

**CHALLENGES OF MANAGING CHANGE AFTER A TRANSITION
OF OWNERSHIP:
THE CASE OF CELTEL KENYA LIMITED**

BY

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WINNIE WANGUI MUCHUI

**A Management Research Project Submitted In Partial Fulfillment of the
Requirements of the Master Degree in Business Administration (MBA),
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DECLARATION

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

SIGNED  DATE Oct 19 2006

Winnie Wangui Muchui

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

SIGNED  DATE 6/11/06

Jackson Maalu

DEDICATION

Dedicated to my dear mum –

*A stoic, whose courage, sacrifice and devotion
have brought me this far.*

Thank you mum.

ACKNOWLEDGEMENTS

How does a person say "thank you" when one is so greatly indebted? This project is a big thank you to my dear mum who has been such a powerful role model and has always encouraged me to aim for higher heights.

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ABSTRACT

Celtel Kenya Limited, which initially operated under the name KenCell Communications, underwent a change in ownership in May 2004. Another acquisition of part of its shares took place in March 2005 when Kuwait based Mobile Telecommunication Company (MTC) bought 85% of Celtel International's shareholding in the company. With these alterations of ownership taking place, the company underwent a number of changes

This research paper thus sought to establish the strategic change management practices used at Celtel Kenya Limited after the transitions and the challenges the management faced as it went about implementing change in the organization. The research considered the period commencing May 2004 and running until December 2005.

The research established that the changes introduced in the organization affected its structures, culture, human resources, systems, resource allocation ratios, corporate governance, technology, products and services as well as its market share. While implementing these changes in the organization, the new management's goals were two fold, that is, to challenge the existing ways of conducting business and to drive step-level improvements in operating performance.

As it went about implementing changes within the organization, the changes presented some new challenges. Some of these challenges included, resistance to change from the employees, fear and anxiety of the employees regarding the changes, power sharing ratios, deficient leadership skills, a culture of individualism and the challenge of keeping the organization's strategy and purpose of existence in focus.

To overcome these challenges, the management utilized teamwork, entrenched a culture of commitment and performance and used communication and training, to drive the changes within the organization. To measure the degree of success of the changes, the management watched variables such as, the number of new subscribers, the number of Base Transceiver Stations (BTS) being rolled out, Average Return per User (ARPU) as well as the Earnings Before Interest Tax, Depreciation & Amortization (EBITDA).

The changes that took place within the organization were still at their infancy stages and were ongoing. However Celtel Kenya Limited management was optimistic that the changes would bring about more additional positive benefits to the organization in the long run and give the company a large competitive edge. The management had already registered short-term wins with the change program including successful re-branding of the company's products and services, an increase in the number of new subscribers by 52 per cent to two million, a rise in the ARPU variable reflecting improved company performance, realization of 1.3 billion after tax profit in 2005 as well as creation of challenging and rewarding jobs and careers for the employees. The management was thus going to continue implementing positive changes in the organization and refine those practices it had already entrenched.

CHAPTER ONE: INTRODUCTION

1.1 Background

Change is pervasive in our society and a fact of life in organizations (Goodfellow, 1985). The impetus to change comes from the environment. Effective strategic leaders understand that change in the strategic environment is a continuous process. A part of strategic leadership entails having an understanding of when environmental change implies a need for organizational change and when it does not. Making internal changes to accommodate external change is reactive, and strategic leadership should be proactive. This is where a well-crafted, well-managed strategic vision can help balance reactive and proactive changes (Senge, 1990).

Change Management would not be considered particularly important if products and markets were stable and organizational change was rare – however, this is not the case, nor has it ever been so. Change is an ever-present feature of organizational life, though many would argue that the pace and magnitude of change have increased significantly in recent years. The Institute of Management (formerly the British Institute of Management), which regularly carries out surveys of its members, has certainly found this to be true. In 1991, the Institute reported that 90 per cent of organizations in its survey were becoming 'slimmer and fatter' (Coulson-Thomas and Coe, 1991)

Organization change is about making alterations to the organization's purpose, culture, structure and processes in response to seen or anticipated changes in the environment

Strategic management of change is all about identifying and embedding in the organization those changes that will ensure the long-term survival of the organization. Change can thus be thought of as a condition and a process. Change as a condition describes what is happening in the environment; it is part of the reality an organization must accept. Change as a condition may profoundly influence an organization, but it takes place externally and management of an organization may have little control over it. Change as a process is what employees foster internally in response to changes in the environment. It is the leadership and management actions taken to change the organization (Sullivan & Harper, 1996).

Strategic change is about leveraging vision to get at fundamental aspects of the organization, including the organization's direction and its culture. Strategic change is about forging organizational robustness in the face of environmental pressures. Hence, an accurate and insightful view of the current reality is as important as a clear vision (Senge, 1990). Robustness is the timely capacity to anticipate and adapt to environmental change in order to maintain competitive advantage. Improving and maintaining robustness takes three interdependent forms. First, it is a function of comprehensive environmental scanning, accurate articulation of values, beliefs and assumptions, the freedom to question values, beliefs and assumptions, creativity to formulate new options and tolerance of risk in the pursuit of a new course. Second, robustness is about resource self-sufficiency. Often the capital investment/reinvestment required to implement change is huge. Third, robustness is about maintaining contact and managing credibility with strategic constituencies.



Change is about survival. Change is absolutely necessary for the survival of individuals and organizations. The question isn't whether or not to implement change. Over the long run an organization has no choice unless it is willing to become irrelevant. The strategic environment, over which it has little or no control, is in a state of constant change and it's upon the management of an organization to sense when changes in the organization are going to be necessary. Change is especially necessary in organizations that wish to prosper in a volatile, uncertain, complex and ambiguous environment. Powerful forces in the environment are pressuring public and private organizations to alter permanently existing structures, policies and practices (Holman & Deal, 1991).

A change in company ownership will usually bring about changes in an organization. This is because the new management will want to either improve on existing business practices or introduce new ones all together that will give the company greater competitive advantage. Whichever option the new management of the company chooses to take, the choice, will usually present unique challenges to the organization.

These challenges may sometimes be quite complex with the management having to seek consultancy services to overcome them. However, more often than not, in a bid to overcome these challenges, the management will usually implement changes within the organization. Some areas where the management is bound to encounter challenges and implement changes may include making alterations to existing structures and systems within the organization, devising new resource allocation apportionment ratios, improving on corporate governance of the organization, hiring of additional staff or

laying off to reduce staff numbers and entrenching new culture(s) within the organization

Organizational change is a complex and difficult process for companies to manage successfully. The first hurdle is getting managers to realize that change is necessary and to admit that there is a problem. Once the need for change has been recognized, managers can go about the process of recommending a course of action and analyze potential obstacles to change. Strategic managers need to appreciate, however, that companies are not just rational-decision making systems in which managers coldly calculate the potential returns from their investments. Organizations are arenas of power, in which individuals and groups fight for prestige and possession of scarce resources. In the pursuit of their interests, managers compete and come into conflict. The very nature of the organization makes this inevitable (Hill & Jones, 1999).

Managers have to deal with politics and conflict creatively to implement strategic change successfully and enhance or restore a company's competitive advantage. The most successful companies are those in which change is regarded as the norm and managers are constantly seeking to improve organizational strengths and eliminate weaknesses so that they can maximize future profitability. Strategic change is thus the movement of a company away from its present state to some desired future state to increase its competitive advantage (Hill & Jones, 1999).

There is no one right 'formula' for the management of change. The success of any attempt at managing change will also be dependent on the wider context in which that change is taking place. Managing change in a small, perhaps relatively new, business, where a motivated team are themselves driving change, would be quite different from trying to manage change in a major corporation or perhaps a long-established public sector organization, with established routines and perhaps a great deal of resistance to change. The contexts are completely different and the approach to managing change therefore needs to be different (Johnson and Scholes, 2004).

Balogun and Hailey (1999) highlight a number of important contextual features that need to be taken into account in designing change programs. Some of the features identified include the scope of change required, the time available for change, the need for the preservation of certain aspects of the organization, diversity of experience within an organization, the capability in managing change as well as the readiness for change throughout different levels in the organization.

Mabey and Mayon-White (1993), identify three main problem areas that managers have to overcome when dealing with organizational change, namely, Resistance, Control and Power. These problems pose various challenges to management of organizational change. There is an assumption in most of what is written about strategic change that there will be a tendency towards inertia and resistance to change, people will tend to hold on to existing ways of doing things and existing beliefs about what makes sense. Managing strategic change must therefore address the powerful influence on the

paradigm and the cultural web on the strategy being followed by the organization (Maccoby et al, 1997)

If change is to be successful it also has to link the strategic, the operational and every day aspects of the organization. This emphasizes the importance not only of translating strategic change into detailed resource plans, critical success factors and key tasks, and the way the organization is managed through control processes but also of how change is communicated through the everyday aspects of the organization (Johnson and Scholes, 2004).

The mobile telephone industry in Kenya has witnessed one of its players, Celtel Kenya Limited; undergo a change in ownership quite recently. Mobile telephone services in Kenya started in 1992 with the analogue system that was widely known as the Extended Total Access Communication System (ETACS), which was commercially launched in 1993. During this entry period, the services were so expensive that it was only a few within the upper echelon of the society who could afford them. Many started at people talking on mobile phones in the streets as the gadget was perceived to be a luxury symbol that would cost as much as Kshs 250,000. This resulted in a marginal mobile subscriber growth of less than 20,000 for a period of seven years (from 1993 – 1999). The enactment of the Kenya Communications Act, 1998 led to the introduction of competition in the cellular mobile industry. The Communications Commission of Kenya licensed the newly privatized Safaricom Limited and a new market entrant, KenCell Communications Limited (present day Celtel Kenya Limited). This has witnessed a

phenomenal growth in the number of subscribers, as well as the geographic expansion of the cellular mobile service in the country (CCK, 2001).

The entry of KenCell (present day Celtel Kenya Limited) in 2000 has seen the sector continue to grow by over 270% annually, the total subscriber base rising to 2.8 million. The two operators have aggressively expanded their coverage and upgrading network infrastructure (The Computer Society of Kenya, 2004). The biggest challenge posed by the mobile phone industry which the Government needs to rise up to is, to licence more service providers. This is because current operators need to face challenges by allowing in more providers to further lower calling charges. The government should further reduce value added tax on airtime to encourage more people to use the service. Currently airtime is subjected to 16% VAT (Mugambi, 2005).

1.2 Background of Celtel Kenya Limited

KenCell Communications Limited, which was awarded an operating license in 2000, was a partnership between Sameer Investments (Kenyan) and Vivendi Telecom International (French). The company had been in operation for four years. In 2003, Vivendi Telecom International decided to sell its stake in KenCell Communications Limited as part of the restructuring designed to cut its indebtedness.

Bold and monumental are two words that described Celtel's Kshs 18.3 billion (US \$250million) successful bid for a majority stake in KenCell Communications, Kenya's number two mobile phone operator. The deal in May 2004 was the largest ever foreign direct investment in the country, and a sweet victory for the young Dutch firm. While it marked Celtel's first foray into Kenya's burgeoning telecoms market, the company is by no means a novice in Africa. Since 1998, it has been building up a Pan-African mobile-phone empire that now comprises over four million subscribers in 13 countries (Kersnar, 2004). The Sameer Group retained its 40% equity in Celtel Kenya Limited. After the acquisition, the company acquired the name Celtel Kenya Limited.

Celtel International has operations in 13 countries. These countries include Burkina Faso, Chad, the Democratic Republic of Congo, Gabon, Malawi, Niger, the Republic of Congo, Sierra Leone, Tanzania, Uganda and Zambia. It is a majority shareholder in Sudan's mobile network operator Mobitel and a founding shareholder and minority partner in Vodafone Egypt. It also manages the major fixed-line operation in Tanzania (The Computer Society of Kenya, 2004).

In March 2005, the Netherlands-based parent company of Celtel Kenya was acquired by a Kuwait firm Mobile Telecommunication Company (MTC). A stake of 85% was seized immediately the balance is to be taken in two years. Celtel agreed to the offer by Kuwait's MTC partly because of the price they offered and also because MTC would run Celtel as a separate unit and not change its corporate structure, including the Dutch headquarters. MTC, which was established in June 1983 and is listed on the Kuwait Stock Exchange under the name Mobile Telephone Systems Company and is capitalized at US \$ 7 billion. It operates networks in Kuwait, Jordan, Lebanon, Iraq and Bahrain and has some 1.4 billion subscribers and huge revenue of US \$ 1.1 billion (Wahome, 2005).

As may be expected in any case where a company has undergone a transition of ownership, there will be different strategies adopted by the new management. The new management set higher standards of performance with an aim of securing the leading position in the mobile phone industry. The new management was also very keen on creating additional value for shareholders by growing the company's revenues, delivering the best profit margins, utilizing capital most effectively and enhancing the company's reputation. There was also an increased emphasis on increasing the market share. MTC Kuwait entered a market ready for competition on price, coverage and quality of service offered to customers. Considering that most urban areas in this country are already covered, the company was laying emphasis on improving quality rather than expanding coverage to the more sparsely populated areas of the country (Wahome, 2005).

1.3 Statement of the Problem

It is axiomatic nowadays to say that change is a constant. The globalization of markets, rapid advancements in new technology, higher levels of competition, increasing focus on costs and cost management, company mergers and acquisitions, change in the composition of management, decline in competitiveness, challenges from new market entrants, decreased bottom line profits, or a perceived longer-term change in the nature of an industry all contribute to the drive for change within contemporary organizations today. Due to these pressures, many organizations, thus undertake transformational or strategic change – change that involves significant alteration to strategy, structures, systems, processes and ultimately culture. Unfortunately the change strategy chosen is not always the best as cases of organization change failure are common. Explanations offered for this, often centre on culture and politics, or a misunderstanding of the dynamics of change from the perspective of the change recipients.

In the last decade, there has been an acceleration of the magnitude and pace of change across the globe. These changes, be they political, economic, social and or technological have not spared Kenya. Organizations have reacted in a variety of ways including strategy re-formulation to ensure their continued relevance (Mbogo, 2003).

Faced with the challenges of leading a company that underwent a transition of ownership, the management at Celtel Kenya Limited embarked on major change initiatives. The first initiative taken by the new management saw the company undergo a re-branding of all its products and services. Appointment of a new Chief Executive Officer as well as local

staff members to top managerial positions are some of the changes that the organization experienced. The company also laid more emphasis on the returns it was getting from the market place and became more customer-focused. The new management entrenched new cultures of open-door-systems and teamwork. Transformational changes within the company were deemed imperative if the company was to fully meet its obligations to the new owners as well as become a homogenous member of the larger Celtel group. Their goal was two fold, that is, to challenge the existing ways of conducting business and to drive step-level improvements in operating performance.

Various studies on strategic change management in Kenyan companies have been done. However, these studies have tended to be industry-based considering several companies in a given industry. In addition, these studies have focused mainly on companies, which are fully locally owned. Karemu (1993) conducted a study on strategy in Kenya and strategic practices in the retailing sector and recommended that a more focused study based on specific aspects of strategic management change practices in Kenya be carried out. Gekonge (1999), studied change management practices by Kenyan companies and he narrowed his study down to companies listed in the Nairobi stock exchange. Mbogo (2003) conducted a study on the strategic change management process within the banking sector with a focus on Kenya Commercial Bank.

Celtel Kenya Limited is a company that underwent a transition due to the change in ownership. This change in ownership within the company presented challenges, which the new management had to overcome. The likely areas where the management was

bound to encounter challenges included reforming existing systems and procedures, altering the existing cultures as well as improving on the products and services on offer. The transition may also have had an impact on the current thinking of employees and this needed to either be built upon or changed altogether. It was thus important for a study to be carried out to establish the strategic change management practices the company was using to successfully manage the changes and the challenges it was undergoing as it implemented the changes in the organization.

My research thus aimed at identifying the changes that the new management of the company effected during the period May 2004 – December 2005 and the challenges they were faced with as they implemented the changes.

1.4 Objectives of the Study

The research sought to establish the:

- (a) changes that the new management of the company has effected so far after the transition and;
- (b) challenges the management faced as it implemented change in the organization.

1.5 Significance of the Study

This study will be of benefit to the following groups of people:

- (a) The Management at Celtel Kenya Limited. They will be able to obtain documented information on the reactions of employees to the new set up resulting

from the changes. This information will thus aid future planning for the organization and help contribute to the success of future change programs.

- (b) Companies and Government agencies, which are considering privatization and strategic change implementation. These groups will be able to obtain information on some of the practices they may consider entrenching in the new organizations' set-up after privatization, as well as the challenges they may have to rise up to.
- (c) Researchers and academic scholars will benefit from further research on the challenges of managing change in the case where an organization undergoes a transition in ownership. This will greatly contribute to the existing body of knowledge on change, which mainly holds information on organizations which have not altered management teams but have chosen to implement strategic change.

CHAPTER TWO: LITERATURE REVIEW

This chapter presents the literature review on the management of strategic change. The facets of strategic change management presented in this chapter include, the principles of change management, critical aspects that managers need to understand so as to diagnose the change situation, the various models of strategic change, the four types of strategic change, the impact of organization culture on change, the role that politics plays in strategic change management, the roles of different managers in implementing change, styles of change management, the levers used for managing strategic change, the importance of communicating change, the three phases of selling change, the generalized effects of change, resistance to change and the factors to consider when implementing change. The literature found in this section was mainly sourced from journals, books, references quoted in books, periodicals, grey literature and The Internet.

2.1 Principles of Change Management

Jones et.al (2003), identify ten guiding principles for change management. Address the "human side" systematically. Any significant transformation creates "people issues". New leaders will be asked to step up, jobs will be changed, new skills and capabilities must be developed, and employees will be uncertain and resistant. Dealing with these issues on a reactive, case-by-case basis puts speed, morale and results at risk. A formal approach for managing change – beginning with the leadership team and then engaging key stakeholders and leaders should be developed early and adapted often as change moves through the organization. This demands as much data collection and analysis,

planning and implementation discipline as does a redesign strategy, systems or processes. The change-management approach should be fully integrated into program design and decision-making, both informing and enabling strategic direction. It should be based on a realistic assessment of the organization's history, readiness and capacity to change.

It is important to start at the top because change is inherently unsettling for people at all levels of an organization, when it is on the horizon, all eyes will turn to the chief executive officer and the leadership team for strength, support and direction. The leaders themselves must embrace the new approaches first, both to challenge and to motivate the rest of the institution. They must speak with one voice and model the desired behaviours. The executive team also needs to understand that although its public face may be one of unity, it too, is composed of individuals who are going through stressful times and need to be supported. Executive teams that work well together are best positioned for success. They are aligned and committed to the direction of changes, understand the culture and behaviours the changes intend to introduce and can model those changes themselves.

It is also important to involve every layer. As transformation programs progress from defining strategy and setting targets to design and implementation, they affect different levels of the organization. Change efforts must include plans for identifying leaders throughout the company and pushing responsibility for design and implementation down, so that change "cascades" through the organization. At each layer of the organization, the

leaders who are identified and trained must be aligned to the company's vision, equipped to execute their specific mission and motivated to make change happen.

The fourth principle entails making a formal case. Individuals are inherently rational and will question to what extent change is needed, whether the company is headed in the right direction, and whether they want to commit personally to making change happen. They will look to the leadership for answers. The articulation of a formal case for change and the creation of a written vision statement are invaluable opportunities to create or compel leadership-team alignment. In developing the case, first confront reality and articulate a convincing need for change, then demonstrate faith that the company has a viable future and the leadership to get there and finally provide a road map to guide behaviour and decision-making. Leaders must then customize this message for various internal audiences, describing the pending change in terms that matter to the individuals.

Leaders of large change programs must over perform during the transformation and be the zealots who create a critical mass among the work force in favour of change. This requires more than mere buy in or passive agreement that the direction of change is acceptable. It demands ownership by leaders willing to accept responsibility for making change happen in all of the areas they influence or control. Ownership is best created by involving people in identifying problems and crafting solutions. It is reinforced by incentives and rewards.

It is important to communicate the message. Too often, change leaders make the mistake of believing that others understand the issues, feel the need to change, and see the new direction as clearly as they do. The best change programs reinforce core messages through regular timely advice that is both inspirational and practicable. Communications flow in from the bottom and out from the top, and are targeted to provide employees the right information at the right time and to solicit their input and feedback.

Successful change programs pick up speed and intensity as they cascade down, making it critically important that leaders understand and account for culture and behaviours at each level of the organization. Companies often make the mistake of assessing culture either too late or not at all. Thorough cultural diagnostics can assess organizational readiness to change, bring major problems to the surface, identify conflicts, and define factors that can recognize and influence sources of leadership and resistance. These diagnostics identify the core values, beliefs, behaviours and perceptions that must be taken into account for successful change to occur. They serve as the common baseline for designing essential change elements, such as the new corporate vision, and building the infrastructure and programs needed to drive change.

Once the culture is understood, it should be addressed as thoroughly as any other area in a change program. Leaders should be explicit about the culture and underlying behaviours that will best support the new way of doing business, and find opportunities to model and reward those behaviours. This requires developing a baseline, defining an explicit end-state or desired culture, and devising plans to make the transition. Company

culture is an amalgam of shared history, explicit values and beliefs and common attitudes and behaviours. Change programs can involve creating a culture (in new companies or those built through multiple acquisitions), combining cultures (in mergers or acquisitions of large companies), or reinforcing cultures. Understanding that all companies have a cultural center – the locus of thought, activity, influence or personal identification – is often an effective way to jump-start culture change.

Prepare for the unexpected. No change program goes completely according to plan. People react in unexpected ways; areas of anticipated resistance fall away; and the external environment shifts. Effectively managing change requires continual reassessment of its impact and the organization's willingness and ability to adopt the next wave of transformation. Fed by real data from the field and supported by information and solid decision-making processes, change leaders can then make the adjustments necessary to maintain momentum and drive results

Change is both an institutional journey and a very personal one. People spend many hours each week at work; many think of their colleagues as a second family. Individuals (or teams of individuals) need to know how their work will change, what is expected of them during and after the change program, how they will be measured and what success or failure will mean for them and those around them. Team leaders should be as honest and explicit as possible. People will react to what they see and hear around them and need to be involved in the change process. Highly visible rewards, such as promotion, recognition and bonuses should be provided as dramatic reinforcement for embracing

change. Sanction or removal of people standing in the way of change will reinforce the institutions commitment.

Most leaders contemplating change know that people matter. It is also too tempting, however to dwell on the plans and processes, which do not talk back and do not respond emotionally, rather than face up to the more difficult and more critical human issues. But mastering the "soft" side of change management needn't be a mystery.

2.2 Understanding the Change Situation

Johnson and Scholes (2004), identify some critical aspects that managers need to understand so as to appreciate the need for change and diagnose the change situation correctly. They need to understand why strategic change is needed. It is also important for managers to understand the basis of the strategy in terms of strategic purpose, strategic intent and bases of competitive advantage. An understanding of the possible direction and method of strategy development is also considered important. It is also important to know the changes in structures, processes, relationships and activities will be required to move from strategic thinking into action. There is also the need to understand the magnitude of the challenge faced in trying to effect strategic change. This will be encapsulated in the scope of change required, the wider context in which change is to occur, the specific blockages to change that exist and forces that might exist which will facilitate the change process.

Balogun and Hailey (1999), highlight certain factors, which need to be taken into account, to bring about an understanding of the context within which change occurs. The aspect of time, that is how quickly change is needed, the scope, that is, what degree of change is needed, preservation in terms of what organizational resources and characteristics need to be maintained the homogeneity of staff groups and divisions within the organization, the managerial and personal capability to implement change, the degree of change resource available, how ready the workforce is for change and the power that the change leader has to impose change.

2.3 Models in Strategic Change Management

There are a number of major theorists and practitioners who have contributed their own models and techniques to the development of change management. Most observers seem to agree however, that these can be related to three basic models of the change process, which in turn arise from the pioneering work of one person Kurt Lewin. The models, which emerged from Lewin's, work included The Action Research Model, The Three Steps Model and the Planned Change Model, The Emergent Change Model (Burnes 1998).

The Action-Research Model in which a key and powerful individual senses that the organization has one or more problems that might be alleviated by a change agent. The agent gathers data and solves the problem jointly with the client. The Three-Steps Model whose process goes through three stages, which include the identification of the problem together with the identification of action steps to solve the problem and possible

resistance to change. The action step is the implementation of action steps and finally stabilization and evaluation to determine the success of change or need for further action or termination, which is leaving the system or stopping one project and starting another

Planned change is a term first coined by Kurt Lewin to distinguish change that was consciously embarked upon and planned by an organization, as averse to types of change that might come about by accident, by impulse or that might be forced on an organization (Marrow, 1969). In attempting to elaborate upon Lewin's Three-Step model, writers have expanded the number of steps or phases.

Lippitt et al (1958), developed a seven-phase model of planned change, whilst Cummings and Huse (1989), not to be outdone, produced an eight-phase model. However, as Cummings and Huse (1989) point out, 'the concept of planned change implies that an organization exists in different states at different times and that planned movement can occur from one state to another.' Therefore, in order to understand planned change, it is not sufficient merely to understand the processes that bring about change; there must also be an appreciation of the states that an organization must pass through in order to move from an unsatisfactory present state to a more desired future state.

Hullock and Batten (1985), developed an integrated, four-phase model of planned change based on a review and synthesis of over 30 models of planned change. Their model describes planned change in terms of two major dimensions: change phases, which are distinct states an organization moves through as it undertakes planned change; and

change processes, which are the methods used to move an organization from one state to another. The four change phases and identified by Bullock and Batten are the exploration phase, planning phase, action phase and integration phase.

The Emergent Change Model views change as a continuous open ended and unpredictable process of aligning and realigning an organization to its changing environment. The approach recognizes the importance of the organization to adapt its internal practices to the changing external conditions making it suitable to turbulent environments. A major development in the Emergent approach is its emphasis on a bottom-up approach to change. This is because the pace of organizational change is so rapid and complex that it is impossible for a small number of senior managers to effectively identify, plan and implement necessary organizational responses (Burnes 1998).

In attempting to elaborate upon Lewin's Three-Steps Model, writers have also expanded the number of steps. Cummins et.al (1989), produced an eight-phase model. However, they pointed out that the concept of planned change implies that an organization exists in different states at different times and that planned movement can occur from one state to another. Therefore, in order to understand change, it is not sufficient to merely understand the approaches and processes, which can bring about change. There must also be an appreciation of the state that an organization must pass through in order to move from an unsatisfactory present state to a more desired future state and the approach and process used to achieve this state.

Kotter (1995) suggests eight steps, which he proposes, lead to successful change.

Activity	Step
Establishing a Sense of Urgency Examining market and competitive realities. Identifying and discussing crises, potential crises, or major opportunities.	1
Forming a Powerful Guiding Coalition Assembling a group with enough power to lead the change effort. Enhancing the group to work together as a team.	2
Creating a Vision Creating a vision to help direct the change effort. Developing strategies for achieving that vision.	3
Communicating the Vision Using every vehicle possible to communicate the new vision and strategies Teaching new behaviour by the example of the guiding coalition	4
Empowering Others to Act on the Vision Getting rid of obstacles to change. Changing systems or structures that seriously undermine the vision. Encouraging risk taking and non-traditional ideas, activities and actions.	5
Planning for and Creating Short-term Wins Planning for visible performance improvements. Creating those improvements. Recognizing and rewarding employees involved in the improvements.	6
Consolidating Improvements and Producing Still More Change Using increased credibility to change systems, structures and policies that don't fit the vision. Hiring, promoting and developing employees who can implement the vision. Re-invigorating the process with new projects, themes and change agents.	7
Institutionalizing New Approaches Articulating the connection between the new behaviours and corporate success. Developing the means to ensure leadership development and success.	8

Source: Adapted from Kotter J.P., 'Leading Change: Why Transformation Efforts Fail,' Harvard Business Review on Change, 1995.

According to Burnes (1998), other models include the Simple Model, The Champion of Change Model and The Processual Model. According to the Simple Model, change takes place within a seven-phase framework which includes, the need for change, recognition of the need, identification of the need, identification of possible solutions, communication and consultation, selection of the solution, selling the solution, implementing the solution and achieving success.

The Processual Model is the temporal approach to change management. It identifies the substance of change like new technology or new management techniques, the need for change is conceptualized, transition in terms of new tasks, activities and decision is achieved in the contextual framework of politics of change, human resources, administrative structures and the business market and the operation of the new organizational arrangements.

The Champion of Change Model suggests that change is unlikely to be lasting or to be successful or even take place at all unless there is a leader of change. This leader must provide inspiration, must have the complete or whole-hearted support of senior management and must have the authority to carry out the change. He leads the people in the change process until change has taken place and he then disengages himself after empowering those involved in the change process, through involvement to continue with the change.

The Logical Incrementalism Model advocates for change to take place incrementally by developing the patterns of change incrementally, solidifying the process in the change program incrementally and integration of the processes and interest in the change program incrementally (Quinn 1980).

The Pockets of Good Practice Model is a bottom-up approach to business and organizational transformation where the principles of empowerment are used to create isolated pockets of good practice with emphasis on the power of individuals and the need for such individuals to have development experience outside their own business like participating in a management development program where they are exposed to good practices. This change approach, calls for change to be led and inspired by a small cadre of individuals from within the business (Buther et.al 1999).

Empirical studies have shown wider organizational practices have been influenced in this way. Each individual, whether they are in a senior position or not, starts by developing a personal vision of what could be achieved in business performance if practices were different. They then use their own initiative to implement that vision within one part of the organization, getting the backing of a small number of like-minded people (Buther et.al 1999).

The critical role of leadership is a common theme in all cases where the principle of Pockets of Good Practice models has been successfully applied to bring about organizational strategic change and transformation. The role of top management must be

to create the climate for pockets of good practice to grow and to nurture them where they appear. Only in that sense should the Pockets of Good Principle be a top-down one (Bather et.al 1999).

Kanter et.al (1992), proposed what they called the Ten Commandments to executing change successfully. These include, analyzing the organization and need for change, creating a shared vision and a common direction, separating from the past, creating a sense of urgency, supporting a strong leader role, lining up political support, crafting an implementation plan, developing an enabling structure, communicating and involving people, being honest, reinforcing and institutionalizing change.

2.4 Types of Strategic Change

Strategy development in organizations is usually adaptive in the way it occurs. However, occasionally there can be transformational changes (Romanelli and Tushman, 1992). Balogun and Hailey (1999) identify four types of strategic change, and these have implications for how change might be managed.

SCOPE

NATURE

	Transformation	Realignment
Incremental	Evolution	Adaptation
Big Bang	Revolution	Reconstruction

Source: Adapted from Balogun J. and Hailey H.V., 'Exploring Strategic Change,' Prentice Hall, 1999.

It is beneficial for the nature of change in an organization to be incremental, so as to build on the skills, routines and beliefs of those in the organization, so that change is efficient and likely to win their commitment. A big bang approach might be needed on occasions, for example, if the organization is facing crisis or needs to change direction very fast, but it can be disruptive and painful. In terms of the scope of change process, the issue is whether it can occur within the current paradigm (that is, current organizational beliefs and assumptions) or does it require paradigm change.

Balogun and Hailey (1999), go ahead to define four types of change. Adaptation is change which can be accommodated within the current paradigm and occur incrementally. It is the most common form of change in organizations. Reconstruction is the type of change which may be rapid and could involve a good deal of upheaval in an organization, but which does not fundamentally change the paradigm. For example, an

organization may make major structural changes to embark on a major cost cutting program to deal with difficult or changing market conditions.

Evolution is a change in strategy, which requires paradigm change, but over time. Evolution can be seen to be active in the case of learning organizations, which continually adjust their strategies as their environments change. Revolution is change which requires rapid and major strategic and paradigm change, perhaps in circumstances where such drift has resulted in circumstances where pressures for change are extreme – for example, if profits decline or a takeover threatens the continued existence of a company

It is important to note that within incremental change may lay the dangers of strategic drift as change is based on, or bounded by, the existing paradigm and routines of the organization, even when environmental or competitive pressures might suggest the need for more fundamental change (Johnson, 1990).

According to Sullivan & Harper (1996), evolutionary change usually is linear and sequential. The downside of evolutionary change is that it is predictable. Competitors can figure out what organization is doing and where it is going. Revolutionary change is about transforming the organization. The revolution can be small or it can be sweeping. The path of transformational change, while not linear and sequential, can be made predictable to people inside the organization through proper planning and communication. Both evolutionary and revolutionary change can be legitimate strategic

choices under the right environmental conditions. Environmental conditions can be defined by velocity, mass and complexity. The velocity of change is the rate change takes place. The mass of the change is how widespread it is. The complexity of change means that change never occurs in isolation. Each change affects other changes in often unseen, unanticipated or misunderstood ways that lead to unintended second and third-order effects.

Research shows that organizations can get so immersed in inertia that they require revolutionary changes to adapt successfully to the changing environment, that is, some organizations may not be able to change in spite of warnings from the environment. In "stuck" organizations quantum changes seem to occur only after a significant decline in organizational performance; often a leader is recruited from outside the organization. This is because leaders from outside the organization bring a new way of seeing the world; they are not trapped by the cultural norms and conventions that created the inertia (Goodfellow, 1985).

Revolutionary change is the way to save an organization that has lost its competitive advantage and slipped perilously close to the abyss of irrelevancy. The downside to revolutionary change is that it tends to accentuate the negative generalized effects of change. The alternative approach argues that successful change does not come from tumultuous and radical change, but from gradual and incremental change. Gradual and incremental change is easier to plan for, easier to implement than revolutionary change, and tends to be less bloody. Arguably, gradual change is the preferred method.

However, the choice between evolutionary change and revolutionary change will be driven by the pace of change in the environment and how well the management has kept up with those environmental changes (Goodfellow, 1985).

2.5 Organization Culture and Change Management

Different authors have defined organizational culture. Allen (1986), views corporate culture as the pattern of how things are done in an organization. Hofstede (1991), observes that most people who write about organizational culture agree that it is, holistic, referring to a whole, which is much more than the sum of its parts, historically determined, reflecting the organization, socially constructed, created and perceived by the group of people forming the organization, it has a "soft" characteristic and it is difficult to change although authors disagree on how difficult.

Anderson and Barker (1994), define the culture of a business as being a complex pattern of assumptions, attitudes, beliefs, expectations, ideologies, norms, philosophies and values. Schein (1997), defines it as the basic assumptions and beliefs that are shared by members of an organization that operate unconsciously and define in a basic taken-for-granted fashion an organization's view of itself and its environment. There are thus three layers that make up the culture of an organization, namely values, beliefs, and taken-for-granted assumptions.

Values may be easy to identify in an organization and are often written down statements about the organization's mission, objectives or strategies. However, they tend to be

vague, such as 'service to the community' or 'equal employment opportunities'. Beliefs are more specific, but again they are issues, which people in the organization can surface and talk about. They might include a belief that professional staff should not have their professional actions appraised by managers. Taken-for-granted assumptions are the core of an organization's culture and are the aspects of an organizational life which people find difficult to identify and explain, more commonly referred to as organizational paradigm.

2.6 The Cultural Web of an Organization

The Cultural Web is a representation of the taken-for-granted assumptions or paradigm, of an organization and the physical manifestations of organizational culture (Johnson, 1992). Culture can be analyzed by observing the way in which the organization actually behaves – the cultural artifacts (the routines, rituals, stories, structures, systems, etc.). Out of these, will also emerge the clues about the taken-for-granted assumptions (Johnson, 1987).

The routine ways that members of the organization behave towards each other and towards those outside the organization make up 'the way we do things around here'. At its best, this lubricates the working of the organization and may provide a distinctive and beneficial organizational competence. At its worst, it can represent a taken-for-grantedness about how things should happen which is extremely difficult to change and protective of core assumptions in the paradigm. The rituals of organizational life are the special events through which the organization emphasizes what is particularly important

and reinforces 'the way we do things around here'. Examples of rituals include relatively formal organizational processes – training programs, interview panels, promotion, and assessment procedures, sales conferences, etc.

The stories told by members of the organization to each other, to outsiders, to new recruits etc, embed the present organizational history and also flag up important events and personalities. They typically have to do with successes, disasters, heroes, villains and mavericks who deviate from the norm. Symbols (such as logos, offices, cars and titles or the type of language and terminology commonly used) become a shorthand representation of the nature of the organization. Although symbols may appear separately as one of the elements in the cultural web, it should be remembered that many elements of the web are symbolic, in the sense that they convey messages beyond their functional purpose for example, routines, control and reward systems and structures are symbolic in so far as they signal they type of behaviour valued in an organization (Johnson, 1990).

Power structures are also likely to be associated with the key assumptions. The paradigm is, in some respects, 'the formula for success,' which is taken for granted and likely to have grown up over years. The control systems, measurements and reward systems emphasize what is important to monitor in the organization and to focus attention and activity upon. Reward systems are important influences on behaviours, but can also prove to be a barrier to success of new strategies. For example, an organization, with individually based bonus schemes related to volume could find it difficult to promote

strategies requiring teamwork and an emphasis on quality rather than volume. Organizational structure is likely to reflect power structures and again delineate important relationships and emphasize what is important in the organization. Formal hierarchical, mechanistic structures may emphasize that strategy is the province of top managers and everyone else is 'working to orders'.

2.7 The Place of Organizational Politics In Strategic Change

Organizational politics is very difficult to discuss in isolation from the concept of power because, according to all definitions in the literature available, power is not a thing or an act, but rather a resource, a capacity, a potential and it does not have to be used (Dahl, 1957; Swingle, 1976; Pfeffer, 1981). Of all the definitions of power in the literature, the one that seems to sum the concept up most succinctly is the capability of one social actor to overcome resistance in achieving a desired objective or result.

Politics, on the other hand, are the things people engage in to get power when it might not come naturally. If power is the resource, politics is the act used to develop that resource. The two terms are therefore intricately bound up together, but power is the more acceptable and respectable term because of its non-concrete nature (Pfeffer, 1981). However, Weber (1947) differs, as he believed that power resided in the position held and he did not distinguish power and authority.

Managers have many tools, that is, skills, options, strategies and models, that they can use, and they do not always use every one for every situation. There are choices that can

be made and politics can be seen as just another tool. Managers in organizations may not always choose to use political action to effect change but at least it does give them another option. In this sense, it is a form of managerial control and because it is the act of getting and keeping power, managers use it far more than they are willing to admit (Lewis, 2002).

2.8 The Unsettling Notion of Power and Politics

Almost universally, notions of power and politics have negative connotations. While literature relating to power has always recognized the use of power for change under certain circumstances (Machiavelli, 1958, Kotter et.al, 1979), and while a few current researchers are coming to see power positively as a change technique (Dunphy and Stace, 1988, Lewis, 1996, Kramer and Neale, 1998) very few people see politics that way. Perhaps this is because politics is often considered a little 'dirty', conjuring up images of illicit deals and underhand activities.

The idea of organizational politics implies the existence of conflict and opposing views, that is, the pluralist view. Pluralism, according to Burrell and Morgan (1979), emphasizes the diversity of individual and group interests, where the organization is seen as a loose coalition whose members have only a passing interest in the formal goals of the organization. Pluralists therefore see conflict as normal, to be lived with, managed and resolved. It is endemic in an organization, not necessarily good or bad. Power is an essential variable and the medium through which conflicts of interest are lessened and resolved.

Morgan (1997), extrapolates on this idea of pluralism and argues that organizations can be seen as political systems in which all people pursue their own interests. He claims that, because people are constantly competing for scarce resources (including higher-level jobs), the seeds of politics are built into our organizational systems. Thus, 'one does not have to be consciously cunning or deviously political to end up playing organizational politics'.

2.8.1 The Place of Politics in Strategic Change

Managers engage in political action in many subtle ways, particularly during times of change. Brinslin (1991), provides a useful framework that classifies political strategies and tactics in terms of their end objective – strategies for gaining support and strategies for dealing with opponents.

In times of organizational change, managers will want to gain support for a particular position, so the manager either needs to enhance his or her own power or gain the support of other powerful organizational members. When managers bring in outside experts, they are not always seeking information and advice, but sometimes wanting to legitimize and gain support for their cause. Consultants are not unaware of these motives and may also find it advantageous to tell the managers what they want to hear. Promotion and recruitment are also often done on the basis of politics. Why would a manager promote or recruit someone who would thwart his or her plans for change? Gaining support does not always involve negative actions. Managers will often work with subordinates to create a feeling of joint ownership and share information with their peers.

Strategies for dealing with opponents are often quite Machiavellian. One common strategy used by managers is to intervene to affect the decision-making process. Decisions, according to the rational model, are supposedly made for some reason. So, if a manager wants to affect the decision-making process, he or she will have to either set the parameters of the decision or decide what alternatives will be considered. The rational model of decision-making is unrealistic because it is impossible to consider all alternatives and because certain parameters are set down even before any alternatives are considered. Therefore, a person who can set the parameters and define the alternatives is wielding power and engaging in political activities, and practicing managers will undoubtedly be able to relate to this tactic.

2.8.2 Using Politics in Strategic Change

Political strategies may be more appropriate when major organizational change is needed and there are many well-established power bases that need to be jolted out of their inertia. (Mintzberg, 1990) "Political activity tends to be more enduring during periods of blockage, when strategic change cannot take place, often because of political intransigence, and periods of flux, when an organization is unable to establish any clear direction and so decision making tends to take the form of free for all". Political tactics may need to be used in an organization with deeply entrenched cultures when a crisis occurs that requires immediate changes to be made.

Dunphy and Stace (1988), say that collaboration may be tried and will fail if there has not been a history of collaboration in the organization. They state that change strategies must

ensure organizational survival rather than conform to an existing body of theory. Political tactics may be used to channel personal contacts when the existing structure does not allow managers to have access to people they want to influence; and politics may be used to resolve conflicts that cannot be resolved in overt ways (Pfeffer, 1992). Thus managers have much more choice in strategic change strategies than they are willing to acknowledge. After all, advertising one's power and revealing one's political strategies will almost certainly decrease their effectiveness.

2.8.3 Power and Political Processes

According to Mintzberg (1983), there will be need for the re-configuration of power structures in the organization, especially if transformational change is required. In order to effect this re-configuration of power, it is likely that the momentum for change will need powerful advocacy within the organization, typically from the chief executive, a powerful member of the board or an influential outsider.

Sources of power within organizations are varied. Acquiring additional resources or being identified with important resource areas or areas of expertise and the ability to allocate such resources can be a valuable tool in overcoming resistance or persuading others to accept change. Powerful groupings in the organization are of crucial importance and may at times correspond to powerful stakeholder groups, which can help overcome resistance to change.

Building up alliances and a network of contacts and sympathizers, even though they may not be powerful themselves, may be important in overcoming the resistance of more powerful groups. The change agent might concentrate on these to develop momentum, building a team strongly supportive of the activities and beliefs of the change agent. He or she may also seek to marginalize those who are resistant to change. Political aspects of management in general and change specifically, are unavoidable and the lessons of organizational life are as important for the manager as they are and always have been, for the politician.

All these sources of power may be used to, build a power base, encourage support or overcome resistance and achieve commitment to a strategy or course of action. Problems associated with the political aspects of management are numerous. Building a power base is a delicate path to tread – this is because the manager may have to become so identified with existing power groupings that he or she either actually comes to accept their view or is perceived by others to have done so, thus losing support amongst potential supporters of change.

In overcoming resistance, the major problem may simply be the lack of power to be able to undertake such activity. Further, in implementing change the main problem is likely to be carrying the body of the organization with the change – this is because it is one thing to change the commitment of a few senior executives at the top of an organization, it is quite another to convert the body of the organization to an acceptance of significant

change. The danger is that individuals are likely to regard change as temporary – something with which they need to comply only until the next change comes along.

2.9 Roles in Managing Change

Change is not possible unless people are willing to help. Speeches and newsletters help communicate the vision, but the most powerful medium is the behavior of the strategic leaders in the organization. Very visible executive level leaders must behave in ways that are consistent with the vision. Strategic leaders, those who communicate the vision well, must incorporate messages about the vision into their hour-to-hour activities and use every communication channel to get the word out (Kotter, 1995).

It is a common mistake to envisage change as being dependent on individuals at the top of an organization. While this may be true to a certain extent due to the 'strategic leadership' individuals at this level provide, different organizational contexts, types of change and change processes found in organizations need to be taken into account. Leadership is the process of influencing an organization (or group within an organization) in its efforts towards achieving an aim or goal. Thus, a leader is not necessarily someone at the top of an organization, but rather someone who is a position to have influence (Stodgill, 1992).

According to Waldman et.al (1994), strategic leaders fall into either one of two categories. Charismatic leaders are mainly concerned with building a vision for the organization and energizing people to achieve it and are therefore usually associated with

managing change. These leaders have particularly beneficial impact on performance when the people who work for them see the organization facing uncertainty. Instrumental - transactional leaders focus more on designing systems and controlling the organizations activities and are more likely to be associated with improving the current situation.

Successful leaders according to Kets de Vries (1981), have particular personal characteristics - traits. These include, visionary capacity, being good at team building and team playing, a capacity for self-analysis and self-learning, mental agility and the ability to cope with complexity, self-direction and self-confidence, and charismatic leaders in particular are good at expressing complex ideas simply, creating commitment and channeling people's energy.

Harper and Row (1982), argue that the most successful strategic leaders are 'masters of two ends of the spectrum'. By this they mean that such people are able to be both charismatic and instrumental, which may entail coping with potentially conflicting ways of managing. In strategy creation, they are able to undertake or understand detailed analysis and at the same time, to be visionary about the future. In achieving organizational credibility for a strategy, they need to be seen as having insight about the future, and yet action-oriented about making things happen. In challenging the status quo in an organization, an ability to maintain credibility and carry people with the change, whilst attacking the taken-for-granted and current ways of doing things. In communicating strategic intent, an ability to encapsulate often quite complex issues of

strategy in everyday ways which people can understand. In consolidating a strategy and making it happen, an ability to maintain organizational performance whilst breaking down old assumptions and old ways of doing things.

2.9.1 The Role of Senior Executives in Implementing Change

Hout and Carter (1995), view senior executive roles evolving from mere enablers or coaches to activists. They give various reasons for activist executives. Only senior executives can finish the work that changes bring about by managing the political conflicts that process improvement inevitably stimulates and by removing the managerial obstacles that are the biggest barrier to successful change efforts. Senior executives can use their authority to go to the heart of the problem and therefore provide superior solutions in ways that no mid level team can, no matter how empowered it is.

Thus it often pays for senior managers to play a hands-on role in improving operations and redesigning work. Only senior executives can create competitive breakthroughs by linking process improvements to strategy. Process excellence in isolation rarely leads to sustainable competitive advantage. The ultimate responsibility of activist executives is to make the connection between strategy and capability (Hout and Carter, 1995).

2.9.2 The Role of Middle Managers in Implementing Change

Floyd and Wooldridge (1996), argue that middle managers do provide a real benefit in both the development and implementation of the strategy. They implement and control change by monitoring it. They also play the role of re-interpretation and adjustment of

strategic responses as events unfold, for example in terms of relationships with customers, suppliers, workforce, due to their day-to-day contact with such aspects of the organization. They are the crucial bridge between top management and members of the organization at lower levels. They are also in a position to advise more senior management on what are likely to be the organizational blockages and requirements for change. Middle managers therefore contribute substantially either to galvanizing commitment to strategy and the change process or to blocking it

2.9.3 The Role of Consultants in Implementing Change

Consultants are often used in change processes. The value of consultants according to Johnson and Scholes (2004) is two fold. First, they do not inherit the cultural baggage of the organization and can therefore bring a dispassionate view to the process and second, they signal symbolically the importance of the change process.

Hammer and Stanton (1995), analyze the advantages and disadvantages of using consultants. One advantage is the ability to leverage other company's experiences. As consultants tend to have more change experience than the client they enable the client leverage other companies experience and avoid their mistakes. The company also gains access to essential skills as specialized skills in a particular field can be provided by consultants for example, skills in change management. Some disadvantages they consider are that the organization may outsource an important capability vital to the organization's long-term health, the costs of hiring consultants is also high and that

consultants may be objective but are not responsible for the success / failure of change management as they only make recommendations.

2.10 Styles of Change Management

Johnson and Scholes (2004), outline 5 styles of managing change. Education and communication involves the explanation of the reasons for and means of strategic change. Appropriate if there is a problem in managing change based on misinformation or lack of information.

Collaboration or participation entails involvement of those who will be affected by strategic change in the identification of strategic issues, the setting of strategic agenda, the strategic decision making process or the planning of strategic change. This can be helpful in increasing ownership of a decision or change process and in increasing commitment to it.

Intervention is the co-ordination of and authority over processes of change by a change agent who delegates elements of the change process. For example, it might be that particular stages of change, such as idea generation, data collection, detailed planning, the development of rationales for change and the identification of critical success factors, are delegated to project teams / taskforces. Such teams do become involved in it and see their work building towards it.

Direction involves the use of personal managerial authority to establish a clear future strategy and how change will occur. It is essentially top-down management of strategic change. **Coercion or edict** involves the imposition of change or the issuing of edicts about change. This is the explicit use of power and may be necessary if the organization is facing a crisis.

2.11 Levers for Managing Strategic Change

Symbols are objects, events, acts or people, which express more than their intrinsic content. The creation or manipulation of symbols has impact to the extent that changing symbols can re-shape beliefs and expectations because meaning becomes apparent in day-to-day experience in the organization. Changes in physical aspects of the work environment are powerful symbols of change, such as, change of location for the head-office, relocation of personnel, changes in dress, uniforms and alterations to offices or office space. However, the most powerful symbol in relation to change is the behaviour of change agents themselves, especially strategic leaders. Their behaviour, language and the stories associated with them can signal powerfully the need for change and appropriate behavior relating to the management of change (G.Johnson, 1990)

Also important in effecting change is the language used by change agents. Either consciously or unconsciously, change agents may employ language and metaphor to galvanize change (Pondy, 1997). Language is not simply concerned with communicating facts and information; language is also powerful because it is symbolic and is able to carry several meanings at once (Conger and Kanungo, 1987).

2.12 Communicating Change

The reasons for strategic change may be complex resulting in an even more complex strategy to facilitate the change. However, irrespective of its degree of complexity, the strategy chosen must be well communicated to members of the organization so as to be effective. It is important to state the vision and strategic intent of the strategy chosen to facilitate change. However, it is also important to clarify and simplify the priorities of the strategy. Nadler and Tushman (1989), argue that it is best to emphasize a limited number of key aspects of the strategy, rather than expect to be able to communicate overall complexity.

The choice of media is also important. The extent to which different forms of media (face-to-face, bulletins, circulars, and memos) are likely to be effective depends on the extent to which the nature of the change is routine or complex. To communicate a highly complex set of changes, it would be inappropriate to use standardized bulletins and circulars with no chance of any feedback or interaction (Engel and Daft, 1988).

Johnson and Scholes (2004), observe other reasons why communicating change is important. Involvement of members of the organization in the strategy development process or the planning of strategic change is also, in itself a means of communication and can be very effective, as they can become change agents themselves. As the changes to be introduced may be difficult to comprehend it is important to implement a system where feedback is provided for. To overcome this problem, it may be useful to set up "focus groups" which give feedback to senior executives on the implementation and

acceptance of change. In some organizations, senior executives invite feedback by 'walking the talk', ensuring that they meet with those responsible for implementing change, perhaps on an informal basis in their work place. In managing change, the task is not only to communicate change, but to do it sufficiently powerfully to overcome the inevitable counter-communication (rumors, gossip and story-telling), which is likely to take place.

2.13 Selling Change

Willets (1996), observes that the reason change is so uncomfortable is because it is "the roller coaster ride of unfamiliarity". The change phenomenon itself is in three phases. The first phase, Holding on Phase, is the stage of anticipation of change and people exhibit negative reactions, like denial, anger, anxiety, and withdrawal directed either at management, the impersonal organization and even co-workers, especially those who are positive about the change. As change begins at this stage, people's imagination and company gossip often go wild.

The Roller Coaster Ride is the second phase. This is the phase when "things really get going". Reactions include continuing anger and anxiety and a new profound sense of confusion, which is rooted in being between two worlds - the old organization and culture and the new. The last phase involves, experience and commitment and it is at this phase when people gain some experience in the new organization and begin to make real commitments to it.

2.14 Generalized Effects of Change

The four main effects of change on human behaviour according to Bolman and Deal (1991), include self-confidence, confusion, loss and conflict. Change can cause people to feel incompetent, needy and powerless, in short, to lose self-confidence. It is essential for the people in the organization to be involved in planning and executing change, to have opportunities to develop new skills required by the change and to depend on psychological support mechanisms put in place before, during and after the change is implemented.

Change can create confusion throughout the organization. Change alters the clarity and stability of roles and relationships, often creating chaos. This requires realigning and renegotiating formal patterns of relationships and policies. Change creates loss and therefore generates interpersonal conflict. Change can create loss of meaning and purpose. People form attachments to symbols and in symbolic activity. When the attachments are served, people experience difficulty in letting go of old attachments. Avoiding or smoothing over these issues drives conflict underground, where it can fester and boil over. The psychological wounds that come with change require the creation of arenas where issues can be dealt with that may require symbolic healing.

2.15 Resistance to Change

Mariotti (1998), identifies two levels of resistance, which have to be recognized when trying to sell change. Resistance based on the lack of information and/or an honest disagreement over the facts. This type is especially prevalent in the first phase of change.

Personal and emotional resistance, which is prevalent in both the first phase and second phase of change. It is often ignored when implementing change and can be tackled by encouraging learning.

The key to managing resistance is sincere selling. This approach recognizes the inevitability of resistance, so it addresses resistance honestly and consistently. It also acknowledges that resistance will be experienced differently based on positive or negative reactions to change. This approach also warns that people may not be comfortable expressing their true reasons for resistance and it encourages creating an atmosphere that allows honest communication (Marshall & Conner, 1996).

In the early stages of a change project, when enthusiasm is high, sincere selling helps minimize the impact of uniformed optimism with a true accounting of what the likely costs of the change will be. While this may cause many change projects to die on the drawing board that is a better outcome than having the project fail in implementation. Also the "sincere seller" will work on team communication to ensure that employees understand what the change project entails and feel comfortable expressing honest resistance openly. This level of communication will also enable managers to understand whether employees are having a positive or negative reaction to change (Conner, 1992).

Goodfellow (1985), suggests that one way to decrease resistance is to plan for and allow people to participate in decisions, which affect them. Participation in decision-making gives people a sense of involvement and increases the probability of commitment to

change. Scheduling change is another way to overcome resistance. If people know when they are no longer required to do things one way and are expected to move to a new way of doing things, they tend to waste less effort, experience less frustration and stress and tend to be less resistant. Another critical factor to overcoming resistance is support from the top. It is important that the strategic leaders in the organization demonstrate their commitment to change by being spokes-persons for the change, by providing incentives for change and by embodying the change.

Jones et.al (2004), identify four antidotes to change resistance. The first of these antidotes entails, bringing employees face to face with external pressures to change. Staff can be energized to participate in a change initiative if they understand how their work contributes to the company's success. The second antidote entails engaging change zealots. People who "own" and drive change can serve as role models. A clear best practice is to identify the zealots early and encourage them to drive the changes. Some will have influence because of their positions or titles; among them will be early adopters and resisters of change, and both will affect the way people around them think. Others will be in the cultural center of the organization. Still others are leaders not because of their titles or positions, but because of their connections and ability to persuade or influence others.

The third antidote they recommend entails managing employee feelings. Help people deal with their emotional reactions to change and decide whether they can thrive in the new environment. The fourth antidote entails supporting the change with new tools and

systems. Companies often say that their employees are their greatest asset, yet the very attributes that make them valuable – their commitment and passion and the satisfaction, identity and pride they derive from their work and the company's success – also create formidable barriers to change. With these four techniques, companies can break down these barriers and make change happen while still treating their employees with dignity and respect.

(One way to guarantee resistance is to announce an immediate and unexpected change. This provides a shock wave in the thinking of people who are part of the organization. In the minds of those people, the shock wave often takes the form of “they are trying to keep something from us” or “they do not have a clue about what they are doing.” This leads to embarrassment and loss of face on the part of the leader and the followers (Goodfellow 1985).

2.16 Implementing Change

Major change takes hold and becomes infused throughout the organization by management being broad-minded rather than narrowly focused. A strategic leader must develop sensing networks, expand the target audience, gather and broaden the power base, alert the organization that change is coming, actively manage the planning and execution processes by linking every day-to-day action to the vision for change, continually communicate the vision for change to key internal and external constituencies, know about and plan for overcoming resistance and be prepared for unexpected but necessary mid-course corrections (Goodfellow 1985)

Most strategic leaders consciously develop and maintain a variety of information and power networks. These networks may be the sources of information that change is necessary. In addition to serving as sources of information, these networks also serve as sounding boards for new ideas. The people in these networks must be trusted by the leader and familiar with the leader's thought processes. The type of change implemented depends on the nature of changes in the environment, how well strategic leaders have scanned the environment and anticipated the need for change and the nature of the organization itself

Successful change is hinged on a picture of a desirable future. Vision can provide both a corporate sense of being and a sense of enduring purpose. Without a sensible vision, change efforts can dissolve into a list of confusing projects that take the organization in the wrong direction. It is important that the vision be easy to communicate (Kotter, 1995).

As the need for change begins to crystallize, the strategic leader can begin to expand discussions to a broader cross-section of organizational members, paying careful attention to their reactions, suggestions and alternatives. This actually is a search for allies within the organization and with strategic constituencies outside the organization. Expanding the discussion is a way to gain greater clarity around the issues, to get key people to begin to talk about the issues and to build support. Gradually, people in the organization will become aware that change is imminent. Their expectations will begin to build that problems are going to be solved, things are going to get better and

procedures are going to change. But at this point, there will be few if any specifics to complete the picture (Goodfellow, 1985).

Gather and broaden the power base. As the strategic leader develops greater clarity around the need for change, he / she will begin to pay attention to power figures in the organization, and may commission studies of alternatives. Study groups, part of decision making, require personnel involvement and build pockets of support in the organization. By setting the agenda of study groups, timing and sequence of studies and selecting the leaders and members of each study group, the strategic leader maintains influence over the process (Goodfellow, 1985).

Alert the organization. At some point, after studying the issues and building support for change both inside and outside the organization, the strategic leader will make a formal announcement of the change. Announcing change should be carefully planned and well timed for maximum effect. The announcement can, and should take many forms from speeches to the board of directors, to distributing pamphlets, to dinner or lunch presentations and to informal discussions (Goodfellow, 1985).

If people think that the organization is doing fine, there will be little motivation for change. Successful change starts when the people in the organization take a hard look at the organization's competitive situation, market position, technological advances and performance. A frank and open discussion of the potentially unpleasant facts about new competition, shrinking budgets, flat performance, lack of growth and other indices of

declining competitive position can create in the minds of people the need for change. A strategic leader can create that sense of urgency by painting the facts and by presenting the undesirable outcomes that may result from maintaining the status quo (Goodfellow, 1985).

The strategic leader's public announcement of a vision for change usually includes the unveiling of an accompanying plan (or the need to develop such a plan) and the appointment of a key member of the organization charged with turning the vision into a reality. The first key to turning a strategic vision into reality comes in linking actions, accountability and time-lines to the vision for change and then working the plan. Changes and revisions to the strategic plan will be necessary, but if the strategic leader does not ensure that the vision for change evolves into a plan for specific action, the vision will devolve into feathers and smoke.

The second key in turning a strategic vision into reality is to designate a person charged with the every day orchestration of the change. The strategic leader should avoid getting into the weeds of change management and remain at the strategic level, scanning the environment, servicing strategic constituencies and communicating the vision. The champion or change agent must be a credible member of the organization who has the trust and respect of key power figures and constituencies inside and outside the organization. The person must be committed to the change, must have the power and resources to make things happen and must clearly support the change through everyday behaviours, communication and execution management (Goodfellow, 1985).

CHAPTER THREE: RESEARCH METHODOLOGY

This chapter details the research design used to achieve the objectives of the study, which were to establish the changes, which the new management of the company effected after the change in ownership and the challenges the management faced as it implemented change in the organization.

3.1 Research Design

This was a Case Study on Celtel Kenya Limited. According to Mugenda and Mugenda (1999) a Case Study is an in-depth investigation of an individual, group, institution or phenomenon. The primary purpose of a case study is to determine factors and relationships among the factors that have resulted in the behaviour under study. The investigation therefore made a detailed examination of a single subject, group or phenomenon. Both Young (1960) and Kothari (1990) concur that a case study is a very powerful form of qualitative analysis that involves a careful and complete observation of a social unit, be that unit a person, a family, an institution, a cultural group or even the entire community. It is a method of study that drills down rather than casts wide.

3.2 Data Collection Procedures

This study used primary data. This data was deemed as appropriate as it ensured that the information collected was comprehensive (Cooper and Schindler, 2001). The primary data was obtained through personal interviews and focused group discussions. An Interview Guide found in Appendix 1, was used to interview the senior management team

members, namely, the Chief Executive Officer, Chief Commercial Officer, Chief Technical Officer, Human Resources Director and Chief Finance Officer. These individuals were deemed as the most suitable persons to provide the information as they participated in decision making for the company and outlined their respective departmental strategies and how they needed to be employed to bring about achievement of overall company objectives. They were thus able to give information regarding their respective departmental functions and how those functions fitted in with the overall company strategy.

Primary data was also obtained from Focus Group discussions with other employees across the departments in the organization. A Focus Group Discussion Guide provided in Appendix 2 guided the discussions. The groups were made up of different employees on the same cadre(s) from across the departments. The discussions entailed having recorded sessions with the different individuals on their views regarding the changes that were taking place within the organization. This categorization methodology was used so as to yield optimal results from the persons interviewed.

3.3 Data Analysis and Presentation

Data was analyzed using Conceptual Content Analysis. Content analysis is a research tool used to determine the presence of certain words or concepts within texts or sets of texts. Researchers quantify and analyze the presence, meanings and relationships of such words and concepts, then make inferences about the messages within the texts, the

writer(s), the audience and even the culture and time of which these are a part (Carley, 1992).

Research questions were first identified. The text was then coded into manageable content categories. The next stage entailed determining the level of analysis after which the different concepts to code for were identified

Analysis of the data collected from the aforementioned sources was guided by variables such as the financial performance of the company after the change of ownership, organization culture, power and politics, reaction of employees to the changes as well as leadership and its role in the organization.

The content analysis was then conducted by coding the data collected on a theme basis of, driving forces of change, change management after the transition, change management models used by the company, the change management practices being employed, the challenges which the management faced as they went about implementing the changes and the tools they used to measure the impacts of the changes. The findings were then summarized into a report, discussed and conclusions made. Thus, this type of analysis was deemed appropriate, as it did not limit the respondents on the answers.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This Chapter details the results obtained from the data collected from interviews conducted with the Top Management at Celtel Kenya Limited as well as the Focus Group discussions held with the different employees across the departments. These findings were then discussed with reference to the information collected in the Literature Review found in Chapter 2

The findings of the study were classified under the following themes, the driving forces of change, the change in company ownership, the change management models which the management used to bring about the changes, the change management practices, an overview of the challenges which the management faced as they went about implementing the changes and the tools used to measure the impact of the changes.

4.2 Forces of Change

Prior to the transition, the growth of the company's subscriber base had slowed to a near halt, the expansion of its network was slower than planned and its books carried a heavy load of debt and loss. These worrying trends thus needed to be reversed if the company was to improve bottom line profits. There was thus a need to improve on product offering and network expansion

The main force, which the respondents cited was financial deficiency of the former French-based shareholders, Vivendi. The cash-starved Vivendi was unable to continue supporting the operations of the company. Thus they were forced to sell their shareholding in the company.

Another force that drove the changes was the high dose of expatriates that the former shareholders Vivendi, opted to retain on board. They were costing the company handsome amounts of cash in form of high salaries and allowances, which were depleting company finances. There was thus a need to change this scenario.

Most of the respondents agreed that there was a great need to increase the company's market share. This is because though the company had a substantial share of the market; it was lagging far behind its competitor Safaricom. A large portion of the market was still untapped and the company had to move fast to cash in on the opportunities that these untapped segments presented.

Changing shareholder expectations such as better performance and improved bottom-line profits also necessitated the need for change. The shareholders felt that they were not getting optimal returns on their investment and the company was losing out on many opportunities presented by the market. Thus a need for change was deemed necessary.

The company also had to comply with its Licence requirements to cover a specified percentage area of the country within a given duration. Failure to do this would mean

paying hefty penalties. There was thus a need to accelerate the network roll out so as to dodge any penalties that non-compliance may have attracted

Some respondents also felt that company expenditure had sky rocketed with not too much to show for this expenditure. Checks and balances thus had to be introduced into the system if the company was to continue with operations.

4.3 Change Management After the Transition

The research established that the transition had brought about greater stability in the organization. This was due to the increased financial capacity created in both cases when the company acquired new ownership. The initial focus in the transformation from KenCell to Celtel was put on cost-efficiency. It was also established that cultural fit did not affect either of the mergers. This is because the company was run as a separate entity autonomous from the holding companies. The new management also re-defined the company mission and objectives one of which included, making the lives of customers better by delivering affordable, accessible and reliable telecommunications services. The main aim of this objective was to empower the customers to better transact their business and social lives. The company also aimed at developing products and services that brought people and communities closer together. This was achieved by, listening to the customers and putting their needs at the heart of the product and service development processes.

It was noted that, the management did not foresee another change in ownership soon. Some reasons given for this anticipation included the fact that the company had recently (in 2005), floated a Kshs 4.5 billion five-year bond (captured in the audited results for 2005, Table 4.1) in the Nairobi Stock Exchange, which was oversubscribed, a sign that the company had investors confidence on its side. Part of the collateral backing the bond included the headquarters of the company in Amsterdam. The cash raised from the sale went a long way in raising cash flow alongside re-investing internally generated cash. In addition, Mobile Telecommunication Company (MTC), planned to take up the entire 60% shareholding in the company in less than two years time.

The change in ownership had also fueled a rise in the company subscriber numbers by 52 per cent to about two million as evidenced by the Subscriber Growth Trends for the year 2004/2005 (Figure 4.5). The management attributed this improvement to increased investment in network expansion, greater cost-efficiency, business re-engineering and the introduction of new products in the market. The management was also focused on increasing the subscriber growth rate further. To finance expansion, the company continued to re invest its internally generated cash as indicated in the audited results of the company for the year ending 31 December 2005 (Table 4.1).

4.4 Change Management Models Used By the Company

The researcher noted that, initially, when the first change of ownership took place, the company adopted the Champion of Change Model. This was evidenced by the appointment of a transitional Chief Executive Mr John McDonald who was to champion

the change immediately after the transition before handing over to the present chief executive officer, Mr May Gerhard. The transitional Chief Executive Officer was charged with the responsibility of ensuring that there was a smooth transition. He left after ensuring that both the management team as well as the employees of the company had gained an appreciation of the need for change in the company.

The organization then adopted the Emergent Approach Change Model to bring about change. This approach was adopted because, with the continuous and dynamic nature of change in today's business world, it no longer made sense to implement a planned process for "freezing" changed behaviours. In addition, the new management wanted to factor in the dynamic nature of the Kenyan telecommunication industry by ensuring that the company was adoptable to the changes that were constantly taking place within the industry. Burnes (1998), argues that implementing stability and reinforcing behaviour which conforms to a basic set of procedures for new work arrangements do not meet the growing requirements for employees' flexibility and structural adaptation of the unfolding and complex nature of ongoing processes. He advocates for the need to upgrade to the Emergent approach to change in a turbulent environment.

4.5 Change Management Practices

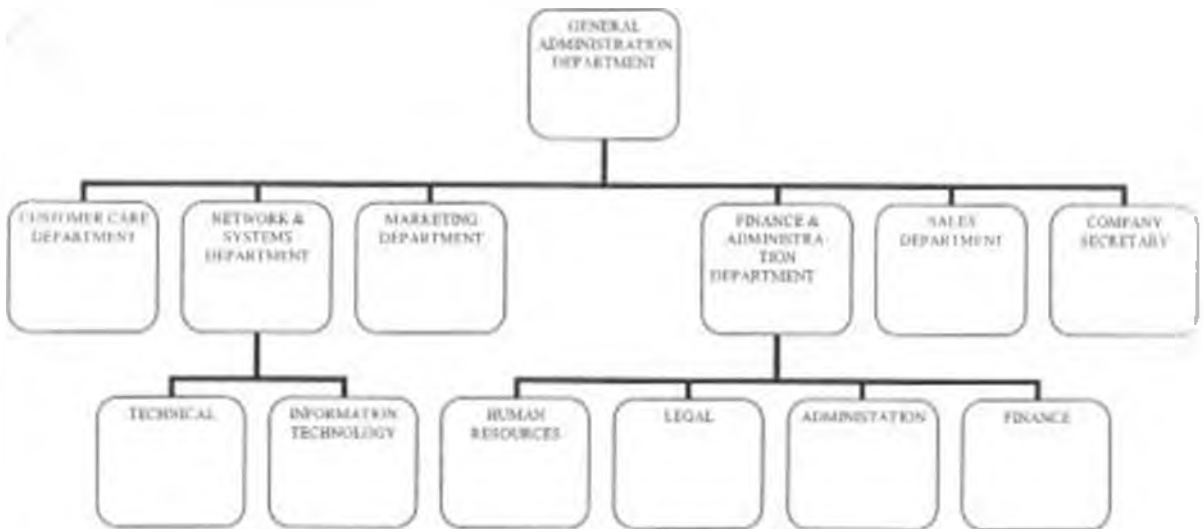
The research established that the main objectives the changes hoped to achieve included, improving company profitability, delivering a brand experience to the customers that was superior to that being offered by the competitors, increasing the customer base and having more customers buy more products and services more often at the best possible

price. The respondents indicated that the ongoing changes had affected structures, systems, resource allocation, corporate governance, products and services, human resources and culture in different degrees.

4.5.1 Structural Changes

Structures in the organization changed significantly. Prior to the changes being effected, the company had six major departments (Figure 4.1). With the onset of change, one new department (Procurement) was created, bringing the total number of major departments to seven.

Figure 4.1 Organizational Chart (2004)

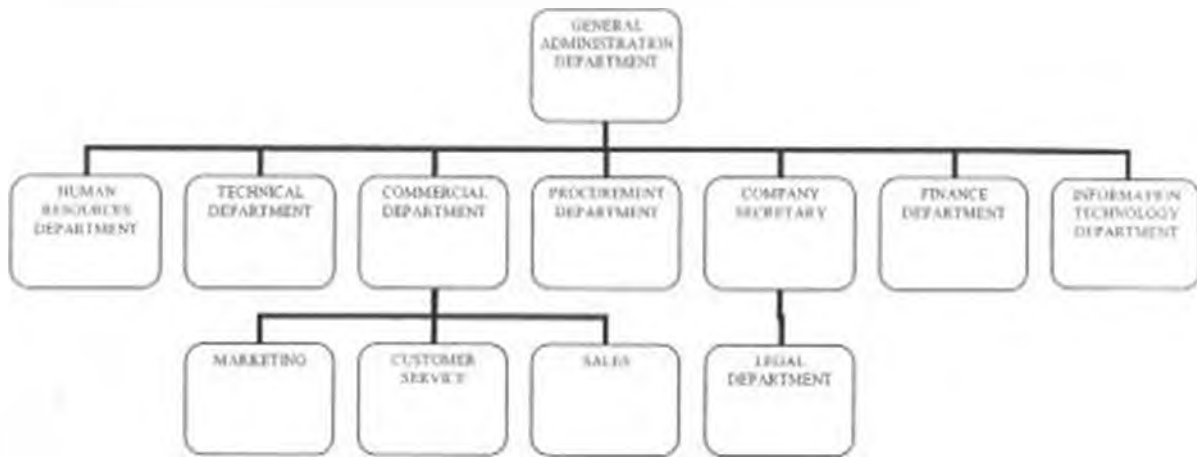


Source: Adapted from *CelTel Kenya Limited Organizational Chart - 2004*

Human Resources Department was divorced from the Finance & Administration Department where it formally lodged as can be seen from Figure 4.1, and operated as a

stand-alone department reporting to the Chief Executive Officer as depicted by the company's organization chart for the year 2005 found in Figure 4.2.

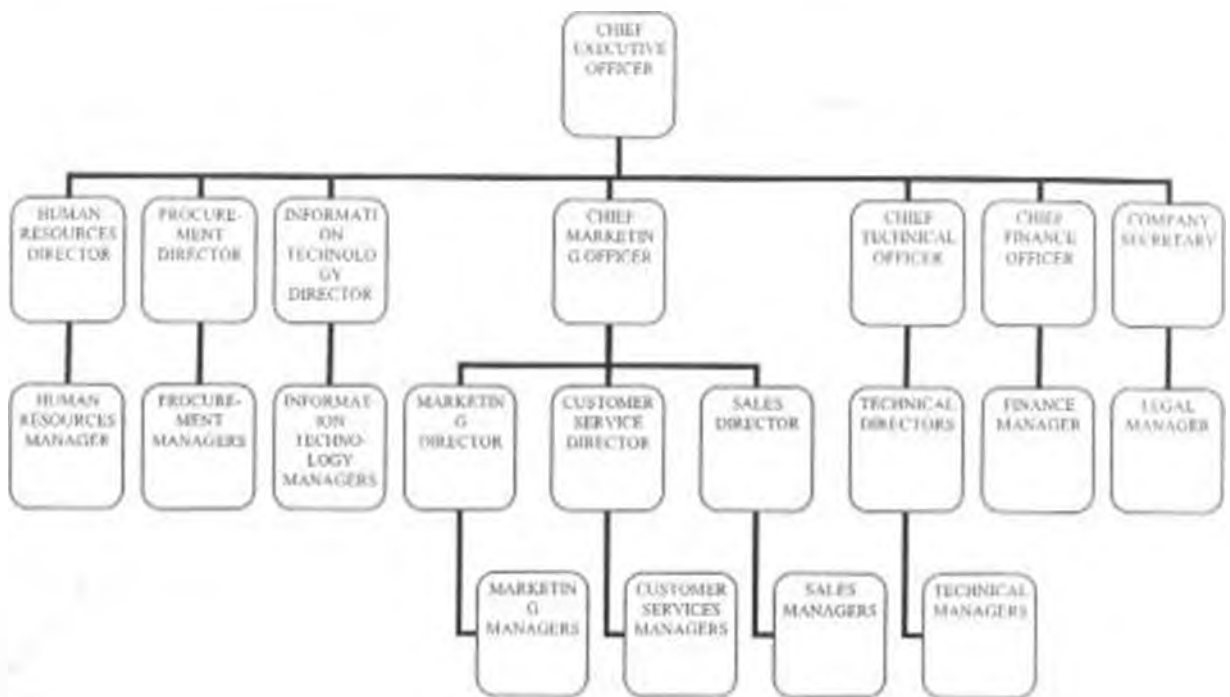
Figure 4.2 – Organizational Chart (Departmental Relationships) 2005



Source: Adapted from 'Celtel Kenya Limited Organizational Chart (Departmental Relationships) – 2005'

The changes also brought about mergers between departments, which were previously operating as stand-alone departments. As can be seen from figure 4.2, one such merger led to the creation of the Commercial Department, made up of former stand-alone departments of Customer Care, Marketing and Sales. On the other hand, the changes introduced a division in the Network and Systems Department so as to create the Technical Department charged with the responsibility of rolling out and overseeing the operations of the entire network, and the Information Technology Department.

Figure 4.3 - Organizational Chart (Hierarchical Relationships) 2005



Source: Adapted from 'Celtel Kenya Limited Organizational Chart (Hierarchical Relationships) 2005'

The changes introduced the position of "Director" within departmental structures (figure 4.3), a feature that never existed there before. This change led to line managers reporting to a department director who in turn reported to the Head of Department.

The changes brought about reduction in the number of expatriates holding positions within the organization. This is because, despite the company belonging to an international group, a fraction of the company was still locally owned. Consequently, the changes brought about promotions of local staff members to upper management positions previously held by expatriate staff.

The main positions charged with the responsibility of leading the change effort were the Chief Executive Officer and the Departmental Heads. They outlined the objectives which needed to be achieved, and the best strategies that needed to be employed to bring about achievement of these objectives. The directors and line managers were charged with the responsibility of implementation. The changes opened up communication lines and ideas flowed more freely from the bottom to the top.

4.5.2 Systems and Technological Changes

Systems within the company were also altered. One such change brought about the creation of the Procurement Department as depicted in Figure 4.2, which was to handle all procurement done by the company. Procurement procedures within the company were harmonized and the Procurement Department was to handle all the procurement systems. Previously, each department carried out its own procurement using its own systems and procedures.

In the process of implementing change, the company exploited available technology. It awarded a Swedish telecommunications firm Ericsson a contract to expand and refurbish its network in the entire country. This expansion project saw the company invest in sophisticated state-of-the-art equipment, which, was expected to move the quality of its network a rung higher and create opportunities for introduction of new services such as the provision of data transfer services using the General Packet Radio Service (GPRS) technology. GPRS is a packet-based wireless communication technology that allows a mobile phone to transfer data at moderate speeds of 56 to 114 kbps. It also allows

uninterrupted connection to the Internet from mobile phones and personal computers. The company hoped to receive its International Gateway Licence from the Communications Commission of Kenya by July 2006 to enable it launch GPRS service.

4.5.3 Operational Changes

The changes, which were implemented, also affected various facets of the company's business operations, such as resource planning, critical success factors, key tasks and network infrastructure. Details of these changes are discussed in the paragraphs that follow.

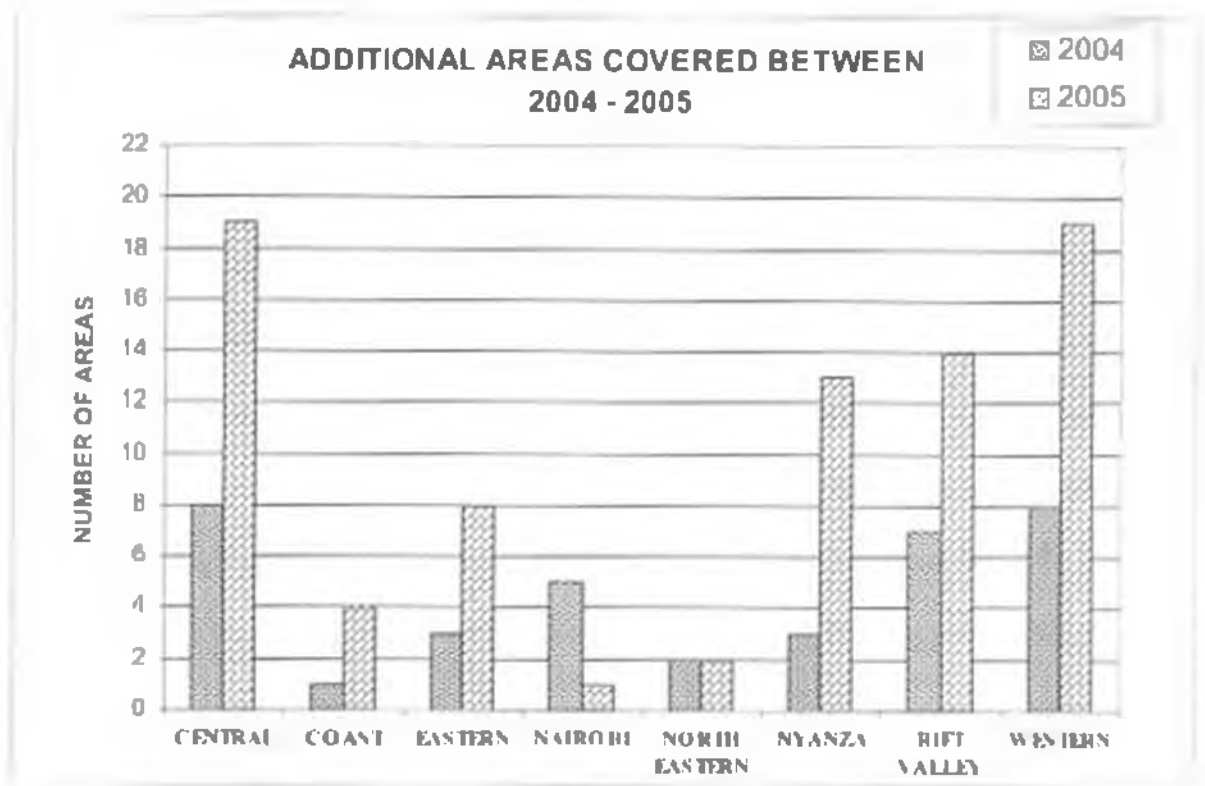
The strategic changes were detailed into resource plans, critical success factors and key tasks. Planning for financial resources was being done quarterly. The company's budgets, like those of all the other Celtel subsidiaries, must be approved by a Planning Board based in Amsterdam.

The identification of critical success factors was also outlined; with superior network quality and prompt and efficient delivery of service accorded priority. Key tasks such as frequent equipment upgrades were also identified as being critical for network quality improvement.

Network expansion was also on top gear with frequent network quality improvements carried out in both the urban and rural areas. According to the company's audited results for 2005 (Table 4.1), the company made a Kshs 4.4 billion investment, in its network

infrastructure. This massive investment enabled the company to establish a presence in 80 new areas as depicted in the 'Site Projections, '2004-05 Network Roll Out' found in Appendix 4 and in Figure 4.4 below.

Figure 4.4 - Site Projections - 2004-05 Network Roll Out



Source: Adapted from *Celtel Kenya Limited Site Projections, '2004/05 Network Roll Out'*

As can be seen from Figure 4.4 most of the new areas where the company established its presence in 2005, were mainly in Central province and Western Kenya. Rift Valley and Nyanza provinces followed closely behind. Low levels of network expansion were registered in the North Eastern province due to the sparse population numbers found in the area, which usually spread over a large geographical area. Nairobi, being the capital

city was relatively well covered, thus fewer site additions were registered. However, the company still continued to improve network quality within the city centre.

4.5.4 Business Changes

Though the investment climate currently that was prevailing in the country was conducive, the mobile phone environment remained volatile characterized by frequent market changes and stiff competition. So as to ensure that the company was well prepared to face these challenges, the management instituted improved practices to enhance corporate governance.

There was sharper focus on development of good corporate governance in the organization. Issues regarding, compliance to the Licence requirements (such as those pertaining to the quality of the network and coverage extent), timeliness in reporting accurately and compliance with environmental, health and safety, were emphasized. The quality of reporting within the organization also improved and information reliability was stressed.

4.5.5 Product and Service Changes

On the product front the company unveiled a raft of new products and services that helped sharpen its competitiveness in the market and promoted the Celtel brand further. To begin with, Celtel developed a customer-focused service approach with an aggressive communications campaign to retain and acquire new subscribers.

The company carried out a massive re-branding campaign that, among other things, saw it shake off the 'Yes' KenCell slogan for Celtel's "Making Life Better". This tagline helped reflect the company's commitment and vision to make life better for its customers, business partners, members of communities where it found itself operating and the employees. A significant portion of the company's financial resources were channeled towards marketing activities. This led to the introduction of new products and services in quick succession with the company leading the market in the introduction of new services.

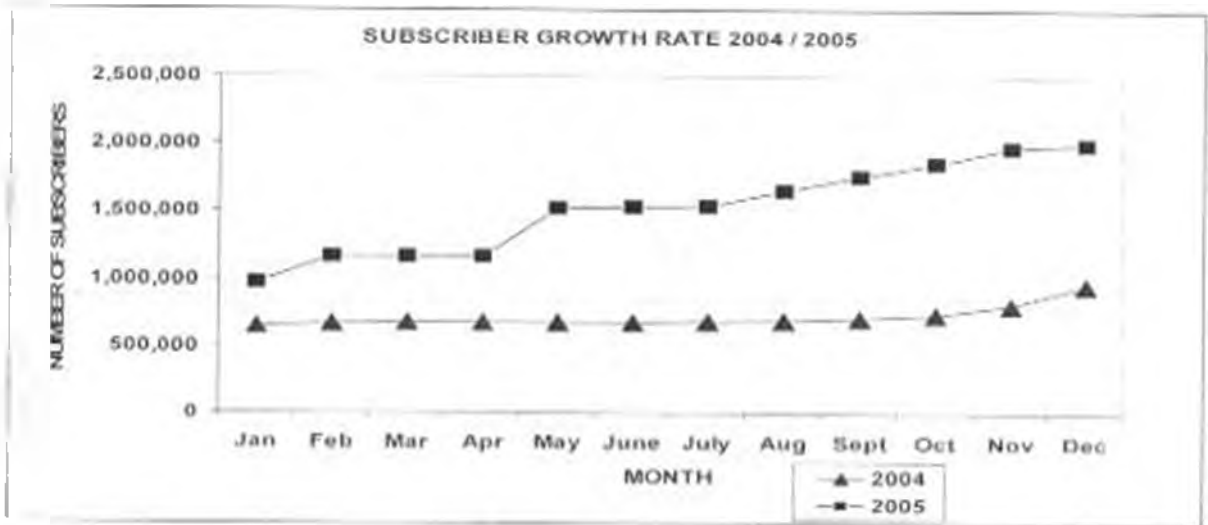
Top Up Chap Chap, launched in February 2005, made airtime accessible to thousands of low-income subscribers. The new service helped grow the company revenue base by 20%. In April 2005, Celtel launched the open voucher mobile top up facility and followed it up with an airtime-sharing facility dubbed Me2U, allowing airtime transfer from one subscriber to another.

The company also engaged in more aggressive marketing campaigns. In August 2005, the company kicked off a Kshs 42 million sales promotion campaign dubbed '*Chakaza Ushinde Nyumba*' promotion. This competition boosted its sales by eight percent (Figure 4.5). In September 2005, the company was at it again with a new East African tariff that significantly reduced the cost of Celtel to Celtel calls in the region.

To cap it up, the company unveiled the latest exciting per second billing system, *Switch Ujuzie*, which allowed its subscribers to call between the two networks in the country.

at a flat rate. This new service helped the company to rope in 100,000 new subscribers in a month. In addition the company also managed to introduce other services including *Top Up at the Tel*, *M-banking*, a range of new off-peak tariffs and a community pay phone dubbed *Simu Yenu*.

Figure 4.5 - Subscriber Growth Trends 2004 2005



Source: Adapted from 'Celtel Kenya Limited- Subscriber Growth Trends 2004/2005'

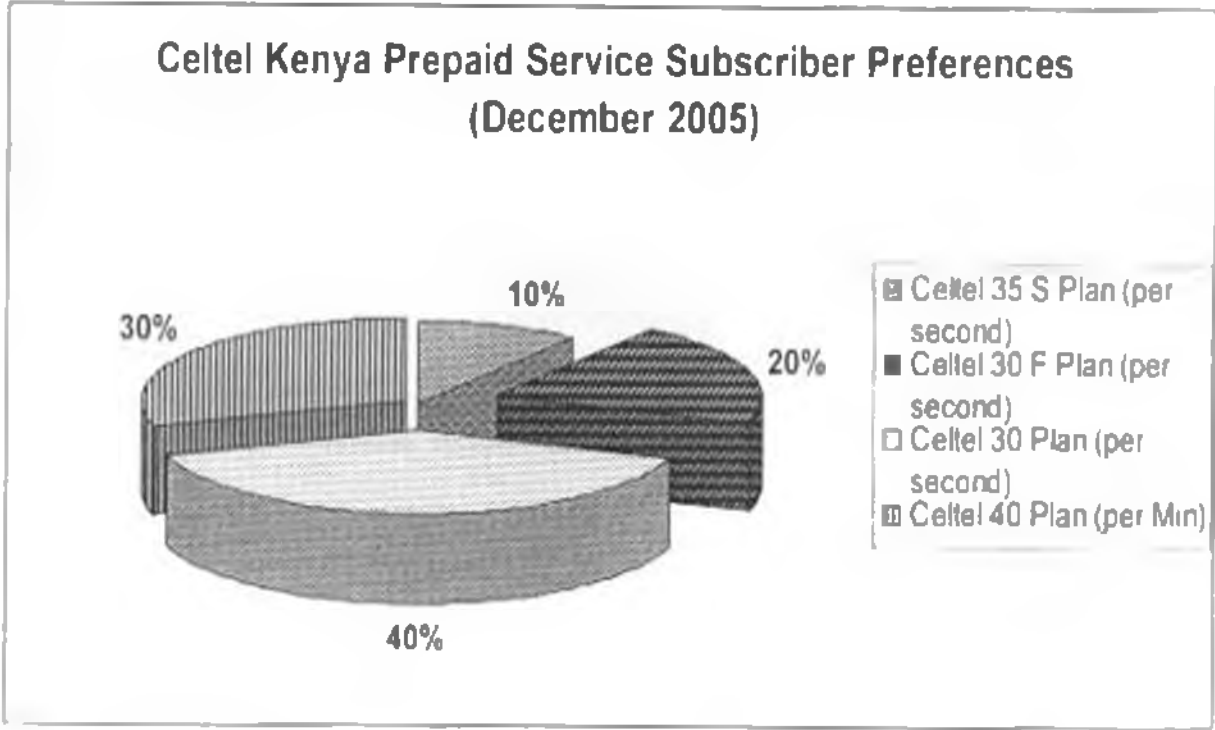
As evidenced by the company's Subscriber Growth Trends in Figure 4.5, the new products and services unveiled by the company brought about an increase in company's subscriber base by 52% bringing the number to approximately two million.

When the company singled out quality as its main selling point, market surveys were carried out regularly so as to establish product preferences and customer satisfaction levels. Through the surveys, the company established that the competitive edge in the mobile phone market was changing towards value added products. The company thus

embarked on improving the quality of products in a bid to diversify product range and in the process rope in more subscribers and grow the revenue base. By improving quality, the company anticipated high revenue returns

The company was offering the post paid and prepaid tariff plans. The Prepaid tariff offered subscribers a choice of four tariffs, namely Celtel 35 S Plan (per Sec), Celtel 30 F Plan (per Sec), Celtel 30 Plan (per Sec) and the Celtel 40 Plan (per Min) (Appendix 5).

Figure 4.6 - Prepaid Service Subscriber Preferences



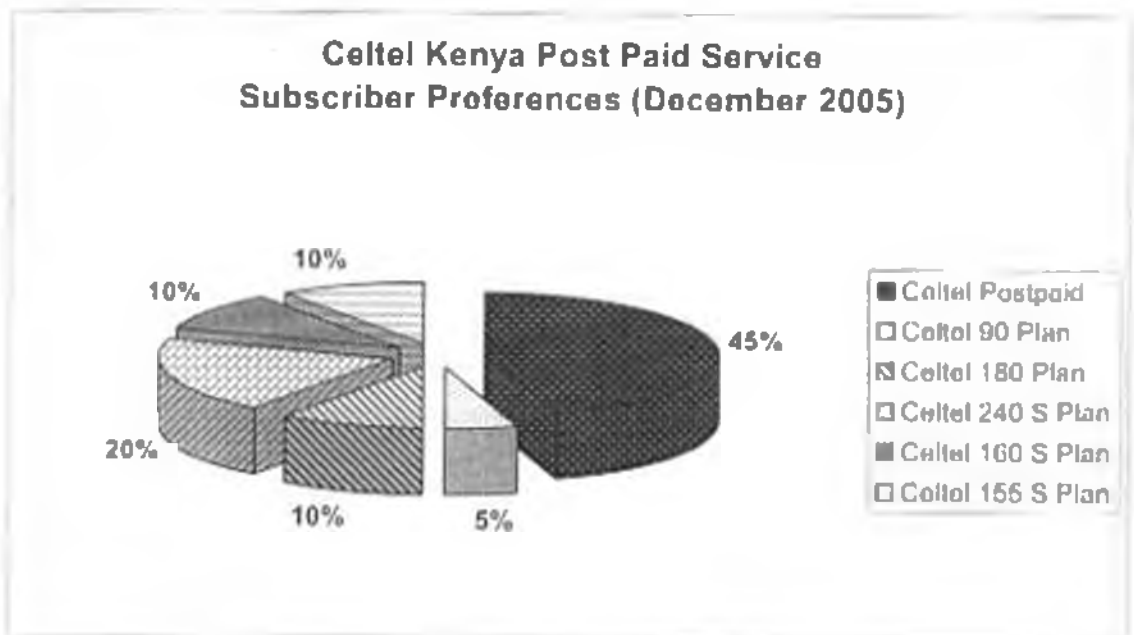
Source: Adapted from 'Celtel Kenya Prepaid Service Subscriber Preferences - December 2005'

From the surveys, the company established that the Prepaid service was still very popular with majority of the subscribers going for the 'Celtel 30 Plan (per Sec)' (Figure 4.6). The

main reason given for this preference was that the tariff allowed them to call at a flat rate across all networks in Kenya.

The Celtel Postpaid rate plans, charged monthly, came in six different packages including three new rate plans with bundled minutes purchased on a monthly basis. They included, Celtel Postpaid, Celtel 90 Plan, Celtel 180 Plan, Celtel 240 S Plan, Celtel 160 S Plan and the Celtel 155 S Plan (Appendix 6).

Figure 4.7 - Post Paid Service Subscriber Preferences



Source: Adapted from 'Celtel Kenya – Post Paid Service Subscriber Preferences – December 2005'

Market surveys indicated that the Postpaid Service was yet to pick up popularity with subscribers. This service was however very popular with business people. As can be seen from Figure 4.7 those subscribers on the postpaid service, preferred the 'Celtel Post Paid' tariff. This was because their conversations were bound to be to take a longer

duration, thus they found it more economical to subscribe to a tariff that bills them per minute.

4.5.6 Market Growth Rate Changes

The company was focused on increasing the rate at which the subscriber base was growing. Part of the strategy, used to achieve this objective, entailed engineering a project designed to drive a switch over of the millions of mobile phone users who were hooked onto the competitor's network and deepen the company's drive into the low-end market

To do this Celtel chalked out an extensive network expansion plan that was backed by a roll out of additional new products to encourage spending among its subscribers. The goal was to increase the network coverage from 73 per cent to 95 per cent of the national population. The company instituted a new regional sales distribution system that was expected to improve customer spending and grow the revenue

This was especially targeted at roping in the millions of rural people who were still missing out on the mobile phone revolution that had taken Kenya by storm over the past four years. A key plank of the plan entailed integrating its networks in the three East African states to create a seamless network that not only cut calling costs in the region but also helped push forward the regional integration agenda.

Celtel's regional integration plan was hinged on a recent promise by the Government to grant the company an International Gateway Licence by end of July 2006. This licence would help reduce the cost of regional and international calls by wide margins as well as boost the quality of services. Currently, mobile operators rely on Telkom Kenya's Jambo net to access international networks.

4.5.7 Human Resource Changes

As is expected with most change programs implemented in organizations, they are likely to affect the human resources. In the process of instituting changes in the organization, human resources evaluations were conducted, training and career development was emphasized, semi-annual performance appraisals were introduced, power within the organization was equitably distributed, changes in company culture were experienced, channels of communication in the organization were opened up and reward and recognition processes were altered

At the initial stages, the changes saw the company utilize the services of external consultants to conduct an overall evaluation of its human resources. The main objective of the exercise was to harmonize the positions within the organization so that they were homogeneous with those of other Celtel International subsidiaries on the continent.

Continuous learning within the organization was encouraged. More emphasis was laid on staff training and development so as to equip employees with skills to help them achieve company objectives. Employee training needs were analyzed annually and

facilitation of training programs effected accordingly. Investment in employee training and development was done in line with individual personal development plans. For example, line managers were sent for overseas leadership training courses in London and South Africa business schools. Internal promotions were also encouraged so as to ensure career development.

The routine way of carrying out performance appraisals in the organization was also changed. Previously, these were done annually, but they were now to be carried out semi-annually. Using external surveys, the management also measured the degree of employee satisfaction. The working week was reduced to 40 hours per week from the previous weekly 45 hours.

Power within the organization was also distributed equitably. The power to hire staff was previously assigned to respective departmental heads. With the introduction of change, the task was assigned solely to the human resources department. The respective departments would thus articulate their staffing requirements, and the human resources department would carry out the outsourcing.

Early in the change initiative, communication was singled out as a vital tool to manage change. The management thus opened up communication channels so as to ensure success of the change initiatives. Communication was mainly through briefings by the Chief Executive Officer and memos sent on electronic mail.

Though hard-pressed by time, the management tried to seek employee views by holding meetings with the various departments. This responsibility was vested upon the heads of departments to hold meetings with their staff. These meetings created ideal forums where employees were allowed to air their views. To galvanize this practice, the management entrenched an open-door policy so that the employees could air their grievances more freely.

Participation by the employees was also being encouraged. Employees were being called upon to participate in company events such as the Family Day event held annually on a Saturday, promotion of '*Chakaza Ushinde Nyumba*' competition, which saw employees paste posters in the central business district prior to commencement of the competition. Employees were also invited to participate through use of a questionnaire (Appendix 7), in the selection of a new catering firm 'ORANGE Pack', which supplied snacks and hot lunches in the firm. There was a choice of three caterers to choose from, including Basic Essentials and Platinum Catering Services Ltd.

The changes also brought about the introduction of a company Newsletter, which kept employees updated on the goings-on within the company. The employees were also given access to the Celtel Group Newsletter - '*Tam Tam*' which updated them on the happenings within the other Celtel operations both in Africa and at the Amsterdam based headquarters.

The company culture also changed significantly. Whereas previously managers were a revered group who were not easily accessible, the new management adopted an open-door-policy for all employees. Teamwork and a culture of continuous learning were encouraged.

The new management was also very keen on celebrating success and learning from mistakes. They invested in a bonus and incentive scheme. This led to the introduction of Good-Performance awards. These were awarded at the end of 2005 to those teams that exhibited exemplary performance within the year. This is in addition to a performance-based (financial) bonus, which was also awarded.

4.6 Challenges of Managing Change

The main challenges, which the management had to deal with included, the challenges encountered while trying to initiate change in the organization, challenges of sustaining momentum of the changes and challenges of restructuring and rethinking.

4.6.1 Challenges of Initiating Change

These challenges were encountered at the early stages of the takeover. The challenges encountered at this stage mainly took the form of resistance to change. The behaviour demonstrated included, ignoring new processes which were being put in place, laxity to participate in the changes, disagreeing with the validity of the benefits of introducing changes in the company and criticizing the tools and processes, which were being put in place.

Other employees were expecting to qualify for exceptions and hoped they would be excused from participating in the change processes. However the management realized early enough that allowing exceptions to the changes was typically a way to ensure failure. This is because this had the potential to spiral out of control as others would attempt to be granted the same exceptions. Worse still, others would attempt to expand the exceptions.

As they went about initiating change in the organization, the management encountered laxity on the part of some employees citing lack of enough time to learn the new ways of conducting operations within the company. It was important for the management to overcome this challenge, as it presented a valuable opportunity for reframing the way operations in the organization would be carried out in future.

Another area where challenge was encountered at the initial stages was with dealing with middle level managers. Some managers believed that asking for help was a sign of incompetence. There was thus a need to re-assure them that everybody in the organization was learning. Other managers were unaware of the coaching that they needed thus creating a deficiency in leadership.

The management met this challenge by building capabilities for finding the right help and for mentoring each other to develop successful innovations. This was achieved by conducting leadership training courses and workshops for the managers where they were

given an opportunity to learn and interact with each other. Teamwork was also encouraged.

The management also encountered a lack of commitment from some of the staff. This posed a great challenge because when the change recipients were not committed to change, commitment gaps developed and they would not participate wholeheartedly. This challenge was overcome by holding regular staff briefings on the changes that were taking place in the company. These briefings provided staff with the reasons for change and how the management planned to go about it. These briefings continued to be conducted whenever the management planned a major change such as a departmental merger.

Selling the changes to the employees also posed a challenge. Top management had to ensure that they were sincere in selling the change. Their behavior had to be congruent with what they said. The reason cited for this was that staff members were bound to realize it when the management was not sincere and open. It was important at the initial stage to prove an atmosphere of trust and authenticity so that the proposed changes could move forward.

These challenges were difficult to overcome as they had the capacity to prevent growth from occurring even before it had started. The capabilities to deal with them were developed under high pressure. However, managing these challenges effectively enabled the company to develop capabilities for dealing with the other challenges that lay ahead.

4.6.2 Challenges of Sustaining Momentum

Once the goals and objectives of the company had been communicated and challenges of initiating change overcome, the management had to brace itself for the challenges of sustaining the momentum of the changes.

The management had to deal with fear and anxiety existing amongst the staff members. They had to deal with the concerns of job security following a downsizing exercise. To overcome this challenge, the management held regular departmental meetings with employees; where they were allowed to air their views openly. However fears vested upon exposure, vulnerability and victimization discouraged employees from coming out openly. These latter fears had been triggered by the conflicts between increasing levels of candor and openness, which the new management was encouraging against the low levels of trust. Dealing with fear and anxiety in the organization continued to be one of the most difficult challenges to overcome. The management thus had to work on winning the confidence of the employees so that they (the employees) could come out more openly.

In a bid to sustain momentum of the changes, the management also had to overcome the challenge of measuring performance and success. To measure organization performance all operations within the company were pegged to a balanced score card which considered parameters such as, levels of employee satisfaction, organization compliance levels to existing legislation, amongst others. Prior to the take over, the company mainly used financial performance to measure success. Consequently there emerged a

disconnect between the tangible (but unfamiliar) achievements of the balance scorecard (which had been tried and tested in other Celtel operations) and the traditional ways of measuring success which were previously in use. Performance management using the balanced score card was thus encouraged and employees were provided with guidance as to how unfamiliar parameters were being measured. Assessment of departmental performance was carried out monthly.

The management also had to deal with the challenge that the culture of individualism posed. To overcome this challenge the management entrenched a culture of teamwork in the organization. This was galvanized by introduction of annual team awards, which were given to high performing teams to foster team spirit. Interaction between staff from different departments was also encouraged through events such as the Family Day event, where all the staff members together with their families were invited for a day out to encourage bonding. In addition the management also encouraged establishment of a new culture of decision-making on front lines, active learning, value for data integrity and focus on effectiveness.

4.6.3 Challenges of Restructuring and Rethinking

These challenges continued to emerge, as the changes were taking place in the organization. They were the consequence of the change in the organization gaining broader acceptance and confronting the established internal infrastructure and practices of the organization.

Issues to do with power presented a challenge to the management. As the change practices continued to be implemented, some of them interferred with the priorities and established structures and processes within the organization. This created a conflict over power and autonomy. Departmental mergers and divisions disrupted fragile power-based relationships. Some managers gained power and status while others lost it. The management realized that since power within the organization was threatened some employees wilted and approached work with a "what's the use" attitude, others fought to hang on or make sure they emerged at the top while others got caught in the political crossfire. To overcome this challenge, the management put a sharper focus on team output rather than on individual output or span of control.

Another challenge which the management had to deal with entailed ensuring that the employees were always open to change owing to the dynamic nature of the telecoms industry and stiff competition. Due to these factors, the management had to ensure that the employees were always prepared to participate in change should the company need to re-invent its wheel.

The management also needed to keep the organization's strategy and purpose of existence in focus. In order to achieve this, management had to ensure that employees constantly articulated and refined their own aspirations and goals for achieving them. Employees were encouraged to do this through semi-annual performance appraisals where personal goals and objectives were defined and re-fined. Investment in employee

training and development was also done in line with individual personal development plans.

4.7 Measuring the Impact of Change

The main variables used to measure the impact (positive / negative) of the changes included, the Average Return Per User (ARPU), Earnings Before Interest Tax Depreciation & Amortization (EBITDA), the net income, the cash flow, the number of new subscribers, the number of Base Transceiver Stations (BTS) rolled out and the total market share.

The management had already witnessed positive changes in these variables and recorded some short-term wins with the change program. After pumping in some Kshs 4.4 billion worth of investments in the year 2005 (bringing the total investment portfolio to Kshs 25 billion), turnover in the year (2005) increased by 12 percent to Kshs 10.7 billion from Kshs 9.5 billion in 2004. The company thus managed to break from its loss-making past to record Kshs 1.3 billion profit after tax from Kshs 1.8 billion loss in 2004. This means that its profits increased by a margin of 175 percent as evidenced by the Audited Results for the Twelve Months to 31 December 2005 found in Table 4.1.

Table 4.1 - Audited Results for the Twelve Months to 31 December 2005

Profit and Loss (Kshs 000s)	12 Months to 31 December 2005	% Change	12 Months to 31 December 2004
Turnover	10,714,780	+12%	9,535,669
Operating Profit	2,274,906	+146%	924,408
Financing Costs	(260,400)		(2,792,689)
Profit (loss) before taxation	2,014,506	+208%	(1,868,281)
Taxation	(676,114)		76,995
Profit (loss) after taxation	1,338,392	+175%	(1,791,286)

Balance Sheet (Kshs 000s)	As at 31st December 2005	As at 31st December 2004
Capital Employed		
Shareholders Funds	6,086,032	9,328,018
Non Current Borrowings	9,661,955	5,869,353
	<u>15,747,987</u>	<u>15,197,371</u>
Represented by		
Non Current Assets	16,195,321	15,000,085
Current Assets	4,470,545	4,044,795
Current Liabilities	(4,917,879)	(3,847,509)
	<u>15,747,987</u>	<u>15,197,371</u>

Commentary on Results

The Board of Directors is pleased to announce the audited results for the twelve months to 31st December 2005. The results have been prepared by consistent use of International Financial Reporting Standards. During 2005, the company expanded the subscriber base by 52%. This growth was accompanied by significant investment in state-of-the-art network infrastructure.

Capital Expenditure and Financing

The total capital expenditure during the twelve months amounted to Kshs 4.4 billion bringing the total capital expenditure to Kshs 25 billion. To finance this expenditure the company has continued to reinvest its internally generated cash in addition to taking up an additional borrowing of Kshs 4.5 billion in the form of Medium Term Floating Rate Secured Notes. The Notes have been listed on the Fixed Income Securities Market Segment of the Nairobi Stock Exchange.

Taxation

The Company continued to be a major taxpayer in the Kenyan economy by paying a total of Kshs 2 billion in taxes in 2005. The total payments of taxes and import duties since launch have amounted to Kshs 8.6 billion. In addition to this, the Company made significant one-off and ongoing payments for license fees.

Dividends

The Directors do not recommend payment of dividend on Ordinary shares but have made a provision for the dividend on Cumulative Redeemable Preference Shares amounting to Kshs 210 million.

Source: Adapted from 'Celtel Kenya Limited-Summarized Audited Results for the Twelve Months to 31 December 2005'

The management attributed the profitability to improved efficiency and launch of new services. The turnaround took place within a period of 18 months (June 2004 – December 2005) and it was achieved by listening to customers and efficiently responding to their needs.

The company benefited immensely from the strengthening of the Shilling against the US Dollar and the Euro in 2005. This created a big advantage in terms of repaying the loans, mostly borrowed in US dollars and Euros. The appreciation of the shilling brought down the company's financing costs from Kshs 2.7 billion in 2004 to Kshs 260 million in 2005 as captured by the 'Audited Results for the Twelve Months to 31 December 2005' found in Table 4.1.

Other areas where the company managed to register success included, successful re-branding of its products and services to sell under the Celtel brand, a rise in the Average Return Per User variable which reflected improved company performance, a rise in the number of subscribers by 52% to about two million as shown by the 'Subscriber Growth Trends 2004/2005' depicted in Figure 4.5, as well as creation of challenging and rewarding jobs and careers for the employees.

The employees interviewed indicated that they were looking forward to a bright future with the organization whereby they would work with more efficient systems and procedures as a result of the changes implemented. They were thus motivated to support the changes as they held the promise to a better future

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Celtel, which is a merger between Mobile Telecommunication Company (MTC), Celtel International and Sameer, has now been in operation for the past five years. The company experienced a change in ownership in May 2004, which saw it shake off the name 'KenCell' and take on 'Celtel'. This brought about changes in the organization, which affected its structures, culture, human resources, systems, resource allocation, corporate governance, technology, as well as products and services. The new management's goals while implementing these changes were two fold, that is, to challenge the existing ways of conducting business and to drive step-level improvements in operating performance within the organization.

As it implemented changes within the organization, the management encountered challenges of different nature, including, resistance to change, fear and anxiety of the employees regarding the changes, power sharing ratios, deficient leadership skills, a culture of individualism and the challenge of keeping the organization's strategy and purpose of existence in focus.

To overcome these challenges, the management engaged in sincere selling each time change was anticipated. This helped dispel any fears and doubts the employees had. A culture of teamwork was encouraged within the company so as to foster team spirit. In addition the management also entrenched establishment of a new culture of decision-

making on front lines, active learning, value for data integrity and focus on effectiveness. The company also utilized communication and training to drive the changes within the organization.

To measure the degree of success of the changes, the management watched variables such as, the number of new subscribers, the number of Base Transceiver Stations (BTS) rolled out, Average Return per User (ARPU) as well as Earnings before Interest, Tax, Depreciation & Amortization (EBITDA).

5.2 Conclusion

The objectives of this study were to establish the changes, which the new management of the company effected after the transition of ownership, as well as the challenges they faced as they went about implementing change in the organization

It was apparent from the research that the changes taking place in the organization were still at their infancy stages and were ongoing. The management was optimistic that the changes would bring about many more additional positive benefits to the organization in the long run and give the company a large competitive edge. This is because they had already registered success with the change program.

One significant milestone already achieved saw the company record improved financial performance. The company recorded a Kshs 2 billion pre-tax profit in 2005 recovering from a Kshs 1.8 billion loss in 2004. Other successes have included, successful re-

branding of the company's products and services sold under the Celtel brand, a rise in the Average Return Per User (ARPU) variable which reflected improved company performance, a rise in the number of subscribers by 52 per cent to two million, as well as creation of challenging and rewarding jobs and careers for the employees.

The management thus continued to implement changes within the organization and refined those practices it had already managed to entrench, with an anticipation of better results considering the large investment that had been pumped into the company

5.3 Limitations of the Study

Due to time constraint the findings of this research were collected from the management and staff based at Celtel Kenya Limited headquarters in Nairobi. It would have been important to obtain the views and opinions of other personnel based within the regional offices of Mombasa, Kisumu, Nakuru and Eldoret.

To add to the value of this research, it would have been good to obtain the views from customers, suppliers, and competitors.

5.4 Recommendation for Further Study

The change effort at Celtel had just started. It is recommended that another study on the results of the change process be conducted in future. Further, a study into an institution like Kenya Railways that has recently undergone a transition from Government into private ownership is recommended for purposes of comparability.

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CelTel Postpaid Service Brochure

CelTel Prepaid Tariffs Brochure

CelTel Kenya - Post Paid Service Subscriber Preferences – December 2005

CelTel Kenya - Prepaid Service Subscriber Preferences – December 2005

CelTel Kenya Limited - Organizational Chart – 2004

CelTel Kenya Limited - Organizational Chart (Departmental Relationships) – 2005

CelTel Kenya Limited - Organizational Chart (Hierarchical Relationships) – 2005

CelTel Kenya Limited - Site Projections, 2004/05 Network Roll Out

CelTel Kenya Limited - Subscriber Growth Trends 2004-2005

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APPENDIX 1: INTERVIEW GUIDE

This guide is designed to collect views from the Upper Management at Celtel Kenya Limited with the following themes in focus:

- (a) Change in ownership management at Celtel Kenya Limited
- (b) Implementation of strategic change and the accompanying challenges.

PART A - Change in Ownership at Celtel Kenya Limited

Interviewee Name (Optional):

Position:

1. What is the main driving force behind change of ownership in the organization?
2. Has the recent change in ownership affected stability of the organization?
3. Have elements of cultural fit affected the quality of the merger(s) at any one time?
4. Does the company still maintain the mission and objectives it had at inception?
5. Do you foresee the company changing hands again in the near future?
6. How has the change in ownership impacted on the performance of the company?

PART B – Implementation of Strategic Change at Celtel Kenya Limited

Understanding the Change Situation

1. Why is strategic change needed in the organization?
2. What objectives do the changes currently being implemented in the organization hope to achieve?
3. What forces are driving changes within the organization?
4. Is the change being implemented planned / emergent?
5. Can change take place within the current paradigm (that is current organizational beliefs, assumptions) or does it require a paradigm change?
6. What are the main target areas of the change (e.g. culture, attitudes, products, services, structure, processes, technology, etc), currently being implemented?
7. Has the strategic change been detailed into resource plans, critical success factors and key tasks or is it spontaneous?
8. What organizational characteristics need to be maintained despite implementation of change?
9. How would you describe your current (mobile phone) business environment, is it conducive for implementing change in your organization?

10. What has been the response from the market (both competition and consumers) to the changes that are being implemented in the organization?
11. What has been the biggest hurdle to overcome in implementing change in the organization?
12. What style is currently being used to manage the change (for example, education, communication, collaboration, participation, intervention, direction, coercion)?
13. What changes in structures, processes, relationships and activities have been put in place to move from strategic thinking into action?
14. What are the key variables being used to measure the degree of success of the change?

Organization Culture, Politics and Change Management

1. How will the proposed changes impact on the different aspects of the cultural web, that is routines, rituals, stories, symbols, power structures, control systems, organizational structure?
2. What role does politics play in effecting change in the company?

Human Resource Issues and Change Management

1. How ready for change is the workforce?
2. Was the change implementation communicated to the employees before commencement?

3. What media is used to communicate change?
4. Are employee views sought before changes are effected? If 'YES' which participatory tool is used to obtain the views (e.g. quality circles, suggestion systems, brain storming sessions, etc)?
5. How do you deal with counter communication (rumors, gossip, story-telling etc) on the change situation?
6. What kind of resistance (if any) have you encountered from personnel as you try to bring about change in the organization?
7. What measures are being put in place to ensure that employees do not revert back to the old way of doing things?

Role of Leadership in Change Management

1. Which position(s) in the organization hierarchy is/are charged with leading and bringing about change in the organization and what powers are bestowed on these positions to aid the process?
2. What roles are middle managers playing in the change effort?
3. Has the organization enlisted the services of consultants such as organization developers to advice on change implementation?
4. Have you registered any short-term wins so far with the change program?

APPENDIX 2: FOCUS GROUP DISCUSSION GUIDE

1. What is the main driving force of change within the organization?
2. What positive changes would you attribute to change in ownership of the organization?
3. Do you feel the need for change within the company?
4. Were you prepared for the change?
5. What aspects of the organization in particular do you feel need to be changed?
6. What do you think about the methodology being used to communicate changes currently taking place in the organization?
7. What are your expectations from the changes being implemented?
8. Are you motivated to support the change initiatives?
9. What impact have the changes had on job security?
10. What lessons have you learnt from the changes currently taking place in the organization?

APPENDIX 3: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI FACULTY OF COMMERCE MBA PROGRAM - LOWER KABETE CAMPUS

Telephone 232160 Ext. 208
Telegrams Varsity Nairobi
Telex 22093 Varsity

P.O. Box 30191
Nairobi, Kenya

DATE: 10th / February / 2006

TO WHOM IT MAY CONCERN

The bearer of this letter WINNIE WANGUI MULHUI

Registration No: B/61/P/18005/01

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on some management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

JACKSON MAALI
CO-ORDINATOR, MBA PROGRAM



APPENDIX 4: CELTEL KENYA NETWORK ROLLOUT

CENTRAL PROVINCE		WESTERN PROVINCE		RIFT VALLEY PROVINCE	
District	Area	District	Area	District	Area
KIAMBU	Kiamoga	BUNGOMA	Chwele	DARINGO	Marigat
KIAMBU	Kinoo	BUNGOMA	Kamukuywa	BOMET	Kabisson
KIAMBU	Kiratima	BUNGOMA	Sirisia	BOMET	Mulot
KIAMBU	Ithogoto	BUNGOMA	Iongaren	BOMET	Sidibaret
KIAMBU	Ting'anga	BUTERE-MUMIAS	Burula	KAJIADO	Lukuny
KIAMBU	Wangige	BUTERE-MUMIAS	Musanda	KFRICHO	Kipkelion
LAIKIPIA	Rumuruti	KAKAMEGA	Rukura	NAKURU	Kijabe
MARAGUA	Uatuya	KAKAMEGA	Khayega	NANDI	Songor
MARAGUA	Kiambugu	KAKAMEGA	Malava	NANDI	Iindinya
MARAGUA	Kibingoti	KAKAMEGA	Musohi	NAKURU	Mau Narok
MARAGUA	Makuyu	LUGARI	Lugari	NAROK	Attong
MARAGUA	Mugeka	LUGARI	Turbo	NAROK	Iengaresbu
MARAGUA	Mugoini	TRANS-NZOLA	Cheranganyi	NAROK	Ntulelei
MARAGUA	Ngoncha	TRANS-NZOLA	Kapcherop	TESO	Amagoro
MARAGUA	Nyakianga	TRANS-NZOLA	Saboti		
NYANDARUA	Kipipiri	VIHIGA	Chavakali	EASTERN PROVINCE	
NYANDARUA	Ndaragwa	VIHIGA	Iuanda	MACHAKOS	Kabaa
NYANDARUA	Njabini	VIHIGA	Mbale	MACHAKOS	Kithmani
NYANDARUA	Oleokondo	VIHIGA	Serem	MACHAKOS	Mitatu
NYERI	Kanunga			MAKULENI	Nunguni
NYERI	Iumu Iumu	NYANZA PROVINCE		MBERE	Srakago
THIKA	Uatanga	BONDO	Bondo	MERU	Nkubu
		BONDO	Ngere	MERU NORTH	Laare
		BONDO	Usenge	MERU NORTH	Mutuati
COAST PROVINCE					
KWALE	Lunga Lungu	KISII	Keumbu		
MONIBASA	Magongo	KISII	Kiogoro		
LAVITA	Maungu	KISII	Mosecho		
TANA RIVER	Bura	KISEMU	Kombewa		
		KISEMU	Nyaheta		
N.EASTERN PROVINCE		NYAMIRA	Kibingo		
WARISSA	Daadhab	NYANDO	Kusa		
WARISSA	iboi	NYANDO	Sonda		
		RACHONYWO	Kalongo		
NAIROBI PROVINCE		RACHWONYO	Kosele		
NAIROBI	Ruai				

Source: Adapted from *CelTel Kenya Limited Site Projections, '2004/05 Network Roll Out'*

APPENDIX 5: CELTEL PREPAID TARIFFS

Celtel 35 S Plan (per Sec)	Billed per Second (Rates given per minute)	
	Peak 8am to 9pm	Off-Peak 9pm to 8am
Celtel to Celtel	32.00	11.00
Celtel to other Mobiles	39.00	24.00
Celtel to Landline	39.00	24.00
Celtel to East Africa	49.00	40.00
Celtel to International Zone A	99.00	99.00
Celtel to International Zone B	99.00	99.00
Celtel to International Zone C	99.00	99.00

Charged per Second, you can now talk for longer at the time that suits you best. With this new tariff, you can enjoy calling at a special low off peak rate as well as taking advantage of affordable rates at standard peak times.

Celtel 40 Plan (per Min)	Billed per minute (Rates given per minute)	
	Peak 8am to 9pm	Off-Peak 9pm to 8am
Celtel to Celtel	15.31	15.31
Celtel to other Mobiles	25.61	25.61
Celtel to Landline	25.61	25.61
Celtel to East Africa	40.80	40.80
Celtel to International Zone A	99.00	99.00
Celtel to International Zone B	99.00	99.00
Celtel to International Zone C	99.00	99.00

This tariff offers you better call rates on the Celtel network. With a flat rate to all other networks, this tariff is perfect for those who talk mainly within the Celtel family and is charged per minute. There are no call set up fees and no hidden charges!

Celtel 30 F Plan (per Sec)	Billed per Second (Rates given per minute)	
	Peak 8am to 9pm	Off-Peak 9pm to 8am
Family & Friends Rate	20.40	20.40
Celtel to Celtel	28.20	28.20
Celtel to other Mobiles	28.20	28.20
Celtel to Landline	28.20	28.20
Celtel to East Africa	40.80	40.80
Celtel to International Zone A	110.00	110.00
Celtel to International Zone B	110.00	110.00
Celtel to International Zone C	110.00	110.00

Charged per Second, this unique tariff allows you to make the most of your airtime to stay close to your friends and family. Enjoy a special low call rate for 4 of your favourite Celtel numbers, anywhere across the ever-expanding Celtel network in Kenya.

Celtel 30 Plan (per Sec)	Billed per second (Rates given per minute)	
	Peak 8am to 9pm	Off-Peak 9pm to 8am
Celtel to Celtel	28.20	28.20
Celtel to other Mobiles	28.20	28.20
Celtel to Landline	28.20	28.20
Celtel to East Africa	40.80	40.80
Celtel to International Zone A	110.00	110.00
Celtel to International Zone B	110.00	110.00
Celtel to International Zone C	110.00	110.00

Charged per Second, this tariff gives you a flat rate across all networks in Kenya. So you will pay the same rate, whenever and whoever you talk to. Plus, there are no daily access fees and no hidden charges.

* Peak times are from 8am to 9pm (Mon-Sat). Off Peak times are from 9pm to 8am (Mon-Sat) and all day Sunday and Public Holidays.

Source: Adapted from 'Celtel Prepaid Tariffs' Brochure

APPENDIX 6: CELTEL POST PAID TARIFFS

Tariff Plan	Celtel 240S		Celtel 160S		Celtel 155S	
	Per Second	Per Second	Per Second	Per Second	Per Second	Per Second
<i>Deposit</i>	4,000	4,000	4,000	4,000	4,000	4,000
<i>Connection Fee</i>	990	990	990	990	990	990
<i>Monthly Fee</i>	3,000	3,000	3,000	3,000	2,000	2,000
<i>Bundled Minutes</i>	240*	240*	160**	160**	155*	155*
<i>Inside Bundle Tariff</i>	12.50	12.50	18.75	18.75	12.90	12.90
	Peak	Off Peak	Peak	Off Peak	Peak	Off Peak
<i>Own Network</i>	15.00	15.00	24.00	24.00	18.00	16.00
<i>Local</i>	33.00	33.00	24.00	24.00	31.00	29.00
<i>Other Mobile</i>	33.00	33.00	24.00	24.00	31.00	29.00
<i>SMS own Network</i>	5.00	5.00	5.00	5.00	5.00	5.00
<i>SMS other Network</i>	5.00	5.00	5.00	5.00	5.00	5.00
<i>SMS to International</i>	10.00	10.00	10.00	10.00	10.00	10.00
<i>Celtel East Africa</i>	32.00	23.00	32.00	23.00	32.00	23.00
<i>East Africa</i>	49.00	40.00	49.00	40.00	49.00	40.00
<i>Zone A</i>	90.00	90.00	90.00	90.00	90.00	90.00
<i>Zone B</i>	90.00	90.00	90.00	90.00	90.00	90.00
<i>Zone C</i>	90.00	90.00	90.00	90.00	90.00	90.00

Time band	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Sun & Public holidays
08:00-21:00hrs							
21:00-08:00hrs							

Peak
 Off Peak

All prices in Kenya Shillings. Inclusive of statutory taxes - VAT and Excise duty.

*Celtel to Celtel calls ONLY

**Celtel to any National destination calls

Source: Adapted from 'Celtel Postpaid Service' Brochure

APPENDIX 6 (Continued): CELTEL POST PAID TARIFFS

Tariff Plan	Celtel 180		Celtel 90		Celtel Postpaid		
	Per Minute		Per Minute		Per Minute		
Deposit	10,000		7,000		4,000		
Connection Fee	990		990		990		
Monthly Fee	1,661		1,169		580		
Bundled Minutes	180*		90*		N/A		
	Peak	Off Peak	Peak	Off Peak	Peak	Off Peak	
Own Network	10.68	10.68	10.68	10.68	10.68	10.68	
Local	26.70	26.70	26.70	26.70	26.70	26.70	
Other Mobile	26.70	26.70	26.70	26.70	26.70	26.70	
SMS own Network	5.34	5.34	5.34	5.34	5.34	5.34	
SMS other Network	5.34	5.34	5.34	5.34	5.34	5.34	
SMS to International	10.00	10.00	10.00	10.00	10.00	10.00	
Celtel East Africa	32.00	23.00	32.00	23.00	32.00	23.00	
East Africa	42.21	42.21	42.21	42.21	42.21	42.21	
Zone A	99.54	99.54	99.54	99.54	99.54	99.54	
Zone B	99.54	70.56	99.54	70.56	99.54	70.56	
Zone C	99.54	70.56	99.54	70.56	99.54	70.56	
Time band	Mon.	Tue.	Wed.	Thu.	Fri.	Sat.	Sun & Public holidays
08:00-21:00hrs							
21:00-08:00hrs							

Peak

Off Peak

All prices in Kenya Shillings Inclusive of statutory taxes VAT and Excise duty

*Celtel to Celtel calls ONLY

**Celtel to any National destination calls

Source: Adapted from 'Celtel Postpaid Service' Brochure

APPENDIX 6 (Continued): CELTEL POST PAID TARIFFS

CelTel Postpaid

This tariff is suitable for those who like to take their time when talking. It is charged per minute at a minimal rate.

CelTel 90 Plan

CelTel 90 is ideal for those who use their phones for 3 – 4 hours every month, and is bundled with 90 minutes of talk time to another CelTel subscriber. Talk more for less with the CelTel 90 plan.

CelTel 180 Plan

CelTel 180 is suitable for those who use their phones for 5 hours or more every month. It is bundled with 180 minutes of talk time every month (CelTel to CelTel).

CelTel 240 S Plan

CelTel 240 S plan is billed per second. It enables one to buy 240 bundled and make calls at affordable inside bundle rates. These minutes are equivalent to the monthly fee and are bought on a monthly basis. It allows you to make on net calls for 240 minutes at a discounted rate.

CelTel 160 S Plan

CelTel 160 S plan is billed per second. It enables one to buy 160 bundled minutes and make calls at affordable inside bundle rates. These minutes are equivalent to the monthly fee and are bought on a monthly basis. It allows you to make calls for 160 minutes to any local destination at a discounted rate.

CelTel 155 S Plan

CelTel 155 S is billed per second. It enables one to buy 155 bundled minutes and make calls at affordable inside bundle rates. These minutes are equivalent to the monthly fee and are bought on a monthly basis. It allows you to make on net calls for 155 minutes at a discounted rate.

Source: Adapted from 'CelTel, Postpaid Service' Brochure

APPENDIX 7: CATERER SELECTION QUESTIONNAIRE

Date: _____

Caterer: _____

Please complete the following questionnaire and drop in the suggestion box. This will assist us in selecting the most suitable caterer:

1. How do you rate the quality of food supplied?

- a) Very Good (3 marks)
- b) Good (2 marks)
- c) Fair (1 mark)
- d) Poor (0 mark)

2. What is your feeling about the variety?

- a) Very Good (3 marks)
- b) Good (2 marks)
- c) Fair (1 mark)
- d) Poor (0 mark)

3. How satisfying are the portions?

- a) Very Good (3 marks)
- b) Good (2 marks)
- c) Fair (1 mark)
- d) Poor (0 mark)

4. How did you find the pricing vis a vis the food served?

- a) Good (3 marks)
- b) Fair (2 marks)
- c) High (1 mark)
- d) Too High (0 mark)

5. How do you rate the level of service?

a) Hygiene standards and display

- a) Very Good (3 marks)
- b) Good (2 marks)
- c) Fair (1 mark)
- d) Poor (0 mark)

b) Staff attitude and courtesy

- a) Very Good (3 marks)
- b) Good (2 marks)
- c) Fair (1 mark)
- d) Poor (0 mark)

c) Speed of service (waiting time)

- a) Very Good (3 minutes or less)
- b) Good (3 to 7 minutes)
- c) Fair (7 to 12 minutes)
- d) Poor (more than 12 minutes)

Source: Adapted from *Celtel Kenya Caterer Selection Questionnaire*

APPENDIX 8: BUDGET

EXPENDITURE ITEM	APPROXIMATE COST (Kshs)
1 Stationery (papers, pens, files, transparencies etc)	Kshs 2,000.00
2 Library Services (membership)	Kshs 500.00
3 Computer time (10 hrs @ Kshs 1 per minute)	Kshs 600.00
4 Typing Services (Kshs 15 per page)	Kshs 1,500.00
5 Photocopy Services (Kshs 2 per page)	Kshs 1,600.00
6 Binding Services (Kshs 100 per copy)	Kshs 800.00
7 Travel expenses (fuel)	Kshs 6,000.00
8 Airtime expenses	Kshs 6,000.00
9 Subsistence expenses (lunches)	Kshs 3,000.00
10 Contingencies Incidental Expenses	Kshs 5,000.00
11 Clerical assistant salary	Kshs 13,000.00
12 Professional Services Rendered (Kshs 1,500 hour)	Kshs 360,000.00
TOTAL EXPENDITURE	Kshs 400,000.00

Note to the Budget:

- The researcher will be conducting this research on a part-time basis as she works on a full-time job.