CHALLENGES OF MANAGING STRATEGIC CHANGE IN TELKOM KENYA DURING AND AFTER PRIVATISATION

BY: MICHAEL OUMA

A management research project submitted in partial fulfilment of the requirements for the award of the degree of Master of Business Administration of the School of Business, University of Nairobi.

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DECLARATION

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

Signed:..................Date:...17/11/2009...........

Michael Ouma

D61/P/8901/2004

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

Signed:..................Date:......17/11/09.................

Dr. Mohamed Omar,

Department of Business Administration,

School of Business

University of Nairobi.

DEDICATION

This work is dedicated to my family for their support and encouragement over the years.

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ABSTRACT

This research project was carried out to determine the challenges of managing strategic change in Telkom Kenya during and after its privatisation. To do this it was necessary to look at the all the changes that have taken place within the company and their effects before determining the challenges.

The data for the research was collected using a case-study research design. To facilitate this interview guide was prepared and used to interview functional heads and managers. The study targeted ten managers and the targeted number was successfully achieved.

From the findings, the study shows that Telkom Kenya underwent several key strategic transformations concurrently causing many challenges to the management. The challenges were mainly due to poor planning, lack of staff involvement, poor internal communication and a prolonged change period. The company faced turbulent times during this period and is currently trying to coagulate the implemented strategies while learning from its past mistakes.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Currently, organisations are facing great challenges globally due to unpredictable external environment. Most of the challenges are due to macroeconomic factors beyond the control of the organisations. A few may be due to improper management of internal and external changes which have brought about the turbulence being seen in the business environment.

In Kenya, these changes have been observed especially in the agricultural, telecommunications, manufacturing and the tourism sectors of the economy. All these incidents underline the importance of proper management of change. The importance of management of strategic change in companies can therefore not be overemphasised if organisations are to survive similar economic upheavals in future.

1.1.1 Overview of Strategic Change Management

The subject of strategy analyses a company's relationships with its environment and that strategy is a scheme for handling these relationships. The environment is constantly changing and the organisation must also change with the changes in external environment. The external environmental factors can be the macro environment, industry, competition and customers. The organisation must have internal capacity to cope with the external environmental factors. The capacity includes internal resources, competence and organisational culture. The external changes can impose on an organisation to change in order to cope with a turbulent environment (Ansoff & McDonnel, 1990).

Planned strategic change regards the enabling of transitions from a current state to a more desired state for an organization more easily. Stoner et al, explain planned change as the systematic attempt to redesign an organisation in a way that will help it adapt to significant changes in the environment to achieve new goals (Stoner, Freeman, & Gilbert, 1995).

Scholars have argued that organisations are seldom ready for change. Frequently, strategic change is messier than making well-timed moves from one point to another. Uncertainty abounds about how the external world will change, about abilities to execute plans, about countermoves by the competitors for customers and resources. Much of the change is incremental-small steps to test the water or delaying action until forecasts become more reliable (Newman, Logan & Hegarly, 1989).

1.1.2 Telkom Kenya

Telecommunication services in Kenya were originally provided by East African Posts & Telecommunications Corporation. In 1977 after the collapse of EAC, the government of Kenya established Kenya Posts and Telecommunications Corporation as a national operator. At the time, the Kenya Posts and Telecommunications Corporation was the dominant and only player in the industry mainly because of barriers to entry like high initial capital investment. The Kenya Posts and Telecommunications Corporation had no written mission statement. Instead, the company used development plans with a life cycle ranging from 3 to 5 years to guide its business.

The government of Kenya in the early 1990s implemented a comprehensive public enterprises reform programme whose overall aims were clearly spelt out. There would be enhancing the role of private sector in the economy by shifting more of the responsibility for production and delivery of goods and services from the public to private sector; to create a more level playing field by eliminating preferential treatment, including monopoly rights; and to enable private sector o enter the areas of activity of the public enterprises on an equitable basis (Fadahunsi, 1996).

Secondly, the reforms aimed to reduce the demand of the public enterprises on the Exchequer so as to improve the use of Kenya's scarce resources; and to enhance the returns of those resources by achieving greater efficiency in both public and private enterprises through greater responsiveness to market signals and commercial criteria. This would lead to rationalising the operation of public enterprises sector (Fadahunsi, 1996).

The government of Kenya issued the communications sector policy paper covering reforms in postal and telecommunications sector in 1998. The Kenya Communications Act (1998), No. 3 of 1998, which replaced Kenya Posts and Telecommunications Corporation Act cap. 411 came into full operation with effect from 1st July, 1999. It spelt out a number of issues such as the restructuring of Kenya Posts and Telecommunications Corporation which would involve the separation of postal and telecommunications operations into two distinct legal entities and the creation of an autonomous commission to handle regulatory functions. There would also be a new company, Postal Corporation of Kenya which would remain a statutory body providing postal services. Consequently, industry regulatory services were to be provided by the Communications Commission of Kenya. This would leave Telkom Kenya to be a registered company providing telecommunications services as a national operator. The resulting liberalisation, would involve authorising new industry players in different market segments of the telecommunications sector to increase customer choice and accelerate investment. The established regulatory framework would provide for multi-operator environment to promote competition and efficient service provision.

The products currently offered by Telkom Kenya include local telephone services, national long distance telephone services, international gateway service, global mobile satellite communication, mobile radio services, VSAT services, Internet node and backbone services, value-added services, customer premises equipment and mobile phone services.

By around 2000/2001, Telkom Kenya had a workforce of 19,000 and the turnover in 1999/2000 was KSh. 21 billion. The company was granted a five-year exclusivity period in the provision of telecommunications services by the government. The staffing issue was progressively becoming a problem at the time. The International Telecommunications Union (ITU) recommends that the ratio of subscriber lines to employees for a fixed line operator should be 47:1. In the case of Telkom Kenya at the time of the changes, it had about 300,000 subscribers (Telkom Kenya Management Report, 2002) with 19,337 employees, which gives a ratio of 6382:1 (300,000/47). Clearly, this was a bloated workforce and could not be sustainable in the long run. This had to be addressed for the company to operate efficiently.

Further, during this period the implementation of strategies in Telkom Kenya was hampered by lack of financing to upgrade technological infrastructure and staff rationalisation. This was because the government had suspended loaning from the financial markets pending privatisation. There was also inherent bureaucracy in public owned firms' procurement, recruitment and other critical business processes. There were problems of organisational attitude and culture especially the employees and mounting debts.

Liberalisation of the industry introduced new entrants like Safaricom, Zain and Econet thus eating into the market share formerly held by Telkom Kenya. To exacerbate the situation for Telkom Kenya, any new subscribers preferred to use mobile phones as opposed to fixed line because of the flexibility and novelty inherent with mobile technology.

From this background, Telkom Kenya had to adapt strategic change very fast or risk being overrun by new entrants and advances in technology.

1.1.3 Some major recent changes within Telkom Kenya

Telkom Kenya formerly had four autonomous branches, Gilgil Telecommunications Industries (GTI), Safaricom, Kenya College of Communication Technologies (KCCT) and Postel Directories. GTI was an assembly plant which produced electronic and construction equipment used in telecommunications. KCCT was a training institute offering telecommunications and business courses.

As a business the company had a number of challenges including the global trend in telecommunications sector of deregulation, privatisation and liberalisation of the economy. There were also reforms of the telecommunications and postal sector policy statement 1999 which would affect its operation.

In 2004, the government introduced Performance Management Contract to improve service delivery in the public sector. In addition, technology was changing with the popularity of mobile technology accompanied with changing consumer needs. Added to these were macroeconomic factors such as high inflation, low disposable income, high level of investment and favourable exchange rates.

Consequently, in February 2006, there was staff rationalisation in which 11,893 employees were affected. Telkom Kenya then sold 9% of its shares in Safaricom to Vodafone to finance staff rationalisation. The staff rationalisation was broken down in three phases and it continued until 2008. This was also accompanied by the divestiture of loss-making subsidiaries. KCCT was transferred to CCK in a move to offset license fee arrears. GTI was sold to an Egyptian company to after competitive bidding.

There were also financial restructuring in which Telkom Kenya made a submission to the Ministry of Finance for implementation. In the submission, the company requested a tax waiver on accrued interest and penalties of tax and a payment plan for the accrued principal tax arrears. There was also a proposal for the conversion of liabilities to equity by the government.

Finally, there were internal changes which included network expansion and modernisation project, computerisation and process reengineering using an ERP system for order management, billing, finance, procurement, service provisioning and fault management systems.

1.2 Statement of the Problem

Strategic change is often imposed on organisations by the unpredictable environments in which they operate. However, some organisations take the proactive decisions to carry out strategic change in their operations. The formulation and implementations of these changes required to stay competitive are not without challenges. Based on this fundamental nature of change, there is need for detailed understanding of the management of strategic change and the challenges that face companies which seek to do so.

In the Kenyan perspective, the telecommunications industry has seen major changes during the last ten years. These changes in the industry have forced industry players to internally re-adjust in what is seen as major strategy changes to realign with the turbulent environment in which they operate. The pressure from the environment is exacerbated by vicious price wars, increasingly informed consumer and uncertain economic environment. All these combine to put pressure on telecommunications operators' profit and error margins. Telkom Kenya has been a major player in this industry the longest time and has seen changes throughout its history. These changes have been in areas such as management, structure, ownership, staffing and technology.

With regard to changes, a number of studies have been carried out about Telkom Kenya and its management over the years. Kandie (2001), in his study titled "A Study of the Strategic Responses by Telkom Kenya Limited in a Competitive Environment", recommended that a further study be carried out after joint venture has been set up in order to assess its impact in comparison with the findings of his study. Based on the same research findings, he also advised that Telkom Kenya maintain well managed information system for internal and external use and that the scope of the study be expanded to cover mobile operations for the purpose of comparison with this study.

The current study follows previous related studies which dealt with the management of strategic change. Kinanu (2007) studied the perception of Telkom Kenya employees to the change process that was taking place within the organisation. This study focused on the employees rather than the challenges to managers executing the management of strategic change. Gichohi (2007) in his study "The Challenge of Change Management: A case study of Unga Group Limited", amongst other conclusions and recommendations, proposed that a similar study be conducted in a different industry but with a larger sample since large sample size in his view would address limitations of his study.

This study therefore sought to address the gaps left out by the above previous studies by analysing the challenges faced by Telkom Kenya during and after its privatisation. It was unique in that it covered a more recent time compared to Kandie (2001), different industry from that focused on by Gichohi (2007) and focused on challenges to management rather than the perception of the employees Kinanu (2007). Kinanu also proposed a qualitative research in the form of a case study for a more detailed and in-depth study of change in Telkom Kenya. In summary therefore, this study intends to address the gaps that exist with respect to time of strategic change, focus industry and with a spotlight on management rather than the staff.

This study sought to investigate how the management of strategic change has been carried out in Telkom Kenya and determine the challenges experienced during the transition from a public owned national fixed line operator to a majorly privately owned multi-service player. In doing so, it sought to answer the question: What were the challenges faced by Telkom Kenya during its privatisation and how were they dealt with?

1.3 Objective of the Study

The objective of this study is to determine the challenges in the management of change in Telkom Kenya during its privatisation and after the change process.

1.4 Importance of the Study

There are several reasons why this study on the challenges in the management of strategic change in Telkom Kenya is necessary for the company, the industry and for academic purposes. In summary, the study is important in the following ways:

a) The government for improving formulation of policies on future privatisation of state-controlled corporations.

b) Scholars for future research in management of strategic change.

c) Players in the telecommunications sector and future new entrants as they strategise to operate in the same environment as Telkom Kenya with the challenges likely to be similar.

d) Telkom Kenya management in their quest to stay competitive and fight for market share in a very competitive and fast-changing environment.

1.5 Scope of the Study

The study was limited to the challenges encountered by Telkom Kenya in the headquarters in the management of strategic change during and after its privatisation, specifically between 2003 and 2008.

CHAPTER TWO: LITERATURE REVIEW

2.1 Organisational Change

Change management is defined as the use of systematic methods to ensure that a planned organisational change can be guided in the planned direction, conducted in a cost-effective manner and completed within the targeted time frame with the desired results (Thompson & Strickland, 2003). This definition encompasses the important aspects like cost implications, time factor, and results within the context of the organisation during the change process. Change is the transition from one state to the other with the focus of being different. Change may be either reversible or irreversible. Organisational change is a form of social change and can either be strategic or operational in nature. As a social process, change involves people in its every stage. These include managers, staff, customers, suppliers and partners.

Managers play an important role in the management of strategic change within organisations. However, their role is not to plan or implement change per se, but to create or foster an organisational structure and climate which encourages and sustains experimentation, learning and risk-taking, and to develop a workforce that will take responsibility for identifying the need for change and implementing it. Although managers are expected to become facilitators rather than doers, they also have the prime responsibility for developing a collective vision or common purpose that gives direction to their organisation, and within which the appropriateness of any proposed change can be judged (Burnes, 1996).

Change within organisations can either be operational or strategic. Operational change management can be defined as a process that enables objectives and activities in each part of the operation in order to continually support and enhance competitive effectiveness. The focus is on excellence and efficiency in carrying out all operations within an organisation. The objective is to ensure and maintain efficiency.

Strategic Change on the other hand considers what is needed in future to achieve organisational goals and objectives. It establishes an approach to change considering the key players, barriers and enablers of change. Focus is on effectiveness of the entire organisation. The premise is that it is easier to correct efficiency than effectiveness. Successful strategic change is built on strategic management system of an organisation which legitimises the change programme.

2.2 Management of Strategic Change

Strategic change management process can be generally seen as a structured and systematic approach to achieving a sustainable change in human behaviour within an organisation.

In a case study of the Kenyan Judiciary, Mutuku recommends that employees be involved by consultation and preparation and avoid the top-down approach where employees are only informed of the change during the implementation stage. She also observed that in the public sector there are a number of hurdles in the change management process which include lack of consultation - the use of circulars to communicate important change is too one-dimensional and one-directional and creates the siege mentality of 'us' and 'them' which eventually leads to resistance. There were also problems such as poor remuneration, shortage of staff, over-working leading to low morale, and interference by the executive arm of government and non-supportive organisation structure and culture (Mutuku, 2004).

2.3 Resistance to Change

This is a multi-faceted phenomenon which introduces delays, additional costs and instability in the change process. It comes in the form of procrastination and delays in triggering change process, unforeseen implementation delays which make it cost more than originally anticipated. This can also be seen as efforts within an organisation to sabotage the change. Furthermore, organizational change almost inevitability becomes a learning process in which unanticipated obstacles and opportunities emerge (Orlikowski & Hofman, 1996). Resistance can also be seen as any conduct that serves to maintain the status quo in the face of pressure to alter the status quo.

To a larger extent change management is dealt with in all departments and in rare cases is change driven from the human resources department (Kasima, 2004). He also says that resistance to change was experienced in all organisations in the survey and this is mainly due to behavioural resistance. Resistance usually results in delays in implementation, additional cost to achieve the intended results, inefficiencies and intentional sabotage.

2.3.1 Systemic Resistance

This is the resistance to strategic change that is linked to the passive incompetence of the organisation undergoing change to adopt change. It is related to the difference between the capacity required for new strategic work and the capacity to handle it. This kind of resistance can be minimised by providing dedicated capacity by planning and budgeting for it, integration of management into the change process and stretching the duration of change to maximise training as far as possible to assure timely response to environmental challenges (Kanter, Stein, & Jick, 1992).

Lewin suggested that any potential change is resisted by forces in the opposite direction. The idea is similar to the dialectical principle that everything generates its opposite. But within Lewin's framework, the forces tend to be external to the change, holding situations in states of dynamic equilibrium. His solution was to advocate that successful change rests in "unfreezing" an established equilibrium by enhancing the forces driving change, or by reducing or removing resisting forces, and then "refreezing" in a new equilibrium state (Lewin, 1951).

2.3.2 Behavioural Resistance

This kind of resistance is linked to the people within the organisation either as individuals or as groups. These include employees, managers, departments, coalitions and power centres within the organisation and other stakeholders. Ansoff & McDonnel observe that after installation of change there may be typical performance lag, the change is slow in producing anticipated result and there are efforts within the organisation to roll back the effects of the change to the pre-change status (Ansoff & McDonnel, 1990).

Employees resist change because they have to learn something new. In many case there is not a disagreement with the benefits of the new process, but rather a fear of the unknown future and about their ability to adapt to it. de Jager (2001) argues that most people are reluctant to leave the familiar behind. Human beings suspicious about the unfamiliar and are naturally concerned about how they will get from the old to the new, especially if it involves learning something new and risking failure.

2.4 Varieties of Change

Varieties of change refer to whether the primary focus of the change is individuals, groups, or systems and subsystems. Three main varieties are discontinuous, smooth-incremental or bumpy-incremental. Discontinuous change being least desirable as it results in high levels of unpredictability and disruptions which makes planning difficult. The proponents of this view see change as being a process whereby individual parts of an organisation deal incrementally and separately with one problem and one goal at a time (Burnes, 1996).

Smooth incremental change is most desirable as it is linear and has a gentle gradient. This kind of change covers slow, systematic and evolutionary change. Finally, the bumpy-incremental change lies somewhere in between the two in terms of predictability. This change pertains to periods where the smooth flow of change accelerates (Burnes, 1996). However, some types of organizational change are riskier if undertaken piecemeal or incrementally. Existing tools are often inadequate when radical change is contemplated (Davenport & Stoddard, 1994).

2.5 Approaches to Change

According to Johnson-Cramer et al (2003), there are two main ways of going about managing and implementing strategic change in an organisation. These are planned and emergent change.

2.5.1 Planned Approach

This terminology was originally introduced by Kurt Lewin (Lewin, 1951) to distinguish between change that was consciously embarked upon and planned by an organisation, as opposed to change that might come about by accident, by impulse or that might be imposed on an organisation (Marrow, 1969)

In this approach, change is viewed as a process of moving from one fixed state to another through a series of pre-planned steps in a stable business environment as opposed to change that comes about by accident. This approach is associated with organisational development, a framework of theories and practices capable of solving organisational problems which confront the human side of the organisation.

2.5.2 Emergent Approach

This approach views change as a continuous, open-ended and unpredictable process of aligning and re-aligning the organisation to its changing environment. Emergent approach recognises the need for organisations to align their internal practices to external conditions. Emergent change consists of ongoing accommodation, adaptations and alterations that produce fundamental change without prior intentions to do so. Much of this change goes unnoticed because small alterations are lumped together as noise in otherwise uneventful inertia (Johnson-Cramer, Cross, & Yan, 2003).

Though not clearly stated, the emergent approach to change is considered to be based on the assumption that all organisations operate in a turbulent, dynamic and unpredictable environment. As the external world changes in a rapid and uncertain way, organisations need to be continuously scanning their environment in order to respond in a timely and appropriate manner (Burnes, 1996).

2.5.3 Lewin's Three-step Model

The three-step model involves unfreezing the status quo, movement to a new state and refreezing the change to make it permanent. Unfreezing are change efforts to overcome the pressures of both individual resistance and group conformity. The refreezing process stabilises the change intervention by balancing the driving and restraining forces (Lewin, 1951).

2.6 Forces of Change

Change within an organisation may be due to a number of factors. These may include growth of capital-intensive technology, accelerated tempo of new technology, concentrated patterns of consumption, global village and neo-protectionism for example controlled versus liberalised industries or economies.

Scholars have argued that organisations change when they have to change – typically when they uncover evidence of declining effectiveness. Such a decline leads to changes in the layoffs or pay cuts, other forms of cost cutting and higher accountability issues and less autonomy for employees (Sutton & D'Aunno, 1989).

Strategic change can also be imposed on an organisation due to crisis. Organisations have been known to change due to unforeseen crisis that makes continuation of the status quo unthinkable going forward (Organ & Bateman, 1991). A crisis can either be internal or external force of change.

Some forces of change are purely internal and may not necessarily be for the good of the organisation. In this respect, organisational goals reflect the preferences of those in influential positions. Leaders, internal groups and coalitions have their own goals which is to see the company become more aggressive, to shape the organisation around some distinctive theme, to cast a particular corporate image, to further some ideology and philosophy (Robbins, 2003).

Kotter lists major economic and social forces driving change as increases in pace of technology changes that is hinged on information technology and a more developed transport network; greater international integration through liberalisation and reduction of trade barriers; maturity of markets in the developed countries and stagnation of growth hence the trend towards seeking global markets for opportunities (Kotter, 1995).

Change can also be caused by change in corporate strategy where an organisation may undertake comprehensive change when there is no indication of immediate problems. Trends, potential difficulties, or opportunities may prompt a decision to enter new markets, pursue a strategy of growth, become less dependent on certain supplies, switch from a centralised to a decentralised structure or adopt new technologies.

Prasad (1989) points out that the need for change will be determined by factors that may be internal or external to the organisation. He further notes that the identification of the need for change depends on gap analysis, that is, the gap between the desired state and the actual state of affairs in the firm.

2.7 Challenges of Managing Strategic Change

Painful upheavals in many companies in recent years reflect failure of one-time industry leaders to keep up with accelerating pace of industry change (Hamel & Prahalad, 1989). Kotter (1995) adds that in too many situations, the improvements have been disappointing and the carnage has been appalling, with wasted resource and burn-out, scared, or frustrated employees. In his view, the pitfalls include too much complacency; failure to create a sufficiently powerful guiding coalition; underestimating the power of vision; under-communicating the vision; permitting obstacles to block the new vision; failing to create short-term wins; declaring victory too soon and neglecting to anchor the changes firmly in corporate culture.

2.7.1 Unintended outcomes of Strategic Change Management

One of the challenges of strategic change management is the unintended outcomes of change programmes. These include the likelihood of the change process to generate opportunities for others within the organisation to hijack them for different purposes. There may also be erosion of the original objectives of the change process, ritualisation of the change whereby people see it merely as a ritual and attach little meaning to it (Harris & Ogbonna, 2002). Other dangers include reinvention of the change by organisation members, ivory tower change and inattention to symbols of change.

Kotter cautions that making any of the above eight errors common to transformation efforts could have serious consequences which include new strategies not being implemented well; re-engineering taking too long and costing too much; downsizing not cutting costs under control and quality programmes not delivering the hoped for results.

However, he observes that major change efforts have helped some organisations to adapt significantly to shifting conditions, have improved the competitive standing of others and have positioned a few for a far better future (Kotter, 1995).

2.7.2 Strategic Change Management and People

Most organisational change programmes fail largely because employees feel left out of the process and end up lacking the motivation, skills and knowledge to adopt new systems and procedures. The recipe for successful change management is well known and deceptively as simple as aligning the people, processes and technology with leadership and organisational strategy. To this end, managing change must address the powerful influence of the paradigm and the cultural web on the strategy being followed by the organisation (Johnson, Scholes, & Whittington, 2006).

Strebel observes that change management is not working as it should mainly because managers and employees view change differently. He explains that for many employees and middle level managers, change is neither sought after nor welcomed. It is disruptive, intrusive and upsets the balance. Consequently, according to Strebel, employees often misunderstand or, worse, ignore the implications of change (Strebel, 1996). This has also been corroborated with the findings of a management research project where most respondents were not certain about the future of their career in Telkom Kenya in the face of change (Kinanu, 2007).

Low tolerance for change is defined as the fear that one will not be able to develop new skills and behaviours that are required in a new work setting. If an employee has a low tolerance for change, the increased ambiguity that results as a result of having to perform their job differently would likely cause a resistance to the new way of doing things. An employee may understand that a change is needed, but may be emotionally unable to make the transition and resist for reasons they may not consciously understand (Kotter & Schlesinger, 1979).

Folger & Skarlicki (1995) investigated resistance to change as a response to the treatment employees receive in the change process. Specifically they focus on resentment-based resistance -reactions by disgruntled employees regarding the perceived unfairness of the change. They argue that resent-based resistance behaviours, which can range from subtle acts of non-cooperation to industrial sabotage, are often seen by the perpetrators as subjectively justifiable - a way to "get even" for perceived mistreatment and a way for employees to exercise their power to restore perceived injustice.

Strebel (1996) attributes resistance as a violation of "personal compacts" management has with their employees. Personal compacts are the essence of the relationship between employees and organizations defined by reciprocal obligations and mutual commitments that are both stated and implied. Any change initiatives proposed by the organization would alter their current terms.

Personal compacts are comprised of formal, psychological, and social dimensions. The formal dimension is the most familiar. It is the aspect of the relationship that addresses the basic tasks and performance requirements of the job, and is defined by job descriptions, employee contracts, and performance agreements. Management, in return, agrees to supply the employee the resources needed to perform their job. The psychological dimension addresses aspects of the employment relationship that incorporate the elements of mutual trust, loyalty and commitment. The social dimension of the personal compact deals with organizational culture, which encompasses, mission statement, values, ethics and business practices (Strebel, 1996).

Strebel points out that when these personal compacts are disrupted it upsets the balance, and increases the likelihood of resistance. He suggests that management view how change looks from the employees' perspective, and to examine the terms of the personal compacts currently in place. He says that unless managers define new terms and persuade employees to accept them, it is unrealistic for managers to expect employees to fully buy into changes that alter the status quo.

2.7.3 Ethical and Cross Cultural Issues in Change Management

Some organisational change practices also face ethical and cultural context issues. For example, the action research model is built on the idea of collecting information from the organisation members, yet this requires employees to provide personal information and emotions that they may not want to divulge (Walter, 1984).

With regard to context, change emphasises on the need to synchronize the management of change with the context within which such a strategic change is being carried out. He points out that the unique environmental challenges that make up the context of management in Africa especially needs to be considered (Aosa, 1996).

One significant concern with some organisational change interventions is that they originate in the United States and other Western countries and may conflict with cultural values in some other countries. A few experts point out that this Western perspective of change is linear, as is Lewin's force field model. It also assumes that the change process is punctuated tension and overt conflict (Lan, 1996). Indeed, there is agreement by some scholars that managing strategic change is about managing the unfolding non-linear dynamic processes during strategy implementation (Handy, 1989).

Another important aspect of change with respect to culture comes in play in change-resistant cultures. In less adaptive cultures where scepticism about the importance of the new development and resistance to change are the norm, managers prefer waiting until the fog of uncertainty clears before steering a new course, making fundamental adjustments to their product line, or embarking on a major new technology (Thompson, Strickland & Gamble, 2007).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

Research design is defined as the arrangement of the conditions for collection and analysis of data in a manner that aims to combine the relevance to the research purpose with economy in procedure (Selltiz, 1962). This study was carried out through a case study design. A case study makes a detailed examination of a single subject, group or phenomenon (Mugenda & Mugenda, 1999). From the definition provided, this is the most appropriate design as it allows for detailed study of Telkom Kenya than other kind of design would give on a major subject like the management of strategic change.

3.2 Data Collection

The data to facilitate this study was collected from the managers and section heads who were involved in driving the management of strategic change. This method was chosen because it gives in-depth data to determine the challenges experienced in the change process.

The research relied on both primary data obtained from interviews with managers and section heads and supporting secondary data from related literature. The managers and section heads were targeted because they are the change leaders, formulators and the implementers of change management strategies. The study focused on a sample of least ten managers based at the headquarters and who had some level of involvement in the strategic change management process. It was also easier to access all the departments from the headquarters as compared to the regions.

The data collection method was through interviews guided by the interview guide attached in the appendix. The data comprised of the responses of the managers on their challenges with regard to the strategic change the company has undergone or may still be in process during the change period.

3.3 Data Analysis

The data collected from interviews with the managers and section heads was verified, tested for accuracy and subjected to content analysis. Content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same to relate trends (Nachmias & Nachmias, 1987). The results of the analysis of the collected data were then used to derive conclusions on the study based on the objectives of the study.

CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents and analyses the data collected in the field from the respondents which were ten functional heads and managers. As stated in the section on Research design, ten managers and section heads were targeted for the purposes of this case study. Twelve were initially targeted to give allowance for non responsiveness of some respondents. Two interviews did not materialize as a result ten interviews were carried out as originally intended. The presentation starts with the changes seen in Telkom Kenya, the objectives followed with the analysis of challenges faced in the implementation with emphasis on social, cultural, structural, resources factors. This strategies adopted to counter these challenges are also identified.

4.2 Demographic Characteristics Of Managers

4.2.1 Relative staff reporting to interviewees

The relative number of employees reporting to the managers interviewed in the study is shown in Table 4.1.

Number of staff	Frequency	Percentage
0-10	5	50%
11 – 20	2	20%
21 – 30	2	20%
OVER 30	1	10%

Table 4.1: Relative sizes of departments headed by interviewees

The table shows that most of the managers (50%) have ten or less staff reporting to them indicating a lean organisation after the privatisation and staff rationalisation. All managers interviewed with the exception of one had people reporting to them which shows they were in a position to interact with human resource in the change management process.

4.2.2 Years of service analysis

The table below shows the distribution of managers based on the number of years of service to the company.

Number of years served	Frequency	Percentage
1 – 5	2	20%
6 –10	2	20%
11 – 15	1	10%
16 – 20	2	20%
OVER 20	3	30%

Table 4.2: Years of service of interviewees

The table shows that 80% of the interviewees have served the company for six or more years. This shows that their responses can be relied on for this research since they have seen the company undergo strategic changes for a long time before and after privatisation. Their responses were also helpful in giving comparative data which is important in the study of management of strategic change.

4.2.3 Interviewee Composition

Table 4.3 shows the composition of the interviewees based on their ranking and profile within the company.

Rank	Frequency	Percentage
Functional heads	7	70%
Managers	3	30%

Table 4.3: Composition of Managers and Functional heads

The table shows that the majority of those interviewed were functional heads (70%). In the company structure it is expected that the functional heads are involved with planning while the managers are involved in both planning and implementation. The right mix was obtained for the interview, however, the manner of implementation indicated that very few of the interviewees participated in strategic change management formulation.

4.2.4 Level of involvement in Change implementation/formulation

Table 4.4 depicts how much the managers were involved in the change planning compared to implementation.

Nature of involvement	Frequency	Percentage
Planning	1	10%
Implementation	5	50%
Both	4	40%

Table 4.4: Involvement in Change planning and implementation

From the table it is clear that most of the managers were not involved in planning but rather in implementation. The contribution of this top-down approach to the challenges is that it indicates lack of involvement since managers are expected to implement strategies they were not involved in formulating.

4.3 Urgency for Change

From the interviewees' viewpoints and responses, the factors that led to the urgency for change in Telkom Kenya include declining revenues which could have resulted in collapse in within three years; this was combined with fierce competition and pressure from other service providers in the market leading to huge losses for three consecutive years.

Secondly, there was general customer dissatisfaction across board in all its product offerings, poor image in the eyes of the consumer, poor brand perception of the old Telkom Kenya brand after years of poor service quality. There were also major changes in the market with very informed customers who demanded better quality services owing to competition from rivals.

Telkom Kenya had a bloated workforce which at one time around 2003/2004 was about 19,000. This led to poor performance as the parastatal operated on overdraft from banks. With time there were mounting debts and poor credit rating among market lenders making the company lack capital for investment in technology in a fast-changing and dynamic industry.

The managers interviewed accounted how there had been urgent need for years to make Telkom Kenya a profit making organization and allow it to compete effectively in a changing and competitive environment. To make this a reality, the government of Kenya actively sought to offload its stake in Telkom Kenya to allow for vibrant industry and reduce the company's dependence on the Treasury by privatising it. The government ownership also came with political interference due to government meddling and interference in the management.

After the privatisation, the new majority owner, France Telecom, was seeking to reposition the company as a major player in the telecommunications industry. There was need for injection of foreign expatriates in critical areas of the company with wide global experience to rejuvenate its potential. Consequently, there was an urgent need by the new management to retain the best personnel and recruit new talents to drive the company forward. As a result, the company had to urgently implement a number of extensive strategic changes internally to achieve the goals of turning profitable.

4.4 Changes Implemented in Telkom Kenya

The following are a number of strategic changes that have been implemented in Telkom Kenya based on interviews carried out with some functional heads and managers.

4.4.1 Culture and social changes

Telkom had been a huge parastatal with too many employees politically hired based on nepotism, tribalism or cronyism and it was always going to be difficult to convince such staff the need for change. Loss of jobs is usually hard to accept by anyone, even if the reasons are practical and this was the case with Telkom Kenya employees.

The Functional Head, Revenue and Credit Control was a direct participant in the privatisation exercise. He explained that the government of Kenya availed funds for the initial retrenchment and the company sold off some of its loss-making subsidiaries in order to avail the funds. Telkom Kenya had held a 60% stake in Safaricom since the incorporation of the mobile phone services company. In order to delink the two companies and kick off the process of privatisation of Telkom Kenya, the government acquired Telkom's stake in Safaricom and offered some of it in an IPO. In return, Telkom Kenya would see its tax and licensing fee arrears settled prior to being sold to a private strategic investor.

4.4.2 Privatisation

The current Functional Head, Revenue and Credit Control was one of the Telkom Kenya staff who worked closely with experts from IFC who laid down the modalities for the privatisation of the company. During an interview with him, he explained the process that led to France Telecom's acquisition of a 51% stake in Telkom Kenya making it the majority shareholder and consequently the right to take over the management of the company. France Telecom is a global operator in both fixed and mobile telephony with a motto: operate locally, organize globally.

4.4.3 Rebranding

The company rebranded from simply Telkom Kenya with green and yellow corporate colours and several differently branded products to Telkom Kenya Orange with the world renowned Orange brand being used across all its products like Orange Broadband, Orange Mobile and Orange Business Services.

4.4.4 Staff rightsizing

"Telkom Kenya is a company still in the process of change with regard to staff right-sizing. Although we had many obstacles along the way, we are coping", said the Functional Head in charge of Compensation and Benefits. From around 2006, Telkom Kenya carried out the retrenchment which saw the reduction of staff from 19,000 to 2,300 currently. There are still plans to scale this further down from 2,300 to about 2,000 employees.

4.4.5 Cost optimisation

The restructuring and selling off of loss-making subsidiaries resulted in reduced operational costs and the company has continued to optimise costs by streamlining its operations and strict control of procurement and purchasing procedures.

4.4.6 Introduction of performance-based management

The management, through the Human Resources department has introduced performance based management. As a parastatal, Telkom Kenya had no performance systems and employees would automatically get promoted through the salary scales regardless of performance. This had the effect of demoralising hard-working and performing staff and encouraged laziness within its ranks.

4.4.7 Internal Organisation Restructuring

This was intended to create a competitive outfit within the market by mirroring the competitors and also adopting France Telecom's globally tested efficient and lean organisation structure. The new structure also attempted to reduce of reporting levels in administrative areas for easy and fast decision-making and progressively move towards a flat organization structure.

4.4.8 Cleaning of the balance sheet

This was achieved through other major strategic changes like privatisation, staff right-sizing, streamlining of procurement and cost optimisation, off-loading non-strategic assets like buildings, motor-vehicles and loss-making subsidiaries. The Functional Head, Revenue and Credit Control added that the company also paid up its long standing debts like the tax arrears and licensing fees.

4.4.9 Customer focus

Telkom Kenya as a parastatal had become known for poor customer service, poor service delivery, corruption and non-responsiveness to customer complaints. There were deliberate attempts by the new management towards customer satisfaction by improved customer care and constantly listening to customers and responding to their needs.

4.4.10 Investment in GSM network operation

The Functional Head, Service Platforms, who was in charge of the GSM network rollout, explained the conception, the process and the challenges faced in the project with the technical teams from Ericsson. From 2008, Telkom Kenya invested heavily in network expansion through GSM technology. The company awarded Ericsson a KSh. 9 billion contract for a build, operate and transfer turnkey project towards the realisation of this strategic investment. This was intended to add to its product portfolio a service that was previously only offered by its competitors.

4.4.11 Market Segmentation

"The company is now segmenting its customer, something that has not been the case during my time in Telkom Kenya". According to the Functional Head, Enterprise Sales, Telkom Kenya's marketing departments has segmented its market in order to better address the unique demands of various market segments. This is intended to improve customer satisfaction across the segments. Other related changes in marketing include development of convergent offers in the market and re-alignment of products to the market needs and expectations e.g. corporate services.

4.4.12 Capacity building by recruitment of best talents and competencies

The exercise was started by recruitment of a new Chief Human Resource officer who started by retrenchment of non-core staff. Following the retrenchment, there was continuous recruitment of new staff to fill gaps left by exiting staff. This was achieved through head-hunting and job advertisements.

Other changes included the streamlining of procurement and purchasing procedures for efficiency, corporate restructuring, balance sheet restructuring, and divestiture of non-core activities, process documentation and outsourcing of non-core functions like security, cleaning and messenger services.

4.5 Managers' Roles in Change Management

The functional heads and managers played critical roles during the strategic change management in Telkom Kenya. Most of these roles were confined to their respective departments but had the overall effect of implementing the company-wide changes. Managers seemed to be uninvolved in formulation; just implementation due to lack of communication and coordination. Most departments implemented changes independently without cooperation thus lack of common objectives and direction in the course of change implementation.

Some roles and activities were carried out in all departments. These included setting up key results and performance indicators, development and implementation of the new organisational structure, ISO 9000:2000 quality management standards, and implementation of quality of service. Other managerial functions in the change process were formulation of business unit strategies in line with the corporate strategies, implementation of voluntary early retirement and communication of expected objectives/outcomes to staff members. They also spearheaded the company-wide implementation of cost optimisation, management of a new organisational structure, optimisation of the remaining workforce including attitude and culture change.

In the human resources, the manager most involved was in charge of benefits, compensation and computation of the package for early retirees. They also coached and trained staff to embrace change. Human resource changes affected all departments equally for example, retrenchment and introduction of performance management systems. Key Performance Indicators (KPIs) were carried out across all departments in that it impacted the service quality and delivery across the company

The Marketing department implemented the rebranding, restructuring of the business market and operationalising new products and services. Although rebranding was carried out by this department, it affected the entire company as it was intended to change the company outlook. Most of the rebranding initiatives were coordinated from the France Telecom global headquarters because Orange is an international brand.

The Compliance and Audit department carried out auditing of the network and investment in technology. Information audit covered all departments within the company to analyse the company's standing with regard to information. Auditing network investment

4.6 Managers' Understanding of the Change

From the responses of the functional heads and managers, there seemed to be no convergence on the causes of the urgency of change. They were largely opinions rather that organization-wide communicated change management objectives. This was indicated by the degree of variance of their responses to questions to do with the urgency for change.

A comparative analysis of the content of data collected reveals that most managers were confined to change implementation and were not involved in the planning and formulation of strategies. Further, they were confined to the issues within their respective departments without regard to how it would affect other dependent departments.

Managers seemed to each have different perception as to the actual strategic changes that took place. However almost all mentioned privatisation, staff rationalization and rebranding as major strategic changes that have been implemented under their watch.

Almost all stated that the changes were necessary and have had a positive impact on the company in one way or another and they should know because most of them have served the company for many years as earlier stated.

4.7 Effects of the Change

As the implementation of some of the strategic changes is still ongoing, most of the respondents could not confidently determine the success. However, from the responses, there is general expectation of growth. The managers expect the company revenue to register growth in the year 2009.

One result of the change management has been the more visible new brand adopted by Telkom Kenya for both the corporate image and products. Most functional heads and managers interviewed believe that the company now has a better brand and corporate image in the market and the eyes of the public compared to the old company image and brand.

Finance managers now say that the balance sheet is much better than before the changes. For example, the company is debt-free after settling tax arrears with the government and the licensing fees owed to the Communications Commission of Kenya, the wage bill is much less after retrenchment, the company sold off loss making and non-core subsidiaries. There is also reduction of operation cost related to wages after the retrenchment. This is expected to bring greater returns to shareholders as they are currently constituted.

With the more efficient management by the globally experienced France Telecom, there is unified focus across the company. Sensitisation of staff on the importance of delivery of quality service so as to deliver a final output that meets the customers' definition of quality.

Internally, there is better organization within the company in all departments all aimed at delivering customer expectations. For example, the implementation of IT policy in line with the current market changes, greater focus on marketing strategies and process approach to management of activities, more innovation in the market, efficient processes like recruitment, procurement and purchasing. All these internal changes have led to better real and perceived service quality by the existing and prospective customers and business partners.

As with any strategic change management process, there were expected negative effects in the sense of loss of jobs for some due to retrenchment, low staff motivation and loss of highly skilled staff during retrenchment in cases where it was not carefully managed.

4.8 Challenges

The responses from the functional heads and managers point to existence of communication mechanisms during the change management process. All the managers accounted of how all management staff were called for a meeting at KCCT, Mbagathi by the then Managing Director Sammy Kirui to communicate the impending layoffs and privatisation of the company at the onset of the strategic change process. Other avenues of internal communication included meetings, memos, circulars, e-mails and management reports. "Telkom Kenya has a long history of using memos and circulars from its many ears as a parastatal. In recent times however, there has been increasing use of electronic means such as e-mail, intranet and also departmental meetings", said the Functional Head, Compensation and Benefits.

However, the strategic change process, as expected had numerous challenges and obstacles. Most were related to the people within the organisation while others were due to technical factors within the organisations themselves and the management style of the top executives dispatched by France Telecom to come and oversee the transition period.

Most managers gave account of how the process of staff right-sizing proved to be challenging and more disruptive than initially expected. Some of the managers who were entrusted with the duties of skills analysis let their emotions and self interests cloud their professional judgement on who to retrench. This led to sympathy amongst long-time colleagues and unjustified retrenchment of highly skilled and young technical staff whose skills were still needed by the company. To date, this loss of specialized and skilled staff has not been properly addressed and the company continues to internally suffer and deal with this. Most managers interviewed believed a detailed skills audit and expendability in critical business areas and gradual skill transfer should have been undertaken before retrenchment to avert this. The Functional Head, Information Technology admits as much by stating, "...if I had my time again from the start of the retrenchment process, I would undertake a skills audit first followed by a smooth succession planning". He also adds that his department, being the most dynamic within the company and the market at large, has been the worst hit by high employee turnover rates.

There were disputes on the retirement package terms between Telkom Kenya management and the unionisable staff. This led to long-drawn court battles which further delayed the retrenchment of employees who had applied for voluntary early retirement. The company had to endure the adverse effects of having to keep uninterested employees in its payroll as both parties awaited the court verdict. Added to this was the inevitable bad press that comes with court hearings, accusations and counter-accusations between the company and the union. When a settlement was eventually arrived at there were internal problems such as lack of accurate data in retirees' files causing conflicts, backlogs in clearing such cases and attitude change amongst the remaining staff members.

As the company recruited key staff in readiness for retrenchment, there were complaints from existing staff about the disparity in pay packages. Telkom Kenya attempted to attract talents through head hunting and it had to offer competitive remuneration to successfully achieve this. Unfortunately, this did not go down well with other existing employees leading to low morale and frosty relationships amongst the new and the old staff. The company also suffered high recruitment and retrenchment costs accompanied with poor succession planning. The Functional Head, Compensation and Benefits is also currently involved in the harmonisation of the pay structures within the company.

After retrenchment and organisational restructuring, some employees found it difficult to adapt to new job roles. This had a negative impact on their performance and that of the company in a highly competitive market thus prolonging further the transition period. The interviewees who experienced such challenges propose there should have been more training and preparation of those to be involved on culture change to avoid the culture shock. The proposed training would have encouraged employees to embrace new ways of doing things. Indeed, the Functional Head, Compensation and Benefits concurred with other functional heads, but being a people person by the nature of his work in the human resources department, he believes overall, communication of the change process was poor leading to such challenges.

Closely related is the reluctance of some staff members to accept performance management systems using KPIs. There were disagreements between junior staff and the management on the determination of the KPIs. Telkom Kenya had been a parastatal and the employees were not used to performance-based management where salary increments and promotions depended on performance.

In addition, staff members resisted the reduction of overtime and per diem as cost-cutting measures, arguing that they instead deserved a pay raise having waited for many years prior to the entry of the new majority shareholder, France Telkom. This was controversial in the sense that France Telkom felt that as a new management, they had no basis on which to increase salaries and that whatever agreement the unionisable employees had was with the previous management before privatisation. Telkom Kenya tried to address resistance to change through training, coaching and renegotiating some prior agreements.

When France Telecom group took over the management of Telkom Kenya, they found a company which either had no efficient processes or had processes at loggerheads with what they believed to be the best practices from their global operations. They therefore had to establish fresh processes and align them to overall company objectives. Unfortunately, some managers interviewed felt that the objectives were not met because most of those driving change at the top were foreigners who did not have a clear view of the Kenyan market and culture. They argued that the strategies adopted were imitations from France and other Orange affiliates without trying to harmonise them with the prevailing local conditions.

The management of transition and cementing of strategic change has progressively become more problematic than initially anticipated as the managers point out. Despite all the strategic change efforts that were going on, Telkom Kenya as a business was expected to be managed normally through efficient staff relations management and ensuring minimal disruption of services during the downsizing and cost-cutting measures. This was not an easy challenge for the managers to deal with considering other changes were concurrently being carried out in a turbulent market where its fierce and dominant competitor, Safaricom continued to employ aggressive market-share retention strategies. The Manager, Value Added Services recalled how he needed staff in the middle of the retrenchment but had to cope with being alone.

Some functional managers feel that there was no proper analysis of the company products, staff and status prior to the implementation of some changes. This implies that the planning process was either non-existent or insufficiently communicated to the functional heads and managers. This has led to the undesirable state of affairs where the managers seem to be unsure of what to do as they had difficulties in determining which strategies to adopt in order to meet the corporate expectations. From their responses when asked whether they were involved in change management planning or implementation, it was evident they were not involved in planning and yet were expected to implement strategic change.

The Manager, Value Added Services accounted that although some changes like the implementation and provision of value-added services may be departmental; they are market-driven but most of the implementation is done within the engineering department this requiring cooperation and coordination between the departments and this has not been properly managed during the transition period. Since the engineering department has no direct contact with the market, the lack of inter-departmental coordination means the company did not always appropriately deliver up to customer expectations.

In some sections there was urgent need for additional staff to be recruited and yet the company was in the middle of retrenchment. It was therefore very difficult for such sections to convince management that more staff was needed and yet the company saw it fit to reduce the workforce to optimal staffing levels. This led to understaffing in some sections and the staff members were overworked leading to an irony in the sense that a company retrenching due to excess workforce has need for staff in some key areas. This is progressively being addressed through recruitment, rationalisation and redeployment.

In Telkom Kenya's endeavour to launch the GSM network in order to effectively compete with its rivals, it heavily relied on foreign consultants for a quick telecommunications network rollout. However, this came at a cost and consequently left a huge hole in the company's finances and this is expected to take a long period to recover from. Some managers even point out that this project was not necessary at all, instead, the company should have expanded the existing CDMA (Code Division Multiple Access) technology based network countrywide and use it to replace vandalized fixed lines. More focus should also have been on rehabilitation and expanding the copper and fibre-based networks.

Rebranding Telkom Kenya in itself was a difficult task as it required the management to convince a sceptic customer that the company was now different and has broken from its past. This was and has not been easy as the customer had long lost faith or patience with the company after years of mismanagement and insensitivity to consumer needs and complaints. The process of rebranding was however the most successful of the strategic changes as it enhanced their image and market presence. Formerly, Telkom Kenya packaged its various products under different names such as Kenstream, Jambonet, Kensat, Telkom Wireless and Kenpack each with its own colours. These proved to be vague, confusing to customers and ultimately unsuccessful in the market. These are all currently being marketed under one simple and unifying brand name, Orange Business Services. Rebranding also proved costly in terms of introducing new corporate colours in all company premises, transaction documents, vehicles, installations and in creating brand awareness in the mass media.

The adverse effects of the change have been exacerbated by the prevailing business environment at the time the changes were taking place. This has led to situations where some change processes still pose challenges to the company including the new management personalities, better revenues, and culture changes.

Overall, the functional heads and mangers believe there should have been the introduction of change feedback, monitoring and review measures to improve the implemented strategic changes. This is the expected approach by most managers going forward as gains made are coagulated and new strategies are introduced in Telkom Kenya. This, they feel, should be accompanied with management support to the managers if they are expected to succeed with the strategies.

In future, most interviewees propose that the loss of key staff after downsizing should be comprehensively addressed through skills gap analysis and then tackling them by tailor-made training to fill the gaps. There is the feeling that future strategic changes should be locally owned and there should be efforts to sell the idea of the direction the company to the employees to make them own the process.

4.9 Discussion of the Findings

From the interviews, it became more apparent that most of the managers and functional heads charged with the implementation of change were left with only implementing some strategies they neither participated in formulating nor understood. Nevertheless, they proceeded to implement these strategies by simply following instructions, against their better judgement from local experience in the telecommunications industry.

The new management believed that the mobile phone market is like the fast-moving consumer goods (FMCG) and hired new staff with past experience in the sale of such goods. While this may be true in some aspects like the sale of airtime, it is impractical to sell telecommunications services in such a manner where one simply pushes boxes. Telecommunications requires people with technology knowledge about the products and more importantly, after sales service and reliable support to keep the customer happy and returning for other related services from the same company.

However, a number of the strategies implemented were necessary and consequently became successful in the market. Others, though not successful immediately, will begin to bear fruits in the long term future of the company.

4.9.1 Successful Strategic Changes

Despite the many challenges the company faced during the strategic change management process. most interview respondents accept that change was long overdue when it came based on the urgency for change. In the light of this, they acknowledge that some processes have been successfully implemented and have led to improvement within Telkom Kenya. Some of these are briefly covered in the following paragraphs.

Privatisation was successfully carried out with France Telecom's acquisition of 51% stake in Telkom Kenya in late 2007. This has in turn led to all the changes that have been and continue to be implemented in the company.

Rebranding of Telkom Kenya has been a huge success due to adequate funding provided and global prominence of France Telecom's Orange brand. This has led to better corporate image and public perception. The use of Orange brand simplifies global brand marketing campaigns for the whole business units. For example, Orange has acquired major deal with CAF and the next biannual Africa continental football competition will now be branded "2010 Orange Africa Cup of Nations".

The retrenchment and staff restructuring from a workforce of over 18,000 to a modest 2,300 employees was also a major achievement. The payout was attractive especially to the lower cadres who formed the majority of the staff exit. This has reduced the wage bill which is a huge saving on operations costs for Telkom Kenya. It has also offered the company a great opportunity to refresh and socially diversify the composition of its work-force and try to reduce the average age of the employees.

Market segmentation by use of a survey by IFC and Research international has enabled the company to more adequately address its customer needs and also conduct more focused marketing strategies. This has been achieved by the development of convergent offers through proper segmentation targeting and positioning of offers. To this end, the company has become more customer-centric, improved customer care and customer support which is expected to lead to growth in revenues.

The marketing strategy of low tariffs within the Orange networks of fixed lines, mobile and wireless made Telkom Kenya get a million subscribers in less than eight months making it the fastest growing GSM network in Africa at the time. Telkom Kenya has complete and unique monopoly in fixed line telephony compared to all its local competitors. If the company can strengthen this enduring differentiation, it can further reinforce its market position and take the competition to its rivals.

In essence, the managers believe the strategic changes were fairly successful and it is only a matter of time before the new management complete the turn-around of the company that started with the acquisition by France Telecom.

4.9.2 Current Strategic Changes

Telkom Kenya is currently involved mostly in consolidating the gains made during the strategic change and refreezing as discussed in Lewin's three-step model. Accordingly, a number of processes have been adopted and are currently underway.

The company emphasizes innovation, speed and follow-ups and more involvement of staff. In return, the staff members are encouraged to embrace culture change within the organisation and practice continual consultation.

The company is striving to remain profitable in a highly volatile and competitive market. There are efforts to increase the market share and further cut operational costs. The management and staff are encouraged to embrace change and move away from public owned company mentality to optimise processes and transform the organisation.

One of the issues that remained controversial within the company was that of skewed wage structure as the company attempted to attract competent staff. The new recruits were earning more than long-serving staff. The Human Resources department is now in the process of introducing performance management and salaries harmonisation across the organisation.

The current Functional Head, Information Technology says that Telkom Kenya is in the process of transforming the Information Technology department to become a key business enabler. This is to be achieved by proposing more automation and use of appropriate technology in all business areas.

The company has a strong service delivery department dealing with quality of the service delivered to customers. This is aimed at implementation of customer support programmes and quality of service efforts for example Service Level Agreements (SLAs). This will see the revitalising and the promotion of existing products with emphasis on quality of service through investing in infrastructure and more internal awareness. The expected challenge is customer resistance to take up products due to past poor image. This will be addressed by special offers and listening to customers at all times.

There is also a focused targeting and positioning of corporate offers. Competition and price wars are to be dealt with by differentiating Telkom Kenya's product portfolio and guaranteeing high quality thus value for money for customers.

Telkom Kenya has internally embarked on company-wide cost optimisation exercises especially involving operational expenditure. This is however facing internal resistance as the employees real income is also affected due to salary freezes. This is to be addressed by staff involvement in the exercise to reduce or eliminate the resistance. This will however not affect the planned investment in infrastructure in anticipation of growth. This must be accompanied by allocation of capital expenditure.

There have been lessons learnt during the strategic change management and privatisation. The company now knows exact steps to take, when to take them, to what extent and how to entrench them in the system. Structural changes and further downsizing is expected to continue but with staff involvement this time round.

The management plans to position Telkom Kenya as the market leader in broadband internet services once the TEAMs submarine fibre cable project is complete. This will be accompanied with the launch of new products and services. The company acknowledges that there is stiff competition in mobile communications area and fibre broadband internet. Orange is taking the battle to the homes by providing broadband at home in residential areas. The overriding focus is customer satisfaction at all times. The major challenge here is the limited access network in the targeted residential areas.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The objectives of this management research paper were to determine the challenges experienced by the top management of Telkom Kenya in the management of strategic change during and after the privatisation of the company. After the case study of the company, it has been established that there were many simultaneous strategic changes within the company and indeed as is realistically expected in such processes, there were challenges associated with the processes.

5.2 Summary

By and large the findings indicate that most of the challenges were due to people and, in particular their resistance to change. The cause of this was the culture clash between the new French owners' style of management and the local prevailing circumstances, both in the market and internally as perceived by employees.

Other challenges are those associated with global expansion strategies encountered by firms when expanding internationally for the first time into markets with different cultures. Kenya presented one of the first times France Telecom had ventured in an English-speaking market in Eastern Africa region. All other Orange operations in Africa have been confined to former French colonies in West and Central Africa. This could have been the major reason for the culture clash.

After the acquisition and privatisation, change is still continuing in Telkom Kenya. A large proportion of work is to steady the ship after much turbulence during the management of strategic change. The company's management is also trying to manage the upsets to stability occasioned by retrenchment and introduction of new corporate culture, rebranding and performance-based management. In some areas there are deliberate efforts to reinforce the gains made from the changes that have been implemented.

The second is the correction of possible mistakes made during the management of strategic change. Indeed, the new CEO seems to silently admit that strategic mistakes were made leading to loss of skilled staff, loss of market share in data and internet service provision and fixed line telephony services during their imprudent pursuit of GSM service, an area that the competitor, Safaricom held immense advantage. Telkom Kenya management is thus taking great care to learn from past mistakes like inadequate consultation which proved costly.

5.3 Recommendations

As Telkom Kenya continues to make strategic changes and correct past mistakes, the company should avoid top-down approach to management of change. This should be accompanied with a change process that is accommodative of feedback. The process of strategic change management should be one that is consultative and structured in a cyclic process of diagnosis, action evaluation, further action and evaluation.

The functional heads and managers need to be more empowered within their own departments to strategically influence and be accountable in the manner in which their departments run. Currently, there is some degree of fear and alienation between the local managers and those deployed by France Telecom from their global headquarters. These managers should have greater say in hiring, firing, performance review, promotion and procurement apart from their professional line functions.

It was also a mistake for France Telecom to treat the African telecommunications market as homogeneous and attempt to apply, without context-sensitive modifications, strategies they had successfully implemented in West African, European and other markets. In many cases and in whichever contexts, local challenges require local solutions and this approach can in future help the managers as they continue to manage strategic change and transition in Kenya and their other African interests.

5.4 Limitations of the Study

This study has been greatly hampered by the secrecy with which the new management prefers to keep their strategies owing to the prevailing competition. Any research work requested to be conducted within the company is viewed with suspicion. The competition in the mobile telecommunications industry has been fierce and ugly. There are unending price wars, industry espionage and rush for competitors to be pioneers in provision of unique value-added services which are usually a mirror of the competition's. These factors led to limited or confusing information for this research which needed thorough validation from other sources and secondary data for accuracy.

The industrial secrecy has meant the researcher had to carefully select a more cooperative sample of managers willing to participate in the research. Some of them were fearful of retribution from the top management and preferred to paint the company in good light even in cases that it was clear there were unresolved problems. This was also the reason it was difficult to get an interview with the CEO and his deputy.

The choice of case study research design, while giving an opportunity of an in-depth and detailed analysis of the subject, limits the units of study to one entity. This means there is no opportunity for comparative study of how some challenges which relate to the market and industry are dealt with by other industry players.

5.5 Suggestions for Further Research

This case study tried to take a detailed and comprehensive analysis of strategic change management in Telkom Kenya. A future research may take a look at privatisation and change management in a different industry.

To also get a deeper understanding of this study, there is need for a cross-sectional analysis of the competitive dynamics within the industry to find possible correlation between some of the challenges experienced and the level and nature of competition in the market.

A similar study can be carried out in Zain Kenya having changed ownership and rebranded twice in its short history and compare how it coped with these changes amidst competition from its long-term formidable rival Safaricom.

5.6 Conclusions

The management research study has successfully achieved its initially set objectives of determining the challenges of managing strategic change in Telkom Kenya during and after its privatisation. The findings are important to the industry players and companies planning to change ownership, privatise, retrench, re-launch their products, internationalise, streamline their operations or simply stay competitive. Telkom Kenya went through all these at the same time and it is not easy to manage so many transitions in the period it happened. The management must therefore be commended for managing such a complicated transition fairly well under the circumstances.

It also helps for other companies to avoid the pitfalls of managing strategic change by learning from the mistakes of similar strategic choices. This may save such companies both time and finances if they obtain important findings from management case studies such as this.

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APPENDIX I:

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

Telephone. 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P O Box 30197
Nairobi, Kenya

DATE 24th August 2009.

TO WHOM IT MAY CONCERN

The bearer of this letter MICHAEL OUMA.

Registration No: D61/P/8901/2004

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 a 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.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX II:

Interview Guide

Section A:

1. What is your dcsignation?

____

____

2. What department/section do you head in Telkom Kenya?

____

____

3. How long have you worked in Telkom Kenya?

____

4. How many staff members under your leadership?

____

Section B:

1. In your view what were the major strategic changes Telkom Kenya has made in the past two years?

____

____

____

____

____

____

2. What caused the urgency for the change?

3. What were the reasons for the strategic change?

4. Did the changes impact positively or negatively on Telkom Kenya? Please explain how.

5. In what area of the change management were you involved in?

6. What was your involvement? States whether change formulation, implementation or both.

7. Did your involvement cover only your department/section or it affected other departments within the company? If yes, how?

8. In what specific aspect of the change can you say you were involved?

9. What particular challenges can you identify to have encountered in your process of formulation and/or implementation?

10. For each challenge state whether it was adequately addressed

11. If not addressed, please say why not.

12. With the benefit of hindsight, in what ways would you alter some of the strategies for success in cases where there were failures?

13. Which strategic changes were most successful and why?

14. Explain your professional assessment of the success of the change programme at Telkom Kenya as per your originally set objectives.

Section C:

1. What changes are currently on, if any?

2. Do you expect any challenges and how are you prepared to address them from your previous experience?

APPENDIX III:

The managers interviewed were:

1. Manager, VAS (Value Added Services) – Marketing Department
2. Functional Head, Revenue and Credit Control – Finance Department
3. Functional Head, Technical & Information Systems Audit – Compliance Support Department
4. Functional Head, Compensation & Benefits – Human Resources
5. Functional Head, Service Platforms – Service Platforms
6. Functional Head, Enterprise Sales – Business Markets & Wholesale/Corporate Marketing
7. Manager, IT Networks & Technical Support – IT Department
8. Functional Head, Information Technology – IT
9. Manager, Enterprise Resource Planning – Quality of Service
10. Functional Head, PMO – IT & N Programme Office