mbogo (2003). He argues that this method is scientific as the data collected can be developed and verified through systematic analysis. The

quantitative method can be used to uncover and understand what lies behind phenomena under study. It can also be used to gain quite some fresh material even in what was thought to be unknown.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

The objectives of the study which are to determine the forces that brought about change at Energy Regulatory Commission, to determine the type of change and to determine the change management model adopted by Energy Regulatory Commission. This chapter analyzes the findings of the study based on the analysis and interpretation of both primary and secondary data collected from various sources. Findings of the study are organized in this chapter under three main themes, namely; forces of change, type of change management and model of strategic change management.

K 4.2 Forces of Change at Energy Regulatory Commission

The first objective of the study was to determine the forces that brought about change at Energy Regulatory Commission. The questions which the respondents were asked included such questions as what factors brought about the need for change at Energy Regulatory Commission; what was the desired change destination and what were the future plans for the organization. In line with the forces of change as discussed under Literature Review under Section 2.1, the forces of change at Electricity Regulatory Board/ Energy Regulatory Commission may largely be described as belonging to the political and social events category. These are described as follows:

Liberalization of Kenya's energy sector started in earnest in October 1996. In tandem with this, the electric power sector was restructured with the aim of creating arms length commercial relationship between sector entities and a legal regulatory framework to facilitate private sector participation. A key output of the restructuring process was the enactment of the *Electric Power Act, 1997*, which facilitated the unbundling of generation from transmission and distribution thereby creating a framework for Independent Power Producers (IPPs) to sell electric power in bulk to Public Electricity Suppliers (PES); of which Kenya Power and Lighting Company (KPLC) is the only licensed PES in Kenya so far. Policy making and regulatory functions were also separated with the government retaining only policy making

functions while ceding regulation of the power sub-sector was to an independent regulatory authority namely the Electricity Regulatory Board.

Whilst Electricity Regulatory Board succeeded in regulating the electricity sub-sector successfully, the renewable energy and downstream petroleum sub-sectors remained unregulated, with little regulation available being provided by the Ministry of Energy. It was with this that a new energy act was legislated, to create a common energy sector regulator, the Energy Regulatory Commission. Energy Regulatory Commission is now the single sector regulatory agency with the responsibility for economic and technical regulation of electric power, renewable energy and downstream petroleum sub-sectors.

Legal status of the Electricity Regulatory Board as provided for under the Energy Power Act (EPA) and whether there were any other statutes impacting on its autonomy was required; chain of command, particularly in relation to the role of the Kenyan Government institutions which may have some links to the power sector was taken into consideration; mode of appointment of Electricity Regulatory Board members or directors including its Chairman was taken into consideration; range and relevance of representation of stakeholders in the Electricity Regulatory Board was taken into consideration; adequacy of funding for the Electricity Regulatory Board was considered; provisions for the process of appeal against the Board's decisions was considered; other factor that drove change include need to enhance the capacity building of the Energy Regulatory Commission for prudential and effective regulation and for the energy sector to reduce external dependence on consultancy services in engineering design and supervision of energy projects.

4.3 Type of Change Management at Energy Regulatory Commission

The second objective of the study was to determine the type of change that took place at Energy Regulatory Commission. The questions which the respondents were asked included such questions as how was the change implemented; what were the details of the change introduced and in what timeline; and have external consultants been involved in the change programme. Broadly there exists two forms of change management, planned change versus emergent change.

Planned change views organization change as a process of moving from one fixed state to another through a series of pre-planned steps. Planned change distinguishes change that is conscious as opposed to change that was brought about by accidents or impulse. Emergent change on the other hand views change as a continuous, open ended and unpredictable process of aligning and realigning the organization to its changing environment. This approach emerged in the 1980s and recognizes the need for organizations to align their internal practices to the external conditions. According to Burnes (2004) the rationale for the emergent approach stems from the belief that change cannot and should not be solidified, or seen as a series of linear events within a given period of time. The emergent approach, therefore, stresses the developing and unpredictable nature of change. It views change as a process that unfolds through the interplay of multiple variables within an organization.

The management of the Electricity Regulatory Board/ Energy Regulatory Commission viewed change management at the organization as conscious and as having developed through a series of pre-planned steps. During the year 2004, parliament debated and passed the Sessional Paper No. 4 on Energy. The draft Energy policy was first subjected to a stakeholders input and Electricity Regulatory Board staff fully participated in the process of development of the draft before it was presented to parliament. Some of the salient features relating to regulatory matters in the Energy Policy are Regulatory Framework, Licensing and Appeals Tribunal. These are discussed below:

The Regulatory Framework under which Energy Regulatory Commission was to operate was considered and provided for. The Sessional paper no. 4 on Energy recognized the regulatory challenges facing the entire energy sector under the prevailing Electric Power Act, 1997 and the Petroleum Act (Cap. 116). The paper proposed that an umbrella Energy Act be enacted into law. Under the proposed Energy Act, the Electricity Regulatory Board would be transformed into the Energy Regulatory Commission with an elaborate regulatory mandate for the entire energy sector. To enhance regulatory autonomy, Government would remove Energy Regulatory Commission from the domain of the State Corporation's Act and give it latitude to formulate and enforce secondary legislation. The paper proposed that Energy Regulatory Commission be granted authority to license electric power

producers, power wholesalers and distributors including contractors for wiring buildings and other installations requiring electricity supply upon conducting proficiency tests. The policy document proposes that Energy Regulatory Commission be a one-stop office for facilitating, permitting and licensing as opposed to the current system where different Government authorities handle specific aspects of the process. The policy document recommended the establishment of an Appeals Tribunal to deal with complaints and grievances against Energy Regulatory Commission's decisions to replace the Minister who at the time undertook this function.

4.4 Model of Change Management at Energy Regulatory Commission

The third objective of the study was to determine the type of change that took place at Energy Regulatory Commission. The questions which the respondents were asked included such questions as how was the change implemented; what were the details of the change introduced and in what timeline; and have external consultants been involved in the change programme. Broadly there exists two forms of change management, planned change versus emergent change. There are a number of theoretical models of change. Each attempts to describe the process through which organizations successfully alter their business practices, their organizational structure, or their organizational climate. Energy Regulatory Commission engaged PriceWaterhouseCoopers as their change management consultant. The model that best describes the change management process at Energy Regulatory Commission is the Bullock and Batten (1985). This is a 4 step model and is described below:

Step one is the Exploration phase. In this stage an organization has to explore and decide whether it wants to make specific changes in its operations and, if so, commit resources to planning the changes. The change process involved in this phase are becoming aware of the need for change; searching for solutions; searching for outside assistance (a consultant/facilitator) to assist with planning and implementing the changes; and establishing a contract with the consultant which defines each party's responsibility.

Step two is the Planning phase. Once the consultant and the organization have established a contract, then the next state, which involves understanding the organization's problem or concern, begins. The change process involved in this case

are collecting information in order to establish a correct diagnosis of the problem; establishing change goals and designing the appropriate actions to achieve these goals; and persuading key decision-makers to approve and support the proposed changes.

Step three is the Action phase. In this state, an organization implements the changes derived from the planning. The change process involved are designed to move an organization from its current state to a desired future state, and include establishing appropriate arrangements to manage the change process and gaining support for the actions to be taken; and evaluating the implementation activities and feeding back the results so that any necessary adjustments or refinements can be made.

Step four is the Integration phase. This state commences once the changes have been successfully implemented. It is concerned with consolidating and establishing the changes so that they become part of an organization's normal, everyday operation and do not require special arrangements or encouragement to maintain them. The change process involved are reinforcing reliance on the consultant; diffusing the successful aspects of the change process throughout the organization; and training managers and employees to monitor the changes constantly and to seek to improve upon them.

Bullock and Batten (1985) describes planned change in terms of two major dimensions: change phase, which are distinct states an organization moves through as it undertakes planned change; and change process, which are the methods used to move an organization from one state to another. Bullock and Batten (1985) is an integrated, four-phase model of planned change based on a review and synthesis of over 30 models of planned change including Kurt Lewin's 3 step model which is one of the oldest. Indeed a number of writers have expanded the number of steps in Kurt Lewin's model in an attempt to elaborate upon it.

Lewin (1947) previously developed a three step model which consisted of three steps: Step one is the Unfreezing. This step involves dismantling those things that support or maintain the previous behaviour. Step two is the Change step. In this step, the organization 'presents a new alternative'. This means introducing a clear and appealing option for a new pattern of behaviour. It occurs when people perceive need

for change and try out new ideas. It involves strategy. Step three is the Refreezing step. This step require that changed behaviour be re-inforced both formally and informally in the organization. It is in this step that managers can have a great amount of influence through their use of positive reinforcement. It involves consolidating new practices.

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Summary, Discussions and Conclusions

In summary, Electricity Regulatory Board successfully transformed to Energy Regulatory Commission and which has resulted in improved performance and regulation of the energy sector. The changes are still on-going. Some of the benefits include the following:

Solar electricity program - there is an improved program to provide schools in Arid and Semi-Arid Areas (ASAL) with solar energy; *Electrification of slums and other marginal neighbourhoods in Nairobi* - there is enhanced deliberate policy by the Government to light up slum areas as part of the overall slum upgrading program. Electrification of slums is expected to create employment and tackle insecurity, besides providing other benefits; *Making business in the sector easy* - this has been made possible by, among other measures, the improvement of an enabling environment for the importation and marketing of petroleum products through the removal of entry barriers for small marketers; *Biogas from sugar factories* - there are improved measures to support sugar factories in co-generation with surplus energy being fed into the national grid.

The change management practices at the organization are discussed under five topics, namely changing symbols, creating awareness and understanding, change leadership, solidifying the process, overcoming opposition and integrating the new process. These are discussed as follows:

Changing symbols - Energy Regulatory Commission designed a new logo which distinguished it from the Electricity Regulatory Board. It however retained the colours used by Electricity Regulatory Board which are yellow and black; *Creating awareness and understanding* - With support from Minister of Energy, the Energy Regulatory Commission consulted widely and involved all stakeholders both internal and external in the change management process. The Commission also communicated its change plan to all its stakeholders through seminar, training and by posting it in their website for public consumption; *Change leadership* - the change was led by the

Chief Executive Officer supported by the Minister of Energy. The Minister is in charge of policy formulation and links the legislature and the executive ensuring necessary laws for the change are enacted and passed in the parliament. The Chief Executive Officer ensured implementation of the change; *Solidifying the process* - in order to solidify the process Energy Regulatory Commission used the procedure of formulating appropriate policy frameworks to govern the change; training and workshops; culture change through nurturing of shared goals and enhance support for each other; development of a strategy that will result in improved employee knowledge of the organization, better communication across levels and functions, improved managerial skills, improved job satisfaction, increased investment and commitment to the organization; continuous monitoring and evaluation also ensured targets and milestones are measurable and achievable; *Overcoming opposition* - Energy Regulatory Commission reduced resistance to its change programme by involving staff and stakeholders in the planning of the change process. In addressing the negative tendencies such as complacency, resistance to change, defenders of the status quo and undertaking mainly routine activities, the Board draw on the strategic plan which encouraged innovativeness, creativity, invention, visionary management and pro-activeness among staff. The plan provides the framework for establishing a sense of direction and purpose as well as a mechanism for ensuring that the Commission remains on the right path in service delivery, change of mind sets, influence tradition and habit in order to improve work ethics; *Integrating the new process* - to integrate the change into the organization, Energy Regulatory Commission re-aligned their strategy. The strategic plan was also supported by policies and structural changes at the Ministry of Energy. Staff and stakeholders were also involved and educated on the need and importance of the implementation of the change programme.

In conclusion, the foregoing shows that Kenya has already made significant progress towards the creation of a fair, transparent and predictable regulatory environment in the energy sector. The Energy Regulatory Commission hopes to hasten this progress in order to realise the objectives of the energy sector restructuring sooner for the ultimate benefit of consumers in Kenya, and perhaps in the East African region as well. In order to achieve this, Energy Regulatory Commission expects to undertake a number of challenging tasks including development of model transmission and

distribution licences, harmonisation of licence conditions in order to ensure parity for similar licensees and the development of a customer charter specifying acceptable performance standards. In addition Energy Regulatory Commission expects to overcome challenges associated with transition to new market structures.

5.2 Limitations of the Study

The study depended largely on the interview and discussions with respondents who were employees of the company. It would have been useful to obtain the views of other stakeholders such as the power and petroleum distribution companies, energy generation companies, consumers and other agencies to get their perspective of the change. The change is still being implemented and it would be important to validate if the results achieved so far sustainable in future.

*** 5.3 Suggestions for Further Research**

The change program at Energy Regulatory Commission is on going. It is recommended that an evaluation of the change process be conducted in future for comparability. Further, it is not only the energy sector that has under gone reforms. Other sectors such as roads, water and insurance have likewise undergone reforms. It would be interesting to carry out a cross sectional study involving other regulatory authorities to see how change management process compares and contract across the different sectors of the economy.

5.4 Implications for Policy and Practice

Despite established provisions for autonomy of the Energy Regulatory Commission by the Energy Act, there is still interference from the Government, which uses other related acts. Energy Regulatory Commission's operations should be governed by one statute only, the Energy Act. The States Corporation Act should be amended to remove the Minister of Energy from being the overseer of Energy Regulatory Commission on operational matters, other than guiding it on the energy sector policy; all the Energy Regulatory Commission members including the Chairman should be appointed by the Parliament from a list of nominees submitted by the various stakeholders. Each stakeholder should submit an agreed number of nominees from which suitable candidates should be vetted.

There should be a position in the Energy Act for the Energy Regulatory Commission to appeal to the committee of parliament in charge of the government national budget to rule on any budgetary issues not approved by the Ministers for Energy and Finance; a provision should also be made for Energy Regulatory Commission to get additional budgetary appropriations from the national budget and other sources through parliament. Such funds should be for undertaking activities that are occasional in nature. A provision should be made for receipt of grants and soft loans from donors through the Government; the Energy Act should have explicit provisions for the Energy Regulatory Commission to review tariff increases or decreases, if circumstances dictate, even when there is no application for such a move. Reviews and adjustments should cover generators, transmitters and distributors; the Energy Act should have clear provisions for enforcing competition by providing access to generators, wholesalers and distributors to supply large consumers directly including sale of power between and among generators. Such provisions should make it possible for large consumers to be supplied directly by bulk suppliers of their choice through transmission and distribution grids, provided they pay competitive wheeling charges for accessing such grids; the Energy Tribunal, with judicial powers, should be able to receive, hear and rule on appeals against the Energy Regulatory Commission's decisions. Appeal against the tribunal's ruling should be to the High Court.

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APPENDIX 1: INTERVIEW GUIDE

NB:

The information obtained from this interview guide will be treated confidentially and will not be used for any other purpose other than academic.

Part A:

(NB: In line with the Objectives of the Study, Part 'A' questions assist in determining the forces that brought about change)

1. What factors brought about the need for change at Energy Regulatory Commission?
2. What is the desired change destination and what future plans do you have for the organization?
3. Who has determined the change destination and the future plans?

Part B:

(NB: Part 'B' questions assist in determining the type of change)

4. What were the details of the change introduced and in what time line?
5. Who initiated the change?
6. How were employees informed and involved in the change?
7. What role did the Ministry of Energy play in the change patterns?
8. Were specific teams mandated the responsibility to implement the changes?
Please provide details
9. Were there short-term targets to monitor the change? Please provide details.
10. Were those who achieved such targets rewarded? Please provide details.
11. What levels of resources were allocated?
12. How does top management indicate their support for the change programme and activities?
13. What lessons have been learnt from change management so far?
14. Who are the major take holders?
15. Where the major stake holders involved in the identification, formulation and implementation of the change process?
16. What challenges have been faced since introducing the change?

17. How have these challenges been responded to?
18. How has the Ministry of Energy participated/assisted in responding/managing the challenges?
19. Are there some challenges that have not been responded to? Please provide details

PartC:

(NB: Part 'C' questions assist in determining the model of change)

20. How was the change implemented and what steps were involved?
21. How was urgency built to get employees to cooperate and participate in the reform?
22. Have external consultants been involved in the change program? Please explain their involvement if at all.
23. Has the change programmes affected structures, systems, processes, services or behaviour?
24. What specific elements of change are/have affecting strategies, structures, systems process, services and behaviour?
25. What steps have been taken by management to ensure the change momentum is achieved and maintained?
26. What levels of resources were allocated?
27. How does top management indicate their support for the change programme and activities?

APPENDIX 2: INTRODUCTION LETTER

JX&hvhAC *O j t h J **

REng, MIEK, MKIM
Registered Engineer
P. O. Box 12661 - 00100 Nairobi

20th January 2009

Chief Executive Officer
Energy Regulatory Commission
P.O. Box 42681 -00100
Nairobi

Dear Sir,

REQUEST FOR USE OF ENERGY REGULATORY COMMISSION INFORMATION

I am a student of Master of Business Administration (MBA) at University of Nairobi and am carrying out a Management Research Project as a requirement in partial fulfilment of the Degree. My area of specialization is Management of Strategic Change. Your organization, having recently carried out strategic change, is ideally suitable for case study.

To enable me do the research successfully, I am requesting the use of your organization's information through interviews with responsible personnel and the consultant who was involved in the management of the change process. Information provided will be highly confidential and will be used for academic purposes only.

A copy of the research project will be availed to you.

Your assistance will be highly appreciated.

Yours faithfully,



Dominic Ojendo