STRATEGIC CHANGE MANAGEMENT AND IMPACT ON PERFORMANCE OF UNGA GROUP LTD

By:
Jeneffer W. Gathua

A Management Research Project Report Submitted in Partial Fulfilment of the Requirements for the Degree of Masters of Business Administration, School of Business, University of Nairobi

October 2006

DECLARATION

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

Signed: ______________________ Date: 10/11/06

Gathua Jenefler W.
D/61/P/9103/01

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

Signed: ______________________ Date: 10/11/06

Dr Martin Ogutu
Lecturer
Department of Business Administration
School of Business, University of Nairobi

DEDICATION

This project is dedicated to my mother Mrs. Kagure Gathua who instilled in me the spirit of perseverance and determination and my late father Mr. Gathua Maigua, whose patience and calmness are a legacy I have found invaluable as I endeavored to complete my study.

ACKNOWLEDGEMENTS

I would like to give thanks to Almighty God for His providence, and the people whose contribution was invaluable and without which I would not have completed my study. I specially thank Dr. Martin Ogutu my supervisor, whose continued dedication to his work, good advise, creative insights and counsel during my research project lead to the completion of this project. During the course of my research, Dr. Ogutu would go out of his way and set discussion times out of working hours like on Sundays when he is supposed to be resting. For him, work is a calling.

Special thanks go to the management of Unga Group Ltd and especially Nick Hutchison the Group Managing Director, who allowed me to access information from the organization, and Paul Ngila the point person at Unga Group Ltd who assisted in obtaining the information requested for. I would like to also thank Mr. Julius Muia, Mr. Kihoro Magu and M/s Ann Mbaabu, all former senior management employee of Unga Group Ltd for availing themselves for interviews. I thank Mr. Steve Collins my Country Director for his support and understanding through out this research study.

Finally, I wish to register my great appreciation and gratitude to all others who made contributions in one way or another and whose names are not mentioned here.

TABLE OF CONTENTS

LIST OF FIGURES AND TABLE

ABSTRACT

Economic and social forces such as globalization, social/cultural, political-legal, competition, technology, liberalisation, deregulation, unstable financial markets, and advances in information and communication technologies are among the many business environmental factors driving the escalating pace of change evident within organizations today. Discerning the need for change early enough and pulling together the resources required, be they human, technological, financial, and information, on time to implement the change, is usually seen as a differentiating core competence for competitive companies and the only way out for organisations to survive the onslaught of a changing environment. Seeing the need for change and having the resources to implement it is one thing but the process of implementing the change which is change management, is what determines the eventual outcome of the whole change process. Therefore it is becoming evident that to leverage strategic change in a volatile environment, good change management practices must be adopted.

This case study sought to explore strategic change management and how change has be managed from a local perspective at Unga Group Ltd based on an extensive review of the literature on change management and the skills and competencies necessary to manage change successfully in order to achieve the set objectives of the change strategy and the resultant influence of the foresaid on performance. An interview guide with open ended questions was used to collect the data and further research data was obtained from secondary data.

The research findings show that there was change management process adopted by Unga Group Ltd when implementing their strategic changes from 1990 to 2005. Before 1997, there were no change management processes adopted to manage change but from 1997 change management processes were adopted to manage change and some positive results and achievements made although the change process was stopped and the change manager sacked before the full benefits of the process were realised. A major lesson from this research is that for an organisation to start on implementing change strategy it has to count the cost. That is, how the change process will be impacted by and how it will

impact on issues such as the corporate culture, organisational culture, financial, communication, productivity, performance and the future outlook of the organisation

CHAPTER ONE: INTRODUCTION

1.1 Background

Webster's Universal Dictionary & Thesaurus (2003) refers to change as transformation, to undergo alteration, modification, substitution, innovation, revolution, etc. All these refer to the movement from one state of being or appearance to another. Strategic change can be said to be the movement of a company away from its present state to some desired future state to increase its competitive advantage.

Change is inevitable and how organisations respond and manage it makes the difference between survival and death. Organisations are prone to change in response to both external and internal environments. Johnson (2002) says that if an organisation does not respond to change, it will become extinct. What organisations are or are not depends on the changes they undergo and how they respond to these changes. A proactive approach to change is the only way to take charge of the changes that occur, what has brought about the changes and the responses to these changes. Strategic change can then be said to be a proactive, structured approach to address the people and organizational risks inherent in any change effort to optimize business benefits realization and to sustain long-term performance.

Strategic changes are deliberate actions undertaken today to shape and prepare the organisation for addressing the challenges and demands facing the organisation now and in the future and enable it to take advantage of important opportunities or to cope with consequential environmental threats. Worley (1996) refers to this as integrated strategic change, which he says is the deliberate, coordinated process that leads radically or gradually to systemic realignments between the environment and a firm's strategic orientation and that results in improvements in performance and effectiveness. Strategic change involves actions that affect the whole organization which in essence, is the process of changing organisational strategies in order for the organisation to fit in its context of operations. Johnson, (2002) refers to this as strategic fit which is developing strategy by identifying opportunities in the business environment and adapting resources and competences so as to take advantage of these. Kotter (1996, 19) gives a table showing factors that necessitate strategic change in organisations.

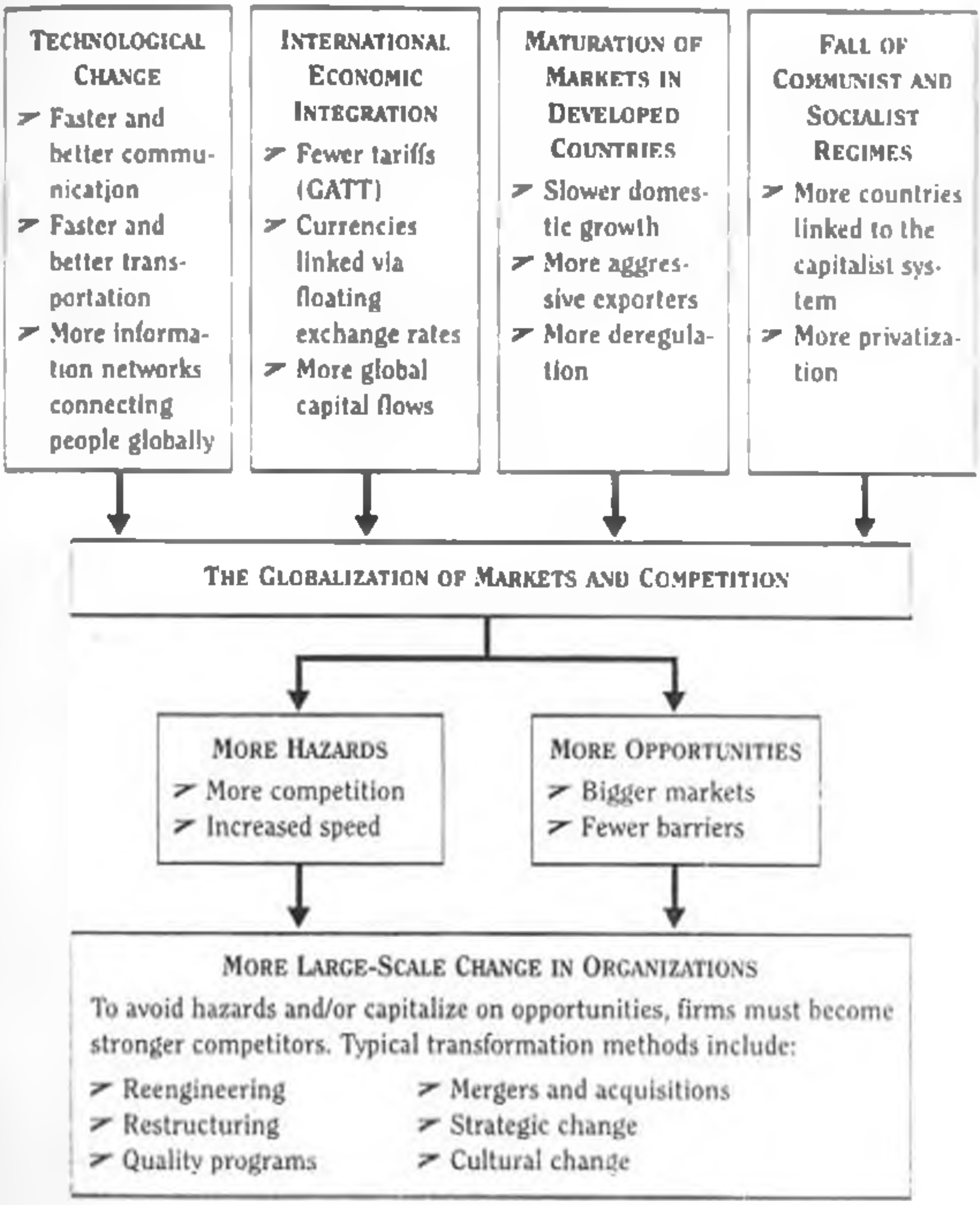


Figure 1.1: Economic and Social Forces Driving the Need for Major Change in Organisations
Source: John P. Kotter, (1996) Leading Change, page 19

For an organisation to develop strategies that will affect the whole organization and drive it to future prosperity, it has to generate knowledge of these environmental factors, which knowledge will assist in adapting to change within and without its control, and also a knowledge that will assist in anticipating change. Senge (1990) terms these as learning organizations and says that they are organizations where people continually expand their capacity to create the results they truly desire, where new and expensive patterns of thinking are nurtured, where collective aspiration is set free, and where people are continually learning how to learn together. Undertaking strategic change helps an organization make choices and devise strategies that assist the organisation to cope with the kind of changes that are brought about by the changing environment within which an organisation is operating. Ansoff, (1988) says that continued success, and even survival, is possible only if management gives a high priority to the firm's strategic activity for sooner or later, a majority of firms in the industry have to become vigorous strategic actors as the alternative is to go bankrupt.

Considering the forgoing, for an organisation to achieve its desired goals or objectives by undertaking strategic change, change then has to be managed and this calls for strategic change management. An eclectic definition for change management would be the integration of the business purpose with the process, tools and techniques that engage the people- side to effect business change within the cultural infrastructure of the workplace. Strategic management is a technique that can be used to create a favourable future and help the organisation to prosper. To create this favourable future, the organisation must involve the stakeholders, (i.e., any one with a vested interest in achieving the organisations goals and objectives) in envisioning the most desirable future and then in working together to make this vision a reality.

Rowe et el (1989) says that Strategic management is the process of aligning the internal capability of an organisation with the external demands of its environment – is needed to allocate human and material resources effectively. They continue to argue that strategic management process forms the basis to formulate and implement strategies that achieve an organisation's goals and objectives. To ensure that an appropriate strategy will be undertaken, managers must consider all aspects of the organisation. They must consider both internal and external stakeholders and carefully analyse all the forces that affect the organisation in terms of strengths and weakness, opportunities and threats (SWOT).

1.1.1 Strategic Change Management and organisational Performance

The management of an organisation has to determine the need for change. They must recognize a gap between actual performance and desired performance by analysing the organisation's strengths, weaknesses, opportunities and threats (SWOT analysis) to define the company's present state, and then determine its desired future state. Worley (1996) says that strategic change refers to relatively major and systemic orientation and to changes that improve either strategic or organisational alignment. Where, organisational alignment is the positioning of the organisation within its external environment. To achieve the goals, or objectives of strategic change, change has to be management. Management of change maximises the collective efforts of all people involved in the change and minimise the risk of failure of implementing the change.

Management of change which is also change management can either be reactive, in which case the management is responding to changes in the macro environment (external environment), or proactive, in which case management is initiating the change in order to achieve a desired goal (internal environment). Whichever the source of change, its management entails thoughtful planning and sensitive implementation, and above all, consultation with, and involvement of, the people affected by the changes. When change is forced on the people normally problems will rise. They will resist the change. Thompson (2003, 41) says that

> It is particularly important for executives to provide a compelling rationale for a new strategic vision. Failure to understand or accept the need for redirecting organisational efforts often produces resistance to change among employees and makes it harder to move the organisation down a newly chosen path. Hence, inducing employee buy-in, lifting spirits and calming fears are necessary steps in getting an organisational ready to move along a new course. Just stating the case for a new direction once is not enough; the vision has to be repeated often and reinforced at every opportunity, until it gains organisation wide acceptance.

For an organisation to achieve its goal it has to work on its human resources and redirect its capabilities for overall performance. That is, unless the change process is carried through to the end, the expected goals and objectives will not be achieved and will ultimately affect the organisational performance adversely. It is therefore imperative that the management put in place performance measures that will gauge the achievements at every step of the change process in order to motivate the people. These could be improved sales figures, improved quarterly profits and such like. Kotter (1996, 119) says that,

> Major change takes time, sometimes lots of time. Zealous believers will often stay the course no matter what happens. Most of the rest of us expect to see convincing evidence that all effort is paying off. Non-believers have even higher standards of proof. They want to see clear data indicating that the changes are working and that the change process isn't absorbing so many resources in short term to endanger the organisation.
>
> Running a transformation effort without attention to short-term wins is extremely risky (see exhibit 1 on the following page (*below figure 1 2)*. Sometimes you get lucky; visible results just happen. But sometimes your luck runs out, as it did for the visionary division general manager.

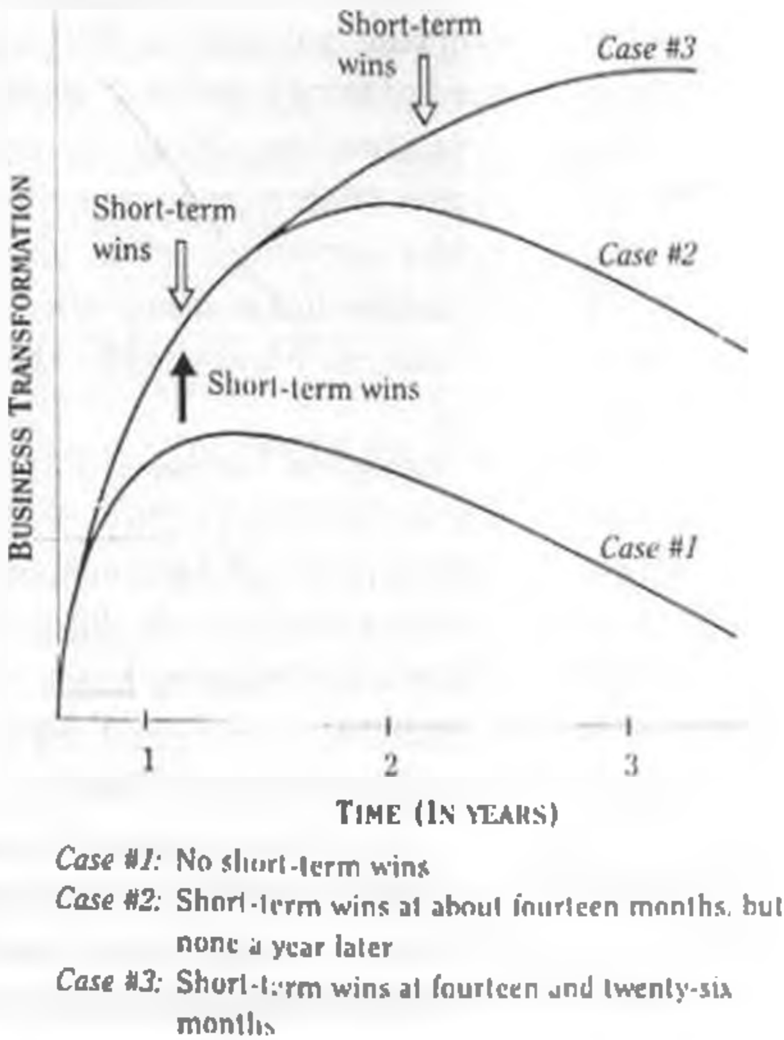


Figure 1.2: The influence of Short-Term Wins on Business Transformation. Source: John P. Kotter, (1996) Leading Change, page 120

1.1.2 Changes in Unga Group Ltd

The information on this subsection is obtained from Unga Group Ltd Audited annual financial reports as shown on a summary on App. VI and three documents App. II and III together with an un published research of USIU obtained from the former Group Finance Director of Unga Group Ltd.

The idea to form the company was mooted in a meeting held by Lord Delamere, a prominent settler farmer, and other persons on December 30th, 1908 at 9.00 pm at The Norfolk Hotel, Nairobi. Minutes recorded indicate that this was the first board meeting of Unga Limited. The company was subsequently incorporated on January 16th, 1909 and commenced its business as millers of wheat, maize and manufacturers of animal feeds. Through the years, Unga Limited has gone through many challenges including financial difficulties and in 1928, the present day Unga Group Limited was incorporated as Unga (1928) Limited to take the operations of Unga Ltd. The aforesaid challenges have forced the organisation to change its names many times, restructure, divest and incorporate other companies over the years. (Appendix II&III)

Considering the time frame and the age of Unga Group Ltd which is almost a hundred years, it has gone through diverse environmental changes which in turn have caused diverse organisational changes and challenges such as operational, financial, structural changes and leadership. The period under investigation which is 1990 to 2005, the organisation has not been spared from such changes and challenges. As per the financial report of June 30th 2005 Unga Group Ltd subsidiaries were, Unga Farm Care (EA) Ltd, Unga Ltd, Unga Millers (Uganda) Ltd and Bullpak Ltd.

Unga Farmcare (EA) Limited was formed in 1999 to distribute animal health products and crop protection products such as herbicides. The company initially started as a department of Unga Feeds Limited but was transformed into a full fledged subsidiary when it won a tender to rehabilitate cattle dips throughout Kenya in 1998 and introduce "Almatix", a new acaricide. Unga Farmcare (EA) Limited had two subsidiaries, one based in Kampala Uganda and the other based in Arusha, Tanzania. These two were established to help in the marketing and distribution of animal health products. Unga Millers (Uganda) Ltd was established in 2002 to mill and distribute wheat and maize flour.

Unga Group Ltd. through its subsidiary Unga Ltd which was established in 1970, had been the largest maize and wheat miller and animal feeds manufacturer in Kenya and the East African region. Unga Ltd has been the flagship of Unga Group Ltd and has been concentrating on the company's core business of milling and processing wheat and maize flour for human consumption. The products were marketed as first-grade sifted maize flour and wheat flour under the family brand name "EXE". Bullpak Limited incorporated in 1998 through a joint venture between the second largest paper manufacturers in the world, Nampak, a South African Company. Bullpak, originally located in Nairobi's industrial was later relocated to Thika town. Bullpak is involved in the manufacture of paper packaging bags and materials for use by Unga Limited to pack flour.

In 1998, the search for a strategic partner by Unga Group Ltd started. The need for a strategic partner was driven by the need of getting modern technology in milling and an injection of funds to bring Unga Group ltd back to profitability. Seaboard Corporation (USA) joined Unga Group Ltd as a strategic partner in March 2000 (App. IV), investing US$ 7.5 million (Kshs. 562 million) in exchange of 35 percent equity. Seaboard was also to provide a dollar denominated line of credit as well as management services to the operating units and was to be paid a fee on the basis of audited profits, subject to a minimum of US$ 450,000 (Kshs 33.7 million) per annum.

Kenya's main staple food is maize and wheat products, maize products being the principal staple food for rural and urban poor. Consumption of maize products in rural areas is generally higher than in urban areas there are subsidies such as bread, rice etc. Maize producers sell their produce either independently or through brokers into the domestic market, to millers like Unga Group limited, Pembe Maize Millers, Premier maize mills, Nairobi Flour Mills, National Cereals Produce Board (NCPB) which is government owned and serves as the depository for food strategic reserve or sold to the neighbouring countries through cross boarder trade. Unga Group Limited was the largest grain miller and had been the only miller up to 1991. Its brands of packaged maize and wheat flour dominated the retail and supermarket shelves in Kenya. But in 1991 many new millers entered the milling industry and encroaching on Unga Group's market share. By late 1990's, as evidenced by the sales and revenue figures shown in Table 4.1 on page 40 that competition from the newly established milling companies was takig up Unga Group Ltd market share. Also the rural consumers due to the poor state of the economy, preferred milling their maize at the local Posho Millers which was and is still is cheaper in comparison.

With the signing of Common Market of Eastern and Southern Africa (COMESA) treaty, there were both opportunities and threats to the milling industry. This COMESA treaty which established the common market coupled and at the same time leading to the liberalization of the Kenyan economy, created a larger economic and trading bloc. Liberalization of the economy made the government to remove protection on local industries including the agri-business sector and also removal of price controls on maize and wheat products.

1.2 Statement of the Research Problem

Unga Group Ltd has gone through many forces which brought about strategic change, which Senior (2002) refers to as winds of change. Unga Group Ltd was incorporated in 1909. It went through the agricultural era, industrial revolution era, until now the era of globalization, advanced technology and communication, liberalization, political among others. It must be appreciated that the time when Unga Group ltd was incorporated, the indigenous were still using their traditional methods to make flour, and had their traditional diet. The flour milled by Unga Group ltd or the animal feeds made was all consumed by the target consumer who were already known. There was no competition from other millers or threats from subsidies. Today the environment is totally different. The enormous winds of change as stated earlier, has caught up with Unga Group ltd.

Unga Group Ltd has been a market leader in maize and wheat milling business in Kenya and in East Africa as a whole and despite its acknowledged presence and leading market position, with the advent of liberalization, competition from new players in the milling industry in the market and no protection from government, the firm has experienced problems and has had to sell some its non-core business subsidiaries, closing others and others remaining dormant. It is evident that Unga Group Ltd, as an organisation that has been around for such a long time has been undertaking strategic changes in order to survive the onslaught of the winds of change. Hill (1995) says that for strategic change to be successful it has to be managed, therefore, strategic change management is a process that enables an organisation to implement change and achieve its objectives for change.

Although studies on strategic change in organisations have been done, for example by Rukunga (2003) Kathuku (2005), Mbogo (2003), Ongaro (2005), Mutuku (2005)and Munga (2005) the effects of strategic change management process on performance has not been done exhaustively. The proposed research study of Unga group ltd between 1990 and 2005 sought to find out how strategic change and the management process of change influenced the company's performance. Quinn (1980) says that strategies emerge over a period of three to ten years and in our local Kenyan context, strategic plans are usually for five years, hence the choice of a period of about 15 years would help to review strategies implemented and their effect on performance.

1.3 The Research Objectives

This study had the following two major objectives:

(i) To establish the strategic change management processes adopted by Unga Group Ltd at different times from1990 to 2005

(ii) To determine whether the strategic change management processes of Unga Group Ltd influenced its performance during the 1990 to 2005

1.4 The Importance of the Study

The findings of this study will be useful to a number of interested groups. First the research findings will be useful to managers whose organisations will carry out strategic change. Secondly, the research findings will assist the researcher to establish whether there is a pattern that will provoke further study. Thirdly, research findings will provide Unga Group Ltd, with a document of strategic change management and how effectively this was carried out in the organisation. Fourthly, the research provided the researcher with an opportunity to enhance her understanding of strategic change management and its effects on performance and improvement on her analytical, evaluative and writing skills.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature review in this chapter was done on change and drivers of change, the management processes adopted to manage the change and the influence these processes have on performance. Pettigrew (1993) says that strategic change has three dimensions, content which includes, nature of business, objectives to be achieved, perception and assumption and targets and evaluation. The second dimension is context or environment which includes internal context and external context. Internal context includes resources, core competences, capabilities, structure, culture, leadership, etc. while external environment includes, economic, political and social. The third dimension is the process of effecting the strategic change, which include organisational change, change agent, environmental analysis, strategy formulation and implementation. The overall picture is captured under the strategic change management process which Hitt et el (1995) says is the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness. In this literature review, some of these aspects of strategic change will be explored, which are strategic change, strategic change management process, organisations performance and the relationship between strategic change management process and organisational performance.

2.2 Strategic Change

Strategic change is the movement of a company away from its present state towards some desired future state to increase its competitive advantage. It is the continuous adoption of corporate strategies and structures to changing external conditions. Balogun, (2004) says that change can be a continuous process which occurs in given contexts, with organisations transforming on an on-going basis to keep pace with their changing environment, or a process of punctuated equilibrium where periods of adaptive and convergent change are interspersed by shorter periods of revolutionary change. The objective of these change efforts may vary but they all present significant challenges and risk for companies in their pursuit of sustainable benefits realization. Senior (2002) argues that no matter the nature of the transformation impacting the enterprise, the key to successful completion requires the implementation of some type of change management and mitigate risk. It is not enough to articulate a business strategy - that strategy must be well executed in order to achieve Return on Investment (ROI) and business benefits.

In this literature review, the concern is in organisations taking a step change in a proactive manner in recognition of the need for pre-emptive change given potential threats that may arise in the future, or in a reactive manner in response to an immediate need, such as a direct competitive threat, technological change, change in legislation or financial needs. This is a more radical form of change and challenges all elements of processes or structures that have evolved over time. The concern is intentional, planned change (Worley, 1996): change circumstances in which the leaders of an organisation have examined their strategic position and deliberately formulated a new strategy which requires the organisation, and the people within it operate differently in some way, for example entering a new market with existing products, divesting or restructuring. Alternatively, it could involve a radical shift in strategy, and therefore the structures, systems and culture of the organisation.

Figure 2.1: A Company's Actual Strategy Is Partly Planned and Partly Reactive
Source: A. A. Thompson Jr and A. J. Strickland III, (2003) Strategic Management Concept and Cases, page 12

Pettigrew (1993) argues that the content of change which includes assessment and choice of products and markets, objectives and assumptions and targets and evaluation, and the way change is formulated/implemented, is determined by the context of change, both internal organisational context which includes the culture, capabilities, resources and politics of an organisation, and the broader external context which includes economic, political/government and social. The changes made will in turn alter the context, leading to a different set of change needs. Only with strong organizational capabilities and a focus on execution can true business benefits be realised from change efforts. It is not enough to implement a one time change initiative – change competency must be sustained over time to impact business performance.

Figure 2.2: Understanding strategic change: three essential dimensions.
Source: Andrew Pettigrew and Richard Whipp, (1993), The Managing Change for Competitive Success, page 26

Quinn (1980) argues that when engaging in strategic change there are four fundamental mandates the management should do which are defining goals and objectives, stating these goals clearly, explicitly, and preferably quantitatively, assign the goals to individuals or organisational units and finally establish quantitative performance measures and benchmarks to control the organisation toward established goals and objectives. As strategic change is the movement of a company away from its present state towards some desired future state to increase its competitive advantage through formulation and implementation of strategies, Andrews (1980, 20) states that

> The interdependence of purpose, policies, and organized action is crucial to the particularity of an individual strategy and its opportunity to identify competitive advantage. It is the unity, coherence, and internal consistency of a company's strategic decisions that position the company in its environment and give the

firm its identity, its power to mobilize its strengths, and its likelihood of success in the marketplace. It is the interrelationship of a set of goals and policies, that crystallizes from the formless reality of a company's environment, a set of problems an organization can seize upon and solve.

As change occurs due to changes in the environment within which the organisation is operating, when this happens, it gives rise to a need for change to fit within the operating context or meet its future organisational aspirations. Worley (1996) then argues that strategic change refer to relatively major and systemic orientation and to changes that improve either strategic or organisational alignment. Where strategic alignment means aligning the firm's positioning within its environment. On the other hand Andrews (1980) concurs with the others and says that reasons for change is identifying opportunities and threats in the company's environment and then attaching some estimate or risk to the discernable alternatives.

Ansoff (1990) argues that since the 1950's, the 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 and what role it should play in the post industrial society. Another distinctive characteristic of the twentieth century has been the acceleration of both incidence and diffusion of change. Change became less predictable and surprise more frequently. Change is caused by many factors and on the macro environment it calls for an understanding of political, economic, social, technological, environmental and legal influences (PESTEL), referred to as the five forces framework, Johnson, (2002). Johnson (2002) continue to say that it is of paramount importance that the implications of PESTEL factors are understood since it may be possible to identify a number of structural drivers of change, which are forces likely to affect the structure of an industry, sector or market. It is the combined effect of some of these separate factors that will be so important, rather than the factors separately. For example, factors increasing globalisation of some industries and markets such as government influences, cost advantage (Kotter, 1996).

Worley (1996, pg14) on the other hand groups these factors into four categories; First is transition to a global economy which provide new markets for example through liberalization, opening of cross border trade etc. Secondly, changing industry structures and competitive conditions within a particular industry, where technological and regulatory changes are drastically altering some industries such financial, transportation, manufacturing etc. As for technological change, there new products, new manufacturing processes, innovations, new service delivery concepts, and information systems-which destroy entry barriers, increases rivalry among firms, alters buyer and supplier bargaining power, and creates viable substitute products and services. Thirdly, a firm's performance where a firm needs to improve on its performance using scarce resources to gain a competitive edge or gain more market share and fourthly, stakeholder initiatives such as demanding more efficiency and effectiveness in running the organisation for increased returns. Following is a figure showing the types of environments that organisations have to contend with.

Figure 2.3: Types of Environments
Source: Gemmy Allen, Management Modern; BMGT-1301 DCCCD, http://telecollege.dcccd.edu mgt1374 images/mgmtbann.gif, 1998

Heller (1998) says that a change program is as good as its execution. Most companies and organisations know their businesses, and the strategies required for success. However they struggle to translate the theory into action plans that will enable the strategy to be successfully implemented and sustained. Through strategic management process, organisations are able to initiate a process of achieving their intended change goals. It helps the management understand the contents of and the relationships of the variables involved in strategic change and how to handle each one of them (Comerford, 1985).

2.3 Strategic Change Management Process

Change management means to plan, initiate, realize, control, and finally stabilize change processes on both, corporate and personal level. Burnes (2000) argues that change management theory has three schools of thought. First there is the individual perspective school, where one camp supports the view that behaviour is learnt through the interaction of the environment, and the other view that an individuals' behaviour is the product of environment and reason. Second is the group dynamic school, whose emphasis is on bringing about organisational change through teams or work groups, rather than individuals.

The third and which this research was based on is the open systems school which sees organisations as composed of interconnected sub-systems, meaning that a change to one part of the system will have an impact on the other parts of the system and in turn its overall performance. Burnes (2000, 261, 262) says that

> Organisations are seen as open systems in two respects. First, they are open to and interact with, their external environment. Second, they are open internally: the various sub-systems interact with each other. Therefore, internal changes in one area affect other areas, and in turn have impact on the external environment, and vice versa (Buckley, 1968). The objective of the open system approach is to restructure the functions of a business in such a manner that, through clearly defined lines of co-ordination and interdependence, the overall business objectives are collectively pursued. The emphasis is on achieving overall synergy, rather than on optimising the performance of any one individual part per se (Mullins, 1989).

According to Burnes (2000) there are four subsystems, the organisational goals and values that an organisation wishes to promote in order to operate effectively, the technical sub-system which combines knowledge and technologies, the psychosocial sub-system which concerns the organisational climate and culture. Finally the managerial subsystem which spans the entire organisation and concerns relating an organisation to its environment, setting goals, determining values, developing comprehensive strategic and operational plans, designing structure and establishing control processes. Burnes (2000) maintains that The Open School System is concerned with understanding organisations in entirety; therefore, it attempts to take a holistic rather than a particularistic perspective.

Wikipedia (2006) says that Ludwig von Bertalanffy et al in 1936 developed the Systems Theory, which focuses on organization and interdependence of relationships. The theory argues that a system is composed of regularly interacting or interdependent groups of activities/parts the emergent relationship(s) of which form the (a) whole. All processes of a system for example an organization, group, project, society, etc, are principally dynamic and can only be influenced in a systemic context. A planning base that facilitates sustainable growth, the most important factors must be identified and arranged in a context that considers systemic effects. In such a complex environment like the one organisations operate within, linear planning tools loose their effectiveness. Following is a figure showing interrelationships within a complex system or environment.

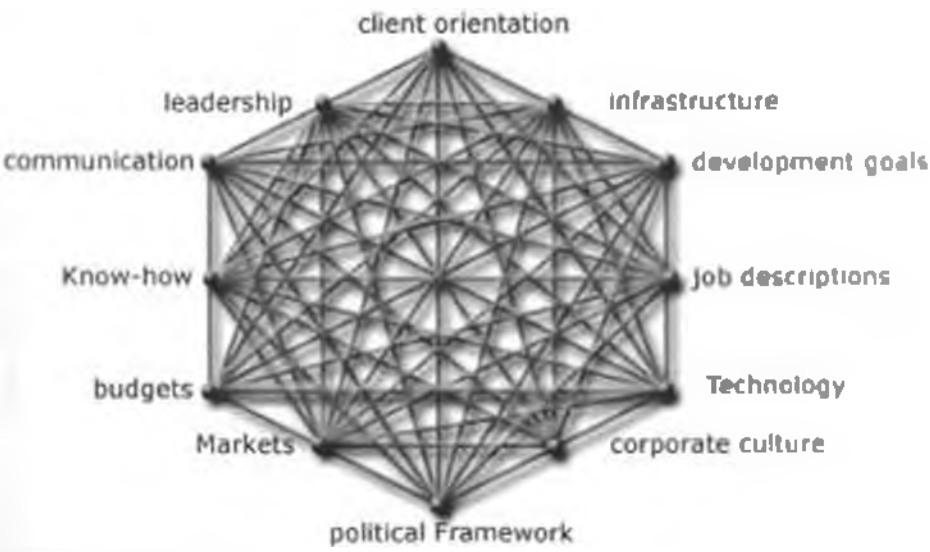


Figure 2.4: Interrelations in Complex Systems
Change Management Toolbook: System Thinking; *http://www.change-management-toolbook.com/tools/popup/systems_p.html*

Therefore to manage change, it calls for a holistic model that will cover all aspects of the organisation. This is the Strategic management process which according to Hitt (1995) is 'the full set of commitments, decisions, and actions required for a firm to achieve strategic competitiveness and earn above-average profits.' Following is a figure showing the Strategic management process. Although according to Munga (2005), there exists various forms of strategic management processes and they all follow a similar pattern despite the fact that they have their own differences.

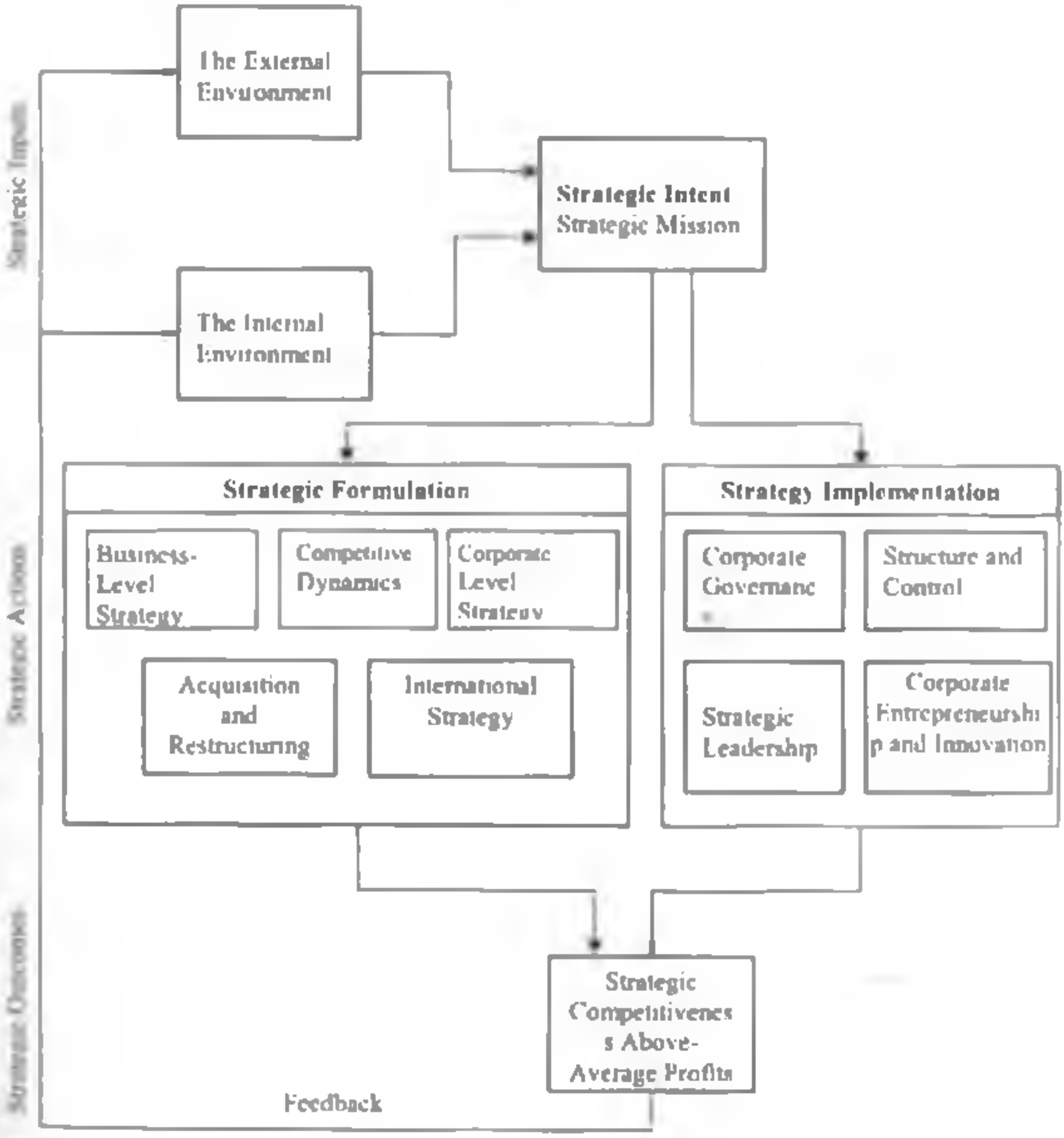


Figure 2.5: The strategic management process

Source: Michael A. Hitt et al. 1995, Strategic Management: Competitiveness and Globalization, page 6

Strategic management process as seen from the above figure encompasses all aspects of the organisation that are required for effective strategic change and that they are interdependent such that the change in one leads to the change in the other. According to Hitt (1995), after the analysis of the external and internal environments, an organisation identifies opportunities and threats and this helps in determining how to use its core competencies to achieve strategic competitiveness. With this knowledge, an organisation forms its strategic intent which is where an organisation relentlessly pursues an ambitious strategic objective and concentrates its competitive action and energies on achieving that objective i.e. to leverage its resource, capabilities, and core competencies gain a competitive edge and profitability. From the strategic intent we have the strategic mission which specifies in writing the products a firm intends to produce and the markets it will serve when leveraging its resources, capabilities and core competences. A mission statement gives the organisation its own identity, business emphasis, and path for development that sets it apart from other similar situated companies.

Hitt (1995) continue to say that strategic inputs are the foundation for a firm's strategic actions the actions required to formulate and implement strategies. Formulation and implementation are critical to achieving strategic competitiveness and profitability. These issues must be looked into simultaneously. Where a firm is diversified, and is competing in multiple products markets and businesses, it usually has a business – level strategy for distinct product market area. The business level strategy describes a firm's actions designed to exploit its competitive advantages over rivals. For the diversified firm, corporate – level strategy is concerned with determining the business in which the company intends to compete, how resources are to be allocated among those businesses, and how the different units are to be managed. Also in the diversified firms, other strategy formulations include acquisition of other companies, restructuring of firms portfolio of businesses, strategic alliances or partners. The dynamics of competition are an important input to components of the formulation and implementation of all strategies, and especially to business – level strategies.

Comerford (1985) says that strategic management process consists of a feed back system that can modify strategy implementation and organisation operations so as to alter either strategies or performance as might be reasonably necessary. Thus one category of input information at each stage of strategic management consists of control system output. In this way evaluation of current performance vis-à-vis the organisation's current strategy is always included in the analysis of each stage.

The success of change management process and the realisation of favourable results depend on how the management deals with the organisational change and the personal change. It is imperative to analyse the change phases an individual goes through and sort of paste them on to the organisational change process so that the change manager knows what to expect in each phase and the interventions to make. Balogun (2004) has given charts summarising the phases of change process in individuals which is referred to as transition curve and then linking this individual change process to the organisation change process.

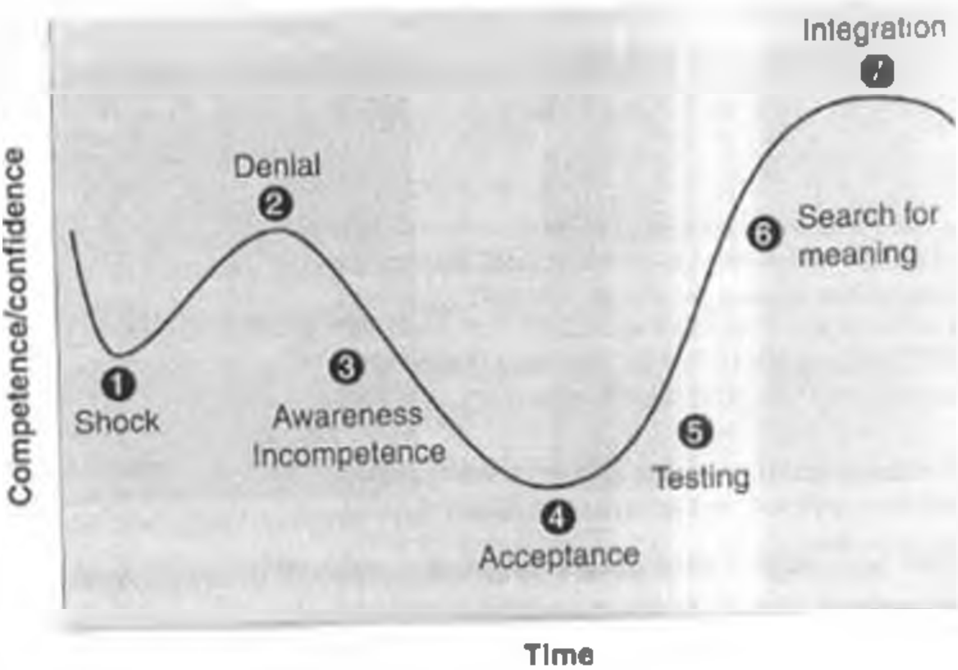


Figure 2.6: Transition Curve
Source: Julia Balogun and Veronica Hope Hailey 2004, Exploring Strategic Change, page 142

Balogun (2004) proceeds to explain each of these stages undergone by an individual during the change process and the same can be explained and captured as follows:

Shock	Confrontation with unexpected situations. This can happen 'by accident' (e.g. losses in particular business units) or planned events (e.g. workshops for personal development and team performance improvement). These situations make people realize that their own patterns of doing things are not suitable for new conditions any more. Thus, their perceived own competence decreases
Denial and Refusal	People activate values as support for their conviction that change is not necessary. Hence, they believe there is no need for change; their perceived competency increases again
Awareness Incompetence	People realize the need for change. According to this insight, their perceived competence decreases again People focus on finding short term solutions, thus they only cure symptoms. There is no willingness to change own patterns of behaviour.
Acceptance	This phase, which is also called 'crisis' is the most important one. Only if management succeeds to create willingness for changing values, beliefs, and behaviours, the organization will be able to exploit their real potentials. In the worst case, however, change processes will be stopped or slowed down here.
Testing	The new acceptance of change creates a new willingness for learning. People start to try new behaviours and processes. They will experience success and failure during this phase. It is the change manager's task to create some early wins (e.g. by starting with easier projects). This will lead to an increase in peoples perceived own competence
Search for Meaning	People gather more information by learning and exercising. This knowledge has a feedback-effect. People understand which behaviour is effective in which situation. This, in turn, opens up their minds for new experiences. These extended patterns of behaviour increase organizational flexibility. Perceived competency has reached a higher level than prior to change.
Integration	People totally integrate their newly acquired patterns of thinking and acting. The new behaviours become routine.

Following is a figure linking the individual transition during the change process to the Organisational change process.

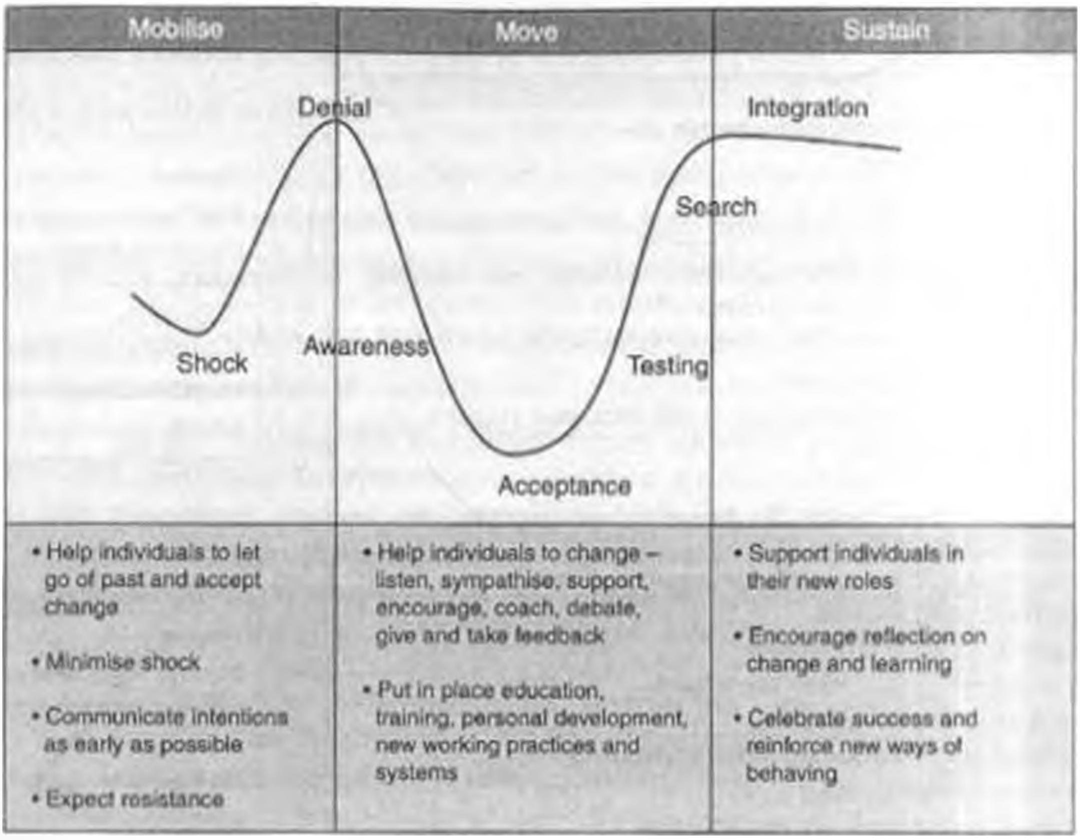


Figure 2.7: Linking Organisational and Individual change.
Source: Julia Balogun and Veronica Hope Hailey 2004, Exploring Strategic Change, page 145

Ideally, employees are able to reflect their own behaviour in relation to the organizational context (e.g. processes, products, resources, customers). During times of change management, communication and employee engagement are more important than usual and can substantially affect the cost and outcome of change efforts. Trust is identified as particularly important in obtaining support for and participation in charge efforts. The reason for the emphasis is that executives and employees see change differently, with senior managers typically seeing change as opportunity, for both the business and themselves, and employees typically seeing change as disruptive, intrusive, and likely to involve loss. These aspects of change are very personal and need to be addressed in personal terms. It is important for those managing change to identify the key issues that may range from loss of turf, attachment, meaning, future, competency-based identity, and/or control. It is in the discussion of the human aspects of change that Burnes (2000) refers to Lewin's three-stage model of unfreezing, move or change, and refreezing. In designing change initiatives, cautions are made concerning the difficulty of and time required creating new values within an organization.

Of importance, in creating new values, organisational culture has to be dealt with for any change management process to succeed. Balogun (2004, 243) defines organisational culture as "the way we do things around here." Johnson (2002, 45) says that organisational culture is

> the basic *assumptions and beliefs* that are shared by members of an organisation, that operate unconsciously and define in a basic taken-for-granted fashion an organisation's view of itself and its environment. The application of experience is rooted, not only in individual experience, …………….. but also in collective (group and organisational) experience reflected in organisational routines accumulated over time. So strategies can be seen as the outcome of the collective taken-for-granted assumptions and routines of organisations. It is therefore important to recognise the significance of organisational culture in strategy development.

Consequently it is of paramount importance to seriously and consciously consider the cultural aspect in any change management process if success is to be achieved. Kotter (1996, 20) states that,

> The methods used in successful transformations are all based on one fundamental insight: that major change will not happen easily for a long list of reasons. Even if an objective observer can clearly see that costs are too high, or products are not good enough, or shifting customer requirements are not being adequately addressed. Needed change can still stall because of inwardly focused cultures, paralyzing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes, lack of leadership in middle management, and the general human fear of unknown. To be effective, a method designed to alter strategies, reengineer processes, or improve quality must address these barriers and address them well.

Kotter (1996, 20) continue to say that in managing successful change, there are eight-stage process that are important in creating change, which are,

> establishing a sense of urgency, creating the guiding coalition, developing a vision and strategy, communicating the change vision, empowering a broad base of people to take action, generating short-

> term wins, consolidating gains and producing even more change, and institutionalizing new approaches in the culture.
>
> The first four steps in the transformation process help defrost a hardened status quo. If change were easy, you wouldn't need all that effort. Phase five to seven then introduces many new practices, the last stage grounds the changes in the corporate culture and helps make them stick.

The purpose for any change initiative is to achieve some desired goal or objective which is always for the betterment of the organisation. The achievements have to be measured by for example, as Johnson (2002, 272) says like "setting standards, assessing performance of individuals and units, and intervening to improve performance (for example, by replacing managers, selling off businesses or ensuring turnaround of poorly performing divisions or businesses)". Change initiative should be seen to add value to the organisation. This, then leads to the question on performance of the organisation after the change initiative and how it should measured.

2.4 Organisational Performance

Any strategy put in place by an organisation has to meet an objective or a goal. Johnson, (2002) refers to these goals and objectives as performance targets and says that they refer to the output of an organisation such as product quality, prices, or profits. The performance of an organisation can be judged internally or externally on its ability to meet these targets. Thompson (2003) says that how well a company's strategy is working comes from studying the company's recent strategic and financial performance and seeing what story the financial reports tell about the results the strategy is producing: whether it is achieving its stated financial and strategic objectives or it is an above average industry performer. But performance is not just about profits it is about achieving effectively an overall organisational objective, i.e. both qualitative and quantitative performance.

In order to assess the effectiveness of a change process, performance needs to be measured. This means assessing progress against stated goals and objectives in a way that is unbiased and quantifiable. A balance of financial and non-financial indicators is used to measure program effectiveness and efficiency. Some of these indicators include cost per output, cost per outcome, and customer-oriented factors such a quality, timeliness, and customer satisfaction.

2.4.1 Measures of Performance.

Performance measurement provides information about results that can guide programmatic decisions making, improve management credibility and leadership, and better management risk. It also views accomplishment in terms of outcomes, and it requires managers to examine how operational processes are linked to goals. In this way, managers do not simply report on the past, they make authoritative forecast about the future. Effective performance measurement makes organisational objective clear and real to employees, improves the focus on long and short terms success, and reduces the amount of management time allotted to reporting and review. Therefore when an organisation implements new strategies, they should ensure that the appropriate set of performance measures are in place as performance measurement is a key factor in ensuring the successful implementation of a company's strategy. In order to measure changes on performance, Johnson (2002) says it involves the creation of performance measures or indicators which could be measurable products, services, processes, and operations that the company uses to track and help to improve performance.

Balogun (2004) and Johnson (2002) say that there are many performance indicators but there is one that has been popularised through out the 1990s for being a mutually supportive measure that align behaviour with organisation's strategy, without creating a focus on one area of activity at the expense of another. This is the balanced scorecards, which combines both the qualitative and quantitative measures, acknowledging the expectations of different stakeholders, and relate an assessment of performance to choice of strategy. Johnson (2002) states that, performance is not only linked to short-term outputs, but also to the way in which processes are managed which are crucial to long-term success. Kaplan (1996) argues that "managers, like pilots, need instrumentation about many aspects of their environment and performance to monitor the journey towards excellent future outcomes." Kaplan (1996) continues to say that, the Balance Scorecard (BSC) provides managers with the instrumentation they need to navigate to future competitive success. It enables organizations to clarify their vision and strategy and translates them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. The Balanced Scorecard has four processes, which are, translating the vision into operational goals, communicating the vision and link it to individual performance, business planning and feedback and learning and adjusting the strategy accordingly

Drury (2004) concurs with Kaplan (1996) and says that the Balanced Scorecard measures a business from four perspectives. There is the financial perspective which has financial measures to assess how the company looks to shareholders. These measures are Return on Investments (ROI), cash flows, organisational profitability sales backlog and profit forecast. Secondly there is the customer perspective which helps assess how the company is performing in the eyes of the customer. This could be customer satisfaction, customer ranking survey, market share and price index.

The third perspective is the internal operational measures, to assess how well the company is doing on the business processes that impact on customer service. Fourth is the innovation and learning perspective which assess if the company is continuing to improve. For example revenue per employee, % revenue from new services, rate of improvement index, staff attitude survey and or number of employee suggestions. Following is a figure showing a balanced scorecard as given by Drury (2004).

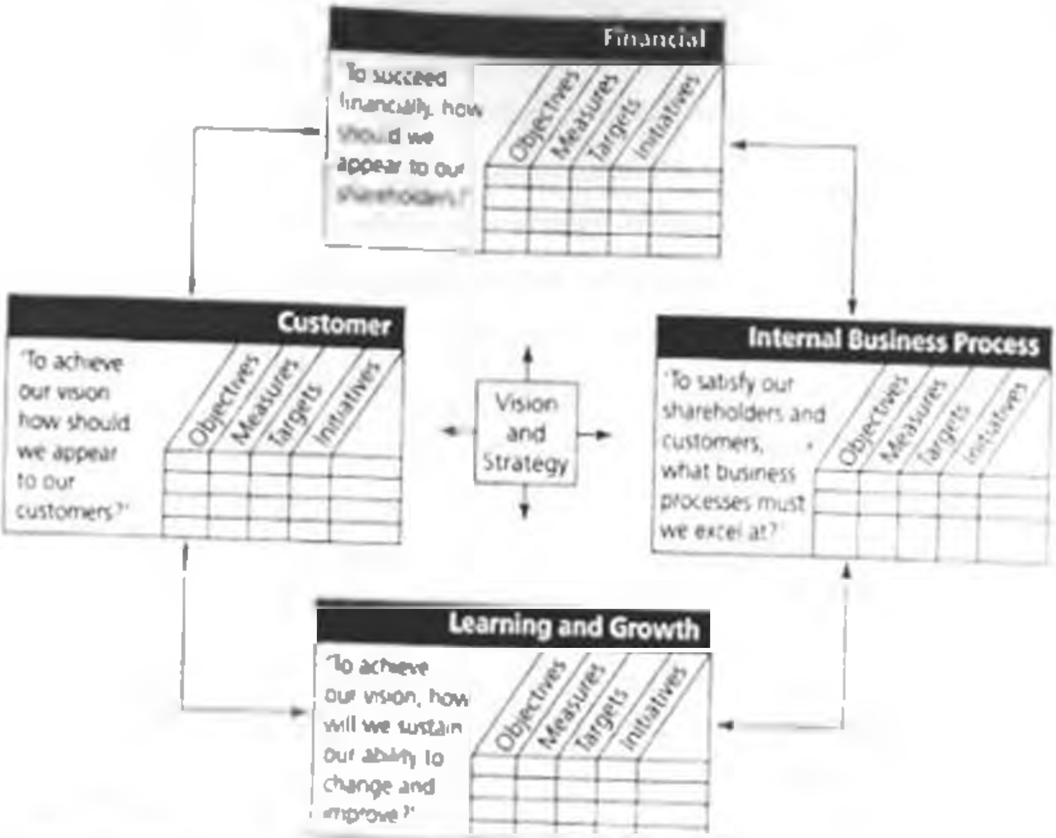


Figure 2.8: The Balanced Scorecard.
Source: Colin Drury, 2004, Management and Cost Accounting, page 1002

Therefore the overall performance of an organisation can be assessed to find out whether the objectives have been met, for example increased profitability, complete turnaround in performance and effectiveness, high return on investment, stakeholders satisfaction, organisational restructuring, overall change of organisational direction, increased market share and a competitive edge.

Performance like change needs to be managed as it is a means to an end. For to continue doing something like even pushing a boulder, one needs to see some change from where it was standing, otherwise it is a waste of time and energy Typically, the energy and enthusiasm generated during the planning process quickly ebbs away, swamped by the weight of day to day operational issues. To make the strategy 'live' everyone in the organization needs to be engaged to take action, which means, communicating the strategic intent, thrusts and action plans, using rigorous project management principles to deliver the change agenda, setting individual targets and work plans aligned to the strategic priorities, consistently measuring progress, assessing and giving feedback about performance. Performance management is a key factor in getting the whole organisation aligned and mobilised to reach higher and work collaboratively together to deliver results. An effective performance management system, must communicate strategy, it must measure performance in real time, it must offer an integrated project management capability, and it must acknowledge and enable emotional contracting (which is the crucial and powerful link between the organizational intent and the motivations, values and aspirations of the people) with all staff, which is so vital for linking individual commitment and activity to the attainment of organizational plans. This emotional contracting element is commonly overlooked by organizations, and then they wonder why the people have 'failed' to do what the organization expected and had asked them to do http: www.farsightleadership.com.

Balogun (2004, 193) on the illustration case 6.4 it is stated that,

> The aim of the Managing and Appraising performance process (MAP) was to link the company's strategic objective to the goals of each employee. The major change in the process was the introduction of the new values, with the Philip Morris Leadership Profiles, into the evaluation and development needs analysis process. The amended profiles stressed teamwork, empowerment, innovation and creativity.

2.5 Strategic Change Management and Organisational Performance

Strategic change is need driven. It is about improving overall results of the organisation. That is, there can never be a change in strategy for the sake of having one; there is always a motive behind the change. Johnson (2002) refers to this as a strategic intent and says that it is the desired future state or aspiration of an organisation which is the driving force of an organisation's change and it motivates managers and employees through out the organisation. For change to achieve its objective it needs to be managed, through planning, initiating, realization, controlling, and finally stabilizing the change processes on both, corporate and personal level.

The comparison of expected future performance and the current performance helps the management see how well it has formulated and implemented its strategy and if it will achieve its goals and objectives. The gap between actual and expected performance levels will also provide clues about strengths and weaknesses in the organisation's strategy formulation and implementation. All this reflects on the strategic management processes that were undertaken.

Heller (1998) says implement change program then measure results and obtain feedback. If the strategy is successful continue program, if otherwise, revise the program. It is not the availability of the cake ingredients that make a delicious cake but the process of mixing the ingredients that dictates the final product. The effectiveness of a change strategy and organisational performance is in the management of the change strategy implementation process.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 The Research Design

The research design for this research was a case study. It was a historical case study where the subject of strategic change management was explored to see how it has affected the overall performance and existence of the organisation under study over the years, from 1990 to 2005. Kothari, (2004, pg113) says that "case study method is a form of qualitative analysis where in careful and complete observation of an individual or a situation or an institution is done; efforts are made to study each and every aspect of the concerning unit in minute details and then from case data generalisations and inferences are drawn." An in depth study of Unga Group Ltd has been done and an understanding about the organisation's strategic changes, the strategic management process adopted and how these influenced the organisations performance made.

3.2 Data Collection Method

Primary data was obtained from interactive interviews where use of open-ended questions were used to avoid subjectivity resulting from limiting the interviewee's answers to questions, as Cooper (2003) says that open-ended questions help measure sensitivity or disapproval behaviour, discover salience, or encourage natural modes of expression. The interviews were mainly carried out on former senior employees who were in the change team and in employment during the years of the study. Secondary Data was mainly obtained from Unga Group Ltd by reviewing the organisational records such as annual financial reports, Change plan presentation (App. VII) and a strategic plan document.

3.3 Data Analysis Method

Content analysis was used to analyse the data. Cooper (2003) says that content analysis measures the semantic content or the '**what**' aspect of the message. Its breadth makes it flexible and wide-ranging tool that may be used as a methodology or as a problem-specific technique. He continues to say that content analysis guards against selective perception of the content, provides for the rigorous application of reliability and validity criteria.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

Data collection process was guided by the objectives of this study. As mentioned earlier, the basic research approach for this study was qualitative. As such, the study employed the use of an inductive form of reasoning in that concepts, insights and understanding were developed from patterns in the data. The study also took a stance in that meaning was derived from the subject's perspective The study therefore was an ideographic one, aiming to understand the meaning respondents ascribed to process of change management, and thus reality is seen in this case as subjective Meaning in this case was discovered through the researcher's immersion in the data, and data presentation has been laid out in the form of words and quotes where applicable. The study exhibited flexibility, and uniqueness in research design, which involved analyzing data by extracting themes and embracing a holistic approach, concentrating on the relationships between elements and contexts. Yin (1989, 105) says that 'Data analysis consists of examining, categorising, tabulating, or otherwise recombining the evidence, to address the initial propositions of a study'. In other words data analysis is the complex process of selection, sharpening, sorting, focusing, discarding and organizing data in order to make sense out of the raw data, integrating the data, drawing conclusions and then verification of the data.

Strategic change management involves the overall direction of the organisation and in most cases is the onus of top administration teams and then it cascades down to the rest of the teams. The manner in which the rest of the teams get to know, adopt and act on the strategic change determines the success of the change process. During this study, the choice of respondents was guided by the anticipated responses from the senior members of the management who had served the company during the change period. Comparative objectivity analysis of the responses necessitated triangulation of responses from each source. Triangulation was carried out by using different data sources of information and examining evidence from the sources then using the same to build a coherent justification for themes. In order to achieve triangulation in this study, multiple data collection methods and data sources, to check the validity were used. Data was collected by means of transcribing interviews, with accompanying field notes.

A further category of information was mined from secondary literature that was drawn from Unga Group Ltd audited annual financial reports, change process document, strategic plan document and an unpublished study carried out by United Stated International University (USIU). This study by United States International University (USIU) was particularly of relevance because it covers a period within the period of change process at Unga Group Ltd. It is crucial in any qualitative data analysis that pools of data be examined thoroughly for appropriateness of validity of information.

Salient issues have been discussed in this study; among the key areas include the following; reasons necessitating change and strategic objectives; approaches used in the change management; the contents of the change management process; and the outcome of the change process including the resultant influence on the performance of Unga Group limited. These are discussed in the subsequent sub sections within this chapter.

4.2 Reasons and Objectives of Change at Unga Group Ltd

Pettigrew (1993) argues that there are many reasons that necessitate change, and according to the respondents, change at Unga Group was brought about by among other factors, liberalization of the Kenyan economy, competition within the industry, need for survival, new technology, bloated workforce and natural environmental conditions such as drought and/or El nino (1997-1998).

Since 1993, the Kenyan economy has been going through liberalization in many sectors of the economy and in particular the agricultural sector which is the mainstay of the economy. The agricultural sector in which Unga Group Ltd is a major player has seen many changes and of interest, in the past decade and half due to the changes introduced by the dictates of the Common Market of Eastern and Southern Africa (COMESA) directly affecting the business environment especially the monopolistic environment under which Unga Group had operated in for many decades. Also brought about by liberalisation was the removal of price controls at around 1993.

These changes affected Unga Group's market share and therefore the sales volume, hence the profitability of the company as reflected in our comparative analysis across the years shown elsewhere on figures 4.1, 4.2 and Table 4.1 shown on pages 38, and 40 respectively.

Competition was brought about by cheap products and subsidies from COMESA, proliferation of upcoming players in the local milling industry with new technology such as Pembe maize millers, Premier Flour Mills and many others, eating into Unga Group's Ltd market share. The said new market players came into the industry with new technology that was able to give better quality end products of wheat and maize and the new technology was not labour intensive as opposed to what Unga Group Ltd had been using. Due to the poor state of the economy at this time, the rural consumer preferred to mill their own flour in the local posho millers which was cheaper than buying the Unga Group products which were above the reach of the many rural poor.

Unga Group Ltd needed to survive and therefore it had to find away of reducing the bloated work force that was at certain quarters necessitated by old milling technology which was labour intensive and duplication of roles in many departments therefore increasing the operating costs through payment of salaries. The natural environment was not left behind in the conspiracy of forcing the company to change it strategies to fit into the prevailing external and internal environment. Drought that was persistent in some years meant that there was shortage of raw materials that necessitated the importation of raw material at high cost due to the depreciation of the Kenya Shilling Elnino rains of 1997 and 1998 affected the harvests of maize and wheat, and further destroyed most of the road network in the country. With all these changes taking place in the business environment, the company saw the need for change and according to respondents, the actual strategic change started late 1996. The objectives for the strategic change were; need to align business to meet market demands, concentrate on core business (competencies), reduction of operating cost, reduce the bloated work force and capture its market share.

4.3 Change Management Process of Unga Group Ltd from 1990 to 2005

From the research findings, the changes in the organisation from 1990 to 1996 had no detailed plan as to how they came about, the objectives to be achieved and no strategic change plan. But as in 1997, change was planed for and the management process to be adopted formulated and put on paper. The need for change started in late 1996. Before the start of the actual change process, the board invited an external consultant, a firm of auditors to carry out an in-depth audit of the whole organisation's processes to help identify the areas that required restructuring. The out come of this audit according to the former group finance director was; need for a new dividend policy, there was use of wrong management styles, technology used by the company could still be used, and that the work force was bloated. The report recommended that most managers including the Group managing director be sacked thus necessitating the need for hiring others, and new dividend policy be adopted.

In January 1997 under the guidance of the earlier mentioned audit firm the management came up with a comprehensive strategic change plan detailing the key issues to be considered in the change process, the implementation strategy and how to make the change process work (See App VII). The achievements (contents) for the change process were efficiency for survival, employee responsibility and growth, and business restructuring and re-engineering.

In July 1997 a new group managing director was hired (App. VI). He was in the team from the same audit firm that did a process evaluation making the recommendations of the changes that needed to be made in Unga Group Ltd, and also helped to write the change plan. He replaced the incumbent who had been retrenched having worked in the company for about 15years rising through the ranks to become the group managing director. According to the respondents, retrenchment of the group managing director, general managers of subsidiaries and other senior managers, and a new team recruited, and lack of involvement of any of the lower cadre employees in initiating the change process, brought about resistance to change from the lower cadre of employees and half-hearted loyalty towards the change process from the senior managers who were retained. There was an environment of fear and uncertainty as the employees did not know when the axe would fall on them.

Some of the respondents said that the new team that took over lacked industrial experience in a huge company like Unga Group Ltd. The result of the foresaid was poor awareness of the need for change by employees, lack of a desire to see the success of the change process, lack of knowledge of what was expected of them, the attitude of" them" (management) against "us" (employees) and lack of preparedness to handle the resultant effects, particularly resistance to change. Although there were workshops held to train the employees on the change management process and the departmental heads (process leaders) having authority to make necessary changes, they all felt they were betraying their colleagues if they were seen to go by the requirements of the change process, for example recommending for any retrenchments despite a healthy golden handshake for those retrenched. It was loyalty to the group and not to the change process. Some respondents said that though the employees saw the need for change and that the organisation was to collapse, since the top management did not involve them, it was the top management to deal with their own 'mess'. After all, it was their own doing and therefore the management had to deal with it

The change process undertaken had short-term targets to monitor the changes, which were efficiency, profitability, market share and level of number of customer complaints but the level of achievements of these targets by employees were low though rewards for achieving targets were there, such as employees of month and the of the year award and team achievers award. The respondents concurred that later at around 2003 the management started a program to undo the initial damage caused by the initial effects of the change process of business re-engineering and restructuring, by continuous training, team building activities outside Nairobi, involvement of employees in change process decisions, allocation of financial resources to fund retrenchment packages and purchase of new machines and equipments. Apart from bringing a sense of security and stability to the employees these interventions were also directed at creating ownership of the change process and oversee the achievements of the change content and the objectives for which the change process was initiated to achieve.

In 2003 as contained in the financial report of the same year (App. VI), the Unga Group Ltd started getting involved with community activities such as HIV/AIDS awareness campaigns and VCT testing, and returned to sponsoring sports such as Rugby's Jogoo Super Series. In 2005, as reported by the financial report of the same year (APP. VI), the company joined other companies and institutions in donating flour to the famine stricken communities. In the same year they allowed the Red Cross Society to buy flour at discounted prices for the famine stricken communities. The foregoing was a strategy to reposition itself in the community, creating an awareness of its products and itself as an organisation

4.4 Change management process and the influence on the performance of Unga Group limited.

Kotter (1996) says that change requires planning and involvement of the people for it to succeed. The major problem of Unga Group change process, was cited as lack of proper communication and the alienation of the employees by the top management hence bitterness and lack of cooperation towards the change process. According to one respondent, it was felt that the restructuring process took too long with batches of retrenchments and as a result, the people took too long to settle down and focus on the need for change. This created a state of confusion especially when some former members of staff were later re-hired after some operations ground to a halt. Later on, the company stabilized and started on the journey to profitability beginning late 2003 under new management (App. VI) that was not part of the original change team. Unga Group employees later accepted the reality of change and participated in making the company turn around. Evidently from this experience, many important lessons were learned on 'how not to carry a change program'. The change process at Unga Group was quite challenging and this can partly be attributed to the entrenchment of the manner in which the organization was used to doing business; the organisational as well as the corporate culture. The change team did not realise the importance of dealing with these two aspects that are of importance if change process has to be successful.

These factors discussed above notwithstanding, targets for strategic change were met although the change process was stopped before full benefits could be realised and evaluated. Among the targets that were realised through this change process were a reduced workforce by almost two thirds of the original workforce, Non core businesses sold off and others closed such as non profitable depots. The resultant achievements realised from this radical change was improvement in efficiency, profitability, labour stability and change process ownership by the entire employee fraternity. The targets achieved and benefits realised were based on the priorities that were set forth from the very beginning of the change process. It can be reliably asserted that during this process, the survival of the company was at the fore front irrespective of how unpopular and painful the process was going to be, as the main thrust of the whole change process was corporate rather than individual. The change process involved not only process' re-engineering but also total business reengineering which was highly strategic. However, the level of maturity and the organisation's preparedness was a major obstacle in achieving the envisioned change The change objectives set were to a larger extent achieved though the whole process required a lot of investment in plant and equipment including relocating some operations for example maize milling to a new location i.e. relocation from Dakar road to Commercial street.

Figure 4.1 and 4.2 show a graphical representation of the outcome of the change management process in the financial perspective. This is further backed by the statistical quantitative information drawn from the annual financial reports of the company from 1990 to 2005 Table 4.1. The graphical representation in Figure 4.1 shows the sales turnover levels trend achieved within the financial years 1990 to 2005. Also represented in the figure are before and after tax profits trends, realised over the years and shows when Unga Group Ltd realise profits. Figure 4.2 shows the returns on shareholders investments trends, by earnings per share, from 1990 to 2005. Table 4.1 gives comparative figures of the sales turnover, profits before tax and profits after tax and earning per share from 1990 to 2005. It is noted that as the levels of sales turnover improve, it means that the organisation is increasing its market share and improvement of production efficiency.

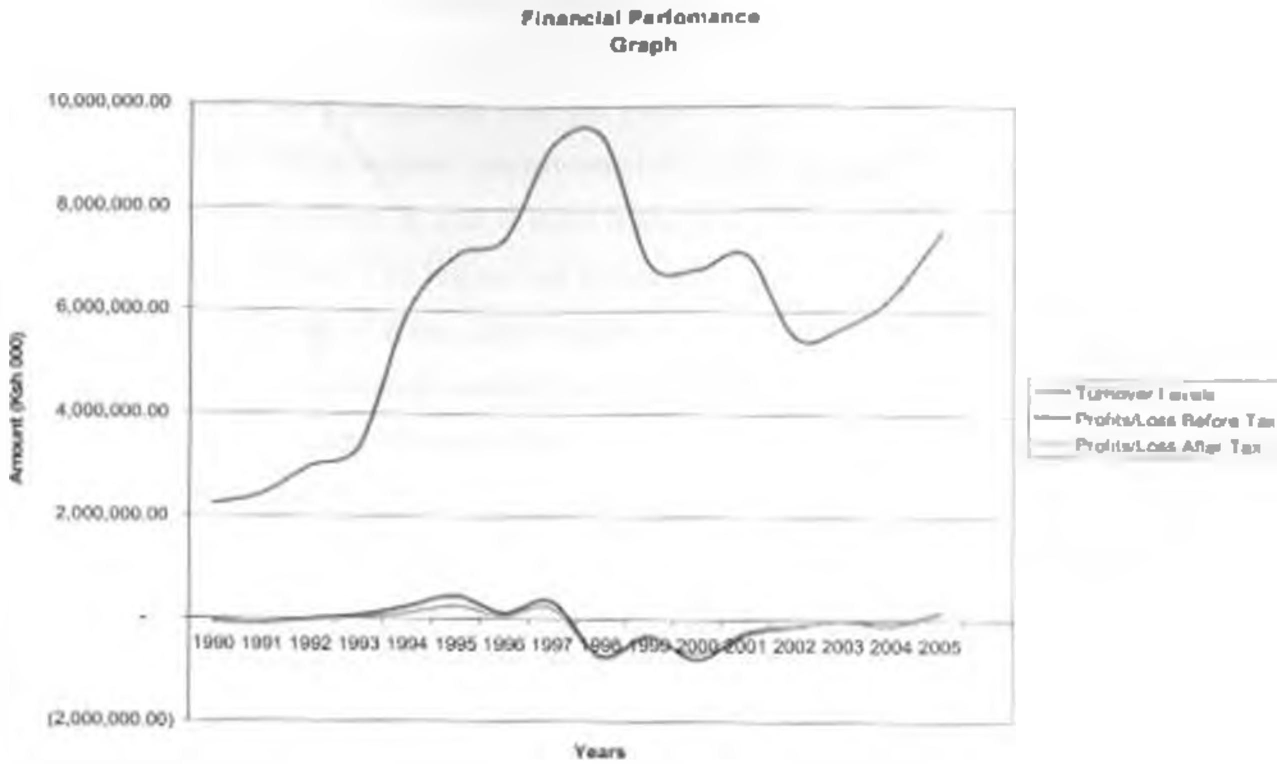


Figure 4.1: Graph showing Sales level Turnover Trends and Profits before and after tax trends for the period 1990 to 2005.
Source: Research Data (App. VI)

Figure: 4.2. Earnings per share Trends for the period from 1990 to 2005.
Source: Research Data (App. VI)

From the graphs it is evident that positive results began to be realised from the year 2001. Historical financial and human resource records at Unga Group show that there had been changes in top management over the years (App. VI). During the period 2001 to 2005 Unga Group realised improvement in performance in financial and overall organisational structure. A case in point is the year 2005 (App. VI) where the sales turn over was at Kshs. 7.56 billion and posted a profit before tax of Kshs. 155 million, an after tax profit of Kshs. 124.4 million and earnings per share was Ksh 1.15. The prevailing environmental conditions at that time included resignation of two board members, and the appointment of one replacement to the board. Economic activity in the country picked up in spite of the drought at the beginning of the year, the tourism sector performed well impacting on the demand of livestock products, animal health and nutrition business was faced with a series of raw material availability challenges during the first half of the year. The mitigating factors within the same period included the introduction of Bakers flour in Uganda thus improving results for Unga Millers (Uganda) Ltd and the continued effort to improve milling efficiencies and procure quality raw materials at favourable prices.

Table 4.1: Turnover, Profit/loss before and after Tax and Earnings per share

Financial Report	Turnover Levels	Profits/Loss Before Tax	Profits/Loss After Tax	Earnings per share
	KSH '000'	KSH '000'	KSH '000'	KSH
1990	2,234,096.00	(56,409.00)	(88,317.00)	12.41)
1991	2,432,425.00	(86,263.00)	(96,456.00)	(14.34)
1992	2,985,365.00	(1,038.00)	(30,474.00)	(5.32)
1993	3,357,870.00	63,092.00	13,190.00	2.18
1994	5,993,799.00	237,482.00	101,055.00	22.02
1995	7,100,668.00	435,465.00	244,630.00	37.27
1996	7,437,740.00	111,730.00	57,056.00	9.59
1997	9,270,823.00	335,216.00	199,954.00	20.57
1998	9,418,920.00	(708,239.00)	(758,488.00)	(11.92)
1999	6,903,494.00	(330,378.00)	(380,301.00)	(5.84)
2000	6,829,041.00	(778,312.00)	(659,689.00)	(14.57)
2001	7,106,310.00	(287,015.00)	(224,522.00)	(2.52)
2002	5,500,307.00	(135,858.00)	(110,989.00)	(1.07)
2003	5,702,613.00	(16,448.00)	(30,404.00)	(0.43)
2004	6,305,387.00	(95,505.00)	(126,415.00)	1.62
2005	7,558,509.00	155,017.00	124,492.00	1.15

Source: Research Data. (App. VI)

CHAPTER FIVE: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Introduction

There were two study objectives to be achieved through this study; one was to establish the strategic change management processes adopted by Unga Group Ltd from 1990 to 2005 and; and the second was to determine whether the strategic change management processes adopted by Unga Group influenced its performance during the period 1990 to 2005. Having analysed the research data and the resultant findings, this chapter will discuss these findings and draw; Summary discussions, and conclusions, limitation to the study, recommendations for further study, and recommendations for policy and practice.

5.2 Summary, Discussions and Conclusions

The first objective of the study sought to know the strategic change management processes adopted by the company in implementing change. The findings of the research show that there was strategic management process formulated by the organisation in its endeavour to oversee the implementation of strategic change and particularly the changes that took place from 1997. As Hitt, (1995) says it is imperative that any organisation engaging in strategic change has to formulate a change management process for change to be successful. The strategic changes that took place from 1990 to 1996 were not well planed for. From the detailed summary of the financial reports (App. VI) it can be seen that each year, the board would announce a strategic activity for example a joint venture, only to be shelved off the next financial year even before the ground work for its implementation was over. There were so many other projects undertaken but it looks like they were not well thought through before implementation.

As mentioned earlier, the change management process Unga Group Ltd undertook from 1997 were well laid out with a presentation made to the Board (App. VII) but when it came to the actual implementation, it was not followed. The need for change, objectives to be achieved, organisations intentions, short-term targets had all been identified. But the communication to the employees of the change process and reinforcing the change was improperly done. The change processes were forced on to people due to poor communication of the change process. The result was that, the actual implementers (process leaders) never bought into the change, which led to the failure of the change process. There was also the issue of source credibility, where the change agent had not been accepted by the people he was supposed to work with. On the other hand, the board of directors were ready for the change but they were not ready for the implications caused by it such as losses in stead of profits, and there fore they did not allow the change process to mature. The board was used to shelving the implementation of projects if they did not perform within the first year of implementation as shown by appendix VI. It is in very rare occasions if any, where strategic changes are implemented and bear fruits within the year of implementation The board and the top management did not have a foresight of the effects of shelving off of strategies that were work in progress and which means then they were not well advised. There was wastage and loss of resources due to this shelving of strategic plans.

The second objective was to determine whether the strategic change management processes of Unga Group Ltd influenced its performance during the period 1990 to 2005 and according to research findings, the change management process affected the performance of the organisation. In many instances as shown by Figures 4.1, 4.2 and Table 4.1 on pages 38, and 40 respectively the organisation made losses for example, for ten years of the sixteen years under study, the organisation made losses and for the profits made in the other six years, they were barely enough to pay dividends. The cost of starting new projects and then shelving them before implementation process was over and before any positive results were seen were too high impacting on the overall performance of the organisation. It meant borrowing investment capital which was expensive to obtain within this period. The cost of this capital ate into the profits. The positive effects of the change process particularly from 1997 to 2005 was a reduced work force which then lowered the operational costs, the return of the organisation to its core business of flour milling through selling its non-core businesses.

5.3 Limitations of the study

The research was a case study, and therefore the research was limited to Unga Group Ltd on the strategic management process it adopted and the influence these change management processes had on the organisations performance. Secondly, the evaluation was not done on the effectiveness of the Balanced Score Card as a measure of performance on the achievements made by the company.

Thirdly, I had hoped to interview five respondents but being busy executives, they proved difficult obtaining interactive interviews from them. I only managed to have an interactive interview with only one of the respondents, two others requested to fill in the interview guides. One of the respondents who requested to fill the interview guide also gave me information from secondary data. The fourth respondent and who is the current group managing director of Unga Group, gave me a contact person to deal with and who was not so well versed with change process but he was very helpful and got me most of the secondary data I requested for but the fifth respondent never got back to me even after promising to do so. Fourthly, the data obtained from the respondents may suffer from personal biases and may therefore not represent the opinions of the organisation in some cases.

5.4 Suggestions for further research

From the aforesaid limitations it would be of interest if further research could be done to evaluate the effectiveness of the use of the Balanced Scorecard as a measure of performance on the case of Unga Group Ltd or any other organisation that is undertaking strategic management and to assess the awareness by the management of such organisations on the existence of such measures of performance. Secondly a case study on Unga Group Ltd can be done to evaluate the influence of corporate and organisational culture on change management processes.

5.5 Recommendations for Policy and Practice

Through this research study, a number of issues have come out which are, investments and divesture at Unga Group as a company were not well planned. For example in 1990 June financial report, it was announced of a joint venture between Ellianto ltd and CPC Kenya but in the June 1994 financial report it was announced that the joint venture had been ended. Each year as shown in App. VI there is a new strategy being started whether strategic, or operational even before a the results of the previous years strategy are seen. Also the shelving off of projects within the period of implementations is not prudent. A lot of resources go to waste, such as time, money and it de-motivates as nothing at the end of the day is achieved. A strategy can be shelved if it is seen that it cannot achieve its objectives. One yes with good reasons, but every other year a project is shelved, something is wrong and the organisational investment policies should be reviewed. Any major projects payback period cannot be less than a minimum of five years. No wonder then even the government have five year strategic plans, and as mentioned else where in this document, Kotter (1996) says that any results expected from a meaningful strategic change process should in the minimum of five years, and even others will take up to over ten years for any results to be realised.

It is imperative therefore before any project or investment is implemented or undertaken, a feasibility study is done so that every aspect of the project or investment is analysed, for example the time it will take before payback period, the financial and human resources required etc, and the effects, whether positive or negative on the organisation be known before hand. As can be seen from the research findings, Unga Group Ltd started returning to profitability from 2003 when a new team that was not involved with the change came in. It was reported is from one of the respondents that the head of the new team who is the current Group Managing Director came up with wheat milling options (APP. V) and took Option III which to them was more feasible, and promised to turn around the company within a period of five years and this is happening as shown by the financial performance else where in this document

REFERENCES

Andrews, Keneth R. (1980). **The Concept of Corporate Strategy.** USA: Richard D. Irwin, Inc.

Ansoff, H. Igor. (1988). **The new Corporate Strategy.** USA: John Wiley & Sons, Inc.

Ansoff, H. Igor and Edward J. M (1990). **Implanting Strategic Management (2nd).** UK: Prentice Hall International (UK) Ltd.

Balogun, Julia and Veronica Hope Hailey. **(2004). Exploring Strategic Change (2nd ed).** UK: Pearson Education Ltd.

Burnes, Bernrd. (2000). **Managing Change: A strategic Approach to Organisational Dynamic.** England: Pearson Education Ltd.

Comerford, R.A. and Dennis W.C. (1985). Strategic Management. Text, Tools, and Cases for Business Policy. USA: Wadsworth, Inc.

Cooper, D.R. and Pamela S. Schindler, (2003). Business Research Method. New Delhi: Tata McGraw Hill Publishing Company Ltd

Drury, Colin. (2004). **Management and Cost Accounting (6th ed).** UK: BookPower

Heller, Rober. (1998). **Managing Change**. London: Dorling Kindersley.

Hitt, M.A. et el. (1995). **Strategic Management: Competitiveness and Globalization.** USA: West Publishing Company.

Johnson, Dr Spencer. (2002). **Who Moved my Cheese?** London. Vermilion

Johnson, Gerry and Kevan Scholes. (2002). **Exploring Corporate Strategy, Text and Cases (6th ed).** New Delhi: Prentice Hall

Kaplan, S.R. and David P. Norton. (1996). The Balanced Scorecard. USA: Harvard Business School Press

Kathuku, J.K. (2004), "The Strategic Responses to Changes in the Environment by the Co-operative Bank of Kenya", **Unpublished MBA Project, University of Nairobi**

Kothari, C.R. (2004). **Research Methodology: Methods & Techniques (2nd ed).** New Delhi: New Age International (P) Ltd, Publishers.

Kotter, John P. (1996). **Leading Change.** USA: Harvard Business School Press.

Mbogo, M. (2003). "A Study of Strategic Change Management Process in Hybrid Private-Public Organisations: The case of Kenya Commercial Bank Limited". **Unpublished MBA Project, University of Nairobi**

Munga, L.M. (2005). "Managing Resistance to Change in the Banking Industry in Kenya: The Case of Equity Bank", **Unpublished MBA Project, University of Nairobi**

Mutuku, S.N. (2005). "An Assessment of Strategic Change Management Process: A Case Study of the Kenya Judiciary", **Unpublished MBA. Project, University of Nairobi**

Ongaro K. (2005). "Strategic Change Management Practices in Kenyatta National Hospital", **Unpublished MBA Project, University of Nairobi**

Ogwora E.M. (2003). "Strategic Change Management at the National Cereals and Produce Board", **Unpublished MBA Project, University of Nairobi**

Pettigrew, Andrew and Richard Whipp. (1993) **Managing Change for Competitive success.**UK: Blackwell Publishers.

Quinn, James B. (1980). **Strategies for Change, Logical Incrementalism** USA: Richard D. IRWIN, INC.

Rowe, A. J. et el (1989). **Strategic Management: A Methodological Approach** (3rd ed) USA: Addison – Wesley Publishing Company, Inc.

Rukunga, J.K. (2003). "Strategic Change Management Practices in Kenya: The case of Nairobi Bottlers Ltd", **Unpublished MBA Project, University of Nairobi**

Senge, Peter M. (1990). **The Fifth Discipline: The Art & Practice of the Learning Organization.** London: Century Business.

Senior, Barbra. (2002). **Organisational Change (2nd ed).** Edinburgh Gate, Harlow: Pearson Education Ltd.

Thompson Jr. A.A. and A.J. Strickland III. (2003). **Strategic Management: Concepts and Cases.** USA: McGrew – Hill Companies, Inc.

Unga Group Ltd Audited Annual Financial Reports. 1990 to 2005

Charles at el (2001). "Unga Ltd (A): Transformation at Unga Ltd". **Unpublished Work, United States International University**

Wikipedia (2006). **Systems Theory.** *htt://en.wikipedia.org/wiki/Systems_theory*

Worley, Christopher G. et al. (1996). **Integrated Strategic Change.** USA: Adison-Wesley Publishing Company

Yin, Robert K. (1989). **A Case Study Research Design and Methods.** California: Sage Publications, Inc.

APPENDICES

Appendix I: Interview Guide

This guide is designed to collect views on the change management process ad performance of Unga Group Ltd between 1990's to 2005.

Questions and discussions will be guided by the following broad areas of discussion:

- Description of strategic change management' especially in the context of what has been on going at Unga Group Ltd
- Trace the creation and management of change in Unga Ltd
- What are some of the key criteria that were put on focus during the development of change management process for Unga Ltd on.
    - Major activities and results
    - Major constraints and limitations identified
    - Benefits realized from the changes implemented
    - Long-term benefit of the changes implemented
    - The most important decisions Unga Ltd faces
    - How to deal with the constraints and manage the success
    - Breaking of resistance if any?

The following interview guide is designed to address the two objectives of the research project proposal. Section A provides for general information of the respondent whereas sections B,C and D provides for an exploration of the change and resultant change objectives; sections E investigates the change management process and finally, section F establishes the performance of the change process at Unga Group Ltd.

Section A: General Information

Interviewee Name (Optional): ______________________________

Position Designation: ______________________________

Department: ______________________________

Employment status: Current /Former (*Tick as appropriate*)

In your view, have there been strategic change management processes at Unga Group Ltd? ____________________

Section B: Reasons necessitating change and Strategic Objectives

1. If so, what necessitated strategic change at Unga Group Ltd?

    a)..

    b)..

    c)..

2. What were the strategic objectives of the change program?

....

....

Section C: Approach to change Management

1. Briefly explain how the strategic change management process began at Unga Group Ltd

2. Who in your view, who within the organisation initiated the change effort?

    The board members

    Stock holders

    Management

    Employees

    Any other

3. Briefly, describe how the changes have been initiated by each or any of the agents of change explained above

....

....

....

4. Have external consultants been involved in the change program?

Yes

No

If yes, please explain their involvement in the process

....

....

(Do ask for any relevant material that was used to engage the consultants e g TOR)

5. Kindly discuss the core tools that were employed in effecting the change explained above? *(Tools of change e g. strategic plan doc, comparative analysis between companies of similar orientation, prevailing market conditions, government pressure/advise/policies, globalisation and liberalisation)*

Section D: Change Content

1. What were the core contents of change in the company? *(Main tenets)*
2. Has the change programme affected any of the following components; structures, systems, processes, products, attitude or behaviour? *(Change components likely to be affected)*

Yes

No

3. If yes, kindly explain the specific elements of the changes that have/are affecting strategics, structures, systems, processes, products, atitude and behaviour? *(Element so change)*

a)..

b)..

Section E: Employee Targeted - Change Management Process

1. Was a strategic vision developed? *(Vision development)*

   Yes

   No

   If applicable, please briefly describe the process for vision development stating those who were involved. *(Process and involvement)*

   ....

   ....

   If applicable, how was the vision communicated to those involved in the reform program? *(Communication to employees)*

   ....

   ....

2. How was urgency built to get employees to cooperate and participate in the reform? *(wooing of participation)*

3. Were there specific teams mandated with the responsibility to implement the changes? *(Mandate)*

   Yes

   No

Please provide details..

....

4. Please describe the process of team formation and characteristics taken into account in picking members? *(Team formation)*

....

....

5. What was the role and powers of the team? *(Roles and powers)*

....

....

6 How were those involved in the change process empowered? *(Empowerment)*

....

....

7. What steps have been taken to ensure that the change momentum is achieved and maintained? *(Consistency of purpose)*

....

....

8 Did you have short-term targets to monitor the changes? *(Monitoring)*

Yes

No

Please provide details

....

....

9. In your view, how would you describe the level of achievements of targets by the employees? ....

(Achievement of targets)

10 Was there rewarding for those who achieved the targets? *(Rewards)*

Yes

No

Please provide details

....

....

11 Are those currently promoted and hired screened for their disposition to support changes? *(Quality assurance)*

Yes

No

Please provide details

....

....

12. Please explain if and how support for the change program and activities have been forthcoming from either or both the top management and or the board of directors *(choice of source and manner of support)*

....

....

13. What kinds of resources and to what level were allocated to the change program? *(Resource allocation)*

....

....

14. Has there been any from of resistance to the change process from any source?

Yes

No

Briefly explain your answer above *(Resistance)*

....

....

15. If yes, how was the resistance managed and what have been the results thereafter? *(Management of resistance)*

....

....

Section F: Change outcome and resultant impact to Unga Group Ltd

1. In your view, do you think Unga Group Ltd has been able to meet the targets it set for the strategic change process? *(Evaluation)*

   Yes

   No

Briefly explain your answer above

....

....

2. Please describe, in order of importance the achievements of the change program *(Priority ranking of results)*

   a)..

   b)..

3. Please do explain why you have found of interest to rank the achievements as above *(Reasons for ranking)*

a)..

b)..

4. Would you consider this kind of ranking as that of the Unga Group Ltd?

(Corporate versus individual position)

Yes

No

Briefly explain your answer above

....

....

5. Summarily discuss what benefits Unga group Ltd has derived from the changes discussed during this interview? *(Wrap up opinion mining)*

6. Based on the objectives earlier discussed in section B, which results would you attribute directly to each of the objectives?

....

....

7. Kindly explore any other issue regarding the broad concept of change management as a corporate management strategy. *(Open discussion and independent opinion)*

Appendix II: Unga Limited – Company History

(Source: this document was obtained from former Group Finance Director)

The idea to form the company was mooted in a meeting held by Lord Delamere, a prominent settler farmer, and other persons on 30 December 1908 at 9.00 pm at The Norfolk Hotel, Nairobi. Minutes recorded indicate that this was the first board meeting of Unga Limited. The company was subsequently incorporated on 16 January 1909 and commenced its business as millers of wheat, maize and manufacturers of animal feeds. Initially, Unga Limited went through many upheavals including financial difficulties and in 1928, the present day Unga Group Limited was incorporated as Unga (1928) Limited to take the operations of Unga Ltd.

Unga (1928) Ltd changed its name to Unga Ltd in 1932, and went public in 1956. By then it owned 100% of Tanzania Millers Ltd and 49% of Uganda Grain Milling Company Ltd. The Tanzania and Uganda operations were involved in the same business as Unga Limited. In 1963, Unga (Kenya) Ltd was formed as a subsidiary of Unga Ltd and assumed the operations of the holding company. In order not to confuse the public as to which was the operating company, Unga Ltd changed its name to Unga Millers Ltd while Unga (Kenya) limited changed its name to Unga Ltd. In 1970, there was a major reorganisation following which Unga Millers Limited changed its name to Mercat Ltd.

Kenya National Mills Ltd was formed in 1965 by Unga Millers Ltd as a result of threats of nationalisation and it took over Unga Ltd and Maida Ltd; the latter being a company formed in 1949 and owned by Maida Holdings Limited. The two subsidiaries had similar operations and were a mere duplication, such that in 1978 a decision was made to amalgamate their operations under Unga Limited. Maida Ltd became a dormant company. Kenya National Mills Limited went public in 1967 and is currently quoted in the Nairobi Stock Exchange with a minority shareholding of 23%.

In 1982/83 another reorganisation was undertaken where the animal feeds business of Unga Ltd was transferred to Unga Feeds Ltd *(a dormant company incorporated in 1937 as the White Star Milling Company Ltd)* and the maize business was transferred to Maida Ltd under the name of Unga Maize Millers Limited.

Appendix II: Continued

Between 1945 and 1998 other companies came into being as follows:

1945: Proctor and Allan (1945) Ltd later Proctor and Allan *(P&A)*, a company whose principal activity was the manufacture of breakfast cereals, was formed by settlers in Nakuru. Unga Ltd acquired majority shares in P&A in 1953 and transferred operations to Nairobi in 1973. After the major re-organisation of the group in 1983, Proctor & Allan Ltd became a direct subsidiary of Kenya National Mills Ltd. This company's operations were amalgamated with those of Elianto's Kenya Limited in June 1997.

Early 1998, and in a bid to revive the company to undertake the packaging business, a decision was made to change the name of Proctor & Allan Limited to Unga Packaging Ltd. But shortly thereafter KNM entered into a joint venture agreement with a South African company known as Nampak S.A for the manufacture of paper packaging bags. The result of this was the incorporation of Bullpak Limited in April 1998, which was to be managed by the latter. Currently, KNM holds 51% of the company while Nampak holds the remaining 49%.

On 28 June 1998, Unga Packaging Ltd changed its name to Unga Farm Care (EA) Ltd to take over the animal health business of Unga Feeds Ltd. The company now oversees the operations of Unga Uganda Ltd and Unga Farm Care Tanzania Ltd which will become its subsidiaries to be owned 100% and 60% respectively.

1947- Elliots Bakeries Limited was formed to make bread as its principal activity. It was Unga Limited's major consumer of baking flour. Elliots grew and acquired several small bakeries including Torrs Bakeries Limited *(a dormant company)*. In1960, a London entity made a move to take over Elliots operations, but in a bid to pre-empt the take-over, Unga Limited incorporated an investment company known as Sofar Investment Ltd in 1961 which acquired 60% of Elliot's shares. Sofar went public in 1961 and 85% of its shares are held by Unga Ltd. Elliots was closed in 1993 following unprofitable trading operations.

Appendix II: Continued

1973- Mercat Limited *(now Unga Group Limited)*, Agricultural Development Corporation Ltd and Elianto AG, a Swiss Company, set up a new company called Elianto Kenya Limited based in Nakuru. The principal activity of the company was to produce edible oils from sunflower seeds initially and later maize germ. Between 1990 and 1994 the company was managed by CPC(K) Limited under a joint venture arrangement. On 1 July 1997, Elianto Kenya Ltd took over the operations of two companies, Proctor & Allan and Ufuta Ltd, both subsidiaries of Kenya National Mills. This merger paved way for Elianto Kenya Ltd *(later to be known as Unga Foods Ltd in 29 September 1998)*. It had three manufacturing sites: Nairobi, Nakuru, and Mombasa.

In April 1998, a decision was made to discontinue the operations of the company and sell all its assets. During 1998 the company continued with its principal operations, to a limited extent. The Nakuru and Nairobi plant were sold in September 1998 and March 1999 respectively, whereas the Mombasa plant has not yet been sold.

1982 The White Star Milling Company Ltd was revived as Unga Feeds Ltd. It has since established a reputation as a producer and distributor of high quality animal feeds, cattle mineral supplements and animal health products. It has two plants: Nairobi and Nakuru. Currently it is fully owned by Kenya National Mills.

1984 Ufuta Limited was set up. It specialised in extraction of oil from sim sim seeds.

However, the company's operations were closed in 1991 due to the high costs of extraction. The company remained dormant until 30 June 1997 when its entire assets and business were transferred to Elianto K Limited. It changed its name to Ungax in November, 1997 when the company took up the distribution of Exe for Unga Limited until June, 1998. Since then it has remained dormant.

1998- Unga Uganda Ltd was established in Uganda .It specialises in the marketing and sale of animal health products. It is wholly owned by Unga Feeds *(a wholly owned subsidiary of Kenya National Mills Limited)* and is in the process of transfer to Unga Farm Care (EA) Ltd.

Appendix II: Continued

1999- Unga Farm Care (Tanzania) Limited was incorporated to market and sell animal health products in Tanzania. Unga Farm Care (EA) will own 60% of its shares.

Appendix III: "Unga" History.

(Source: this document was obtained from former Group Finance Director)

With dates of incorporation and dates change of name where applicable

Unga (1928) Ltd → Unga Ltd → Unga Millers → Mercat Ltd → Unga Group Ltd
24.11.1928 19.12.32 1.2.64 19.9.70 . 18.2.87

Unga (Kenya) Ltd → Unga Ltd
30.7.63 1.2.64

White Star Milling → Unga Feeds Ltd
Co. Ltd 3.12.81
21.12.37

Proctor & Allan → Proctor & Allan → Unga Packaging Ltd → Unga Farm Care
(EA) Ltd
(1945) Ltd Ltd 24.12.97 1.7.99
02.01.45 05.02.58

Elianto Kenya Ltd → Unga Foods Ltd
16.02.63 05.10.98

Ufuta Ltd → White Star Milling Ltd → Ungax
31.10.84 11.08.97 07.01.98

Maida Ltd → Unga Maize Millers Ltd
29.07.49 29.04.83

Unga Investments Ltd (25.11.99)

Unga Holdings Ltd (25.11.99)

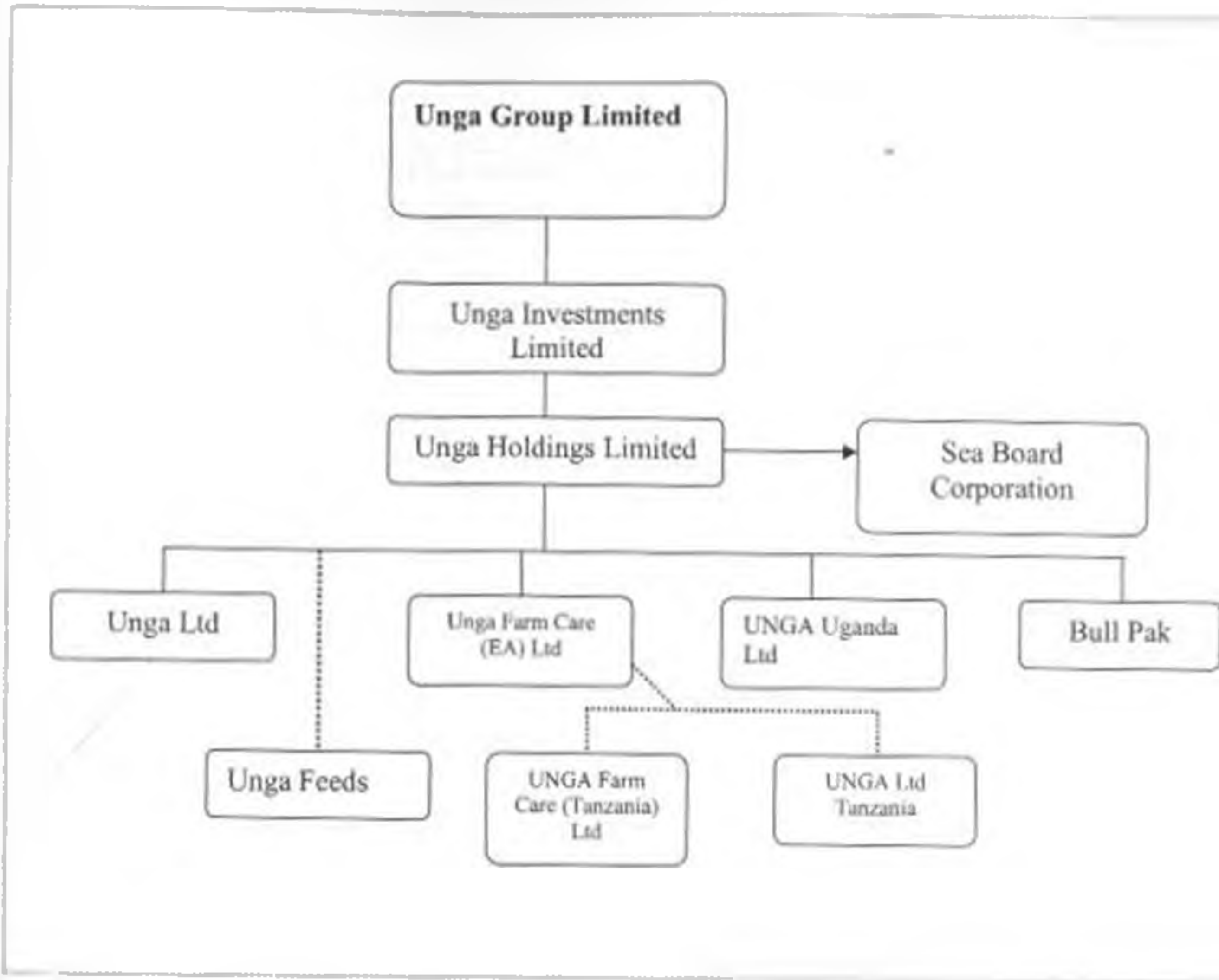
Bullpak Ltd (02.04.99)

Unga Farm Care (Tz) Ltd (12.10.99)

Unga Uganda Ltd (30.01.98)

Unga Millers (Uganda) Ltd (01.02.02)

Appendix IV: Unga Group Limited Organization Structure After Partnering with Seaboard Corporation



(Source: Unpublished work of USIU)

Appendix V: Evaluation Criteria for Three Wheat milling options

Options Criteria		Option 1	Option 2	Option 3
1	Investment amount	US$ 1.2 million	US$ 7 million	No investment
2	Level of efficiency	Low efficiency	Max efficiency	High efficiency
3	Product extraction rate	68 to 72 %	88% or higher	72 to 82%
4	Production control	Maximum control	Maximum control	Limited control
5	Level of risk	Medium risk	Minimum risk	High risk
6	Need for Re-training	No retraining	Retraining	No retraining
7	Number of employees	Many employees	Few employees	No employees
8	Flexibility in cash flow	No flexibility	No flexibility	Flexibility

(Source: Unpublished work of USIU)

Option 1 – Rehabilitating Wheat Mills

Option 2 – Purchase and installation of New Wheat Meals

Option 3 – Outsourcing Wheat Milling

Appendix VI: Unga Group Ltd Performance Summary 1990 Through 2005

Financial Reports	Incumbent Group Managing Director	Prevailing Environmental Conditions	Interventions	Turnover Levels	Profits/Loss Before Tax	Profits/Loss After Tax	Dividends paid per share	Earnings per share
				KSH '000'	KSH '000'	KSH '000'	KSH	KSH
June 30th 1990	F W Wanganju	Mr G.K.Mwai resigns from board. Problems; procurement of raw materials, review of wheat flour and bread prices and restrictions of wheat supplies by the Govt reducing margins, operational problems by some subsidiaries, competition through price undercutting by competitors	Joint venture between: Eliantо Kenya Ltd and CPC Kenya Ltd, Kenya National Mills Ltd and CPC Europe Group ltd. New Plants: Proctor &Allan Oct 1989 & Unga feeds at Nakuru April 1990	2,234,096.00	(56,409.00)	(88,317.00)	0.80	(12.41)
June 30th 1991		New Board Members on March 7, 1991- Mr C.N. Lagat & Mr R.C.Wootton. Problems: un-remunerative prices of wheat and maize meal products; Cost pressures with interruption in supplies; rising costs of electricity and financing; Milling capacities Unga Maize Millers Ltd 540 tons/day of maize and Unga Ltd 1,048 tons/day of wheat, both companies produced price controlled products	September 1991, positive price reviews were announced for wheat, maize meal and edible oils products: Turnaround measures_ Limited credit for wheat supplies obtained, facilities to manufacture some of the packaging paper requirement were in hand; promotional campaigns for animal feeds, breakfast cereals and snacks; conversion of foreign currency denominated loans to local loans leading to substantial savings in foreign exchange losses: closing of Elliots Bakeries Ltd bakery in Nyeri closed: closure of Ufuta Ltd operations in October 31, 1991 due to poor performance with a view of immediate disposal: Elianto Kenya embarking on a cost saving and plant rehabilitation project under the joint venture	2,432,425.00	(86,263.00)	(96,456.00)	None	(14.34)

Source: Research Data Audited Annual Financial Statements of Unga Group Ltd from 1990-2000

June 30th	same	Financial report not available		2,985,365.00	(1,036 00)	(30,474 00)		(5.32)
June 30th 1993	same	New Board member on January 13th, 1993 Mr P.Ndegwa: rising costs of raw materials; rising distribution costs; accelerating interest and exchange rates; Govt's unwillingness to make price adjustments in a bid to place a lid on consumer prices: Decontrol of wheat product prices and liberalization of wheat marketing drop in sales volume, denoting reduced purchasing power liberalisation of maize marketing.	Elliots Bakeries Ltd liquidated in February 1993 due to continued poor performance: Unga ltd made useful contacts with local farmers: direct importation of a consignment of wheat, improvement of operational efficiency to reduce costs	3,357,870.00	63,092.00	13,190.00	0.80	2.18
June 30th 1994	same	Partially Liberalised environment: political tension and tribal clashes inflationary conditions slowed down sufficiently to allow a weak shilling to reverse upwards bringing concern in the export and tourism industries: In this atmosphere, domestic pries lagged behind changes in the value of the shilling, causing further disturbances in income and employment: lowering of commercial bank interest rates: Govt's ban on importation of wheat and maize in August 1994 raised fears in business circles of return to price control regime but the ban was subsequently replaced by an imposition of variable duty and anti-dumping tax Elimination of price controls on the fuel oil industry: The joint venture between Elianto Kenya Ltd and CPC Kenya Ltd was in the process to wound up as it did not measure up to expectations and incurred unacceptable losses within the year under review.	Considering the liberalization of maize and wheat marketing, decontrol of prices of products marketed by the group, foreign exchange and the subsequent appreciation of the shilling, the group was able to procure raw materials and supplies at competitive prices: Subsequent reduction of wheat flour and maize meal prices raised sales of these products: purchase of large quantities of local wheat and maize: introduction of new products, re-launch of some old products and venture into new business linked to an expanded distribution net work through Unga Trade Centres revamping of information network supported by use of computer skills	5,983,799.00	237,482 00	101,055 00	2.80	22 02

June 30th 1995	**same**	*Share prices rose from Ksh 45 50 to 146.00 in twelve months* consumer demands stuck firmly with Unga products: non payment to farmers by statutory boards for example daily farmers meaning reduction in purchasing power: Stiff competition for maize meal products imported breakfast cereals continued to affect growth in this of business: Introduction of new products - Hostess' and 'Ujmoi': the group acquired distribution rights for 'Almatix' acaricide in Kenya and similar rights for Pfizer animal health products in Kenya and Uganda Installation of two new packaging lines at Unga Ltd: Joint venture between Elianto Ltd and CPC Kenya Ltd was amicably terminated : Elianto returned to profitability under the group's management	To remain on course, Unga subsidiary companies processed 100,000 metric tons of maize, 218,000 metric tons of wheat, 110,000 metric tons of feeds and 4,500 metric tons of crude edible oils: distribution of finished products through a revamped delivery network: Uganda orders continued to expand Computerisation of the group's information technology Group common mission "to supply valued products to every home in a liberalised and privatised market.	7,100,668.00	435,465.00	244,630.00	10.00	37.27
June 30th 1996	**same**	New Board members Dr. Kenneth Langat replacing Mr. C N Langat. Mr.J M.Muia Group Finance Director gloomy future on availability of raw materials due to low local production of maize and wheat: Rapid expansion of national milling capacity led to under-utilization of plant and stiff competition for survival by new-comers	Gearing towards cost reduction and re-engineering so as to increase efficiency and productivity thus update technology in plant renew New packaging lines installed at Commercial Street and Nakuru branches of Unga Ltd: TQM undertaken to reduce operating costs Change process put in place to ensure that the entire group employees are re-oriented through training in order to be more responsive to the fast changing environment and down- sizing and promoting and recruting externally: Bonus issue of shares one new share for evry two shares held but Ex-dividend	7,437,740 00	111,730.00	57,056.00	10.00	9.59

June 30th 1997	S.N Kinuthia (July 1997 - Change Agent)	New group managing director - Mr Stephan Kinuthia replacing Mr F W Wanganju; Implementation of the change process in full swing Business activities of the group divided into four units more or less on functional lines, milling operations under Unga Ltd; Edible oils, breakfast cereals and pet foods under Elianto Kenya Ltd; animal feeds under Unga Feeds Ltd; Chester house stands alone revamping of procurement, production, marketing and sales and new products developed: Restructuring of the organisation, retiring some employees and retraining others to meet the organisational expectation. Acceptable retirement package option offered to continued employment: adequate supplies of wheat at stable prices but local supplies of maize were not enough due to poor harvest due to prolonged drought. looming National elections	Two day workshop in strategic planning for the entire board and senior management held for harmonious understanding of policy formulation and implementation renew plant and machinery and acquisition of modern technology: A new conversion paper plant for Eldoret had been ordered.	9,270,823.00	335,216.00	199,954.00	10.00	20 57

June 30th 1998	A McKittrick (September 1998)	Exit Mr D.N.Ndegwa as chairman of the board and replaced by R Kemoli: Mr, A McKitrick replaces Mr.S.N Kinuthia as group managing director: depressed and uncertain economic conditions prevailing in Kenya: Change Program problems: experience levels were drastically weakened particularly in production and distribution in the milling business: Operational problems due to inappropriate systems and controls increasing the funding costs and level of bad debt provisions: impact of Elnino of stocks and grain prices: overstocking of grains due to projected shortage of grains which turned not to be so, leading to destruction of some limited stocks that had deteriorate due to long storage. Cost directly related to restructuring particularly retirement and retrenchment of staff Ksh 234 million higher bank borrowing with very high bank rates to meet the Group's cash flow needs April 1998. Elianto Kenya Ltd was closed down and expenses Ksh89.85milion relating to the closure included in the yearly loss Unga feed Ltd recorded profits, got distribution contracts for Norbrook and Almadine	Compliant computer hardware and software: investment in new packing business: Bullpack Ltd established in partnership with Nampak Holdings of South Africa: tightening of credit control and reduction of debtors to manageable size: transform the group to a lean and efficient outfit.	9,418,920.00	(708,239.00)	(758,488.00)	1.20	(11.92)

June 30th 1999	same	Economic Slump due to the collapse of tourism, adverse weather conditions & continued suspension of donor aid leading to declining purchasing power, weakening of the Kenya Shilling increasing the cost of imported grains, spares and equipments; Concern in the wheat milling industry, with most millers operating well below their installed capacity due to reduced market demand, High debt interest costs due to heavy reliance on debt financing; Stringent 'NO CREDIT' policy negatively impact eforts to recover lost market share where extended credit is a powerful sales incentive	Savings made in milling operations following a comprehensive program of mill repairs and machinery maintenance introduced to improve both reliability and output efficiency; The joint venture paper conversion company has significantly contributed to savings in packaging costs; New investments to improve customer and delivery, some of which are Almatix Laboratory for dip testing and upgrading of information technology systems where the group was year 2000 compliant in hardware and software Disposal of non-core assets and businesses, breakfast cereal and pet foods business in Nairobi done away with in March 1999 and certain residential properties sold. Staff training undertaken to help change attitudes, improving communications and implementing goal-oriented behaviour which saw a change in organisational culture; Setting up of Unga Uganda Ltd in Kampala to distribute health products in that country	6,903,494.00	(330,378.00)	(380,301.00)	None	(5.84)

June 30th 2000	**same**	Deteriorating economic environment characterised by, reduced supply of raw materials and therefore higher input costs, increased level of poverty and hence reduced customer demand, a shift in consumer demand away from higher quality products which are more costly and finally more competition from local operators.	Rationalisation and alignment of the company: Significant provisions to take care of historical debts as well as potential liabilities of KSH 200million managed to hold down operating and distribution expenses. Power generators for all production plants to take care of power shortages renewal of vehicle fleets to take care of distribution: Commissioning of a new pelleting plant and pre-mix unit during the year improving production capacity in animal feeds business. Animal health business was separated out from the animal feeds umbrella in order to give it the focus it deserves the new company proceeded o register its own labels of animal health care products together with crop protection distribution line: Sale of non-core investments, Unga house sold during the year: March 2000 signed a partnership agreement with Seaboard Corporation a global company based in the USA, investing USD 7.5 million in form of equity, avail a dollar denominated line of credit as well as provide management services to the operating units: Rights issue made in the later part of the year as part of an on-gong re-alignment of the group.	6,829,041.00	(778,312.00)	(659,889.00)	None	(14.57)
June 30th 2001	**same**	Poor state of the economy: high wheat costs, a shrinking customer base and severe competition from local millers and imported flour:	Rationalisation and alignment of the company: Sale of Chester house and all other major properties completed in the year, marking a significance reduction in real estate business leaving the group to concentrate with the processing of agricultural products and distribution of farm chemicals as the core business: Animal health and Crop protection established- Process of registering a line of Unga ethical products has been completed in Kenya and at an advanced stage in Uganda and Tanzania: Installation of new automated packing lines	7,106,310.00	(287,015.00)	(224,522.00)	None	(2.52)

June 30th 2002	**same**	Poor economic state persist	Re-structuring of distribution network and externalised warehouse and transport management in one of its units being a pilot project to be extended to other units: Re-organisation of the corporate structure, Kenya National Mills, Solar Investments Ltd and Chester House Ltd in liquidation Established a joint venture in Uganda	5,500,307.00	(135,858 00)	(110,989 00)	None	(1.07)
June 30th 2003	**N. Hutchinson (May 2003)**	New members - N. Hutchison new group managing director taking over from Mr A McKittrick who continue to remain the board: Persistent poor economic state low supplies of maize and high cost of supplies	Plant up grade and increase in milling capacity facilitating the successful re-launch of the key maize brand, Jogoo® and Hostess ® : Re-launch of the acaricide, Almatix® in small packs and growth in Fast-Gro ™ broiler feed: Re-entry in the Uganda market through acquisition of majority shareholding in the local milling company re-launch of products fortified with vitamins and minerals: Community partnership-support for both the needy elderly and destitute children through donations of the groups products to old peoples and children's homes Sponsorship of sports - Rugby's Jogoo Super Series; HIV/AIDS awareness.	5,702,613 00	(16,448 00)	(30,404 00)	None	(0.43)
June 30th 2004	**same**	Poor harvests leading to severe maize supply limitations pushing the cost of maize to an all time high; white price increased substantially, fuelled by high international prices	Exe® was successfully re-launched, reinforcing the company's premium brand positioning and a successful "Eat your way to a Million Shillings" promotional campaign new distribution program rolled out to enable the company deal directly with a limited number of key wholesalers and retailers: Initialisation of a job evaluation and Grading Project the previous year bore results within the year	6,305,387 00	(95,505.00)	(126,415 00)	None	1.62

June 30th 2005	**same**	MR J.J.Mvoyi & Dr K Kiplagat resigned from the board Appointment of Mr Jinaro Kibet to the board to fill a casual vacancy: Economic activity picked up despite draught at the beginning of the financial year. Tourism performed well positively impacting on the demand of livestock products: animal health and nutrition business was faced with a series of raw material availability challenges during the first half of the year	Introduction of baker's flour in Uganda thus improving results for Unga Millers (Uganda) Ltd: continued efforts to improve milling efficiencies and procure quality raw materials at favourable prices.	7,558,509.00	155,017 00	124,492 00	None	1.15

Unga Group Limited

Outline Change Plan

Presentation to the Board
Wednesday, 29 January 1997

UNGA GROUP LIMITED

Presentation structure

Our presentation will cover

Current Status

Key issues and implementation strategy

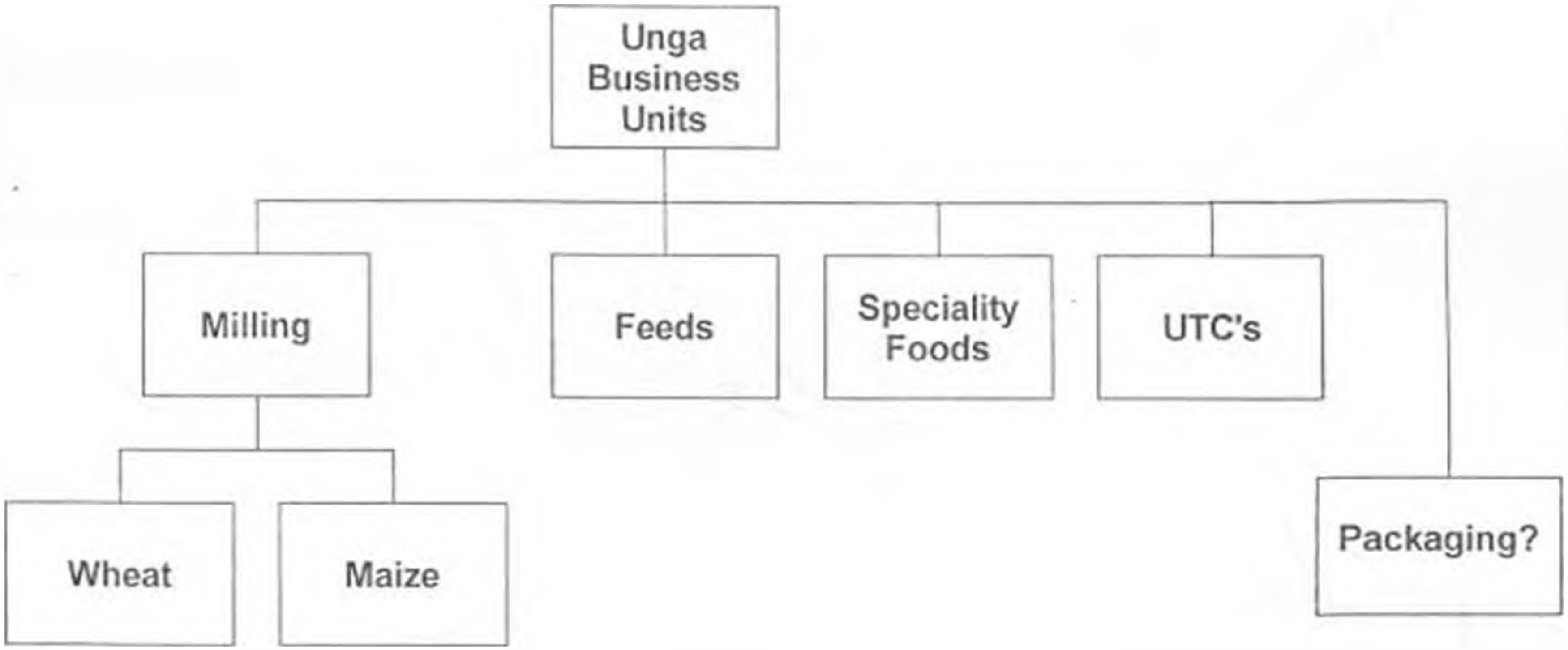
Making it happen - draft outline change plan

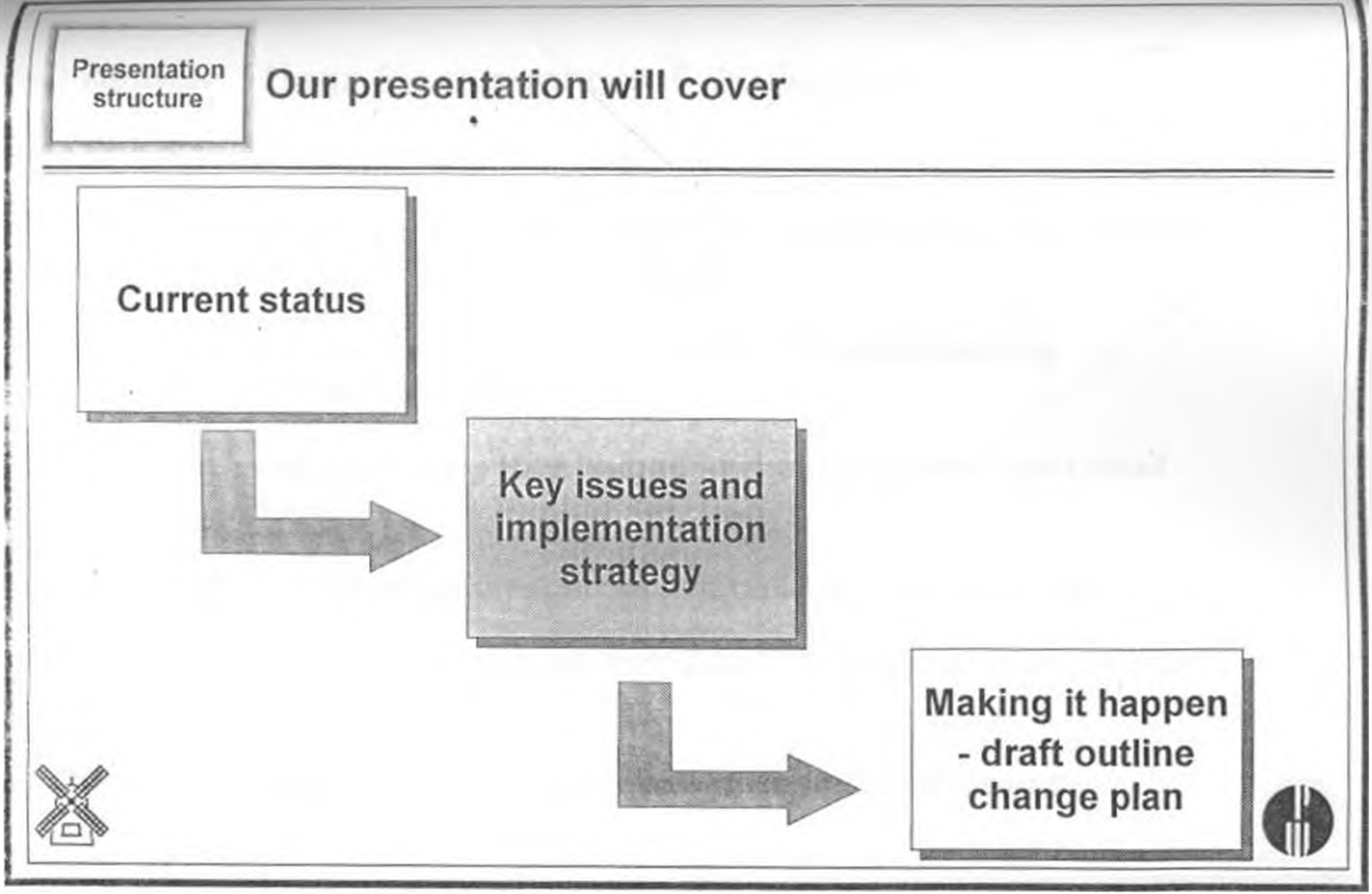
Where are we?

On the first hole .... just teed off

- **Workshop on 8 January:**
  - discussed practical implications of strategic management style
  - brainstormed on the business units
  - reviewed the wide variety of computer systems that we now have
- **commenced the recruitment process for IT and HR.**

Unga Group Limited




Presentation structure
Our presentation will cover
Current status
Key issues and implementation strategy
Making it happen - draft outline change plan

Key Issues

Unga faces a range of challenges

- regain market share and increase capacity utilisation - plant is on average at 50% utilisation
- consistent management style aimed at empowering business unit leaders
- more leadership than management and control from Head Office
- improve human resources and build competent teams
- strengthen IT systems and rationalise processes to achieve efficiencies
- achieve significant improvement in financial returns.

Key Issue - Integrated change

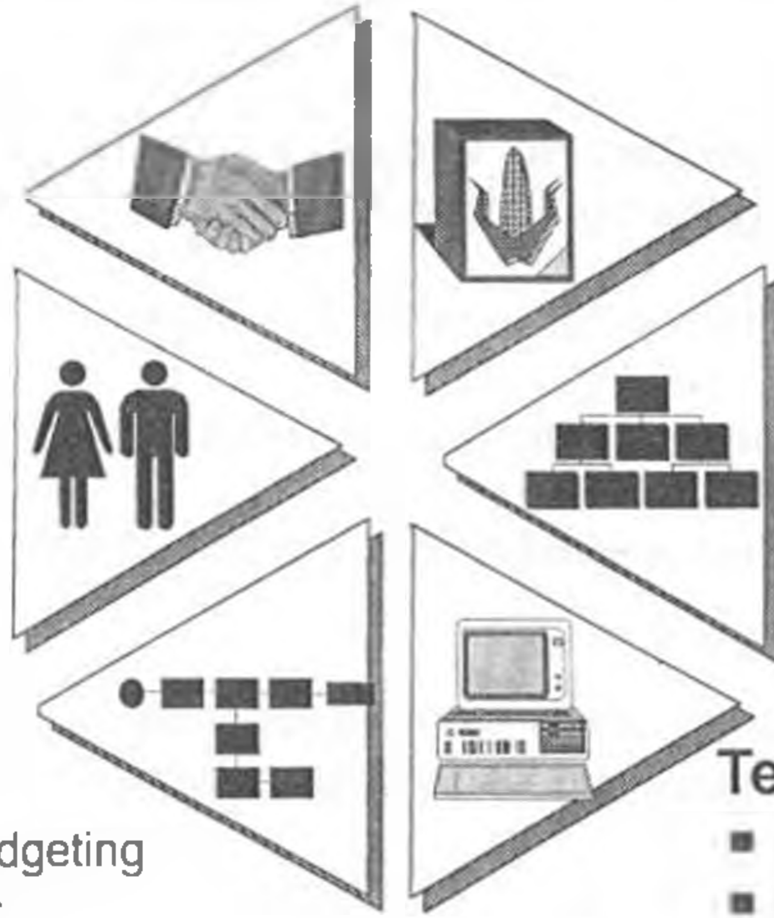
To achieve dramatic improvements, changes will be necessary to all six key areas of Unga's business

Markets and customers

- new markets
- geographic

Products and services

- new products



People and culture

- Human resources policies and reward systems
- mgt style

Structure

- group organisation
- financial structure

Processes

- planning, budgeting
- financial mgt

Technology

- Information systems
- production

Key issue - barriers to change

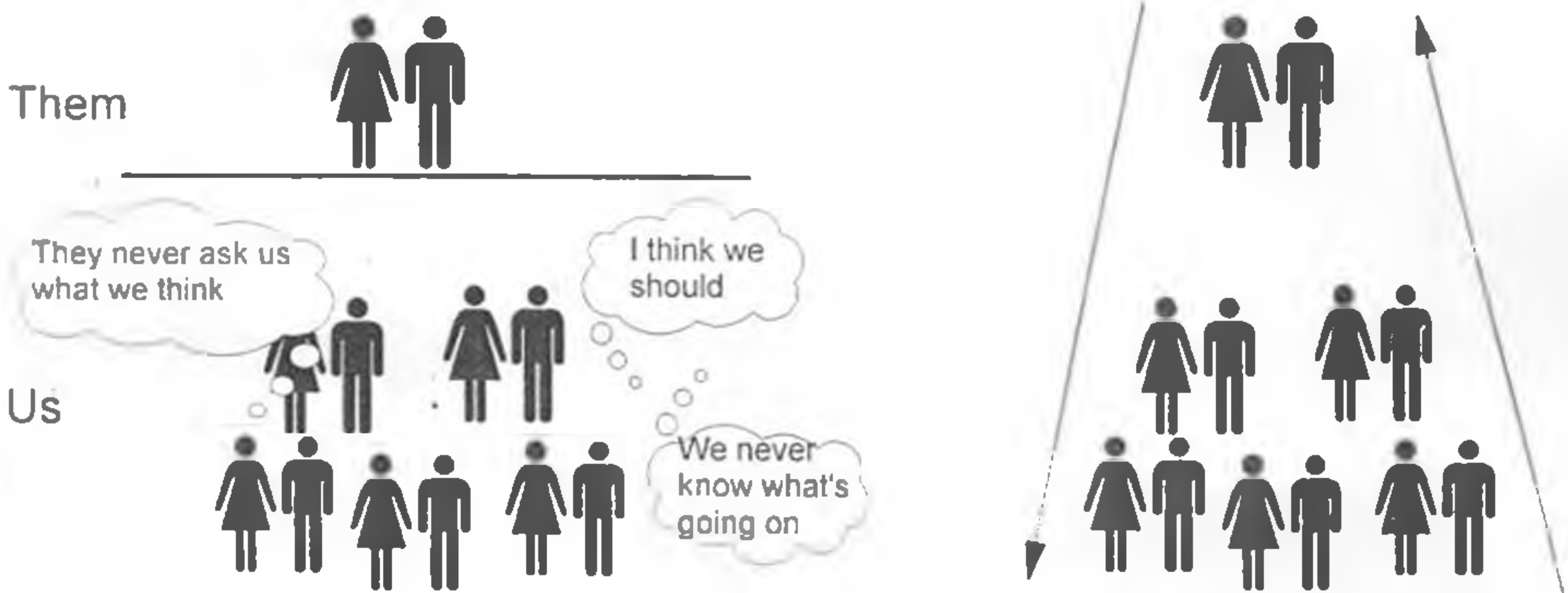
In most change programmes, there are many potential barriers to achieving change

- Potential resistance to change - at various levels in the organisation - hope that "it will all go away"
- Inability to believe that implementation will have an effect
- Unfamiliarity with vision and targets for the future
- Lack of a credible change team and incomplete head office team
- Rational and logical acceptance of the need to change but possibly without accompanying emotional acceptance
- Immediate business problems need to be tackled

Securing commitment to change

Securing commitment to change is crucial

Not this... / ... but this



Not this...

- Alienation of staff
- "Death by a thousand initiatives"

... but this

- Structured teamwork
- Involvement

Presentation structure

Our presentation will cover

Current position

Key issues and implementation strategy

Making it happen - draft outline change plan

Change projects

We propose a set of carefully integrated implementation projects

	Project	Activities			
A	Restructure op units & Mgt style	▪ Harmonise mission statements	▪ Create new units / plan amalgamation	▪ Operating co boards / mgt	▪ Clarify grp roles & auth levels
B	Impl perf measurement	▪ Benchmark fin performance	▪ Designing perf measures	▪ Develop / implement reporting system	▪ Budgeting / planning process
C	Financial str'tr & funding needs	▪ Projections	▪ Debt facilities	▪ Centralised treasury	▪ Information systems
D	Revenue & profit enhan'mnt	▪ Marketing plans & roles	▪ Market analysis	▪ Pilot reengineering or order fulfilment project	▪ Define info systems requirements
E	Inf. systems & process reeng	▪ Recruit Grp IT	▪ Define IS strategy and policies	▪ Assess priorities for process reeng	▪ Implement pilot process redesign and IS project
F	Human resources	▪ Recruit Grp HR	▪ Update policies	▪ Define / implement perf based training	▪ Perf evaluation and reward system

Change management activities

Results

Change projects

... with the following broad timetable

Months

1 | 2 | 3 | 4 | 5 | 6 |

Analysis & developing necessary infrastructure (rec, setting up BU's)

Pilot projects on one company

Months

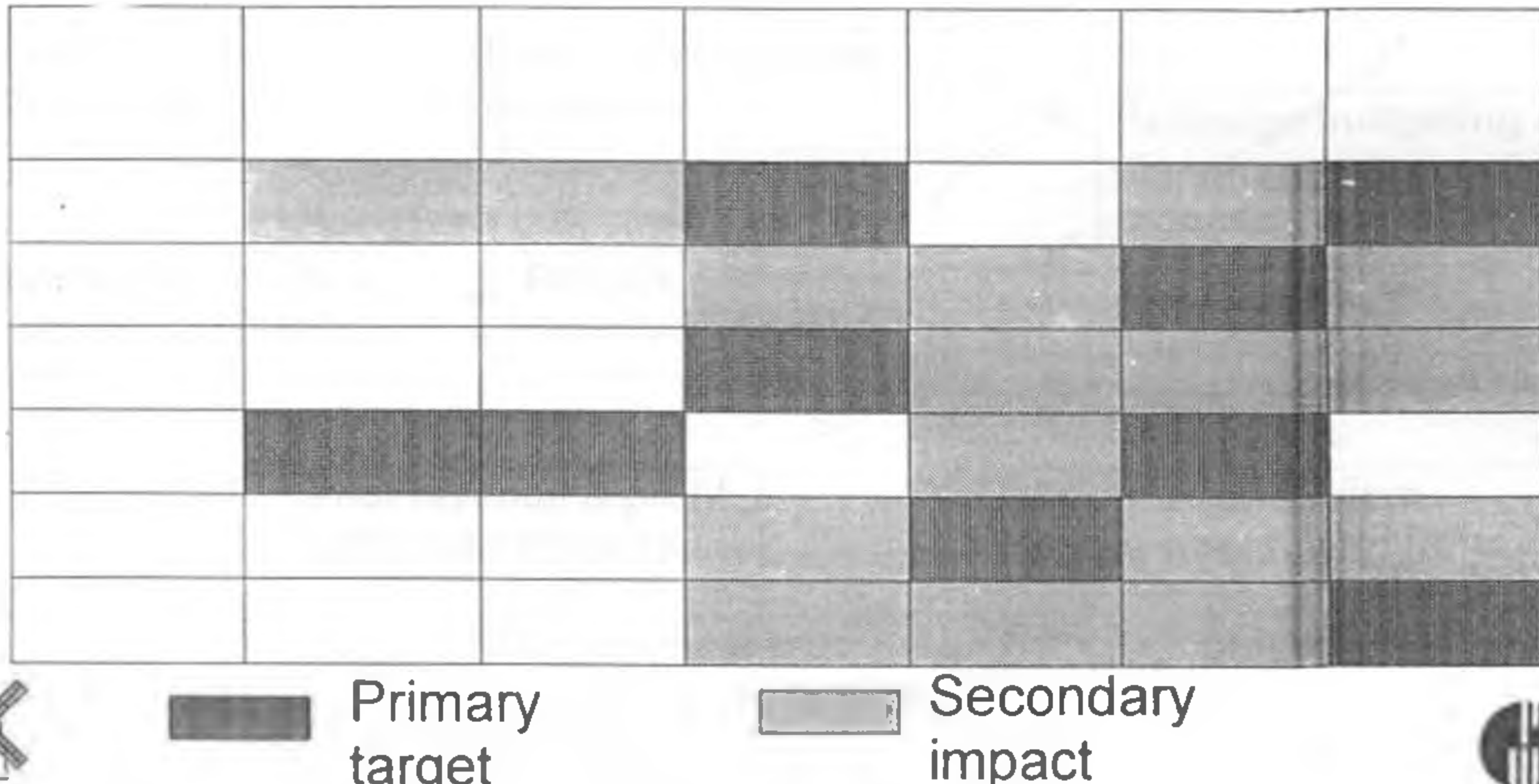
7 | 8 | 9 | 10 | 11 | 12 |

Pilot projects on one company

Implementation phase

Change projects

These implementation projects will cover each of the six areas of the business.....



Outline change activities

... and there will be many interlinkages between the individual implementation actions

Financial benchmarking

Define performance measures

Redesign budgeting / planning and reporting process

Review & harmonise mission statements

Rethink and redesign operational units

Pilot revenue & profit enhancement project

Information system requirement definitions

Pilot procurement process reengineering projects

Restructuring op units & mgt style

Restructuring the operating units and head office roles and management style will involve significant consensus building and extensive consultation

Months

1	2	3	4	5	6

A1 (month 1)

A2 (months 1–2)

A3 (months 3–5)

A1 - Review & harmonise mission statements

- review op units and grp mission statements
- assess gaps / mismatches

A2 - Redesign business unit structure

- eg amalgamate Maize and Wheat
- new distribution and packaging SBU's?
- UTC's as separate business unit
- merge PA and EKL.

A3 - Review and implement new legal structures

- assess from tax point of view
- match with org requirements
- implement short-term measures - plan other changes

Restructuring op units & mgt style

Restructuring the operating units and head office roles and management style will involve significant consensus building and extensive consultation

Months

1	2	3	4	5	6

A1 A2 A3 A4 A5

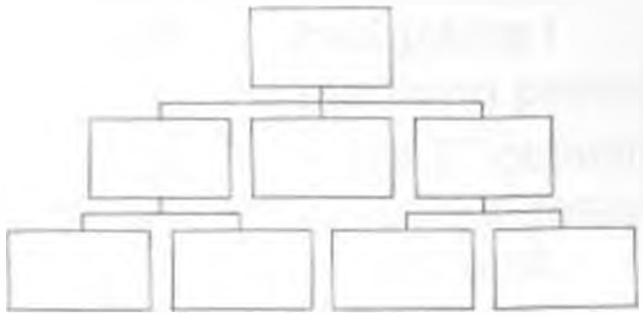
A4 - Make board and mgt changes
- redeploy managers
- restructure boards (if necessary)

A5 - Clarify group roles and authority levels
- design new group roles
- revise authority levels

Restructuring op units & mgt style

Key outputs from this project should include

- agreed new operating unit structure - with harmonised mission statements
- clarified group & op co management roles and responsibilities
- necessary legal and mgt changes implemented
- revised and clear authority levels - consistent with management style



Implement performance measures

Implementing revised performance measures and reward systems is central to achieving lasting change...

Months

1 | 2 | 3 | 4 | 5 | 6 |

B1 ⟷ B2 ⟷ B3 ⟷

B1 - Benchmark financial performance
- analyse financial performance
- benchmark against other milling co's
- analyse key value drivers

B2 - Revise performance measures
- identify CSF's
- define and agree objectives and goals
- design and agree perf measures

B3 - Review budgeting / planning process
- use 97 planning cycle to reassess quality of planning / budgeting process

Implement performance measures

.... and will need to be linked to a redesigned planning and budgeting system

Months

7 | 8 | 9 | 10 | 11 | 12 |

B5

B7

B5 - Identify core information system requirements

- identify types of information and timing
- link with IS policy review

B6 - redesign planning and budgeting system

- revise planning process for 1998 planning cycle
- revise budgeting and investment appraisal forms (reflecting new auth levels)
- budget report formats

Performance measurement

Key outputs from this project should include

- revised and agreed performance measures for each operating unit reflecting achievable stretch targets and financial benchmarks
- revised planning / budgeting and reporting system - to reflect unique needs of each business
- key information systems requirements defined

Fin structure & funding needs

The financial structure and funding needs project is closely linked to the performance measures and budgeting project....

Months

1	2	3	4	5	6
C1	C1	C2	C3	C3	C3

C1 - Review current financial structure and funding processes
- assess financing costs
- assess cross funding needs
- assess issues and opportunities

C2- Implement short-term wins
- review banking arrangements
- restructure balance sheets

C3 - Design & implement new financial structure and processes
- based on revised business unit structures
- discuss / agree centralised treasury operations
- begin implementation

Implement performance measures

... and may lead to activities to raise additional funds.

Months

7 | 8 | 9 | 10 | 11 | 12 |

C4 C5 C6

C4 - Review funding needs and options for raising funds

- revise projections for each operating unit
- assess options for raising funds

C5 - Identify core information system requirements

- identify types of information and timing
- link with IS policy review

C6- Implement fund raising activities eg

- restructure bank loans
- asset sales
- new borrowings
- share issue

Fin structure & funding needs

Key outputs from this project should include

- streamlined financial structure and processes reflecting needs of new operating structures and reduced costs
- financing needs identified and agreed
- information system requirements defined

Revenue & profit improvement

We propose to select one company for a pilot project in "reengineering for revenue" - which will involve assessing customers & products .....

Months

1 | 2 | 3 | 4 | 5 | 6 |

D1 (months 2–3) · D2 (months 4–5) · D3 (month 6)

D1 - Assess / harmonise marketing policies and plans

- review op co marketing plans
- harmonise plans - reflect new op co structure
- identify company for pilot study

D2 - Review current situation

- assess markets, customers & products
- assess competition
- map order fulfilment process
- assess issues and opportunities

D3- Implement short-term wins

- renegotiate banking arrangements
- restructure balance sheets

Revenue & profit enhancement

... and may lead to activities to raise additional funds.

Months

7 | 8 | 9 | 10 | 11 | 12 |

D5

D4

D6

D4 - Design new order fulfilment process

- envision target process design
- assess infrastructure, HR, training and technology requirements

D5 - Implement changes

- build new facilities
- implement changes to processes
- training and performance measures

D5 - Review and share lessons with other operating units

- review progress
- workshops etc to share experiences
- other units implement short term wins + plan for similar projects

Revenue & profit enhancement

Key outputs from this project should include

- redesigned order fulfilment process - lower cost and higher value added & implementation in progress
- opportunities for increased market share identified and implementation begun
- short-term wins achieved & shared with other operating units
- information systems needs identified
- core group of staff familiar with process

IS and process redesign

We propose to first develop group wide IT policies and standards....

Months

1 | 2 | 3 | 4 | 5 | 6 |

E1 E2 E3

E1 - Recruit Grp IT manager
- shortlist & interview
- recruit

E2 - Assess & harmonise high level IT policies
- extend current IT review process
- develop high level policy blueprint and standards

E3 - Identify high priority IS areas
- based on interim findings from other areas choose a company and priority business process for pilot implementation

IS and process reeng

... and implementing one pilot project to computerise a priority business process (eg order fulfilment) in one company

Months

7 | 8 | 9 | 10 | 11 | 12 |

E4

E5

E6

E4 - Redesign and computerise chosen business process
- envision target process design
- assess infrastructure, HR, training and technology requirements

E5 - Implement changes
- build new facilities
- implement changes to processes
- training and performance measures

E6 - Review and share lessons with other operating units
- review progress
- workshops etc to share experiences
- other units implement short term wins + plan for similar projects

IS and process reeng

Key outputs from this project should include

- group wide IS policies and standards
- one priority business process reengineered and computerised as necessary
- core team familiar with process of requirements definition, selection and implementation

HR

We propose to first develop group wide HR policies and standards....

Months

1 | 2 | 3 | 4 | 5 | 6 |

F1 F2 F3

F1 - Recruit Grp HR manager
- shortlist & interview
- recruit

F2 - Assess & harmonise high level HR policies
- complete HR review process
- develop high level policy blueprint and standards

F3 - Identify high priority HR areas
- based on interim findings from other areas - identify areas for change eg - performance evaluation, training and development

HR

... and implementing one pilot project

Months

7	8	9	10	11	12
F4		F5		F6	

F4 - Redesign priority HR process eg performance measurement and evaluation

- envision target process design
- assess infrastructure, HR, training and technology requirements

F5 - Implement changes

- build new facilities
- implement changes to processes
- training and performance measures

F6 - Review and share lessons with other operating units

- review progress
- workshops etc to share experiences
- other units implement short term wins + plan for similar projects

HR

Key outputs from this project should include

- group wide HR policies and standards
- target organisational culture defined and implementation begun
- one priority HR process redesigned and implemented
- communication plan to explain and invite feedback on proposed changes

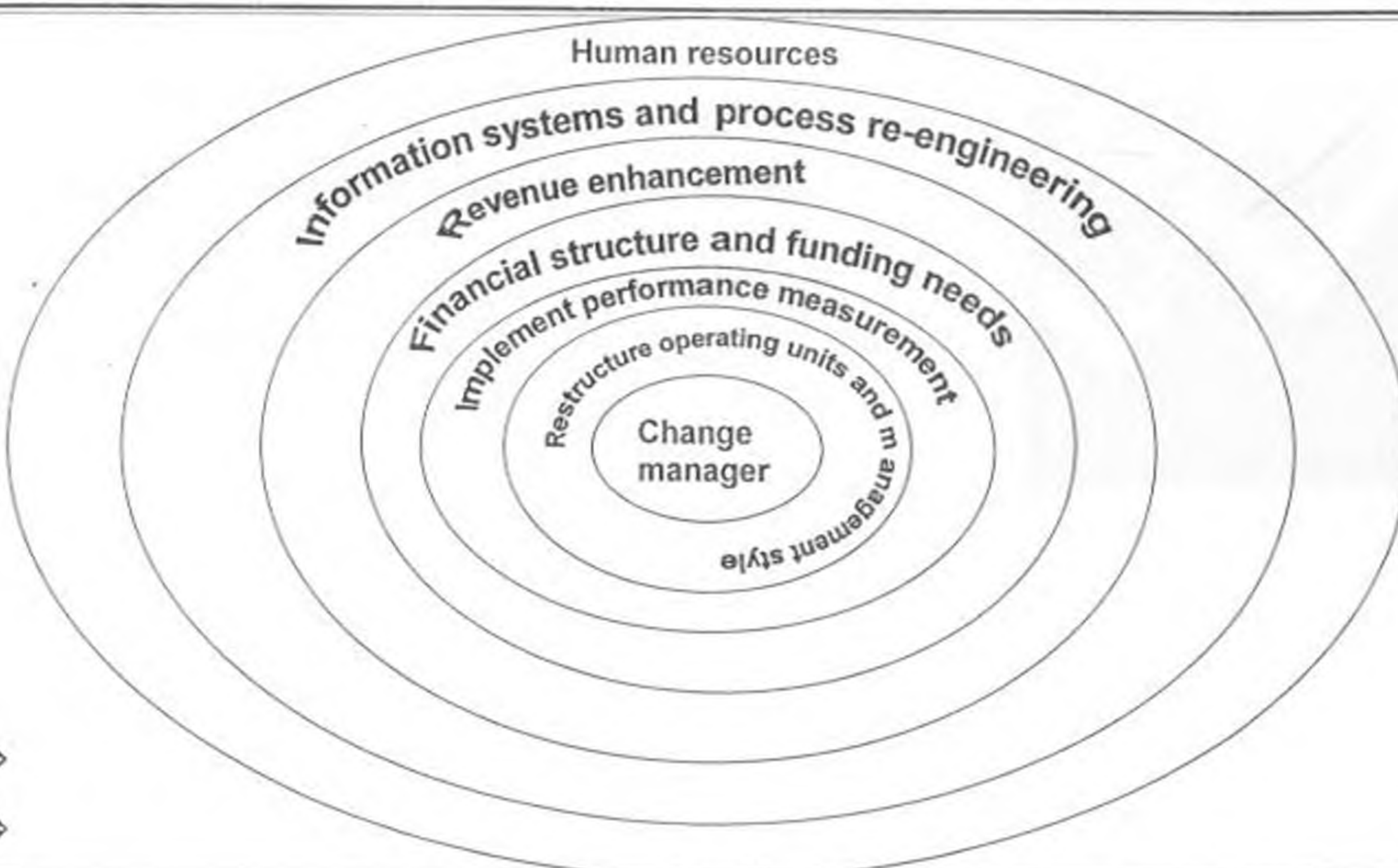
Implementation teams

We propose to use internal teams for each project led by a team leader drawn from Unga....

■ restructure operation units and management style	- Team 1	Change manager
■ implement performance measurement	Team 2	
■ financial structure and funding needs		
■ revenue enhancement	- Team 3	
■ information systems and process re-engineering	- Team 4	
■ human resources	- Team 5	

Implementat-
ion teams

.... and all the teams will be working together sharing information and benchmarking progress.



Implementat-
ion costs

Most of the work will be carried out by Unga staff .....

- to keep costs to a minimum
- pass on lasting knowledge and skills
- gain maximum commitment and feeling of ownership

Implementat-
ion costs

..... and the change manager will lead the process, provide technical input, and keep the focus on the vision.

- change manager costs already agreed
- costs for additional staff for specific processes
  eg recruitment, running of workshops/ seminars, will be agreed with management in advance but unlikely to be significant.