

**MANAGEMENT OF STRATEGIC CHANGE AT THE
KENYA NATIONAL AUDIT OFFICE (KENAO)**

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BY

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**A Research Project Submitted In Partial Fulfillment of
the Requirement for the award of Masters of Business
Administration (MBA) Degree, School of Business,**

University of Nairobi

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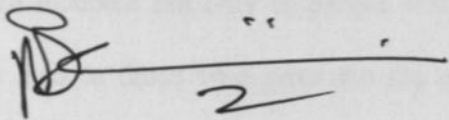


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7/11/07

DECLARATION

This research project is my original work and has never been presented in any other University or College for the award of degree or diploma or certificate.

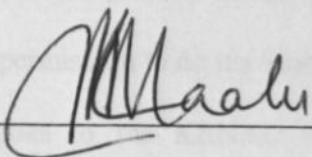
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This research project has been submitted for examination with my approval as the University supervisor.

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CAO	Controller & Auditor General
FAHR	Finance, Administration and Human Resource
IAO	International Organization of Supreme Audit Institutions
SAI	Supreme Audit Institution
LG	Local Government
PA	Principal Auditor
QA	Quality Assurance
SA	Specialized Audit
VM	Value for Money
KENAO	Kenya National Audit Office
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
GOK	Government of Kenya
CDF	Constituency Development Fund
LATF	Local Authority Transfer Fund
CEO	Chief Executive Officer

ABBREVIATIONS

ADA:	Assistant Director of Audit
C & AG:	Controller & Auditor General
CA:	Computerized Audit
DA:	Director of Audit
DAG:	Deputy Auditor General
DDA:	Deputy Director of Audit
FAHR:	Finance, Administration and Human Resource
ICT:	Information, Communication & Technology
INTOSAI:	International Organization of Supreme Audit Institutions
SAI:	Supreme Audit Institution
LG:	Local Government
PA:	Principal Auditor
QA:	Quality Assurance
SA:	Specialized Audits
VFM	Value for Money
KENAO	Kenya National Audit Office
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
GOK	Government of Kenya
CDF	Constituency Development Fund
LATIF	Local Authority Transfer Fund
CEO	Chief Executive Officer

DEDICATION

This project is dedicated to my family; my wife, Joyce and my children Carol, Kelvin and Jackline. I cherish their love and support.

CHAPTER ABSTRACT INTRODUCTION

Change is the single most important element of successful business management today. Understanding and managing changes are the dominant themes of management today. It is against this background that this study was designed to establish change management practices by the Kenya National Audit Office (KENAO) and to determine the challenges to the change programme. The study targeted twenty senior managers at the KENAO out of whom eighteen participated in the study, achieving a response rate of 90%.

From the research findings, the forces behind changes at the KENAO include the statutory requirements to comply with the audit reporting deadlines; the need to plan ahead; the quest for independence of the office given its widened mandate; and the declining quality of audit reports among others. The objectives of the change programme were to turnaround KENAO into an effective and professional office; increase the level of efficiency; and give independence to KENAO.

The study, however, established the change effort faced some challenges including fear of the unknown; satisfaction with the status quo (complacency); and fear of inability to develop relevant skills. To deal with such challenges, it was found out that KENAO adopted a number of methods including training and education; effective and open communication; and use of local change leaders at the KENAO.

CHAPTER ONE: INTRODUCTION

1.1 Background

Organizations exist as open systems and hence they are in continuous interaction with the environment in which they operate. The environment in which the organizations operate is never static. All organizations lend themselves to this environment which is highly dynamic, chaotic, and turbulent that it is not possible to predict what will happen and/or when it will happen. Consequently, the ever-changing environment continually presents opportunities and challenges. To ensure survival and success, firms need to develop capability to manage threats and exploit emerging opportunities promptly. This requires formulation of strategies that constantly match capabilities to environmental requirements. Success therefore calls for proactive approach to business (Pearce and Robinson, 2003).

Stickland (1998, as quoted in Burnes, 2000), draws on systems theory to emphasize the way that organizations are separate from but connected to their environment. He argues that a system has an identity that sets apart from its environment and is capable of preserving that identity within a given range of environmental scenarios. Systems exist within a hierarchy of other systems. They contain subsystems and exist within some wider system and all are interconnected. Burnes (2000) also quotes Finstad (1998) as putting this issue in a wider context by arguing that 'the organization is the creator of its environment and the environment is the creator of the organization.' This reciprocal relationship between an organization and its environment clearly has profound implications for how organizations conceptualize and manage change.

1.1.1 Organizational Change

Perhaps the biggest challenge to managers today is the issue of how organizations can cope with both the dynamic environment in which they operate given the constraints, challenges, and threats. At any one point in time, some organizations are experiencing extreme turbulence whilst others appear to operate in relatively stable environment. The period when certainties held good has been replaced with one where the pace and uncertainty of change varies from company to company, industry to industry, and country to country. Whether because of economic, technological, or social factors, organizations are faced with a period of rapid and unprecedented changes (Burnes, 2000).

Many organizations have in recent times faced turbulent and rapid changing external conditions that are translated into complex, chaotic, multifaceted, fluid, and interlinked stream of initiatives affecting work and organizational design, resource allocation, and systems and procedures in a continuous attempt to improve performance (Huczynski and Buchanan, 2001). According to Burnes (2000), the magnitude, speed, unpredictability, and impact of change in the external environment are greater than ever before. Local markets are becoming global markets; protected markets are being opened up to fierce competition and as a result, organizations both private and public, large and small, have suddenly felt the pressure to improve on their products and services, and the efficiency and effectiveness with which they are offered to meet world standards and customers' expectations. Businesses have had to rethink their approach towards management and search for new concepts and methods that give guidance in this turbulent environment.

Consequently, change has become an enduring feature of organizational life. Few people, if any, currently working in the public, private or voluntary sectors can claim to have been untouched by either the pace or direction of organizational change in recent years. Managers, either in the private or public sector are finding it difficult to make sense of the business environment in which they operate. One of the reasons for this is the speed of change. Managers typically feel that the pace of technological change and speed of global communication mean accelerated change now than ever before. Yet, it is the crucial responsibility of managers to ensure the organizational capacity to survive within the chaotic environment; a feat to be achieved through managers adapting their organizations to the changing environment (Rose and Lawton, 1999; Johnson and Scholes, 2002; Pearce and Robinson, 2000).

1.1.2 Overview of the Kenya National Audit Office

Ansoff and McDonnell (1990) observe that changes have become increasingly complex, novel, and discontinuous from past experience. Equally, the change challenges have increasingly become simultaneous; the need for revival of entrepreneurship for response to the increasing intensity of global competition and for societal involvement in determining how the firm is to be run is more critical than ever before. Another characteristic has been acceleration of both incidence and diffusion of change. Ansoff and McDonnell summarize the consequences of the acceleration of change as: an increasing difficulty in anticipating change sufficiently in advance to plan timely response; the need for increased speed of implementation of the response; and the need for flexibility and timely responses which could be anticipated in advance.

Strategic change arises out of the need for organizations to exploit existing or emerging opportunities and deal with threats in the market. It is crucial that organizations seek to create a competitive advantage and wherever possible innovate to improve their competitive positions. This implies the readiness to change within the organization and the ability to implement the proposed change. Managing strategic change is about managing the unfolding non-linear dynamic processes during strategy implementation. It involves change or alignment and re-alignment of policy, systems, styles, values, staff, and skills of an organization to realize a strategy. Management of strategic change is therefore how to create conditions that make proactive change a natural way of life. (Ansoff and McDonnell, 1990; Thompson and Strickland, 2003).

1.1.2 Overview of the Kenya National Audit Office

The Office of the Controller and Auditor-General (C&AG) was created as an office in the public service through the constitution of Kenya as at the time of the country's independence in 1963. The Office is governed by three statutes: The Constitution of Kenya, The Exchequer and Audit Act, Cap 412, and The Public Audit Act, 2003. Following the enactment of the Public Audit Act 2003 (which became operational in January, 2004), a Kenya National Audit Commission chaired by the Controller and Auditor-General and the Kenya National Audit Office (KENAO) were established. The Office, headed by the Controller and Auditor General is currently structured into five departments (Finance, Administration and Human Resource, Central Government, Local Authorities, State Corporations, and Specialized Audits), each headed by a Deputy

The above challenges hampered KENAO's efforts to carry out its mandated duties efficiently and effectively. This prompted KENAO to take a bold step towards challenging the status quo. Consequently, KENAO has been going through a transformation by way of reforms including among others the creation of new audit units and reorganization of the office, retraining and revitalization in the manner in which it conducts its business with considerable emphasis being placed on effectively enhancing and instilling professionalism in audit service delivery, as well as production of high quality and timely audit reports, strengthen internal and external systems and framework in which it (KENAO) operates, working towards sustaining a high level of integrity and promoting corruption free practices in the public sector, enhancing ICT audit capacity and capability, restructuring the organizational framework to ensure efficient service delivery and secure sufficient funding for the audit service, and positioning itself in a way that makes it prepared and flexible to meet the challenges of new and emerging audits. In this regard, the office has set up a reorganization strategy designed to aid in facing the challenges of transformation. This research focuses on how KENAO is managing this transformation and the challenges it faces in the process.

1.2 Statement of the Problem

Every change comes in its unique way and its successful implementation is related to the set of values, resources, and skills of the firm and the demands of the prevailing environment. Change can cause painful upheavals, bring anguish, inflict a feeling of loss of control, stir a sense of helplessness and arouse anxiety. Strategic change can be seen as the matching of the resources and activities of an organization to the environment in

which it operates. This is known as the search for strategic fit. Change in organizations usually result out of either internal or external environmental factors that interfere with the achievement of set goals and objectives (Kanter, 1984; Hamel and Prahalad, 1994; Kotter, 1996).

The change focuses on significant alteration in the strategy, processes, systems, procedures, and organization culture. However, managing change is not an easy task, as it is problematic. Despite this, there is no one right formula for change management. Kazmi (2002) indicates that change is not linear, i.e it cannot be worked on a mathematical formula basis with a set of variables that will always yield a fixed answer for their combination. Aosa (1996) points out the necessity of carrying out change within the context of the unique environmental challenges within Africa.

With the enactment of the Public Audit Act 2003, the mandate of the Kenya National Audit Office (KENAO) was expanded to bring state corporations, local authorities, and value for money audits on board. Initially, the office concentrated on central government audits while the state corporations used to report to treasury and local authorities used to internally audited. The establishment of new audit units to cover the new and emerging audits including environmental audits, public debts, forensic audits, computerized audits and quality assurance, subjected KENAO to enormous challenges most of which have been earlier highlighted. This expanded mandate necessitated the need KENAO to undertake change by adapting capacity building and reorganization strategies that confer greater efficiency and effectiveness.

1.3 Objectives of the Study

In the literature, there is evidence for researchers and practitioners that organizational change management is a useful tool to facilitate successful cultural transformations to ensure that the outcome of the change initiative is positive. A number of studies have been done on strategic change management (Nyamache, 2003; Rukunga, 2003; Kasima, 2004; Mutuku, 2004; Mbatha, 2005; Nyalita, 2006; Kisunguh, 2006; Muturi, 2006). These studies have furnished readers with insights into the approaches, practices, challenges and responses of some Kenyan organizations to management of strategic change. However, none among these studies has focused on an organization whose roles and mandate are as elaborate as those of the Kenya National Audit Office (KENAO).

The strategic change process started in 2004 with the enactment of an Act of Parliament, which saw the Office being reorganized into five departments from the previous four divisions and restructure its organizational framework, which culminated into a new organizational structure. This was followed by the development of a five year strategic plan for the period 2004-2009, which has since led to a more refined one for the period 2007-2012. The strategic plans reflect the envisioned change- the better future state of KENAO. This study sought to address the questions: how has KENAO managed and implemented the strategic change initiative and what have been the challenges to the change programme?

The findings of this study will, to a great extent, contribute to the narrowing of the existing gap on strategic change management.

1.3 Objectives of the Study

The objectives of this study were to:

- i. To establish change management practices by the Kenya National Audit Office.
- ii. To determine the challenges to the change programme.

1.4 Significance of the Study

The findings of this study will be of significance in the following ways:

1. The study will be able to bring to light the various practices for managing strategic change in a typical non-profit public sector organization and enable the management of such an organization point out effective practices for further enhancement and duplication elsewhere.
2. The findings of the study will bring to light the sources of the challenges to the change initiative for management to be well prepared to handle and mitigate them.
3. Upon evaluating the findings of the study, managers and staff of KENAO will be able to understand how to manage change and better align it with its internal resource capabilities and competencies.
4. Future scholars might also find the study findings useful as a basis for further research to extend, refine and/or validate the findings of this study.
5. The findings of this study will, to a great extent, contribute to the narrowing of the existing gap on strategic change management.

CHAPTER TWO: LITERATURE REVIEW

2.1 The Concept of Strategic Change Management

Strategic Change Management is defined as the actions, processes and decisions that are executed by an organization's members to realize their strategic intentions (Handy, 1989). According to Thompson and Strickland (2003), change management is the use of systematic methods to ensure that a planned organizational change can be guided in the planned direction, conducted in a cost effective and efficient manner and completed within the targeted time frame and with the desired results. Johnson and Scholes (2005) view change management as a structured and systematic approach to achieving a sustainable change in human behavior within an organization. It involves moving employees to new behavior while retaining key competitive advantage particularly competence and customer satisfaction.

Strategic change arises out of the need for organizations to exploit existing or emerging opportunities and deal with threats in the market. It is crucial that organizations seek to create a competitive advantage and wherever possible innovate to improve their competitive positions. This implies the readiness to change within the organization and the ability to implement the proposed change (Ansoff and McDonnel, 1990).

According to Handy (1994), managing strategic change is about managing the unfolding non-linear dynamic processes during strategy implementation. It involves change or alignment and re-alignment of policy, systems, styles, values, staff, and skills of an organization to realize a strategy (Thompson and Strickland, 2003). Management of

strategic change is therefore how to create conditions that make proactive change a natural way of life.

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2.2 The Business Environment and Organizational Change

Kotter (1995) lists major economic and social forces driving change as: the increasing pace of technological changes that is hinged on the information technology and a more developed transport network, greater international integration through greater liberalization and reduction of trade barriers, maturity 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 catalyzed more privatization and heralded increased 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) see the ensuing change as going beyond tradition.

Kanter (1984) talks of phenomenal change in the environment as originating from such sources as the labor 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 dimension (labor). 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 concurrence to the reason advanced by Kotter (1995) on the influence of politics on business.

Johnson and Scholes (2002) also identify political, economic, social, technological, and ecological factors as comprising the external business environment that present the organization with opportunities, threats and constraints. Aosa (2002) notes that managers have to constantly monitor developments in the environment and take action to maintain an appropriate relationship between their organizations and the external environment. This relationship is the strategy of an organization (Barbara, 1997).

Ansoff and McDonnell (1990) state that the environment can either be relatively stable or turbulent. They categorize the environment turbulence into five levels that are on a continuum: repetitive, expanding, changing, discontinuous, and surprise. Each of these levels requires different levels of strategic aggressiveness and organizational responsiveness. A change in a firm's business environment is one of the triggers for strategic change in an organization. Other triggers include temporal environment such as change in agricultural climate and internal triggers such as changes in people. Dawson (1994) maintains that internal and external triggers are often interdependent. Organizational change is therefore an ever-present feature in organizational life. Organizational life consists of periods of incremental change or convergence punctuated by discontinuous changes. During incremental change, organizations either fine-tune and/or carry out incremental adjustments to environmental shifts to perform more effectively and optimize their consistencies between strategy, structure, people, and

processes. However, when there are discontinuous changes in the environment, then frame-breaking changes take place and they involve major changes in strategy, structures, processes, and people behavior (Thomson and Strickland, 2003).

Kazmi (2002) sums up the business environment as being complex, dynamic, and 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 by ever recurring changes and herein lies the challenge for business managers.

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

2.3 Change Complexity

Hill and Jones (2001) define change as a move from a present state to a future state that increases competitive advantage. Ansoff and McDonnell (1990) observe that changes have become increasingly complex, novel, and discontinuous from past experience.

Equally, the change challenges have increasingly become simultaneous; the need for revival of entrepreneurship for response to the increasing intensity of global competition and for societal involvement in determining how the firm is to be run is more critical than ever before. Another characteristic has been acceleration of both incidence and diffusion of change. Ansoff and McDonnell summarize the consequences of the acceleration of change as: an increasing difficulty in anticipating change sufficiently in advance to plan timely response; the need for increased speed of implementation of the response; and the need for flexibility and timely responses which could be anticipated in advance.

Beam (1990) in Burnes (2000) says that strategic discontinuities must be anticipated. He adds that they cannot be identified from trends alone because unlike trends, they represent a break from what was done in the past, not a projection of the past into the future. Strategic discontinuities are particularly traumatic for firms that have been market leaders for long periods of time. It is tempting to restrict analysis of competitive threats only to direct competitors - even very successful strategies need to be carefully reviewed at least annually to make sure they are not vulnerable to a strategic discontinuity.

Koch (1995) in Kazmi (2002) proposes that a new strategy has to be adopted to real life relationships between people (employees, customers, suppliers, etc), gradually introduced, and crafted and re-crafted as circumstances change. This not only emphasizes the fact that strategy is not a one stop point mater but does require the people to understand and believe in it. Koch laments that strategy development is rarely done by the right people, while Strebel (1996) observes that change management is not working

as it should. He contends that the wide spread difficulties have at least one common root, that is, that managers and employees view change differently. Both groups seem to know that vision and leadership drive successful change but far too few leaders appear to recognize the ways in which individuals commit themselves to bring about change. Top level managers said see change as opportunity to strengthen the business by aligning operation with strategy to take on new professional challenges and risks, and to advance their careers. For many employees, however, including middle managers, change is neither sought after nor welcomed. It is disruptive and intrusive. It upsets the balance. Strebel concludes that employee often misunderstand or worse, ignore the implications of change.

The market a company dominates today is likely to change substantially. There is no such thing as "sustaining" leadership; it must be regenerated again and again (Hamel and Prahalad, 1994). Given that change is inevitable, the real issue for managers is whether that change will happen belatedly, in a crisis atmosphere, or with foresight, in a considered manner; whether the transformation agenda will be set by a company's more prescient competitors or by its own point of view; whether transformation will be spasmodic and brutal or continuous and peaceful.

Hamel and Prahalad (1989) observe that painful upheavals in so many companies in recent years reflect failure of one-time industry leaders to keep up with accelerating pace of industry change. While both restructuring and re-engineering are legitimate and important tasks, they have more to do with shoring up today's businesses than with

building tomorrow's industries. Any company that is a by-stander on the road to the future will watch its structure, values, and skills become progressively less attuned to industry realities. Such a discrepancy between the pace of industrial change and the pace of company change gives rise to the need for organizational transformation. A company's organizational transformation typically includes downsizing, overhead reduction, employee empowerment, process redesign, and portfolio rationalization. When a competitiveness problem (stagnant growth, declining margins, and falling market share for example) can no longer be ignored. Most executives 'pick up a knife' and begin the painful work of restructuring. The goal is to carve away layers of corporate fat and amputate under-performing business. Masquerading behind terms like re-focusing, de-layering, de-cluttering, and right-sizing (why is the "right" size always small?), restructuring always results in fewer employees.

2.4 Management of Strategic Change

Hill and Jones (2001) see strategic change as the process of moving an organization away from its present state towards some desired future state to increase its competitive advantage. They observe that most organizations have gone through some kind of strategic change, as their management has tired to strengthen their existing core competencies and build on ones to compete more effectively. Reengineering, restructuring, and innovation have been the three kinds of strategic changes pursued in the recent times. Strategic change aims at aligning structures, systems, processes, and behavior to the new strategy.

Organizations are in rapid and unprecedented change brought about by forces of global competition, rapidly changing technologies and deregulation. The pertinent issue is: how can organizations cope with both the environment in which they operate and the constraints, challenges and the threats they face? The most important motive for change in a business enterprise according to Kanter (1984) is to improve the organization's ability to meet and satisfy its customers' needs. In a fast changing global economy, change cannot be an occasional episode in the life of a corporation. Companies with rigid structures will be swept away. Corporate cultures that can adapt will survive and thrive. As the internal and external environments change, organizations need to also change their strategies in order to achieve a strategic fit. In a dynamic world, a source of competitive advantage in one period becomes not only irrelevant but also often a source competitive disadvantage in another. Core competencies become core rigidities; valuable knowledge and skills become rapidly outdated, often at a rate faster than many people's learning capacities. Failure to challenge the status quo can easily lead to a phenomenon referred to as the "failure of success", a scenario where a company assumes that its past successes will ensure its future successes (Business Week, Reinventing America, 1992).

Kotter (1996) observes that to date, major change efforts have helped some organizations adapt significantly to shifting conditions, have improved the competitive standing of others, and have positioned a few for a far better future. But he is quick to note that in too many situations, the improvements have been disappointing and the carnage has been appalling, with wasted resources and burned-out, scared, or frustrated employees. He attributes this phenomenon to eight most common errors that organizations commit

during the change management process. The errors include allowing too much complacency; failing to create a sufficiently powerful guiding coalition; underestimating the power of vision; under-communicating the vision; permitting obstacles to block the new vision; failing to create short term wins; declaring victory too soon; and neglecting to anchor changes firmly in the corporate culture. Kotter cautions that making any of the eight errors common to transformation efforts can have serious consequences including new strategies not being implemented well, reengineering taking too long and costing too much, downsizing not getting costs under control, and quality programs not delivering hoped-for results.

Pettigrew and Whipp (1998) have identified five central factors for managing change as environmental assessment, leading change, linking strategy and operational change, human resources as assets and liabilities, and coherence in the management of change. They underscore the requirement for organizations to become open learning systems and lay stress on the strategy creation tends to emerge from the way an organization, at all levels, processes information about its environment. Further, they point out that the critical leadership tasks in managing change are more incremental and often less spectacular than the prevailing business press images. According to them, leading change involves linking actions by people at all levels of the organization.

Prasad (1989), on his part points out that the need for change will be determined by factors that may be internal or external to the organization. He notes that identification of the need for change depends on gap analysis, that is, the gap between the desired state

and the actual state of affairs in the firm. The elements of the organization that should be changed will largely be determined by the needs and objectives of the change. He adds that normally, changes will be required in three major organizational elements: structure, technology, and people. Aosa (1996) emphasizes on the need to synchronize the management of change with the context within which such a change is being carried out. He observes that the unique environmental challenges that make up the context of management in Africa especially needs to be considered. The developments that took place in management reflected changes mainly within developed countries. The context of management in Africa has been shown to be different and this has had an effect on management.

Balgun and Haley (1999) as quoted in Burnes (2000), highlight a number of important contextual features that need to be taken into account in designing change programmes. Some of the features identified include the scope, institutional memory, diversity of experience within an organization, the capability in managing change as well as the readiness for change throughout different levels in the organization. Consequently, there are different approaches to managing change but there are two that are certain: planned and incremental. Whichever the approach that the organization chooses does not necessarily guarantee success to the strategic change itself. Undoubtedly, the way changes are managed, and the appropriateness of the approaches adopted, have major implications for the way people experiencing change and their perceptions of the outcome. The reality, according to many observers, is that organizations can and do experience severe problems in managing change effectively (Beer et al., 1990; Taylor,

1995). It is clear that to manage change successfully, even on a small scale, can be complex and difficult. Change efforts in many public corporations have suffered because potentially beneficial policies were implemented without the institutional capacity of supporting and managing them.

2.5 Change Management Models

Successful implementation of change requires a good focus to avoid common mistakes that lead to failure. Major theorists and practitioners have proposed a number of models for strategic change management. The Eight (8) - stage Model proposed by Kotter is a typical model. A description of the eight stages in the models follows:

Establishing a Sense of Urgency: This is crucial to gaining the needed co-operation. With low urgency, it is difficult to bring together a group with enough power and credibility to guide the effort or to convince key individuals to spend necessary time to create and communicate a change vision. By examining the market and competitive realities, identifying and discussing key issues, crises or opportunities establishes urgency.

Creating a Guiding Coalition: No one individual is able to develop the right vision and communicate it effectively to large numbers of people, eliminate key obstacles and get the change going on. A strong coalition composed of the right members with high level of trust and having a shared objective and vision is needed. The coalition should be able to work as a team with enough responsibility and authority. Position power, expertise,

credibility, and leadership should be the key characteristics to be considered when forming the group or team.

Develop a Vision and Strategy: This is necessary to help direct the change effort for effective and successful implementation of the change. An effective vision should be imaginable, desirable, feasible, focused, flexible, and communicable. The firm should also develop strategies for achieving the vision, which should be clear and well understood by all members of the organization. The vision should be grounded on a clear and rational understanding of the organization, its market environment and competitive trends. Strategy provides the logic and a first level of detail of how the vision can be accomplished.

Communicating the Change Vision: All means possible should be used to communicate the new vision and strategies. Such means include employee bulletins, staff meetings, memos, and newspapers, formal or informal interactions. The team leading the change should be role models to the employees with exceptional behavior. Communication of change vision can be undermined by behavior on part of key team members who seem to be inconsistent with the vision. The senior management behavior is carefully monitored so as to identify and address inconsistencies between words and actions.

Empowering Employees: This involves getting rid of obstacles, changing systems or structures that undermine the change vision and encouraging risk taking and no traditional ideas, activities and actions. To fully empower employees, the following could be done: confront supervisors who undercut/sabotage needed change, provide the training

employees need, make structures to be compatible with the vision, have and communicate a clear and sensible vision, and align information and personnel systems to the vision.

Generating Short-term Wins: Running a transformation without serious attention to short term wins is extremely risky. One should plan for visible improvements in performance or wins and also create those wins. In addition, the people who make the wins should be visibly rewarded and recognized.

Consolidating Gains and Producing More Change: This involves changing all systems, structures and policies that do not fit in the transformation vision. Hire and promote people who can implement the change vision. The system is reinvigorated with new projects, themes, and change agents.

Anchoring New Approaches in the Culture: Create better performance through better customer and productivity-oriented behavior, more and better leadership, and more effective management. Articulate the connections between the new behaviors and organizational success. Also, develop means to ensure leadership development and succession.

Kurt Lewin from his work on change management came up with three models: Action Research Model; The Three-Step Model; and Phases of Planned Change Model (Burnes, 1996).

The Action Research Model is based on the emphasis that change requires action and also the recognition that successful action is based on analyzing the situation, identifying possible alternative solutions, and choosing the one most appropriate to the situation at hand. An agent gathers data and solves the problem jointly with the client (Burnes, 1996).

The Three-Step Model proposes going through the steps of unfreezing, moving, and refreezing. Unfreezing involves removing those forces maintaining the organization's behavior at its present level. Moving involves acting on the results of unfreezing i.e. take action to move to the desirable state of affairs. Refreezing seeks to stabilize the organization at the new set of equilibrium (Burnes, 1996).

The Phases of Planned Change Model has four stages of exploration, planning, action, and implementation. This was developed by Bullock and Batten (1985). Exploration involves becoming aware of the need for change, searching for outside assistance/agent and establishing a contract with the consultant, which defines each party's responsibilities. Planning involves the change process of collecting information establishing goals and getting key decision makers to approve and support proposed changes. Action phase involves change implementation and evaluation of results in order to make adjustments as necessary. Integration phase involves reinforcing new behaviors, gradually decreasing reliance on consultant, diffusing successful aspects of the change in the organization and training staff to monitor the changes constantly and seek to improve upon them. This model, according to its authors, has a broad applicability to change

situations since it incorporates key aspects of many change models. It overcomes the confusion between the processes and phases of change.

Kanter et al (1992)'s model of change management focuses on managing the political context by providing information, resources, and support for the change effort. The main theme is that for organizational change to be successful, it needs to be holistic and systematic, addressing individual, social, and organizational factors. The model suggests a number of actions that should be taken during change management: building coalitions by seeking support from power sources and stakeholders; articulate a shared vision of the mission, goals, and desired results; define the structure and process that will guide the change, including clear reporting relationships, coordination between activities and teams and accountability for outcomes; ensure communication to keep people informed, education, and training to increase their capacities; institute policy and systems review in order to align the strategy with resource allocations; operations, systems and staffing; enable local participation and innovation by clearly specifying fixed goals while encouraging local variation in their implementation; ensure standards, measures and feedback mechanisms as a way of monitoring the process and results; provide symbols, signals and rewards that demonstrate and support commitment to change.

While the change management concepts and methods vary, the basic elements are similar: a vision to align the organization; communicate why the changes are necessary; involving the affected people actively in the change process; provide people with the

skills to actively support the change process; marketing new approaches; and institutionalize new approaches to avoid erosion effects.

Rose and Lawton (1999) have proposed a model for public sector change management. They propose a dozen action steps to managing change in the public sector: assuring the support of stakeholders; using leadership to generate support for change; using symbols and language to stress the importance of change; building in stability to reduce uncertainty and anxiety; surfing dissatisfaction with the present state to demonstrate the need for change; participation in change to build ownership; rewarding behavior in support of change; making time and opportunity to discharge from the present state; developing and communicating a clear vision of the future; using multiple and consistent leverage points; developing organizational arrangements for the transition and building in feedback mechanisms.

Barbara (1997) identifies three overlapping phases in strategic change management. These include the Description, Option, and Implementation phases. The Description phase involves describing and diagnosing the situation, understanding what is involved, and setting the objectives for the change. The Option phase involves generating options for the change, selecting the most appropriate option, and thinking about what might be done. Lastly, the Implementation phase involves putting feasible plans into practice and monitoring the results.

Ansoff (1988), on his part recommends four approaches to managing discontinuous change which are the Coercive method, the Adaptive method, the Crisis method, and the Managed Resistance method. The Coercive method is applicable where there is high urgency. It has the advantage of speed but has a shortcoming of being highly resisted. Adaptive method is applicable where there is low urgency. Its main advantage is low resistance but the method is very slow. Crisis Management method is applicable where there is threat for survival. Its advantage is low resistance but has the shortcoming of extreme time pressure and risk of failure. The Managed Resistance method is applicable under conditions of moderate urgency. Planning and implementation are done together. It has the advantage of low resistance because it is tailored to time comprehensive capability change. Its disadvantage is that it is more complex than the other three approaches.

Johnson and Scholes (2002) propose a model that emphasizes structures and control systems, organizational routines, power and political processes, communicating change symbolic processes, timing, job losses and de-layering and visible short-wins as the important levers that need to be used to manage change successfully.

Dawson (1994) and Wilkson (1992) both challenged the appropriateness of planned change approaches due to dynamism and uncertainty in the environment. They are proponents of emergent change handling models. Dawson adopted a processual approach which identifies the substance of change such as technology or legal requirements. The need for change is conceptualized and transition in terms of new tasks, activities and

decisions is achieved in the contextual framework of politics of change, human resources, administrative structures, business markets and the operation of new organizational arrangements. The logical incrementalism model proposes change taking place incrementally. Solidifying the change program is also done incrementally and integration of the processes and interest in the change program is also done incrementally (Quinn, 1980 in Burnes 2000).

In the emergent change models, there are key organizational activities which allow these elements to operate successfully. These are: information gathering about external environment, internal objectives and capabilities; communication, which is the transmission, analysis, and discussion of information; and learning, which is the ability to develop new skills, identify appropriate responses and draw knowledge from their own and others' past and present actions (Burnes, 1996).

In summary, planned change approach, which views organizational change as a process of moving an organization from one fixed state to another through a series of pre-planned steps is suitable in stable business environment whereas emergent change approach, which views change as a continuous open-ended and unpredictable process of aligning and realigning an organization to its changing environment is ideal in turbulent environment. The approach recognizes the importance of the organization to adapt its internal practices to the changing external conditions. Whatever the approach, Barney (1986) points out that the role of the top management must be the climate for pockets of

god practice, to grow, and to nurture them where they appear. Only in that sense should pockets principle be a top down one.

2.6 Factors that Influence Change Performance

Resistance, culture, stakeholder politics, teamwork, and leadership have been identified by Kanter (1992) and Ansoff and McDonnell (1990) as factors that can influence the outcome of any change program.

2.6.1 Resistance

According to Ansoff and McDonnell (1990), resistance to change is a multi-faceted phenomenon which introduces delays, additional costs and instability into the change process. Resistance can either be behavioral or systemic. Behavioral resistance is exhibited by individuals, managers or groups. Because of parochial self-interests, misunderstanding and lack of trust, differences in assessment, or low tolerance to change; individuals or groups may resist change. To overcome this problem there is need for those managing change to understand the needs of employees and also for employees to understand the change plan.

Systemic resistance originates from passive incompetence in managerial capacity to carry out the change. The capacity required to implement change is normally more than the existing capacity. Management requires to plan and develop the required capability by integrating management development into the change process and stretching the implementation period as long as possible (Kanter, 1992).

Rose and Lawton (1999) note that if change involves challenging existing power arrangements, the resistance to change is almost inevitable. To deal with such resistance, they propose the use of some techniques which include education and communication, participation and involvement, facilitation and support, manipulation and co-option and/or explicit and implicit coercion.

2.6.2 Organizational Culture

Rowe et al (1994) define organizational culture as the total sum of shared values, attitudes, beliefs, norms, rituals, expectations, and assumptions of people in the organization. Thompson and Strickland (2003) argue that there must be a fit between strategy, structure, systems, staff, skills, shared values, and style for strategy implementation to be successful (McKinsy 7-S Framework). They further argue that organizational culture and values held by managers and other employees within the organization are key influences on strategies of change and are therefore central driving considerations in strategy creation and change.

Johnson and Scholes (2002) referring to culture as routines, note that such routines which give an organization a competitive advantage may act as bottlenecks when implementing changes. When planning change, it is important to identify such routines and change them. Burnes (2000), however, differs. According to him, changing routines can be difficult.

2.6.3 Political Management: Mobilizing Support and Legitimacy

Stakeholders' support is essential for a change programme. Because of many stakeholder groups with different interests and power, achieving universal support is a challenge and politics sets in. Rose and Lawton (1999) quote Moore (1992) as saying that strategic management in the public sector begins by looking up towards politics for three reasons. First, it is in this realm that managers must search to discover what purposes are deemed publicly valuable; second, political institutions grant public managers resources they need to accomplish their operational purposes; and third, it is to politics and law that public managers are both theoretically and practically accountable. Public managers face decisions which are strategically important to their organizations but potentially beyond their own individual power to decide, and such require political management. Managers must negotiate with other political bodies to have their plans legitimized and carried on as policies for implementation by the government.

Hill and Jones (2001) see organizational politics as tactics that strategic managers and stakeholders engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interests. In this political view of decision-making, obstacles to change are overcome and conflicts over goals are settled by compromise, bargaining and negotiation between managers and coalitions of managers and by the outright use of power. Burnes (2000) quotes Quinn (1991) as recommending broadening political support for emerging new trusts as an essential and conscious proactive step in major strategy changes. Committees, task forces, or retreats are used by the change agent to marshal such support. Kanter et al. (1992) argue that the first step to

implementing change is coalition building which involves those whose involvement really matters. Specifically, stakeholders must support any change programme for it to see the light of the day.

Perhaps what demonstrates the stakeholders' politics and power in Kenya was the removal of immediate former CEO of Kenya Commercial Bank who had been hired in 1999 to turnaround the bank after three years of successive declining profitability following growth in non-performing loans. As reported in the Daily Nation of 21st January 2003, the CEO had to leave because of lack of confidence from major stakeholders: the board and the employees. The paper also reported that the immediate challenge for the incoming CEO was to mobilize the support of the board of directors to support the change initiatives.

2.6.4 Teamwork

The complexity of most of the processes which are operated in industry, commerce, and service place them beyond the control of any one individual. The only way to tackle problems concerning such processes is through the use of some form of teamwork. Yet building effective teams is no easy matter. Oakland (1993) define a team as a group of people with the appropriate knowledge, skills, and experience who are brought together specifically by management to tackle and solve a particular problem usually on a project basis. They are cross-functional and multi-disciplinary.

Rowe et al (1994) argue that the team approach to change implementation removes artificial organizational barriers and encourages openness. Teams share common goals and help to focus energy by emphasizing self-control on the part of the participants. Teams that are cohesive, that interact cooperatively, with members possessing compatible personality characteristics and that are operating under mild to moderate pressure appear to be most effective.

2.6.5 Leadership

Johnson and Scholes (2002) contend that the management of change is often directly linked to the role of a strategic leader. Leadership is the process of influencing an organization in its efforts towards achieving an aim or goal. A leader is not necessarily someone at the top of an organization, but rather someone who is in a position to influence others. Normally change agents or change champions provide the leadership role. The leader's roles include creating vision, empowering people building teamwork, and communicating the vision.

Thompson and Strickland (2003) while stressing the importance of effective leadership in managing change gives the qualities of an effective leader as being visionary, skilled, competent, delegative, motivative, analytical, persistent, enduring and flexible.

2.7 Resistance to Change

Resistance is a multifaceted phenomenon, which introduces unanticipated delays, costs, and instabilities into the process of a strategic change (Ansoff and McDonnell, 1990).

They note that resistance manifests itself throughout the history of change and observe that during the change process all of the following may occur: procrastination and delays in triggering the process of change, unforeseen implementation delays and inefficiencies which slow down the change and make it cost more than originally anticipated, and there are efforts within the organization to sabotage the change.

After the change has been installed, Ansoff and McDonnell (1990) observe that the following may occur: There is a typical performance lag, the change is slow in producing the anticipated results and there are efforts within the organization to roll back the effects of the change to the pre-change status. In light of the above propositions, it explains the strong resistance against strategic planning.

Resistance to change could either be behavioral or systemic resistance. Behavioral resistance is both by individuals (employees or managers) or groups e.g. unions. People may resist change either due to self-interests, misunderstanding and lack of trust, different assessments or low tolerance for change. Systemic resistance refers to incompetence by the organization represented by the difference between capacity requirement for new strategic work and capacity available to handle it (Ansoff, 1988).

Behavioral resistance could be caused by organizational loyalty, perception verses loyalty, and cultural-political field. Ansoff and McDonnell (1990) point out that causes of resistance can be traced to reactions by individuals on one hand and common actions by groups of individuals on the other. Both experience and literature on psychology show

that individuals will resist change when it makes them insecure. For instance when a manager feels that the change may make him redundant, when he feels incompetent to perform in the new role defined by change, when he is incapable and unwilling to learn new skills and behavior, if he is uncertain about the impact and implications of the change.

Groups will resist a change in proportion to which it: threatens the power of the group; violates accepted values and norms; and is based on information that is regarded as irrelevant. During changes aimed at improving organizational performance, cultural/political resistance will be moderated and may change to positive support in proportion to the following: the degree of improvement in performance promised by the change and the level of positive loyalty within the organization.

Ansoff and McDonnell (1990) thus conclude that the level of resistance to change is determined by the following factors: the degree of discontinuity in the historical culture and power implied by the change; the strength of positive/negative loyalty towards the organization felt by the participants; and the strength of the culture and power drives at the respective power centers. They end by noting that because of distorted perception, resistance will usually be higher than is justified by the facts of the situation.

To minimize resistance, managers must define the terms and persuade employees to accept them. Leadership must drive the process of change to alter the employees' perception and bring about revised personal impacts. The following change tactics are useful in minimizing resistance to change: timing, job losses and de-layering, and visible

short term wins. With respect to timing, change implementation should be built on perceived crises, capitalize on windows of opportunity in the change process, and the message about the timing of the change should be clear. Job losses and de-layering involves tactical choices where job losses must take place. However, 'creeping' job losses must be avoided and where job losses are to take place, there should be a visible, responsible and caring approach to those who lose their jobs. Lastly, visible short term wins involves some tasks in the strategy being seen to be successful quickly. Such demonstration of wins will galvanize commitment to strategy (Johnson and Scholes, 2002). Without proper leadership, Strelbel (1996) cautions that employees will remain skeptical of the vision for change and distrustful of management and management will likewise be frustrated and stymied by employees' resistance to change. Building organizational capacity to the desired level can reduce systemic resistance.

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CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This study was carried out through a case study research design where the unit of study was the Kenya National Audit Office (KENAO). The design is most appropriate when detailed, in-depth analysis for a single unit of study is desired. Case study research design provides very focused and valuable insights to phenomena that may otherwise be vaguely known or understood. This research design was successfully used by Ogwora (2003) in a similar study.

3.2 Data Collection Method

The study involved the collection of both primary and secondary data. This being a case study, the focus was on carrying out an intensive study of the changes at the KENAO. To achieve this, a semi-structured questionnaire and interview guide were used to collect the data. The study targeted five (5) Deputy Auditor Generals and fifteen (15) Directors of Audit. The respondents were considered to be resourceful enough in availing the sought data because they are at the helm of decision making at KENAO. The questionnaire was administered through drop and pick later after respondents had been explained the purpose of study and guided. This was followed by personal interviews that allowed the capture of data that could not be captured by the questionnaire. Secondary data was obtained from KENAO's reform program documentations.

3.3 Data Analysis

Both the primary and secondary data were qualitative in nature. Given this fact, content analysis was considered the best suited method of analysis. According to Nachmias and Nachmias (1996), content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends. This approach has been used previously in similar research papers like the one by Ogwora (2003). Strauss and Corbin (1990) argue that the method is scientific as the data collected can be developed and be verified through systematic analysis.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter details the findings of the study and discussions with respect to the objectives of the study. The study was designed with the aim of achieving two objectives. The objectives were to establish change management practices by the Kenya National Audit Office (KENAO) and to determine the challenges to the change programme. The study involved collection of both primary and secondary data. Primary data was captured through the use of a research instrument which was administered in two ways- personal interviews and mail questionnaire. Secondary data was obtained from provisions of the legislation that governs KENAO and subsequent amendments to it and KENAO's Strategic Plan 2007-2012. The research targeted twenty (20) respondents drawn from the five departments and holding positions of Deputy Auditor General and Director of Audit. Out of these, eighteen (18) were able to participate in the study by filling and e-mailing back the questionnaires and accepting to be interviewed. The remaining two (2) could not be reached because they were out of the country during the time of study. This constitutes a 90% response rate, which was considered adequate for analysis.

4.2 Profile of Kenya National Audit Office (KENAO)

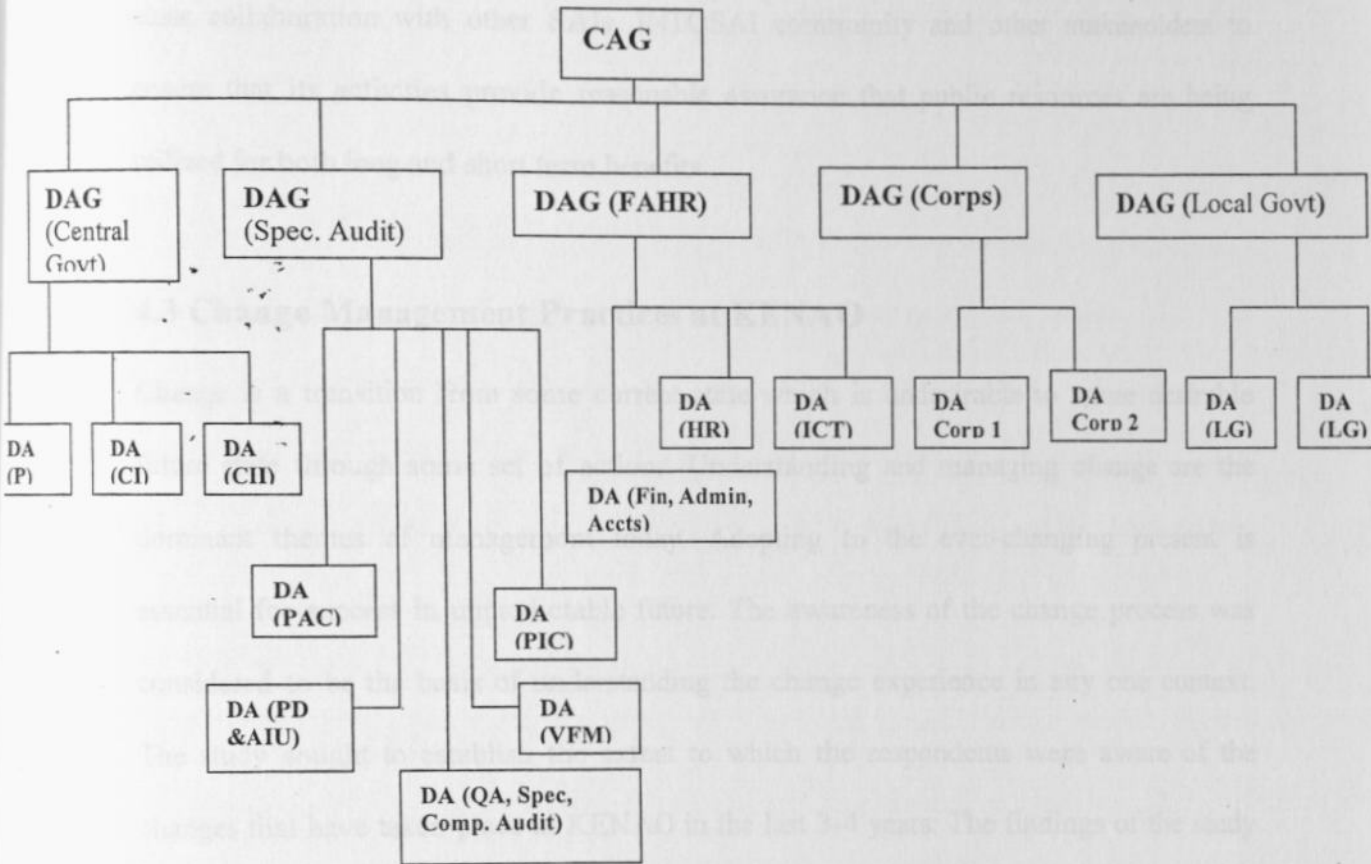
The Office of the Controller and Auditor-General (C\$AG) was established in 1955 under the Exchequer and Audit Act, Cap 412 and subsequently entrenched in the constitution at Kenya's independence in 1963. The Controller and Auditor General, who enjoys security of tenure, is appointed by the President and vacates the office when he attains the prescribed retirement age which at the moment is 65 years. The office is governed by

three statutes, that is, The Constitution of Kenya, The Exchequer and Audit Act, Cap 412, and the Public Audit Act, 2003.

Following the enactment of the Public Audit Act 2003 (which became operational in January, 2004) a Kenya National Audit Commission chaired by the Controller and Auditor General and the Kenya National Audit Office (KENAO) were established. The KENAO is a more independent office of the Controller and Auditor. The office is mandated to audit all Government Ministries and Departments, Local Authorities and State Corporations. It is also mandated to carry out Value for money audits. KENAO has administratively established new audit units to cover new and emerging audits including Environmental Audits, Public Debts, Forensic Audits, Computerized Audits and Quality Assurance. In addition KENAO carries out audit of Donor Funded Projects Accounts. The National Audit Commission, among other duties, approves the budget of KENAO and determines the remuneration of and other terms of appointment of staff.

The KENAO presently has 915 employees 722 of whom are involved in the office's core work whereas 193 are support staff. The KENAO, headed by the Controller and Auditor General is currently structured into five departments each headed by a Deputy Auditor General. These five departments are: Finance, Administration and Human Resource; Central Government; Local Authorities; State Corporations; and Specialized Audits.

An extract of KENAO's management structure (up to Director of Auditor position) is presented below.



Source: KENAO Strategic Plan (2007-2012)

The entire organizational structure for KENAO is presented in Appendix II

KENAO, like any other SAI has become increasingly concerned about issues of accountability and governance in the use of public resources. In this regard, therefore KENAO plays a vital role in promoting accountability and good governance through financial, compliance and performance evaluation audits and reports thus promoting economic, efficient and effective use of resources in the public sector. In an effort to

upgrade its capabilities to meet the challenges posed by demands for accountability and good governance, KENAO has embarked on deliberate capacity building programmes in close collaboration with other SAIs, INTOSAI community and other stakeholders to ensure that its activities provide reasonable assurance that public resources are being utilized for both long and short term benefits.

4.3 Change Management Practices at KENAO

Change is a transition from some current state which is undesirable to some desirable future state through some set of actions. Understanding and managing change are the dominant themes of management today. Adapting to the ever-changing present is essential for success in unpredictable future. The awareness of the change process was considered to be the basis of understanding the change experience in any one context. The study sought to establish the extent to which the respondents were aware of the changes that have taken place at KENAO in the last 3-4 years. The findings of the study showed that all the respondents were aware of the changes albeit on different structural and strategic frontiers. They cited the following as being part and parcel of the changes that have been experienced at KENAO for the past 3-4 years:

The merger of the Auditor General (Corporations) with Controller and Auditor General; Recruitment of new breed of professionals from the private sector, university graduates, and professional training institutions; introduction of computerized and specialized audit; review of salaries and allowances for KENAO employees; enactment and operationalization of the Public Audit 2003 which led to the abolition of Auditor General

(Corporations). The Act also led to the creation of the Kenya National Audit Office and the Kenya National Audit Commission. This also saw the creation of additional departments to deal with special audits (environmental, value for money, special investigations, computerized audit).

Other changes also cited include the merging of the Exchequer and Audit Department and Auditor General (Corporations) into one office- Controller and Auditor General; location of all Headquarters staff in one physical office at Anniversary Towers-Nairobi; introduction of carrying out of workshops and seminars on audit planning and documentation, and capacity building exercises; and restricting the age limit of a serving Controller and Auditor General to 65 years.

4.3.1 Creating the Urgency

According to the respondents, the statutory requirements to comply with the audit reporting deadlines (government policy guidelines) which was necessitated by the quest for improvements in efficiency and effectiveness in service delivery and timely certification of audit reports most of which had been in arrears resulted in concerted efforts to transform KENAO. Respondents also cited numerous other forces that necessitated change at KENAO. These forces range from those within the organization to those that are external to the organization. The interview with the respondents found out the following as the major forces for change.

First among them was the need to make the audit office an effective auditor of government ministries, state corporations and local government. The effectiveness was more so required in the context of the office's expanded mandate. Second, was the quest for independence of the office given its widened mandate with a view to ensuring quality reports. Globalization of the world economy; changes in technology leading to computerization of accounting; stakeholders' needs and increased need for greater transparency and accountability in the public sector which calls for a more professional, independent and motivated staff; the enactment of new legislation and changes in the political environment necessitated some changes to be undertaken at KENAO. The respondents further pointed out that changes in public sector financial management system; the demand by the accounting profession, embracing professionalism as part of the culture in the office, shortage of qualified and competent staff; and the need to attract and retain qualified staff as other forces that compelled KENAO to initiate the change programme. Other forces worthy of mention as given the respondents include the low morale of staff; the Kenya government's reform process, leading to the introduction of performance based rewards.

The respondent were presented with some of the factors and asked to rate them on a five-point scale with respect to the extent to which they have necessitated change at KENAO. The results of the rating are summarized in Table 1. The purpose was to find out the dominant internal and external forces that were driving the change and establish their relative level of importance.

Table 1: Force/Factors that Necessitated Change

Force/Factor	Not at all (%)	Less extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)
Need to plan ahead and remain effective	00	5.6	16.7	33.3	44.4
To meet the expanded mandate	00	00	11.1	72.2	16.7
It was a government directive	16.7	33.3	11.1	33.3	5.6
The magnitude of inefficiency	5.6	27.8	33.3	16.7	16.7
The declining quality of audit reports	11.1	22.2	44.4	16.7	5.6
Weak management at KENAO	44.4	27.8	27.8	00	00
Change for the sake of change	77.8	16.7	5.6	00	00

Source: Research Data

N-18

From the research data in Table 1 above, the forces that were rated as necessitating change to a large extent and to a very large extent are: to meet the expanded mandate rated highest at 88.9% followed the need to plan ahead rated at 77.7%; government directive followed lowly at 38.9% and the declining quality of audit reports at 2.3% while weak management at KENAO and change for the sake of change were not seen as a valid and necessary considerations.

The respondents were also quick to underscore the fact that changes that were introduced at KENAO were fundamentally necessary and each was swift in substantiating the urgency for change at KENAO. According to them, urgency for change was created by the statutory requirements to comply with the audit reporting deadlines, which was seen as part of government policy guidelines and reform agenda; the need for better services to stakeholders and professional competency; the emerging challenges in the audit

profession; and as a move to bow to the pressure for more accountability in the public sector.

Others were keen to observe that it was time to change in the context of public sector reforms in the area of public financial management and audit and wake up to meet the challenge of carrying out special audits like value for money audits and thus assess the overall economic performance, its efficiency and effectiveness. Others felt that the change in the office was long overdue. For instance the creation of the office of Auditor General (Corporations) had been politically instigated and therefore the creation of one audit office to audit central government, state corporations, and local authorities was in line with best practices in other areas. Some other respondents were of the view that with globalization, the office could not afford to be left behind/alone and as such the independent commission has particularly assisted in fixing staff remuneration and other necessary changes now enjoyed in the office.

Kotter (1994) does emphasize on the need to adequately create urgency by identifying and discussing crises, potential crises or any emergent major opportunities. Kotter proposes that the level of crises be elevated to a level that it gets to a flash point in-order to catapult the corrective reaction. In the case of the KENAO, urgency was apparently taken only on the level of identifying the change forces. Complacency may have come in thus eliminating the chance to elevate the urgency to a higher pedestal that is necessary in rallying resources especially the human resources in tackling change. The findings on what was the force behind the need for change are consistent with the literature by Hill

and Jones (2001) who see the primary purpose of strategy as aligning the management of a company with the changes in the environment.

Kotter (1994) further observes that visible crises can be enormously helpful in catching people's attention and pushing up urgency levels. Major change is said to be impossible for major organizations until the problems become severe enough to generate significant losses. Many years of outstanding audit arrears at KENAO was one such a problem, which led the office to lose credibility at some point. However, experienced and able change leaders have known to 'create a crisis' that rallies support for urgent change. From research findings no effort was directed in creating urgency or arousing dissatisfaction with the status quo at KENAO.

Change arises from pressures from two kinds of forces broadly termed as external and internal forces to the organization. Prasad (1989) say that for an organization to achieve its change objectives, it must be well equipped to integrate the internal and external changes forces. However, integration achieved at a particular time becomes irrelevant when there is a change in one of the forces or both.

4.3.2 Change Strategies

Any organization that sets to undertake any transformation would be doing on the basis of specific objectives that it finds pertinent to pursue. It is on this basis that the study set to establish KENAO's objectives of the change programme. Respondents were asked to rate various possible objectives based on how their impact manifested itself during the

change process. The findings of the study are summarized in Table 2. The aim of the study was to gauge the convergence of the objective as articulated. According to the research data, the change objectives were rated as visibly important followed the order: turnaround KENAO into an effective and professional office rated at 88.9%; increase the level of efficiency rated at 88.9; give independence to KENAO at 72.2%; take care of stakeholder interests rated at 55.6%; comply with donor conditions at 33.3%. The objectives of reducing staff, costs, and increasing funding from the government were considered least visible as objectives of the change programme by the respondents.

Table 2: Objectives of the Change Programme

Factor	Not Important at all (%)	Less Important (%)	Moderately Important (%)	Important (%)	Very Important (%)
Turnaround KENAO into an effective and professional office			11.1	16.7	72.2
Give independence to KENAO	5.6	5.6	16.7	33.3	38.9
Reduce staff	61.1	27.8	11.1		
Increase the level of efficiency			11.1	38.9	50.0
Reduce costs	27.8	11.1	38.9	11.1	11.1
Take care of stakeholder interests		11.1	27.8	16.7	38.9
Increase funding from the government	22.2	16.7	50.0	5.6	5.6
Comply with donor conditions	22.2	16.7	27.8	11.1	22.2

Source: Research Data

N-18

The findings from the research indicate that the objectives of the change programme at the KENAO were in congruency with the forces that were creating the urgency for change and the documented objectives of the KENAO in its 2007-2012 Strategic Plan.

4.3.3 Communication

4.3.3.1 Vision

The vision of the KENAO that guided the transformation was, **“To be a lead agency in promoting good governance and effective accountability in the management of public resources”**. However from the research data it is noted that the respondents indicated varying degrees to which the vision was clearly articulated and understood. Of the eighteen (18) respondents that participated in the study, 16.7% stated that the vision was vaguely articulated; 44.4% stated that it was fairly clear; 22.2% indicated that the vision was clear while 16.7% indicated that the vision was very clearly articulated and understood among the KENAO members. These scenario points the level and effectiveness of communication between the top management and lower levels of management.

The importance of a vision in change strategy cannot be overstated. Hamel and Prahalad (1994) refer to vision as developing a common point of view on the future. Among the errors that Kotter (1994) identifies as leading to failure in the change in underestimating the power of vision.

4.3.3.2 Information Flow

Burnes (1996) says that one way of avoiding uncertainty that can be caused by change is to establish a regular and effective communication process. The purpose of the communication is to inform those who will be affected by the change. For this reason, the communication should be honest. Communication does also help overcome fear and rally support for the change. It was the intention of the study to establish the extent to which different media were used to communicate the change messages at the KENAO. The respondents were asked to rate the use of the various media to communicate the change message. The findings of the study are as shown in Table 3 below. The importance of the media in use helps in identifying to which public the focus of the communication is.

Table 3: Medium used to communicate the Change Message

Medium	Not used (%)	Rarely used (%)	Frequently used (%)	Predominantly used (%)
Official circulars		11.1	50.0	38.9
Meetings	5.6	27.8	33.3	33.3
KENAO Newsletters	61.1	11.1	22.2	
Mass media	77.8	16.7		
Grapevine (rumors)	16.7	22.2	44.4	11.1
Workshops and retreats		11.1	33.3	50.0

Source: Research Data

N-18

Preference of medium used for communication as per the research data above is: official circulars rated at 88.9%; followed by workshops and retreats at 83.3%; meetings (mostly departmental) at 66.6%; grapevine (rumors) at 55.5% while mass media had the least incidence of use with a zero rating. Most interviewees pointed out that workshops and

retreats were becoming increasingly used and were likely to overtake internal official circulars as the preferred media to communicate the change messages. The predominant use of official circulars implied that the change messages targeted internal publics.

4.3.3.4 Effectiveness of Communication and Extent of Support for Change

The respondents rated the effectiveness of the communication with respect to the extent to which it was considered to be open and honest. They were also asked to rate the extent to which the change effort received support from both top management and staff. The findings of the study are summarized in Table 4 below.

Table 4: Effective Communication and Extent of Support for Change

Aspect of communication	Not at all (%)	Less extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)
Effective, open, and honest communication	5.6	16.7	44.4	11.1	22.2
Support by top level management			11.1	38.9	50.0
Support by the staff		5.6	50.0	33.3	11.1

Source: Research Data

N-18

From the research data above, 11.1% and 22.2% of the respondents rated communicated to be effective, open, and honest to a large extent and very large extent respectively; 38.9% and 50% rated the support by top management as manifested to a large extent and very large extent respectively; while 33.3% and 11.1% rates the support by staff as manifested to a large extent and very large extent respectively. The findings underscore the level of enthusiasm for the change that was evident amongst various staff cadres.

4.3.4 Participation/Involvement

Kotter (1996) asserts that successful change goes beyond conventional management as is known and practiced by most managers. He observes that it involves leadership that seeks to establish direction, align people's aspirations, motivate and inspire people. The research sought to establish the degree of involvement amongst different levels of staff and also how the external stakeholders (non-KENAO) were involved or consulted over the changes. Table 5 below presents the findings.

Table 5: Participation

Item	Moderate				High %
	Low %	%	%	%	
Initiated at Top Level			11.1	38.9	50.0
Initiated at Operational Level	5.6	16.7	50.0	27.8	
Involvement of other stakeholders		5.6	50.0	38.9	5.6

Source: Research Data

The research data in Table 5 above show that 88.9% of the eighteen respondents viewed the changes as being initiated at an above average level at the top management level. 27.8% the respondents viewed the changes as being initiated at the operational level. On the participation of other stakeholders (outside the KENAO), 45.5% of the respondents indicated that the stakeholders were involved during the change process. This may be an indication that external publics were highly regarded and hence consulted.

4.3.5 Culture Realignment

Burnes (1996) says that no organization has a static culture. As the external and internal business environment of the organization change so will the culture. He observes that

organizations may at times find their culture inappropriate or even detrimental to their business needs. Kotter (1994), define culture as norms of behavior and shared values among a group of people. He says that because of its near invisibility, culture is difficult to address directly. When new practices made in a transformation effort are incompatible with the existing culture then the change will most likely falter. The research sought to establish the importance attached to culture in the change process and also to determine the various cultural aspects that were targeted for change and their level of importance. The findings of the study are presented in Table 8 below.

Table 8: Aspects of culture

Aspect	Not at all (%)	Less extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)
Reorienting the entire perception on business		5.6	11.1	55.6	27.8
Adopting private sector approach to business		22.2	33.3	33.3	11.1
Making prompt decisions and taking responsibility for the decision		16.7	38.9	27.8	16.7
Basing reward on performance/productivity	16.7	44.4	27.8	11.1	
Managing and keeping time	5.6	16.7	55.6	16.7	
Availing information freely (reducing on secrecy)	11.1	44.4	33.3	11.1	
Reducing managerial approval layers	22.2	22.2	44.4	5.6	
Scrapping the bureaucratic structure	22.2	50.0	11.1	16.7	
Devolution/empowering lower-layer staff	16.7	38.9	38.9	5.6	
Making key stakeholders the focal point	5.6	11.1	44.4	33.3	5.6

Source: Research Data

According to research findings in Table 8 above, organizational culture at the KENAO was considered to a fairly large extent as indicated by the extent to which the various aspects were targeted for change. The research reveals that the aspects of culture that were targeted to a large extent and very large extent are: reorienting the entire organization on business at 83.4% of the eighteen respondents; adopting private sector approach to business at 44.4%; and making key stakeholders the focal point at 38.9%. aspects that were targeted to a moderate extent include managing and keeping time, reducing managerial approval layers, devolution/empowering lower layer staff, and availing information freely (reducing on secrecy).

The culture of using committees was cited as having pervaded the KENAO. The respondents' views were in tandem with Prasad (1989) who points out the merits of using committees as being promotion of participation and the pooling of knowledge and experiences to arrive at better decisions. From the research findings, it can be deduced that the culture in the KENAO was inwardly focused to a great extent.

4.3.6 Reinforcement/Institutionalization of the Change

Change is about learning, which if truly successful should result in permanent adoption of the desired behavior. Both the classical and the operant theories of learning advanced by Pavlov and Skinner respectively emphasize the need for reinforcement in a learning/change process. While the classical theory holds that learning is conditional,

Pavlov advanced the view that this conditional response has to be reinforced in order to have benefits of the desired behavior.

Skinner on the other hand sees reinforcement as resulting from the consequences of a behavior. The consequences become the reinforcer. The resulting strategies of reinforcement are: positive reinforcement, negative reinforcement or avoidance learning, and punishment. Given the central role occupied by reinforcement of change, this section examines how the change process at the KENAO was reinforced.

Respondents were asked to state different ways through which change has been reinforced and institutionalized at the KENAO and the findings of the study revealed that a number of ways have gone a long way in institutionalizing the change. These include getting all the stakeholders/audit officers to understand and appreciate the objective to be achieved and the deadline for it; rewarding- improving terms of service and recruiting staff from outside to keep up the change process; training- regular seminars and workshops for staff; constant reviews of actual performance against targeted performance; quality control department establishment; continuous sensitization and periodic staff re-organization to fast-track cross-training; continuous communication on new developments through meetings and circulars; creation of more departments and divisions to deal with expanded mandate; exposing staff to different contexts both locally and internationally to expose them to international audit contexts and best practices; adoption of INTOSAL, IFRS, and IPSAS standards; performance based promotions; and the operationalization of the relevant legislation -Public Audit Amendment Act 2003.

The findings are a manifestation of Kotter's (1995) assertion that institutionalizing new approaches calls for the creation of better performance through better customer and productivity-oriented behavior, more and better leadership, and more effective management; articulating the connections between the new behaviors and organizational success; and developing means to ensure leadership development and succession.

4.3.7 Nature and Magnitude of Effect of Change

The introduction of any change that is supposedly aimed at challenging the status has the potential of affecting organizational members in different ways. The nature and magnitude of the effect of the change would be indicative of the way the change is received and the intention and objective of the change. It will also show the level of involvement of the members during the change and hence the subsequent ownership of the change or otherwise. Further, the impact of the change will reflect the rate at which paradigm shifts are taking place in the organization.

The research findings revealed that all respondents (100%) acknowledge t positive effects change has had at KENAO more especially to the staff members and to the overall organizational culture. However, they indicated that the effects were manifested at different magnitudes. 22.2% of the respondents felt that the magnitude of the changes was very significant; 55.6% felt that it was significant; while 22.2% viewed it as moderately significant.

Respondents were also asked to make observations on whether the changes introduced at the KENAO had any positive and/or negative impact on the office's operations. The respondents observed that the impact of the changes were resoundingly positive. The following were their observations: audit arrears have reduced; improvement in audit report certification particularly in central government and state corporations; the changes widened the mandate of the office to include value for money audits, audits of local authorities, and their subsequent presentation to the national assembly unlike before; high efficiency in most of the areas; staff turnover has reduced- before it was least contained because of poor terms of service; better terms of service for staff acting as a motivational tool; quality of reports has improved; clients are now taking the reports seriously and also acting on them; readiness to change further- changes acted as a springboard for further changes as exhibited by the ongoing transformations; enhanced independence of the office and improved on professionalism; and lastly the merger led to the minimization of duplications and overlaps of audit of government departments that were there before hence leading to a more efficient and cost effective audit.

4.4 Challenges to the Change Programme at KENAO

The second objective of the study was to determine the challenges that KENAO face in managing. To achieve this objective, the study laid focus on challenges that emerge due to resistance to change, which is itself manifested in various ways. Whittington (1993) says that managers and other staff may recognize the need for change and yet refuse to learn. This resistance may not be stupid, but may be based on a very shrewd apprehension of personal consequences entailed by the change. Resistance to change is

seldom openly voiced especially when an organization is in dire need for revitalization. However, resistance will manifest itself in increased costs of implementation of the change and delays that are not satisfactorily explained. Respondents were presented with factors that may contribute to resistance and were asked to rate the extent to which each contributed to resistance. The research findings are presented in the Table 6 below.

Table 6: Resistance Factors

Factor	Not at all (%)	Less extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)
Misunderstanding and lack of trust	11.1	33.3	22.2	22.2	11.1
Fear of inability to develop relevant skills	5.6	11.1	38.9	33.3	11.1
Ignorance	27.8	50.0	11.1	11.1	
Fear of demotion or retrenchment	33.3	27.8		22.2	16.7
Fear of the unknown	11.1		16.7	50.0	22.2
Fear of social displacement	16.7	27.8	44.4	5.6	5.6
Parochial self interest	5.6	33.3	33.3	11.1	16.7
Satisfaction with the status quo		11.1	44.4	27.8	16.7

Source: Research Data

The research findings in Table 6 indicate that of the factors that may have contributed significantly to resistance to change, fear of the unknown that was rated by 72.2% of the respondents as contributing to resistance to a great extent, followed by satisfaction with the status quo by 44.5%, which was closely followed by fear of inability to develop relevant skills rated as contributing to resistance by 44.4% of the respondents. It should be noted from the findings that other factors were viewed equally significant in

contributing to resistance to change given the respective proportions of respondents that rated them.

	Not at all (%)	Low extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)
Training and education			94.5	3.5	1.0
Effective and open communication			44.5	23.8	16.7

4.4.1 Methods used to Overcome Resistance

Whenever a strategic change requires significant discontinuities in the culture and/or power structure of the organization, time, costs, and dysfunctions will be saved if management 'makes haste slowly'. A desirable first step is to prepare the ground for a series of measures aimed at minimizing any kind of resistance which might surface by preparing a detailed plan for the change process which assigns responsibilities, resources, steps, and interactions through which change will be carried out; and designing into the plan behavioral features which optimize the acceptance and support for the new strategies (Ansoff and McDonnel, 1990). On this basis, respondents were asked to rate the various methods that were used in containing resistance to change. The research findings are presented in Table 7 below.

From the research findings in Table 7 below, the method to overcome resistance that was dominantly used was training and education that was rated at 94.5%, followed by effective and open communication at 44.5%. It may be due to the realization the implementation of the change required new skills and knowledge that the training and education mode was preferred.

Table 7: Methods used to Overcome Resistance

Method	Not at all (%)	Less extent (%)	Moderate extent (%)	Large extent (%)	Very large extent (%)
Training and education			5.6	55.6	38.9
Effective and open communication		11.1	44.4	27.8	16.7
Use of local (within KENAO) change leaders	11.1	22.2	27.8	33.3	5.6
Promise of reward	27.8	33.3	16.7	16.7	5.6
Use of reward	22.2	38.9	22.2	16.7	
Ignoring (wait for natural death to occur)	55.6	16.7	22.2	5.6	
Manipulation	66.7	33.3			
Coercion and authority	44.4	27.8	16.7	5.6	5.6

Source: Research Data

Other than effective and open communication, the other methods that were used in a descending order of predominance of use are use of local change leaders at the KENAO at 38.9%, followed by promise of reward at 22.3%, use of reward at 16.7%, coercion and use of authority at 11.2%, and ignoring (waiting for natural death to occur) at 5.6%. the least used was voted as manipulation at 00%.

According to Strebel (1996), change is disruptive and intrusive. It upsets the balance. He further argues that managers should put themselves in their employees' shoes and look at the change from the perspective of the employees. Unless managers define the change terms and persuade employees to accept them, it is unrealistic to expect the employees to buy into the changes that seek to alter the status quo. From the research findings, managers have made deliberate attempts and have identified the needs and concerns of

employees, hence the emphasis on training and education to overcome resistance to change.

4.4.2 Evaluation of the Change Programme

Kanter (1984) observes that the most effective strategies emerge from an interactive process where the organization learns through a series of incremental commitments rather than through formulation of total strategies. This mode of learning arises from continuous evaluation of the progress of the change. Even though most of the changes at the KENAO were ongoing, respondents were asked to air their views with respect to the evaluation of the entire change program for its success or otherwise and eventual communication of the same to stakeholders. Their observations revealed the following findings:

The changes were on a successful path because all key stakeholders were involved and they (stakeholders) were showing a lot of appreciation for the developments even though some respondents were quick to note that more needs to be done. They observed that the stakeholders, especially clients (ministries, state corporations, local authorities), need to be fully aware on the quality of the accounts required and the penalties for non-submission; parliament- the need for timely tabling and discussing of C&AG reports; and the public- on availability of information and how they can access the same.

Some respondents, however, felt that the changes have not been assimilated from top to bottom at any reasonable speed. They were therefore of the view that there is need to formulate and communicate the vision that the office wants to all staff such that it is not

viewed as routine. This, they said can be done through more participative meetings and even newsletter publication which give periodic updates on achievements.

Some felt that the change path was satisfactory because all necessary and relevant information can be accessed on the KENAO website. All respondents were emphatic that for further success to be attained and sustained, KENAO and the people therein have "to walk the talk". In as much as the general view was pointing towards success, it was the view of some respondents that there is still room for further improvement even though others were quick to commend the degree of success given the time span of the implementation process.

Some said that the whole change process is lacking an elaborate performance management system. There is need for elaborate appraisal that rewards merit and not the scheme of service. To succeed, KENAO needs to be delinked from the public service. Further, in spite of success of the program having been noted in the form of recruitments of qualified staff and continuous training of staff to improve performance in terms of quality and timely reports, others felt that there is still a lot of room for improvement since even the office has not been able to recruit qualified technical staff like quantity surveyors, lawyers, etc.

The Major Milestones/successes of the change as were pointed out by the respondents include: clearing of the audit arrears as was justified by the timely presentation of audit reports to the National Assembly which further allows for timely discussion of the

reports; a highly motivated and qualified staff due to ease of staff promotions, reviewed pay, continuous professional developments through training and increased rate of recruiting new employees with relevant academic and professional qualifications hence transforming KENAO into a professional body; and restructuring as evidenced by the creation of additional departments to enhance efficiency and effectiveness in service delivery. The restructuring has seen the setting up of quality assurance unit which includes a research section and specialized audit department to cater for computerized audit, value for money audit, fraud investigations and environmental audit. Further, the success has spilt over to the clients, which has seen some corporations starting reporting positive results (profits) instead of losses as before

Respondents were also able to judgmentally quantify the degree to which the set change objectives had been achieved. They rated the changes at KENAO to be between 50%-70% successful. This means that 50%-70% of the set objectives/targets have been achieved. They noted that a lot of improvement in quality of audit has been achieved since the changes were effected and a lot more is expected in the near future. Some respondents expressed concern that even though 50%-70% of the objectives have been achieved, the success has been achieved at a fairly slow pace. They were of the view that further change is required and that managers who are result-oriented are required as opposed to following schemes of service and codes of regulations. They suggested that the change process requires more reinforcement and focus for sustainability. According to them, KENAO must focus on customer satisfaction. Since customer needs are ever-changing, the organization, they said, should align its services as well as its internal

processes to suit these changing needs. Even if KENAO has come up with new-audit services such as value for money, environmental, and computerized audits to meet new auditing needs, they said that these services require to be developed even more.

4.4.3 Outstanding Issues

Consequential to the need for the evaluation of the extent to which changes have been successful at KENAO, the respondents sighted the following outstanding issues and which need attention if the change/transformation of the KENAO is to be fully successful.

Equipping the offices adequately with relevant ICT infrastructure (more computers, network offices, removal of physical partitions (open door policy) and departmental boundaries, sectional walls to be removed and instead complement one another in order to remove barriers to efficient and effective information flow) including internet services to be availed in all offices accompanied with relevant and appropriate training; getting rid of the ageing work force at upper levels of management to pave way for energized young breed of managers; addressing transportation and other support services (accounts, personnel) issues for field officers. These issues affect scheduling and programmes of work; reward and penalization system which should be reviewed to ensure that those who work hard are fairly rewarded and deadwoods justifiably penalized; increased staffing that has been occasioned by the increase in work- CDF, LATF etc; clear definition and consequent strengthening of value for money audits and the fraud audit units.

Resistance to change was pointed out to be still a big impediment and there is need for more training, reinforcement, and monitoring of the implementation process.

Further, respondents expressed displeasure on the degree of dependency the KENAO has on the treasury for funding. They felt the need for financial and budgetary independence of KENAO and suggested a move to changes in prevailing law and government structure to give the office the independence it deserves. Other critical aspects of the change that respondents felt have not been adequately addressed include succession planning, bureaucracy in the communication process, staff motivation via additional and enhanced packages, house allowances, car loans, etc; and appraisals for staff should include actual performance.

CHAPTER FIVE: SUMMARY AND CONCLUSIONS

5.1 Introduction

The objectives of the study were to establish change management practices adopted by the KENAO and determine the challenges to the change programme. In order to achieve these objectives the study examined the key strategic change process motions by use of a questionnaire and interview guide directed to persons at senior management positions who are charged with the overall decision-making and planning process in the various departments on the KENAO. This chapter offers a summary of the main findings of the study with respect to each study objective and a conclusion that was drawn from the findings. Recommendations and limitations to the study and suggestions for further study are also covered in this chapter.

5.2 Summary

Ansoff (1990) says that experience has shown that when planning calls for a change in general management capability (particularly manager' mentality, culture or power structure), implementation of the plan encounters strong organizational resistance and unless measures are taken to overcome and manage resistance during the implementation process, then planning is likely to become a process of paralysis by analysis. It is generally acknowledged that planning consumes lesser resources and does not result in fundamental physical translocation of tangibles. Implementation of strategies on the other hand will always result in huge financial and other resource outlays. This is besides appearing to intrude on the established physical order. It is for this reason that one is inclined to judge a good strategic plan with the final result. However, Goold (1991)

contends that it is not easy to rate the success of a strategy as it is in evaluating financial targets. Strategic change is hard to evaluate and measure especially the intangibles elements like organizational culture. For this reason, there should be no illusion on success as Kotter (1996) cautions that in a change process it may be a grave error to declare victory too soon.

From the research findings, it was revealed that transformation at KENAO was long overdue and that all the respondents were aware of the changes albeit on different structural and strategic frontiers. The predominant structural changes that were witnessed include the merger of the Auditor General (Corporations) with Controller and Auditor General due to the enactment and operationalization of the Public Audit 2003 which led to the abolition of Auditor General (Corporations) which also saw the number of departments increase from four to five. These changes necessitated KENAO to carry out a myriad other structural and strategic changes in order to address merging concerns, key among them the efficiency and effectiveness in service delivery.

It was further revealed that a number of forces both internal and external were in play to create urgency for change. Key among these forces include the statutory requirements to comply with the audit reporting deadlines; the need to plan ahead; the quest for independence of the office given its widened mandate; the declining quality of audit reports; globalization of the world economy; changes in technology leading to computerization of accounting; stakeholders' needs and increased need for greater transparency and accountability in the public sector; and changes in public sector

financial management system. Other forces include the demand by the accounting profession, embracing professionalism as part of the culture in the office, shortage of qualified and competent staff; and the need to attract and retain qualified staff.

From the study it was evident that KENAO's quest for change had specific objectives that were to be achieved. The key objectives were to turnaround KENAO into an effective and professional office; increase the level of efficiency; give independence to KENAO; and take care of stakeholder interests. It was established that these objectives were drawn from the overall change vision. However, it was revealed the vision's clear articulation and subsequent understanding was not 100%. The findings however revealed and fairly all-inclusive process in the change management and that the level of communication and its effectiveness was fairly satisfactory. The effect of change at KENAO was largely positive whose magnitude was largely significant.

It was, however, established the change effort faced some challenges that manifested themselves as factors that were contributing to resistance. These factors were fear of the unknown; satisfaction with the status quo (complacency); and fear of inability to develop relevant skills. To deal with such challenges, it was found out that KENAO adopted a number of methods including training and education; effective and open communication; and use of local change leaders at the KENAO. It was also evident that the KENAO targeted a number of organization cultural aspects during the change process. The aspects of culture that were found crucial and pertinent, hence targeted for change include

reorienting the entire organization on business; adopting private sector approach to business; and making key stakeholders the focal point.

A critical aspect that was also investigated was the institutionalization/reinforcement of change at the KENAO. The findings of the study showed that a number of ways have been used by the KENAO to reinforce the change. Among these are constant communication, rewarding, and continuous training and reviews. Upon being given the chance to evaluate and rate the success of the change process, the respondents rated it between 50% and 70% success rate. This was pegged on the set objectives, which therefore means that most of the change objectives had been achieved to that extent. This was due to the fact most of the changes were ongoing.

It was, however, evident from the study that a number of areas that were in dire need of attention. Those that topped the list include, among others, equipping the offices adequately with relevant ICT infrastructure accompanied with relevant and appropriate training; adopting an open door policy; getting rid of the ageing work force at upper levels of management to pave way for energized young breed of managers; and the need to address transportation and other support services issues for field officers.

5.3 Conclusion

The findings of the study have shed adequate light to draw pertinent conclusions about the management of strategic change at the KENAO. The office's quest for efficiency and effectiveness in service propelled parliament to do an amendment to a piece of

legislation, which upon its enactment and in combination with other forces, gave rise to a number of structural and strategic changes at the KENAO. These changes were found to be spearheaded towards achieving the stated objectives. Encouraging milestones towards the achievement of these objectives were determined and the future looked promising as the change process had started bearing fruit. It is however worthy noting that no such kind of changes would get to see the light of day without challenges. A number of challenges were found to be on KENAO's way but adequate measures were found to be in place to counter the challenges. It could be generally concluded that changes at the KENAO were on a sound track albeit not all areas had experienced the effect during the time of this study.

5.4 Recommendations

A number of issues arise from the study and thus warrant the following recommendations.

The issue of changes in the public sector should be looked at critically with a view of giving it ownership. This is because it is difficult to pinpoint who owns the change and who it will benefit in the short and long term. This arises out the observation that the change at KENAO has not been formally evaluated and GOK has not provided an adequate and necessary legal framework to legitimize the change.

Due to the dynamism and complexity of change, change should be treated as an ongoing process and not as a one off event.

In change situations involving such public sector and supposed-professional institutions as KENAO, it is desirable to use a change management model that seeks to involve people from other similar professional bodies and equip internal members with tools and skills to carry on more change as dictated by prevailing conditions.

Because of the need for objectivity and comprehensiveness required in diagnosing the need for change, it is recommended that external change consultants to be hired to manage the change at KENAO.

5.5 Limitations

Every study encounters some level of limitations because of the scarcity of resources, mostly time. It proved challenging to get most of the respondents out their busy schedules to participate study and provide adequate information during interviews.

The study focused on senior management whose views might not be reflective of the entire KENAO employees. Therefore the interpretation of the findings of this study should be done with this limitation in mind.

5.6 Suggestions for Further Study

Change is such that it can never be said to have been mastered because the environment in which organizations operate in ever dynamic, turbulent and unpredictable; and therefore presents new challenges, opportunities and other peculiarities. A limitation in resources also curtails the scope of a study such as this one. This results in the emergence

of areas of interest that may require further study so as to give more completeness and greater understanding of the entire study are.

It is therefore suggested that a similar study be replicated but from the perspective of various stakeholders' views to project a comprehensive view of the management of change at KENAO. This will go a long way in validating the findings of this study and promote objectivity.

A study of other public sector institutions such as this should be done to establish the success rate of restructuring with the aim of comparing the change management experiences and the challenges faced.

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APPENDICES

Appendix I: Research Instrument

PART I: INTERVIEW GUIDE

1. Are you aware of the strategic/structural changes that have occurred in the Auditor General's office during the last 3-4 years?
2. What in your view has necessitated the changes?
3. In your view, were/are the changes necessary?
4. Was/is there any aspect of the needed change that was/has not (been) exhaustively handled/addressed?
5. Did the changes impact positively or negatively on KENAO's stipulated mandate? Explain your answer.
6. What caused the urgency for change at KENAO?
7. What has been the major milestones/success of the change?
8. How has the change been institutionalized/reinforced?

9. What critical areas that still need to be addressed and how could they be addressed?

PART II: CHANGES AT KENAO

10. What can you comment on the evaluation of the entire change program for its success or otherwise and eventual communication of the same to stakeholders?

11. Explain your assessment/rating of the success of the change program at KENAO as per the set objectives.

1 - Less extent, 2 - Moderate extent, 3 - Large extent, 4 - Very great extent

i. Need to plan ahead and remain effective	[1]	[2]	[3]	[4]	[5]
ii. To meet the expanded mandate	[1]	[2]	[3]	[4]	[5]
iii. It was a government directive	[1]	[2]	[3]	[4]	[5]
iv. The magnitude of inefficiency	[1]	[2]	[3]	[4]	[5]
v. The declining quality of audit reports	[1]	[2]	[3]	[4]	[5]
vi. Weak management at KENAO	[1]	[2]	[3]	[4]	[5]
vii. Change for the sake of change	[1]	[2]	[3]	[4]	[5]
viii. Others (list and rate)					

PART II: CHANGES AT KENAO

1. The following are some of the forces/factors that necessitated change at the Kenya National Audit Office. In a scale of 1-5, rate by ticking against each of the force/factors with regard to the extent to which it necessitated change. Use the key as follows:

1-Not at all, 2-Less extent, 3-Moderate extent, 4-Large extent, 5-Very great extent

- | | | | | | |
|--|-----|-----|-----|-----|-----|
| i. Need to plan ahead and remain effective | [1] | [2] | [3] | [4] | [5] |
| ii. To meet the expanded mandate | [1] | [2] | [3] | [4] | [5] |
| iii. It was a government directive | [1] | [2] | [3] | [4] | [5] |
| iv. The magnitude of inefficiency | [1] | [2] | [3] | [4] | [5] |
| v. The declining quality of audit reports | [1] | [2] | [3] | [4] | [5] |
| vi. Weak management at KENAO | [1] | [2] | [3] | [4] | [5] |
| vii. Change for the sake of change | [1] | [2] | [3] | [4] | [5] |

Others (list and rate)

i.

ii.

iii.

iv.

2. The following may have been some of the objectives of the change programme at KENAO. Please rate each of the objectives to the extent to which it was important.

Use the scale as follows:

1-Not important at all, 2-Less important, 3-Moderately important, 4-Important, 5-Very Important

- | | | | | | | |
|-------|--|-----|-----|-----|-----|-----|
| i. | Turnaround KENAO into an effective and professional office | [1] | [2] | [3] | [4] | [5] |
| ii. | Give independence to KENAO | [1] | [2] | [3] | [4] | [5] |
| iii. | Reduce staff | [1] | [2] | [3] | [4] | [5] |
| iv. | Increase the level of efficiency | [1] | [2] | [3] | [4] | [5] |
| v. | Reduce costs | [1] | [2] | [3] | [4] | [5] |
| vi. | Take care of stakeholder interests | [1] | [2] | [3] | [4] | [5] |
| vii. | Increase funding from the government | [1] | [2] | [3] | [4] | [5] |
| viii. | Comply with donor conditions | [1] | [2] | [3] | [4] | [5] |

Others (list and rate)

i.

ii.

iii.

iv.

3. To what extent were the following means used to communicate the awareness of change at KENAO? Use the scale as follows:

1-Not used at all, 2-Rarely used, 3-Frequently used, 4-Predominantly used

- i. Official circulars [] [] [] []
- ii. Meetings [] [] [] []
- iii. KENAO Newsletters [] [] [] []
- iv. Mass media [] [] [] []
- v. Grapevine (rumors) [] [] [] []
- vi. Workshops and retreats [] [] [] []

Others (list and rate)

i.

ii.

iii.

iv.

4. To what extent was the change vision clearly articulated and understood? (Tick)

Not at all []; Vaguely []; Fairly clear []; Clear []; Very clearly []

5. To what extent was change initiated at top level management? (Tick)

Not at all, []

Less extent, []

Moderate extent, []

Large extent, []

Very great extent []

6. To what extent was change initiated at operational level management? (Tick)

Not at all, []

Less extent, []

Moderate extent, []

Large extent, []

Very great extent []

7. To what extent were the concerns of stakeholders taken into account during the change programme? (Tick)

Not at all, []

Less extent, []

Moderate extent, []

Large extent, []

Very great extent []

8. To what extent was the level of communication effective, open, and honest during the change programme? (Tick)

Not at all, []

Less extent, []

Moderate extent, []

Large extent, []

Very great extent []

9. To what extent was change supported by top level management? (Tick)

Not at all, []

Less extent, []

Moderate extent, []

Large extent, []

Very great extent []

10. To what extent was change supported by the staff? (Tick)

Not at all, []

Less extent, []

Moderate extent, []

Large extent, []

Very great extent []

11. How did the change programme affect staff? (Tick)

No effect at all, []

Positively affected []

Negatively affected []

12. How would you describe the magnitude of the effect in (11) above? (Tick)

Insignificant []

Moderately significant []

Significant []

Very significant extent, 3-Moderate extent, 4-Large extent, 5-Very great extent

13. The following are some of the factors that may have contributed to individual resistance to change. Rate by scoring against each indicating the extent to which it contributed to individual resistance to change. Use the scale as follows:

1-Not at all, 2-Less extent, 3-Moderate extent, 4-Large extent, 5-Very great extent

- | | | | | | | |
|-------|--|-----|-----|-----|-----|-----|
| i. | Misunderstanding and lack of trust | [1] | [2] | [3] | [4] | [5] |
| ii. | Fear of inability to develop relevant skills | [1] | [2] | [3] | [4] | [5] |
| iii. | Ignorance | [1] | [2] | [3] | [4] | [5] |
| iv. | Fear of demotion or retrenchment | [1] | [2] | [3] | [4] | [5] |
| v. | Fear of the unknown | [1] | [2] | [3] | [4] | [5] |
| vi. | Fear of social displacement | [1] | [2] | [3] | [4] | [5] |
| vii. | Parochial self interest | [1] | [2] | [3] | [4] | [5] |
| viii. | Satisfaction with the status quo | [1] | [2] | [3] | [4] | [5] |

Others (list and rate)

i.

ii.

iii.

iv.

14. How would you rate the following methods/approaches with respect to the extent to which they have been used to overcome resistance to change. Use the scale as follows:

1-Not at all, 2-Less extent, 3-Moderate extent, 4-Large extent, 5-Very great extent

14. Representing the entire perception on business
- | | |
|---|---------------------|
| i. Training and education | [1] [2] [3] [4] [5] |
| ii. Effective and open communication | [1] [2] [3] [4] [5] |
| iii. Use of local (within KENAO) change leaders | [1] [2] [3] [4] [5] |
| iv. Promise of reward | [1] [2] [3] [4] [5] |
| v. Use of reward | [1] [2] [3] [4] [5] |
| vi. Ignoring (wait for natural death to occur) | [1] [2] [3] [4] [5] |
| vii. Manipulation | [1] [2] [3] [4] [5] |
| viii. Coercion and authority | [1] [2] [3] [4] [5] |
- Others (list and rate)
- | | |
|------|---------------------|
| i. | [1] [2] [3] [4] [5] |
| ii. | [1] [2] [3] [4] [5] |
| iii. | [1] [2] [3] [4] [5] |
| iv. | [1] [2] [3] [4] [5] |

15. Did the issue of culture change play a central and prominent role? (Tick)

Not at all []; To some extent []; To large extent []; Very large extent []

16. The following are aspects of culture that may have been targeted for change. Rank each according to the extent to which it was practiced. Use the scale as shown below.

1-Not at all, 2-Less extent, 3-Moderate extent, 4-Large extent, 5-Very great extent

- | | | | | | | |
|-------|---|-----|-----|-----|-----|-----|
| i. | Reorienting the entire perception on business | [1] | [2] | [3] | [4] | [5] |
| ii. | Adopting private sector approach | [1] | [2] | [3] | [4] | [5] |
| iii. | Making prompt decisions and taking
responsibility for the decision | [1] | [2] | [3] | [4] | [5] |
| iv. | Basing reward on performance/productivity | [1] | [2] | [3] | [4] | [5] |
| v. | Managing and keeping time | [1] | [2] | [3] | [4] | [5] |
| vi. | Availing information freely (reducing on secrecy) | [1] | [2] | [3] | [4] | [5] |
| vii. | Reducing managerial approval layers | [1] | [2] | [3] | [4] | [5] |
| viii. | Scrapping the bureaucratic structures | [1] | [2] | [3] | [4] | [5] |
| ix. | Devolution/empowering lower layer staff | [1] | [2] | [3] | [4] | [5] |
| x. | Making key stakeholders the focal point | [1] | [2] | [3] | [4] | [5] |

Others (list and rate)

i.

ii.

iii.

iv.

17. How have the resources committed/availed to facilitate the change? (Tick)

Not availed []; Availed reluctantly []; Availed readily [];

Availed very readily []

18. What is your comment on the role of the government in facilitating/inhibiting change at KENAO?

Thank you for your cooperation

ORGANIZATIONAL STRUCTURE
KENYA NATIONAL AUDIT OFFICE
CAG

ORGANIZATION OF THE OFFICE

CENTRAL GOVERNMENT AUDIT BRANCHES

<u>Branch</u>	<u>Ministries/Government Department the Branch Audits</u>
A	- Ministry of Finance
	- Ministry of Planning and National Development
B	- Ministry of Education
	- Ministry of Science and Technology
C	- Ministry of Transport
	- Ministry of Information and communications
D	- Ministry of Agriculture
	- Ministry of Livestock and Fisheries Development
	- Ministry of Cooperative Development and Marketing
E	- Kenya Revenue Authority (KRA) HQ
	- KRA - Northern Region (Nairobi and upcountry)
KRA – Mombasa	- KRA - Southern Region (Mombasa and Coast Region)
F	- Ministry of Health
G	- Board of Governors Institutions (Secondary Schools, Polytechnics and Teachers Training Institutions)
H	- Office of the Vice President and Ministry of Home Affairs
	- Ministry of Gender, Sports, Culture and Social Services
K	- Ministry of Water and Irrigation
	- Ministry of Environment and Natural Resources
L	- Ministry of Local Government
M	- Ministry of Trade and Industry
	- Ministry of Tourism and Wildlife
N	- Office of the President

STATE CORPORATIONS AUDIT BRANCHES

A	- Kenya Meat Commission (KMC)
	- Tana & Athi Rivers Development Authority (TARDA)
	- Kenya Sugar Board (KSB) and eight (8) other Corporations
B	- Teachers Service Commission
	- Kenya National Examination Council (KNEC)
	- Kenya Power and Lighting Co. Ltd (KPLC) and eight (8) other Corp
C	- Industrial and Commercial Development Corporation (ICDC)
	- National Environmental Management Authority (NEMA)
	- Kenya Roads Board (KRB) and six (6) other Corporations
D	- Kenya Tourism Development Corporation (KTDC)
	- Jomo Kenyatta Foundation
	- Capital Markets Authority(CMA) and nine (9) other Corporations
E	- Agricultural Finance Corporation (AFC)
	- National Social Security Fund (NSSF)
	- Electricity Regulatory Board (ERB) and six (6) other Corporations
F	- Kenya Broadcasting Corporation (KBC)
	- National Housing Corporation (NHC)
	- Retirement Benefits Authority (RBA) and four (4) other corporation:
G	- Nairobi University
	- Kenyatta University
	- Higher Education Loans Board (HELB) and five (5) other corporati
H	- Kenya Agricultural Research Institute (KARI)
	- Kenya Bureau of Standards (KBS)
	- Kenya Pipeline Company (KPC) and five (5) other Corporations
J	- Kenya Literature Bureau
	- Kenya Airport Authority (KAA)
	- Export Processing Zones Authority (EPZA) and five (5) other Corp
	- Kenya College of Communications Technology
KPTC	- (KCCT)
	- Postal Corporation of Kenya (PCK)
	- Telecoms Kenya and five (5) other Corporations

	- Ministry of State for Provincial Administration and Internal Security	NCPB	- National Cereals and Produce Board (NCPB) - Kenya Sisal Board (KSB) - Kenya Dairy Board (KDB)
	- Ministry of State for Public Service - Ministry of Regional Development Authorities - Ministry of State for Special Programmes - Ministry of State for Immigration and Registration of Persons	Kenya Railways	- Kenya Railways Corporation - Kenya Institute of Administration (KIA) - Numerical Machining Complex Ltd and two (2) other Corporations
P	- Ministry of Foreign Affairs - Ministry of East African Community	Hospital	- Kenyatta National Hospital (KNH) - National Hospital Insurance Fund (NHIF) - National Aids Control Council (NACC) and eight (8) other Corporations
Q	- Ministry of Labour and Human Resource Development	Kisumu	- Lake Basin Development Authority (LBDA) - South Nyanza Sugar Company (SONY) - Maseno University and six (6) other Corporations
R	- Ministry of Energy	Eldoret	- Moi University - Kerio Valley Development Authority (KVDA)
S	- Office of the Attorney General - Ministry of Justice and Constitutional Affairs - Kenya Human Rights Commission	Mombasa	- Kenya Seed Company (KSC) and eight (8) other Corporations - Kenya Ports Authority (KPA) - Kenya Marines and Fisheries Research Institute (KEMFRI) - Coast Development Authority - Kenya Ferry Services
Judiciary	- National Council for Law Reporting - Judicial Department		
T	- National Assembly - Public Service Commission - Electoral Commission of Kenya - Constitution of Kenya Review Commission		
U	- Ministry of Lands - Ministry of Housing		
V	- Ministry of Roads and Public Works - Supplies Branch		
Y	- Ministry of State for Defence - National Security Intelligent Service (NSIS)		
Z	- State House and State Lodges		