CHANGE MANAGEMENT PRACTICE
THE CASE OF NYATI AND ELIMU SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES

By:

Kiuma Angelo

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DECLARATION

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

Signed... Date 27/11/08

Angelo Kiuma
D/61/P/8106/02

This project has been submitted for examination with my approval as university supervisor.

Signed... Date 27/11/08

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

DEDICATION

This project is dedicated to my son Alex Njenga who as a young boy kept on insisting that I finish the teacher's homework oblivious of what that entailed.

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I would like to give thanks to Almighty God for His providence, and the people whose contribution was invaluable and without which I would not have completed my study. I especially thank Dr. Martin Ogutu my supervisor whose patience, good advice and counsel during my research project led to the completion of this project. During the course of my research, Dr. Ogutu demonstrated a lot of patience, a virtue that is not common to many people.

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ABSTRACT

Economic and social forces such as globalization, social/cultural, political/legal, advancement in technology, liberalization, unstable financial markets and advances in information and communication technologies are among the many business environmental factors driving the escalating pace of change evident within organizations today. Discerning the need for change on time, planning and properly implementing the change is usually seen as a differentiating core competence for competitive organizations and the only way out for organizations to survive the challenges of a fast changing environment. Seeing the need for change and having the resources to implement it is one thing but the process of implementing the change, which is change management, is what determines the final outcome of the whole change process. Therefore, good change management practices must be adopted.

This case study sought to explore strategic change management and how change has been managed by Nyati and Elimu Cooperative Societies. The study was designed as a case study of Nyati and Elimu Cooperative Societies to compare change management in the two cooperative societies and to find out whether strategic change is practiced by Co-operative Societies. The study involved collecting data through in-depth personal interviews with some members of the Central Management Committees being the Board of Directors and General Managers, Managers and Accountants being the agents charged with implementing the strategies of the Societies. The data collected in this study was qualitative data and hence content analysis was used.

The major finding of the study is that change management practices in the two cooperative societies are different on a number of spheres. Elimu Cooperative Society has aspects of emergent change whereas Nyati Cooperative Society has the aspects of planned change management. Change management was applied in technology, business portfolio management, training, cost management and loaning policies for both cooperative societies. The study concludes that the cooperative societies practice strategic change management but at different levels which involve the formulation of

committees to deal with the issue of change and the use of internal change agents to manage change. Employees also need to see change as a challenge that is valuable to the society as well as to them. Change should motivate them to respond appropriately and not act as a demotivator. Once this is realized, the gains will be seen in the financial performance of the societies.

CHAPTER ONE: INTRODUCTION

1.1 Background

Savings and Credit Co-operative Societies (SACCOs) are synonymous with credit unions. The International Co-operative Alliance (2000) defines credit unions as the legally constituted not-for-profit co-operative financial institutions chartered and supervised, for the most part, under national co-operative law and created to meet the basic financial service needs of primarily low and middle income citizens who generally can not obtain these services through the existing banking system. The Unions provide a means to learn the value of regular savings and wise use of credit. They are a form of economic empowerment, based upon an individual's ability to control and manage the financial institution that provides savings, credit and financial management Goto (2004).

1.1.1 Evolution of Savings and Credit Co-operative Societies

The roots of Savings and Credit Co-operative Societies are in the Co-operative movements. The earliest documented movement was in Rochdale, England in 1844. Later, it spread to Canada in 1901 and United States in 1908 (Goto, 2004). The Co-operative movement in Kenya started at the beginning of the twentieth century (Manyara, 2003). It was exclusively meant for the marketing of the settler community's agricultural produce. After independence, the government seized the opportunity to use the movement as a vehicle for social-economic development. More specifically, co-operatives were established and developed as a means of improving the economic, social and cultural situation of persons of limited resources and opportunities as well as encouraging the spirit of initiative; increasing personal and national capital resources by encouragement of thrift and sound use of credit; contributing to the economy an increased measure of democratic control of economic activity and equitable distribution of surplus; improving social conditions and supplementing social services in such fields as housing and where appropriate health, education and communication; helping to raise the level of general and technical knowledge of their members (Goto, 2004).

Over the years, Co-operatives have been involved in agricultural production and primary processing and marketing of agricultural and livestock commodities. In addition, they have served as a vehicle for mobilization of rural and urban savings, which are important sources of funding for productive activities. In Sessional Paper number 14 on Co-operative Development published in 1975, the government categorically stated its continued recognition and support of co-operatives as vital instruments for mobilizing the natural human and financial resources for national development. As late as June 2003 President Kibaki, in his Madaraka Day speech echoed the vital importance of co-operatives citing that it mobilized 40% of national savings. He was however quick to caution that some co-operative societies have been under-performing in recent times due to poor and inefficient management, corruption and lack of commercial ethics and restrictive legislation, (Daily Nation Newspaper, 6th June 2003)

Prior to 1997, the government supported Co-operative movements through direct assistance and subsidized services. This ceased when the new Co-operative Societies Act and Sessional Paper number 6 of 1997 on Co-operatives in a liberalized economy became effective. This involved the revision of the Co-operative Societies Act Cap 490, which was to be Operational 1n 1997. Some functions like; approval of the budgets, capital expenditure and allowances; auditing, accounting and management systems were transferred from the ministry of Co-operatives to Co-operative Societies themselves. Co-operatives are now free enterprises, expected to compete with other private commercial entities in the market, (Bwibo, 2003).

The increasing competition in the money market in Kenya has threatened the very survival of the Co-operative Societies in Kenya. The financial institutions hitherto providing long-term funds have since ventured into the short-term money market. Mortgage and insurance firms are now providing short-term loans. The market segments for short term and long term lending are no longer distinct. Like other organizations, Co-operative Societies have found themselves operating within an environment, which is becoming more and more complex (Goto, 2004).

In today's business environment, more than any preceding era, the only constant is change. Successful organizations effectively manage change, continuously adapting their bureaucracies, strategies, systems, products and cultures to survive the shocks and prosper from the forces that eliminate the competition, (Kasima, 2004).

Strategic change is a strategic program that is meant to redirect the organization into the future. Its goal is to build and maintain a sustainable competitive advantage and to create shareholder value. In the strategic management process, there are three main activities i.e. formulation, implementation, evaluation and control. Strategic management change occurs at the implementation stage. It is also at the implementation stage that an organization experiences resistance to change, (Pugh, 2000).

Change has become part and parcel of all organizations and individuals as the realities of yesterday are proving wrong today. The environment under which organizations are operating is becoming more and more complex. While there is growth in knowledge, the knowledge is fast becoming irrelevant and invalid because of this complexity. One of the biggest questions today is how organizations can prepare for the complex and uncertain future. Knowledge of management of change becomes important, (Lilie, 2002).

Change management involves some transition from some current undesired state to a desired future state through a series of actions and activities. It is a problem finding and problem solving practice in the sense that organizations undergoing change must have identified a problem somewhere. It is this problem that makes the current state undesirable and hence the need for the change. Change occurs at two levels, Operational change and Strategic change. Operational change is short term in nature, involves change in operating procedures and affects part of the organization. It is functional in nature and its responsibility is at the middle level management. Its main purpose is to improve efficiency. Strategic change on the other hand is long term in nature, involves top management and high resource commitment, (Pugh, 2000).

The purpose of strategic change is organizational effectiveness and determination of the direction of an entire organization. While operational change involves a process that establishes objectives and activities in each part of the operation, a strategic change considers what is needed in the future to achieve the organization's desired aims and to establish an approach to change considering the key players of change. Its focus is on the effectiveness of the entire organization, (Lilie, 2002).

Change in organizations take place at two levels, business levels and people level. Business dimension of change includes elements like the need to change, the change strategy i.e. Scope and objectives; business processes; systems and structures; implementation and post implementation. People dimension of change relates to how employees experience the change process. Effective management of people dimension of change requires creating awareness and desire; instilling knowledge; providing ability and reinforcement. A major drawback to change management is the resistance to change. Resistance to change can either be systemic or behavioral. Systemic resistance refers to the passive incompetence of the Organization to undertake change while behavioral resistance refers to the resistance by individuals and groups because of parochial self interests, misunderstanding, lack of trust and low tolerance to change among others. Resistance to change includes the introduction of delays, additional costs and instabilities into the process of change. For a successful strategic change, resistance need be minimized, (Pugh, 2000).

1.1.2 Nyati Savings and Credit Co-operative Society

Nyati Savings and Credit Co-operative Society Limited was founded in 1977 by employees of Securicor Security Services. It started with a membership of Four Hundred and Seventy Eight (478). Currently, the Cooperative has a membership of Eight Thousands, one hundred and sixty (8160). The society performed well up to 1995 when its performance fell creating the need for change undertaken in year 2000. Prior to the strategic change the society was dogged by many problems including open corruption. There were huge loan backlogs going to more than one year for emergency loans to be disbursed. There existed no loaning policy to guide the loaning procedure. Some members refinanced their loans while others waited for long periods of time for their turn (Nyati Cooperative Society, 2003).

The organizational structure was inadequate and employees were demotivated with no appointment letters or job descriptions. Employees recruited were far below the required academic standards. Record keeping was poor with no system of ensuring that granted loans were recovered. The society operated with huge overdrafts overdrawing at the rate of 28% and lending the same to the members at the rate of 1%. There was no education to members who were ignorant of their rights, duties and responsibilities (Nyati Cooperative Society, 2003).

1.1.3 Elimu Savings and Credit Society

Elimu Savings and credit Co-operative Society was incorporated and registered under the Co-operative Societies Act Cap 490 on 6th March 1972 by the civil servants of the Ministry of Education. Currently the majority of the Sacco Members are staff of the Ministry of Education Science and Technology, employees of all other Ministries, TSC, education institutions, parastatals, NGO's and other reputable employers (Elimu Cooperative Society, 1995).

The Society continued to perform poorly with a precarious liquidity position. As at 2003 and 2004, the closing debtor position stood at 78% and 70% of Total Income respectively. The Society continued to post operating losses, posting nothing to the statutory reserve and declaring no dividends over the years. The operating expenses on the other hand continued to increase thereby compounding the profit position. Due to members' dissatisfaction, there were consistent withdrawals from the co-operative with share capital growing at a reducing rate by 6.5%, 5.0% and 0.1% in 2002, 2003 and 2004 respectively. Membership fell from 7411 to 7265 between year 2003 and 2004. The society maintained a bloated workforce of 45 employees resulting in duplication of duties and considerable idle time. The majority of staff had not attended any formal training to suit their positions. Lack of proper skilled and trained personnel significantly affected performance. Management staffs were on a three-year contract and lived under constant uncertainly as to whether their contracts would be renewed. Due to the constant poor performance, the co-operative hired the services of KUSCCO's Research and Consultancy Department to study and come up with a strategic management plan which would turn around its performance.

1.2 Statement of the Research Problem

The increasing dynamism in the money market in Kenya following the liberalization of the industry has threatened the very survival of the savings and credit cooperative societies in Kenya. The financial institutions hitherto providing long-term funds have since ventured into the short-term money market. Mortgage and insurance firms are now providing short-term loans. The market segments for short term and long term lending are no longer distinct. The industry previously served by cooperative societies has in the recent past been entered by other financial institutions. It is therefore imperative that a strategic change is required to turn around the performance of co-operative societies amidst the increasingly dynamic environment.

Bringing change is one thing while managing it is another. Thiga (2002) suggests that if change is poorly managed, resistance is likely to be higher than properly managed change. Several studies have focused on change management practices in various organizations and co-operative societies but none has been done as a comparative study. Kombo (1997) studied the strategic responses of firms facing changed environmental conditions using a study of motor vehicle franchise holders in Kenya. He found out that these firms operate in a flux environment and the success of these firms could be attributed to how they have been able to respond to environmental changes.

Gekonge (1999) surveyed the strategic change management practices by Kenyan Companies using a case study of companies quoted in the Nairobi Stock Exchange. The researcher noted that successful firms in the NSE have adopted strategic change management as part of their competitive strategy. Bwibo (2000) surveyed the strategic change management practices adopted by non-governmental organizations in Kenya. He noted that NGOs have not been left out in adopting strategic change management. He however concluded that strategic change management should be tailored to fit an organization's situations. Muturi (2000) conducted a study on the Strategic responses by firms facing changed competitive conditions. He noted that with continually increasing competition firms are becoming more responsive to customer needs rather than concentrating on cost reduction.

Savings and Credit Co-operative Societies are different from other sectors of the economy because they are constituted not principally for profit maximization but to encourage thrift among its members by affording them an opportunity for accumulating their savings to create a source of funds at a fair and reasonable rate of interest; provide an opportunity for each of its members to improve the members respective economic and social conditions; educating members on proper use of credit; establish and sustain beneficial Social services for their members' benefit. Members join and save together in order to create a pool of money that will be available for providing provident loans at reasonable rate of interest. Members' eligibility is usually defined in terms of some common affiliation such as employment or residence. All members are owners of the enterprise and have equal privileges, opportunities and responsibilities. Each member has one vote in the election for committee members and the board of directors. Members of these elected bodies serve in an unpaid voluntary capacity.

The above studies have been done in other sectors of the economy but not in co-operative societies. Hence the study seeks to bridge the study gap by investigating change management practice in Nyati and Elimu Co-operative Societies. Both Co-Operatives undertook change with different levels of success.

1.3 Objectives of the study

The objective of this study is to determine whether the change management practice adopted by Nyati Cooperative Society is similar to that adopted by Elimu Cooperative Society.

1.4 Importance of the Study

The Study will be invaluable to;

i. To the academicians as a basis upon which further research on change management could be done;

ii. The senior management and members of the Central Management Committees in making decisions regarding change management; and

iii. The policy makers and particularly the Ministry of Co-operative Development in policy formulation and planning.

CHAPTER TWO: LITERATURE REVIEW

2.1 Concept of Change Management

Change management encompasses the requesting, determining, attainability, planning, implementing and evaluation of changes to a system. It has two main goals: supporting the processing of changes – which is mainly discussed here – and enabling traceability of changes, which should be possible through proper execution of the process described here. This article addresses change management from a system perspective. For change management related to organizational development and people, see Change Management (Crnkovic, Asklund and Persson-Dahlqvist, 2003).

There is considerable overlap and confusion between change management, change control and configuration management. Change management is an important process, because it can deliver vast benefits (by improving the system and thereby satisfying customer needs), but also enormous problems (by ruining the system and/or mixing up the change administration). Furthermore, at least for the Information Technology domain, more funds and work are put into system maintenance (which involves change management) than to the initial creation of a system, (Dennis, Wixom and Tegarden, 2002).

In the same vein, Hinley (1996) describes two of Lehman's laws of change: the law of continuing change (i.e. systems that are used must change or automatically become less useful) and the law of increasing complexity (i.e. through changes the structure of a system becomes ever more complex and more resources are needed to simplify it).

The organizational environment is nowadays also confronted with many changes due to increasing and worldwide competition, technological advances and demanding customers, (Huang & Mak, 1999). Therefore, (efficient and effective) change management is also of great importance in this area.

The underlying issue is the degree to which change in organizations can be planned and controlled. The debate is usually structured around authors who support a planned approach and those who support an emergent approach to change. An early and long-standing influence on the planned change literature was the work of (Lewin, 1958), who proposed a three-stage approach to organizational change. His model involved unfreezing the present situation, moving to a new situation and refreezing in the new situation. Lewin's model has intuitive appeal and became an enduring influence because it was taken up as one of the foundation stones of the organizational development (OD) movement during the 1960s–1980s, (Bumes, 2000 and Cummings & Worley, 2001). The model's influence can also be seen in the comment by Hendry: Scratch any account of creating and managing change and the idea that change is a three-stage process which necessarily begins with a process of unfreezing will not be far below the surface. Indeed it has been said that the whole theory of change is reducible to this one idea of (Kurt Lewin, Hendry, 1996). Various authors have developed rational, linear models very similar to Lewin but with different labels for the stages. For example, Tannenbaum and Hanna, (1985), describe the stages as homeostasis and holding on 'through dying and letting go' to the final stage of 'rebirth and moving on', while Hughes, (1991), describes the stages as 'exit' (departing from an existing state), 'transit' (crossing unknown territory) and 'entry' (attaining a new equilibrium).

In spite of the widespread popularity that planned approaches to change still enjoy, there has been an increasing number of criticisms of this approach to change management. Wilson, (1992), believes the planned approach puts too much emphasis on managers and their ability to control the outcomes of change programmes. Advocates of a planned change model can be criticized because of '...their attempt to impose an order and a linear sequence to processes that are in reality messy and untidy, and which unfold in an iterative fashion with much backtracking and omission' (Buchanan and Storey, 1997). Planned approaches have typically ignored the role of power and politics in organizational change and, in doing so, have limited our understanding and therefore our ability to manage change effectively, (Hardy, 1996).

An alternative approach to the planned approach has been termed the 'emergent' approach. An early and influential advocate of an emergent approach to change was Pettigrew (1985), who studied the use of organizational development interventions at Imperial Chemical Industries over an 8-year period. One of the most significant aspects of this study was that it looked at change over a long time period rather than as a single episode. Based on this study, Pettigrew argued that the mainstream accounts of change were historical, acontextual and aprocessual. Pettigrew and Whipp's, (1991), argument was that change is a complex process that occurs over time and is influenced by any number of unpredictable variables. It is too simplistic to portray change as proceeding in a rational and linear process.

2.2 Strategic Change

Successful strategic change is built on an overall strategic management in the organization. A strategic change should be seen in terms of the wider strategic management of the organization. The strategy of the organization is what legitimizes the change program. Strategic change therefore is a strategic program that is meant to redirect the organization into the future. Its goal is to build and maintain a sustainable competitive advantage and create shareholder value.

According to Todd (1999), change management is a systematic approach to achieving a sustainable change in human and organizational behavior. It involves moving the people in the organization from certain old behaviors to some new behaviors, which are desired by the organization. Change Management involves some transition from some current undesirable state to some desired future state through a series of actions and activities.

Recent strategic management research has adopted a configurationally approach which addresses complex sets of interrelationships among variables that comprise specific strategic orientations (Meyer, Tsui, and Hinings, 1993 and Miller and Friesen, 1984). For example, Miles and Snow's (1978), familiar Prospector and Defender configurations imply an internally consistent set of strategies, structures, and processes. A strategic orientation, then, is a constellation of strategy and organization design components that mutually support one another.

Configurationally researchers interested in strategic change assess whether an organization shifts its strategic orientation and examine the impact such a change has on performance (Smith and Grimm 1987, Zajac and Shortell (1989) and Goes and Meyer, 1991). Unfortunately, this focus on strategic orientation often prevents unraveling the reciprocal impact between performance and the individual variables comprising the configuration, (Ketchen, Thomas, and Snow, 1993). Thus, what is neglected is the within-firm dynamics that lead an organization from one strategic orientation to another, the order in which these variables change, and the impact of these individual changes on performance.

A manager's beliefs may be based more on the role played her/his functional area in strategic change than on other factors often cited as influencing belief. During any strategic reorientation at least one area of an organization will be raised to prominence and receive an increased share of resources. Those areas will be referred to as favored areas. In a study conducted for other purposes, it was observed that managers in favored areas share closer beliefs than managers with other characteristics (Markoczy, 1997). Being a member of the favored area appeared to play a larger role in shaping business beliefs in my sample than being of a particular nationality or rank.

In a survey of OD practitioners, found that these values were clearly reflected in empowering employees to act; creating openness in communications; facilitating ownership of the change process and its outcomes; the promotion of a culture of collaboration and the promotion of continuous learning (Hurley, 1992). Lewin (1947), believed that a successful change process involved three steps; Unfreezing, involving destabilizing the equilibrium upon which the stability of human behavior was based, a quasi - stationary equilibrium supported by a complex field of driving and restraining forces. The equilibrium needs to be destabilized (unfrozen) before old behavior can be discarded (unlearnt) and new behavior successfully adopted. The second step, moving, involves the learning process and the third step, refreezing, which seeks to stabilize the group at a new quasi - stationary equilibrium in order to ensure that the new behaviors are relatively safe from regression, (Burnes, 2000).

Culture plays an important role in the life of organizations especially when it comes to change. Johnson, (1993), suggested that the Strategic Management of change is essentially a cultural and cognitive phenomenon rather that analytical rational exercise. Clarke,(1994), states that the essence of sustainable change is to understand the culture of the organization that is to be changed. If proposed changes contradict cultural biases and traditions it is inevitable that they will be difficult to be embed in the organization. Kotter, (1996), argues that for change to be successful it must be anchored in the organization's culture. Dawson, (2003), suggests that attempts to realign internal behaviors with external conditions require change strategies that are culturally sensitive. Organizations must be aware that the process is lengthy, potentially dangerous and demands considerable reinforcement if culture change is to be sustained against the inevitable tendency to regress to old behaviors. Pettigrew, (1997), stresses that organizations processes are embedded in an organizations contents of which culture forms an important part. He points out that because of this embedded ness, change can be slow.

2.3 Approaches to Organizational Change

There are four types of change. These are planned, emergent, episodic and continuous change.

2.3.1 Planned vs. Emergent Change

Planed 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 changes that might come about by accident, by impulse or that might be forced on an organization, (Marrow, 1969). Planned approach to change is now most closely associated with the practice of Organization Development (OD) and indeed lies at its core, (Burnes, 2000). Underpinning OD is a set of values, assumptions and ethics that emphasis its humanistic orientation and its commitment to organizational effectiveness. According to French and Bell (1973), there are four core values for OD which include the believe that the need and aspirations of human beings provide the prime reasons for the existence of organizations within society; change agents believe that organizational prioritization is a legitimate part of organizational culture; change agents are committed to increased organizational effectiveness; OD places a high value on the democratization of organizations through power equalization.

Advocates of this view see change as being a process whereby individual parts of an organization deal incrementally and separately with one problem and one goal at a time. By Managers responding to pressures in their local internal and external environments in this way, over time, their organizations become transformed. According to Mintzberg, (1978), though organizations do go through long periods of incremental change, these are often interspersed with brief periods of rapid and revolutionary change.

According to Pettigrew, (1997), in terms of emergent change, a process is a sequence of individual and collective events, actions and activities unfolding overtime in context. For Wilson, (1992), it is the increasingly dynamic and uncertain nature of the business environment that undermines the case of planned change and underlines the appropriateness of the Emergent approach. Dawson, (2003), contends that even in stable situations, change is emergent, messy and unpredictable.

The Emergent approach therefore stresses the developing and unpredictable nature of change. It views change as a process that unfolds through interplay of multiple variables (context, political processes and consultations) within an organization. Emergent change tend to stress that there can be no simple prescription for managing organizational transitions successfully owing to time pressures and situational variables. Successful change is therefore less dependent on detailed plans and projections than on reaching an understanding of the complexity of the issues concerned and identifying the range of available options. Proponents of Emergent change approach has it that power and politics play an important role in the process of organizational change.

Though the proponents of the Emergent approach reject the concept of universally applicable rules for change, the guidance they provide tend to stress five features of organizations that either promote or obstruct success. These include structures; cultures; organizational learning; managerial behavior; power and politics. Organizational structures play a crucial role in determining where power lies; defining how people relate to each other and in influencing the momentum for change. According to Dawson, (2003), the theory of organization has always identified some types of (organizational Structures) as being more easily changeable than others. Therefore an appropriate organizational structure, in both its formal and informal elements, can be an important facilitator of change. Enterprise must be organized into flexible basic units that permit new organizational structures to be identified and to emerge and which promote efficient exchanges of information (Jenner, 1998).

2.3.2 Episodic versus continuous change

Another distinction is between episodic and continuous change. Episodic change, according to Weick and Quinn (1999), is 'infrequent, discontinuous and intentional'. Sometimes termed 'radical' or 'second order' change, episodic change often involves replacement of one strategy or programme with another.

Continuous change, in contrast, is 'ongoing, evolving and cumulative'. Also referred to as 'first order' or 'incremental' change, continuous change is characterized by people constantly adapting and editing ideas they acquire from different sources. At a collective level these continuous adjustments made simultaneously across units can create substantial change.

The distinction between episodic and continuous change helps clarify thinking about an organization's future development and evolution in relation to its long-term goals. Few organizations are in a position to decide unilaterally that they will adopt an exclusively continuous change approach. They can, however, capitalize upon many of the principles of continuous change by engendering the flexibility to accommodate and experiment with everyday contingencies, breakdowns, exceptions, opportunities and unintended consequences that punctuate organizational life, (Orlikowski, 1996).

2.4 Models of Change

The punctuated equilibrium model of organizational transformation is advanced by Romanelli and Tushman, (1994), it depicts organizations as evolving through relatively long periods of stability (equilibrium periods) in their basic patterns of activity that are punctuated by relatively short bursts of fundamental change (revolutionary periods). Revolutionary periods substantially disrupt established activity patterns and install the basis for new equilibrium periods, (Burnes, 2000).

The Continuous Transformation Model of Change is another argument put forward by proponents of this model is that in order to survive, organizations must develop the ability to change themselves continuously in a fundamental manner. The underpinning rationale for the continuous transformation model is that the environment in which organizations operate is changing and will continue to change rapidly, radically and unpredictably. Only by continuous transformation will organizations be able to keep aligned with their environment and thus survive.

Figure 1: Nature of Change and Management Roles

NATURE OF CHANGE

MANAGEMENT ROLE

	Incremental Change	Transformational Change
Proactive	Tuning	Planned Transformational
Reactive	Adaptation	Forced Transformational

Source: Burnes, B. (2000), **Managing Change: A Strategic Approach to Organizational Dynamics**, Financial Times Prentice Hall, Harlow

2.5 Organizational Performance

Although many authors have tried to set out a clear definition of performance, the debate continues nowadays in the academic literature, especially regarding some aspects of terminology, analysis level, and conceptual basis for assessment, (Ford and Schellenberg, 1982). Venkatraman and Ramanujan, (1986), consider three different levels of performance within organizations. Thus, they distinguish among financial performance, business performance and organization effectiveness, although the later has been subsequently known as organizational performance (Chu-Hua 2001, Terziovski and Samson, 1999). Organizational performance is complex and, indeed, a function of many variables. One multi-faceted variable that continues to receive attention from both academics and business professionals is organizational orientation. Though difficult to conceptualize and measure, organizational orientations directly influence organizational performance. An organizational orientation noted in recent literature, strategic change orientation, has been shown to have significant influence on organizational performance, (Homburg, 2002). Lusch and Laczniak, (1989), define business performance as the total economic results of the activities undertaken by an organization. Walker and Ruekert, (1987) found primary dimensions of business performance could be grouped into the three categories of effectiveness, efficiency, and adaptability. But there is little agreement as to which measure is best. Thus, any comparison of business performance with only these three dimensions involve substantial trade-offs: good performance on one dimension often means sacrificing performance on another, (Donaldson, 1984).

In many research situations it is impractical or impossible to access objective measures of organizational performance. Even if such measures were available it does not guarantee the accuracy of the performance measurement. For example, when a sample contains a variety of industries, performance measurement and comparisons can be particularly problematic. What is considered excellent performance in one industry may be considered poor or middling performance in another industry. If researchers limit themselves to a single industry, the performance measures may be more meaningful, but the generalizability of the findings to other industries is problematic, (Donaldson, 1984).

2.6 Change management and Organizational Performance

Performance is the achievement of organizational goals in pursuit of business strategies that lead to sustainable competitive advantage as Gephardt & Van Buren (1996) notes. To measure organizational performance more completely, one might use an approach similar to the balanced scorecard, which elevates non-financial measures to a level consistent with a traditional focus on financial measures. In this age of global competition, technological innovation, turbulence, discontinuity, even chaos, change is inevitable and necessary. The organization must do all it can to explain why change is essential and how it will affect everyone. Moreover every effort must be made to protect the interests of those affected by change.

On the other hand performance indicators are defined as statements of the performance expectations or requirements necessary for achieving the critical results of the position. They clearly communicate to employees what has to be done and employees should be involved in setting the standards under which their performance will be evaluated. Performance indicators include; quality, teamwork and customer service measures. Indicators organize information in a way that clarifies the relationships between a project's impacts, outputs and inputs and help to identify problems along the way that can impede the achievement of project objectives. Carter McNamara, (1997-2007), defines performance management as simply activities to ensure that goals are consistently being met in an effective and efficient manner. It can focus on performance of the organization, department, and processes to build a product or service, employees among others. Because today's organizations seem to change much more rapidly than in the past many scholars assert that no sooner is a measurement identified than the measurement becomes obsolete because the organization has changed substantially.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The objective of the study was to find out the change management practices of Co-operative Societies. The research was based on a case study of Nyati Co-operative Society Limited and Elimu Co-operative Society Limited. Case studies do prove very focused and valuable insights to phenomena that may otherwise be vaguely known or understood. The two Co-operative Societies were chosen because they are equal in size and operate under similar circumstances.

3.2 Data Collection

The study used primary data. Data collected was largely qualitative. The study involved collecting data through in-depth personal interviews with some members of the Central Management Committees being the Board of Directors and General Managers, Managers and Accountants being the agents charged with implementing the strategies of the Societies. A face-to-face interview was conducted. These interviews had a distinct advantage of enabling the researcher to establish rapport with potential participants and therefore gain their cooperation. These interviews yield highest response rates in survey research. They also allow the researcher to clarify ambiguous answers and when appropriate, seek follow-up information, (Leedy and Ormrod, 2001).

3.3 Data Analysis

The data collected in this study was qualitative data and hence content analysis was used. Nachmans and Nachmas, (1996), define content analysis as a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate to trends. Straus and Corbin, (1990), do back the use of qualitative data, they argue that the method is scientific as the data collected can be developed and be verified through systematic analysis. The data collected was analyzed to establish the type of change experienced by the two societies, how the change was managed, the level of resistance experienced and how the resistance was managed.

CHAPTER FOUR: DATA ANALYSIS

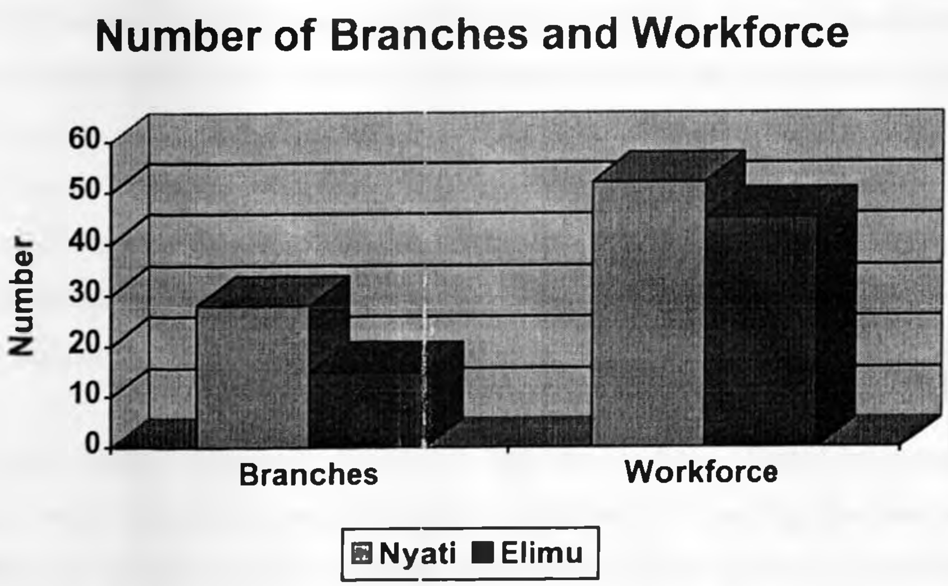
4.1 Introduction

This chapter presents the analysis of the data collected through the interview guide. This chapter is structured as follows. First, the analysis of the society demographics is presented. Then, the analysis of change management issues is presented. Finally, the analysis on resistance to change is performed and the results presented. The explanation of the results is provided under each section.

4.2 Society Demographics

The study was carried out on two cooperative societies namely Nyati Cooperative Society and Elimu Cooperatives Society. In terms of membership, Nyati Cooperative Society has 8,160 members while Elimu Cooperative society has 7200 members. This is presented in Figure 1.

Figure 2: Number of Branches and Employees



Nyati has 28 branches countrywide while Elimu has 15 branches. In terms of the number of employees, Nyati has a workforce of 52 employees while Elimu has 45 employees. The summary of the branches and number of employees is presented in Figure 1.

4.3 Change Management

The study also sought to find out if the interviewees had heard of change management. From the responses, it was clear that the interviewees had heard of change management concept. The interviewees were asked what kind of change practice they adopted in their societies. The study found out that for Nyati Cooperative Society, the management adopts a planned change. The society anticipates change well in advance and puts up measures that make it necessary to adopt them. In the case of Elimu Cooperative Society, the interviewee said that the changes that occur in the society are never anticipated well in advance and they usually deal with them as they come along. This shows that the society adopts emergent change practice.

The interviewees were then asked the aspects of change, emergent or planned, that they had experienced in recent times. The manager of Nyati Cooperative Society reiterated that the society anticipated the technological changes in the external environment that could have a major influence on their operations. This they had learned after observing the trend in other organizations as activities were becoming more and more automated and less paperwork in organizations. The manager said that the society then decided that they had to embrace technology hence the idea of paperless operations in the organization. The organization has also anticipated the growth in membership and planned for manpower that could handle the upswing in the members of the society. This planning of change, as the manager puts it has made the society to be well prepared hence meeting the challenges head on without much hassles.

As for the Elimu Cooperative Society, the society has been affected by a myriad of change issues emanating from the external environment. Technology has been a major challenge and so has been the regulatory framework. The firm has had to deal with them as they come as most of the changes occur at a time when the organization is ill-prepared to handle them. The management has had to put up with the rapid technological changes and rapid changes in the financial realm.

The interviewees also described the changes that their firms had experienced as being fairly predictable. This notion was most prevalent with the Nyati Cooperative Society's manager. The Elimu Cooperative Society manager had the notion that the changes occurring in the organization's immediate environment were unpredictable to a larger extent. The interviewees were further asked to describe the rate of change in their organizations. The interviewees described that the change experienced in the organizations are incremental and bumpy but added that they had been able to handle it.

On the sections that handle the societies' change management issues, the study found out that it was the responsibility of all the managers at all levels in the organizations to handle change issues. An executive committee is usually formed that comprises of the managers and selected employees to help manage change that the firms are exposed to. In both the societies, the General Managers head the committees that steer the change in the organization.

In the case of Nyati Cooperative Society, the arrangement is usually done way before the change occurs. The departments in the organization form committees that observe the trends in the external environment and come up with measures that can help the organization adopt those changes that it has the capacity to. The various committees are then coalesced into a larger committee headed by the managing director to come up with grand strategies to implement in the organization.

The interviewees were asked to state how change management was facilitated in the organizations. The study found out that for Nyati Cooperative Society, change was facilitated by the internal agents of change. These are members of various sub-committees that are formed to track the changes that are eminent and who have the responsibility to come up with measures to adopt the changes. But their efforts are corroborated by the external consultants whose ideas are merged with the ones for the internal change agents to determine the best outcome for the society.

The study further revealed that the Elimu Cooperative society uses more of the external experts than the internal ones to adopt the changes in the organization. The organization depends heavily on the input of change consultants and this, as the manager said, had helped the organization to remain abreast in the rapidly changing environment.

The interviewees were asked which areas of SACCO business change management approaches are predominantly applied. The study found out that change management was mainly applied in technology, business portfolio management, training, cost management and loaning policies. Change management practice is also applied in the savings management of the members.

4.4 Resistance to Change

The interviewees were further asked whether they face any resistance with respect to implementation of change in their societies. Both managers agreed that change was resisted in their societies. This they said was normal for all the organizations but the extent was the main difference. The resistance to change was found to emanate mainly from the employees who feel that the changes introduced in the organization are not usually part of their inputs.

In order to manage change, Nyati insists on proper communication with all the employees in the organization at all levels. The employees are explained to the reasons why change is necessary and how they will fit in the change being introduced. For Elimu, education of the members is also important for the society as it has helped reduce resistance. The consultants the society contracts have been able to ensure that the organization does not experience much resistance from the members as well as the employees.

The attitudinal changes heralded by the changes introduced in the organizations have been seen in various ways. For Nyati society, the society has experienced complains from the members on the efficiency of some of the technology that were introduced. For

Elimu, this has been seen in additional costs of running the organization and complains from the members.

The interviewees were asked to state where they would attribute employee resistance to change. The study found out that employee resistance to change was largely attributed to low tolerance to change and differences in opinion. Employee resistance was also attributed to the loss of perception of what the organization does as well as misunderstanding of the objectives.

The interviewees were also asked to state what the committee members' contribution to change management was. The interviewees said that committee members had made a very big contribution towards diffusing change in the organizations so much that the resistance from the rest of the member is minimal. But this was so prevalent in Nyati cooperative that had formed committees to act as change agents in the organizations.

The interviewees were finally asked to state how the management of the organization deals with resistance to change in their SACCOs. The results from Nyati cooperative indicate that the cooperative uses more of communication and education of its members on the changes that are occurring in the organization. The results from Elimu cooperative also seem to suggest that the organization uses incentives as a means of dealing in resistance. Another factor that was found to be used by the organization was involving the members and making them participate in change management in the organization.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusions and recommendations of the findings of this study. This chapter is organized as follows. First, a summary of the findings in chapter four is provided. Then the conclusions of the study based on the objectives of the study follow. The study then recommends to the stakeholders regarding the findings. Areas for further research are then proposed for academics and scholars wishing to do research on cooperative societies and on change management.

5.2 Summary and Conclusions

This study on change management practice was done on Nyati and Elimu Savings and Credit Cooperative Societies. Nyati cooperative society has 8160 members while Elimu Cooperative Society has 7200 members. Nyati and Elimu have 28 and 15 branches countrywide respectively with 52 and 45 employees respectively. In both cooperatives, the study found out that the interviewees were aware of the change management concept. The study found also found out that Elimu cooperative society has aspects of emergent change whereas Nyati cooperative has the aspects of planned change management. The emergent change in Elimu had been observed mostly in the area of government regulations. For Nyati cooperative, the change was prevalent in areas of technology. The change experienced was described by the Nyati manager as strong but predictable but the manager for Elimu said that most of the changes it experiences are unpredictable. The rate of change was also described as incremental and bumpy.

The study further found out that change management issues was the responsibility of the management and the executive committee comprised of management and other selected staff members. This was mostly the case for Nyati cooperative. For Elimu cooperative society, the study found out that the cooperative also has committees but most of the change management issues are handled by the consultants. The study further found out those mainly internal change agents mainly in Nyati cooperative society.

On the application of change management, the study found out that Nyati applies change management in technology, business portfolio management, training, cost management and loaning policies. The case was the same for Elimu cooperative society.

Just like in any other organization, resistance to change was found to be prevalent in the two societies under study. As presented in chapter four above, the interviewees said that they had experienced resistance to change as a result of introduction of change in their societies. The resistance to change was found to emanate mainly from the employees who feel that the changes introduced in the organization are not usually part of their inputs. Resistance to change was found to be a major problem in Elimu cooperative society.

The extent of this resistance was manifest in terms of employee complains and for Nyati SACCO and delays for Elimu cooperative society. To deal with the resistance to change, Nyati cooperative society engaged in communicating with the members as a major method. Elimu cooperative on the other hand used education as a major weapon. This was also assisted by the use of incentives and involvement of the members in the activities of the organization.

It can therefore be concluded that the cooperative societies practice strategic change management. This involves the formulation of committees to deal with the issue of change and the use of internal change agents to manage change. Thus, the societies can also be said to be effectively managing change.

The level of resistance to change can also be said to be low, as its effect is not so pronounced especially in Nyati cooperative society. It was mainly manifest in terms of complains but sabotage was not observed in the cooperatives. The low resistance can be attributed to effective communication and high degree of involvement of members. The high resistance to change in Elimu cooperative society can be attributed to the lack of involvement of members at crucial committee stages and opting to use the external experts such as the consultants.

Resistance to change has been effectively managed in the organization using education, communication and participation. These have reduced the levels of resistance to change significantly.

5.3 Recommendations

This study made some findings that have very important implications. Of significance is the fact that the employee resistance to change was low. Given that the employees might fear being castigated for resisting certain elements of change hence retreat to their cocoons; this might impact on their performance in the organization and therefore hurt the overall performance of the organization. Thus, the management of cooperative societies need to critically think into this issue to ascertain the extent of the implication of their disciplinary actions on the employee morale and their performance.

These findings also have important implications on the employees in the various cooperative societies in Kenya. As the study reveals that most of the employees are aware of change issues in organizations, the employees in various societies need to be conscious of change and accept change as part of the modern world and modern organizations. They need to see change as a challenge. Change should motivate them to respond appropriately and in good time so that their creativity and innovation is seen as prevailing. Creativity and innovation is what is rewarded in the modern organizations.

5.4 Areas for Further Research

This study is important to those wishing to study cooperative societies and in particular change management issues in cooperative societies. As this study found out that the extent of resistance to change was low for employees in cooperative societies, more studies should be done to ascertain the nature of this low resistance as this may bring out an important aspect of what has exactly caused this position. A further look at this issue vis-à-vis the disciplinary actions on employees who resist change might shed important insights into the issue. If the studies find out that there are harsh disciplinary measures that normally follow those who resist change, then the effect of this on employee morale and subsequent productivity of employees and the organizations in general can be explored.

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APPENDICES

Appendix 1: Interview Guide

1. Name of the organization ....
2. How many members do you have? ....
3. How many employees do you have?..
4. What position(s) do you occupy in the society?
5. Have you ever heard of change management concept?
6. Does your organization adopt planned or Emergent change as organization practice?
7. What aspects of planned or Emergent change have you recently experienced?
8. How would you describe the change that has affected your society?
9. Which section(s) handles the Society's change management issues?
10. How does your Society facilitate change?
11. In which areas of SACCO business do you predominantly apply change Management approaches?
12. With reference to implementation of change in your society, do you face any resistance?
13. Which methods do you apply in managing change in your organization?
14. How has people change affecting attitudes and behaviors affected your society?
15. How has technological change in processes affected your society?
16. Do you encounter international sabotage with respect to change management in your society?
17. Where would you attribute employee contribution to strategic change management?
18. What do you attribute committee members contribution to strategic change management?
19. How does management deal with strategic change in relation to performance of your SACCO?
20. What are the indicatory factors that prompt strategic change in your society?

Appendix 2: Letter of introduction

TO WHOM IT MAY CONCERN

The bearer of this letter ....

Reg. No. ....

Is a Masters 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.

DR. MARTIN OGUTU
CO-ORDINATOR MBA PROGRAM