IMPLEMENTING STRATEGIC CHANGE

AT NAIROBI CITY WATER AND SEWERAGE COMPANY LTD

BY

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DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the University of Nairobi for academic credit.

Signed: ______________________________ Date: ____________________________

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This project has been presented for examination with my approval as appointed supervisor

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DEDICATION

This study is dedicated to all leaders of public and private institutions and businesses who are committed to making Kenya a better country.

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I thank God for his grace that has seen me complete this paper successfully. I give thanks for bringing me this far.

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ABSTRACT

Strategy implementation or execution task is the most complicated and time consuming part of strategic management. While strategy formulation is primarily an intellectual and creative act involving analysis and synthesis, implementation is a hands-on operation and action oriented human behavioral activity that calls for executive leadership and key managerial skills. This study was modeled on a case study design whereby qualitative data was collected focusing on the strategy implementation within the Nairobi City Water and Sewerage Company (NCWSC). Information was collected on implementation of strategic change, the challenges experienced and how they have been managed, factors deemed conducive to the change process and strategies of sustaining the change achieved. Primary data was collected using an interview guide. The interview guide was divided into four sections: Section A contained questions on the company profile, Section B contained questions on strategic planning and implementation, Section C contained questions on major considerations in implementing of strategic change while Section D contained questions on tools of managing strategic change. Data was collected through e-mail, in-depth personal and telephone interviews and it was then analyzed. Some of the key findings from this study have been summarized in the next paragraph.

The study established that NCWSC conducts three to five year strategic planning to enable the company to provide sustainable and affordable water services. The senior management team is involved in the process of formulation, implementation and monitoring of strategic change. All the interviewees felt that the change process has generally been successful. They attributed this to better top management, improved salaries, availability of working tools and materials and increased use of Information and Communication Technology (ICT). There has been an overhaul of the organizational structure, leadership, culture, system process, technology and human resource management.

Some challenges have also been experienced which were attributed to resistance to change by staff, oversight in managing the transition, limited change time, inadequate resources and early withdrawal of change tools. To overcome some of these challenges, the company management used extensive change management training and massive investment in ICT,

office refurbishment, equipment and working tools.

The report concludes that Nairobi City Water and Sewerage Company undertakes to use strategic change management to survive in the long term. The study recommends that the management should increase the duration over which strategic change is effected and they should sustain the change instruments to ensure that the members of staff are fully adjusted and committed to the change. The employees should be encouraged to be innovative and not to be afraid of making mistakes during implementation of strategic change. There may be

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations go through challenging journeys in their attempts to mount significant strategic change. Examples of these journeys include entering international markets, downsizing, forming strategic alliances, improving customer satisfaction, achieving quality improvements, pioneering new technical innovations, and introducing new products. Increasingly, a company's viability is being determined by its ability to make such systemic, organization-wide change happen and happen fast (Rowden, 2001).

According to Silverman (2000), to survive in today's world organizations must be able to quickly create, deploy and implement breakthrough strategies that help them to continually anticipate and meet current and future customer requirements. In doing so they must be able to align all internal and external resources around the plan. This sort of orientation necessitates approaches to strategic planning that involve all employees and stakeholders in the planning process and a planning process that can occur within a shortened timeframe (Silverman, 2000).

1.1.1 Strategic management process

Strategy has to do with how an organization matches its external environment and the management process is concerned with how to maintain, stabilize or change that position (Johnson and Scholes, 2002). The strategic management process is defined as a process to analyze and learn from the internal and external environments in order to establish direction and create strategies to achieve business goals; the management process would result in a plan to maintain, stabilize or change the organization's market position. Based on the works of Pearce and Robinson (2003) a simple strategic management model includes the following steps: analysis, direction setting, developing strategies, implementation and control. The strategic management process is an ongoing circular process. The strategic management process is carried out at the corporate level of a company.

Strategic management is fundamentally about setting the underpinning aims of an organization, choosing the most appropriate goals towards those aims and fulfilling both over time. Rantakyro (2000) holds that strategic management can be defined as the art and science of formulating, implementing and evaluating cross functional decisions that enable an organization to achieve its objectives. This definition implies that strategic management focuses on integrating managerial abilities and techniques to achieve organizational success (Karami, 2005).

1.1.2 Implementation of strategic change

Change involves moving from a present state through a transition state to a future desired state (Gongera, 2007). Pearce and Robinson (2003) observe that after the grand strategies are determined and long term objectives set, the tasks of operationalizing, institutionalizing and controlling the strategy still remain. This phase of the strategic management process entails translating strategic thought into strategic action. Annual objectives, functional strategies and specific policies provide important means of communicating what must be done to implement the overall strategy. By translating long term intentions into short-term guides to action, they make the strategy operational. But strategy must also be institutionalized to permeate the very day-to-day life of the company if it is to be effectively implemented. Three organizational elements provide the fundamental long term means for institutionalizing the firm's strategy that is structure, leadership and organizational culture (Pearce and Robinson, 2003).

1.1.3 Challenges faced by organizations in implementing strategic change

Strategy may fail to achieve expected results especially when the strategy execution is flawed (Lippitti, 2007). The failure to execute is a major concern of executives because it limits organizational growth, adaptability and competitiveness. Lippitti further argues that executives are not judged by the brilliance of their strategy, but by their ability to implement it. The challenge is how to close the gap between strategy and actual results. Lepsinger (2006) similarly argues that true leaders have a clear vision and are 100% committed to pursuing it. He further states that something often goes wrong as the leaders try to bring their vision to life. He calls this the *strategy-execution gap*. Pryor *et al* (2007) stated that without coherent aligned implementation even the most superior strategy is useless. Unfortunately, most strategic planning efforts fail during this crucial phase wasting significant resources already invested.

Strategic change process has been characterized as being highly complex, politically laden, affecting large parts of an organization and driven by the upper level managers (Hamel and Prahalad, 1994). Lippitti (2007) observes that in the rush to act on strategy too little attention is paid to finding the best implementation initiatives. Shortcuts such as repackaging existing projects which appear to support the new strategy cannot work because while strategic plans can be copied, execution cannot be duplicated. Execution must address the intangibles of cross functional integration, reward systems, and cultures as well as the tangibles captured in most planning documents. For many firms, false starts, delays and confusion characterize implementation (Lippitti, 2007).

Rantakyro (2000) indicates that to implement the chosen strategies, there are many important decisions to make such as how to structure the company. The organizational structure has to support the strategies. Structuring the organization involves decisions about how to coordinate activities, relationships and communication among the internal stakeholders. The organization can be structured by focusing on functionality, products, markets, projects or cooperation.

According to Boomer (2007), without a strong leadership in a professional firm, constructive change is not possible. Strategy is formulated at the top of the firm, but executed from bottom up. Thus alignment within the firm is required in order to execute strategy. Majority of firms fail to execute because they do not focus resources on priorities and in majority of cases, employees have not been informed of the strategy. Another reason why firms fail is lack of management and accountability. Management training programs have become a popular and effective means to meet this need (Boomer, 2007).

Pearce and Robinson (2003) argue that while structure provides overall framework for strategy implementation, it is not in itself sufficient to ensure successful execution. Within the organizational structure, individuals, groups and units are the mechanisms of organizational action. And the effectiveness of their actions is a major determinant of successful implementation. In this context, two basic factors encourage or discourage effective action-leadership and culture. Two leadership issues of fundamental importance here are the role of the Chief Executive Officer (CEO) and the assignment of key managers.

The CEO is the catalyst in strategic management. He or she is most closely identified with and ultimately accountable for a strategy's success. In most firms, CEOs spend 80% of their time in developing and guiding strategy. The nature of the CEO's role is both symbolic and substantive in strategy implementation. First, the CEO is a symbol of the new strategy. His or her actions and perceived level of commitment to a chosen strategy, particularly if the strategy represents a major change, exerts significant influence on the on intensity of subordinate managers' commitment to the implementation process (Pearce and Robinson, 2003).

Secondly, the firm's mission, strategy and key long term objectives are strongly influenced by the personal goals and values of its CEOs. The CEO represents an important source for clarification, guidance and adjustment during implementation. The writers argue that successful strategy implementation is directly linked to the unique characteristics, orientation and actions of the CEO (Pearce and Robinson, 2003).

According to Pierce and Robinson (2003), a key concern of top management in implementing strategy particularly if it involves a major change is that the right managers are in the right positions for the new strategy. Confidence in the individuals occupying pivotal managerial positions is directly and positively collated with the top management's expectation that the strategy can be successfully executed. Some of the characteristics to look out for include ability and education, previous track record and experience, personality and temperament. These combined with gut feeling and top managers' confidence in the individual provide basis for this key decision. One practical consideration in making key managerial assignments when implementing strategy is whether to emphasize current or promotable executives or bring in new personnel. This is obviously difficult, sensitive and a strategic issue.

Johnson and Scholes (2002) argue that culture is a strength that can also be a weakness. It's strength because it eases and economizes communication, facilitates organizational decision making and control and may generate higher levels of cooperation and commitment in the organization. This results in efficiency. The stronger the culture, the greater the efficiency.

However, culture becomes a weakness when important shared believes and values interfere with the needs of the business, its strategy and the people working on the company's behalf. A company's culture can be a major strength when it is consistent with the strategy and thus can be a powerful driving force in implementation. However, a culture can also prevent a company from meeting competitive threats or adapting to changing economic and social environments that a new strategy is designed to overcome. According to Johnson and Scholes (2002), social processes can also create rigidities if an organization needs to change their strategy. Resistance to change may be legitimized by the cultural norms.

According Johnson and Scholes (2002), what makes organizations work are the formal and informal organizational processes. These processes can be thought of as controls on the organizational operations and can therefore help or hinder the translation of strategy into action. Processes range from formal controls (systems, rules and procedures) through social controls (culture and routines) to self controls (personal motivation of individuals). According to Pearce and Robinson (2003), the structure is not the only means of getting things organized to implement a strategy. Reward systems, planning procedures, information and budgetary systems are other examples that should be employed.

According to Meyer and Stensaker (2006), organizations need to develop capacity for change by allocation and development of change and operational capabilities that sustain long term performance. They further argue that making change happen without destroying well-functioning aspects in an organization and harming subsequent changes requires both capabilities to change in the short and long term and capabilities to maintain daily operations. Johnson and Scholes (2002) stated that resource management and development must support an organization's strategies. Information is also a key resource of particular attention with the rapid advances in information technology. These developments in the ability to access and process information can build or destroy an organization's core competencies. Changing capability in access to and processing of information also has important implication for issues of structures and processes within and between organizations (Johnson and Scholes, 2002).

Money is a key resource to all organizations. Most strategic development and implementation require funding. Management of money can be a key determinant of strategic success. The final resource is technology development. This will affect the competitive forces on an organization and also its strategic capability. So ways that technology is developed, exploited, organized and funded will influence the success or failure of strategy. Competence in separate resource areas is not enough. Organizations need to be able to integrate resources to support current strategies and to develop new strategies (Johnson and Scholes, 2002).

1.2 Provision of Water and Sewerage Services in Nairobi

The Local Government Act (LGA) puts a permissive obligation upon local authorities to provide water and sewerage services to residents in their respective jurisdictions. Within the City of Nairobi, this duty rested upon the City Council of Nairobi (CCN) through its Water and Sewerage department (Wambua,2002).

For a considerable period, the Water and Sewerage Department of CCN was regarded as ill-equipped to deliver quality service mainly due to corruption and poor management. The solution to this problem was the proposal that water and sewerage service function of CCN should be relocated elsewhere, preferably to an independent entity. This was not possible until the enactment of the supporting legal framework in the form of Water Act No8. of 2002 whose declared objective was to provide for the management, conservation, use and control of water resources and for the acquisition and regulation of rights to use water (Wambua,2002).

The Water Act 2002 repealed the water Act of 1952 as well as the provisions of the LGA which empowered local authorities to provide water and sewerage services. It sought to reconstitute the institutions of management of water and regulate supply for sustainable utilization. It envisaged a reduced role for the Government in water provision and separated the roles in water resource allocation and management.

1.2.1 Commercialization of water and sewerage services in Kenya

Globally a country is considered water stressed if its renewable fresh water supplies are between 1000 and 1700 cubic meters per capita per year. On the other hand a country is considered water-scarce if this amount is less than 1000 cubic meters. Kenya has a surface water cover of only 2 % of the country’s total surface area. The country has only 647 cubic meters of renewable water supplies per capita per year. It is therefore classified as a water scarce country. The country's water resources are also under increasing threat from pollution, degradation of catchments and over exploitation for economic use (Rivera, 1996).

The level of water scarcity in Kenya has become a serious limiting factor for development activities. Furthermore the performance of utilities was poor due to ineffective management and inadequate provision for operation and maintenance. This resulted in degradation of water and sewerage infrastructure which impacted negatively mainly on the low income consumers. As a result, there has been need to change the scattered structure and functioning of the water management system. In order to tackle the Institutional and operational weaknesses, the Government through the Ministry of Water and Irrigation (MWI) commenced water sector reforms provided for by the Water Act 2002 (Wambua, 2002).

Tully (1987) argues that commercialization of public utilities involves the shift of ownership from bureaucracies devoted to social goals only, to shareholders who are focused on profits. They are far freer to buy companies and sell subsidiaries and to slush bloated workforces. They also get Governments off their backs. The State can no longer interfere in the strategy of the Company.

1.2.2 Background to Nairobi water and sewerage system

The first recorded water source for Nairobi was commissioned in 1899 based on the Nairobi river. This was later abandoned and Kikuyu springs commissioned in 1906 with a capacity of 5000 cubic meters of water per day. This was sufficient for the Nairobi's population until 1930s. In 1938 the first phase of Ruiru river source was completed. This was further developed in 1946 to produce 21,000 cubic meters of water per day. The next major source developed was Sasumua Dam which was commissioned in 1956 with a capacity of 57,000 cubic meters of water per day (Kamau, 2007).

The first phase of Chania, Kimakia, Kiama and Thika rivers was completed in 1974 and produced an additional 61,000 cubic meters of water per day. Further phases completed in 1983 increased supply to 179,000 cubic meters per day. Third Nairobi Water Supply Project which involved construction of Thika dam and extension of Ngethu treatment works was started in 1985 and completed in 1994. This increased water supply to Nairobi to about 320,000 cubic meters per day. However subsequent damage to Sasumua dam and huge water losses in the dilapidated distribution network reduced the available supply to only 248,000 cubic meters per day (Kamau, 2007).

The trunk and reticulation sewers on the other hand cover a total length of 163Km and serves an area of 208Km. Sanitation in the informal settlement is poor. Blockages and breakdowns of the main trunk sewers disrupt wastewater collection and pose a threat to the environment. Dandora Sewage treatment works is the largest with a wastewater treatment capacity of 40,000 cubic meters per day against a design capacity of 80,000 cubic meters per day. The Kariobangi Sewage Treatment Works can only handle 20,000 cubic meters per day of sewage treatment. There have been delays in maintenance and rehabilitation of the sewerage infrastructure. The result is that the assets are run down and are in dire need of major rehabilitation (Kamau, 2007).

1.2.3 The Nairobi City Water and Sewerage Company Limited (NCWSC)

Athi Water and Services Board (AWSB) was formed as a part of the water sector reforms in Kenya under Section 51 of the Water Act 2002. It is responsible for provision of water services in Nairobi City and its environs. Since the Board does not supply the water directly, it has appointed NCWSC to provide water and sewerage services to the Nairobi residents under an agreed framework specified in the Service Provision Agreement (SPA). The agreement ensures adequate and quality supply of water, affordable tariffs, and maintenance and improvement of water and sewerage infrastructure. There is also a tripartite agreement between the City Council of Nairobi (CCN), AWSB and NCWSC. Other agreements include Agency and Operational assets between the CCN, NCWSC and Nairobi Water and Sewerage Company website. Though the shares in NCWSC are held by CCN directly with the Mayor as the trustee, NCWSC operates autonomously from CCN. It is run by a Board of 12 directors drawn from private sector organizations and professional bodies in addition to Officers of CCN.

The Nairobi City Water and Sewerage Company Limited (NCWSC) was incorporated in December 2003 under the Company's Act Cap 486. The Company is a wholly owned subsidiary of the City Council of Nairobi (CCN). It took over the provision of water and sewerage services within Nairobi and its environs from the Water and Sewerage Department of CCN. The NWSC was launched in August 2004. The Company has the primary responsibility of providing affordable water and sewerage services through efficient, effective and sustainable utilization of available resources in an environmentally-friendly manner. Their vision is to be a leading provider of reliable quality water and sewerage services in Nairobi and its environs.

1.3 Problem Statement

Strategy implementing or strategy execution is the most complicated and time consuming part of strategic management (Schaap, 2006). While strategy formulation is primarily an intellectual and creative act involving analysis and synthesis, implementation is a hands-on operation and action oriented human behavioral activity that calls for executive leadership and key managerial skills. In addition, implementing a newly crafted strategy often entails a change in corporate direction and frequently requires a focus on effecting strategic change (Schaap, 2006).

Nairobi City Water and Sewerage Company inherited the former Water and Sewerage Department (WSD) of City Council of Nairobi. This department was characterized by a myriad of problems including; a bloated, demoralized workforce of 2,200 staff members with deep rooted public sector culture of corruption and non-performance, dilapidated water and sewerage infrastructure, stalled projects, debts and a huge billing backlog. In its endeavor to be the number one water provider and meet customer needs in quality, quantity and good customer service, NCWSC needed to turn around the former WSD into a profitable, competitive, customer driven and efficient organization. This called for formulation and implementation of a new strategy (Wambua, 2002).

A case study of German aviation Group Deutsche Lufthansa and its strategic change program has shown how pre-implementation decisions with regard to leadership and management of a strategic change are necessary for making the right change at the right time (Baulcomb, 2003). The study findings revealed that change process requires a series of key decisions. First, it is important that decisions are made at all levels. Second, the decisions should be made in the right sequence. Third, managers must orient their decisions toward critical factors for success in change processes. Following these rules while considering key individuals within the change effort may enable companies to avoid unfocussed, ineffective action and ensure that the process is founded on solid conceptual basis (Baulcomb, 2003).

The findings of another study on relationship between effective leadership and successful strategy implementation in Nevada Casino Industry mostly agreed with earlier research on the concept of strategy implementation and reaffirmed the role that strategic consensus plays in the strategy implementation process (Schaap, 2006). The study also reinforced findings that frequent communication up and down the organization structure enhances strategic consensus through the fostering of shared attitudes and values. In addition, it reaffirmed the concept that an organization which ties rewards to the success of the strategy employed is rewarded with higher levels of organizational performance. The study concluded that strategy implementation plans must be clearly developed indicating particular tasks for individuals with clear-cut time frames and identifying the people responsible for task completion. The studies did not focus on implementing strategy change at Nairobi Water and Sewerage Company and therefore the findings may not be generalized to this study.

Given the need for the organizations to grow, they should adopt appropriate implementation and execution of strategic change. It is however not known as to which factors affect implementation of strategic change at Nairobi City Water and Sewerage Company Ltd. The proposed study intends to fill the gap by determining the factors affecting implementation of strategic change at Nairobi City Water and Sewerage Company Ltd.

1.4 Objectives of the Study

The main objective of the study was to establish factors that affected implementation of strategic change at Nairobi City Water and Sewerage Company Ltd.

1.5 Scope of the Study

The study mainly focused on the Water Sector reforms in Kenya. Nairobi City Water and Sewerage Company was used as a case example with a view of establishing how the Company has implemented its strategic change and the challenges it has faced in the change process.

1.6 Significance of the Study

The findings of this study will be of importance to policy makers in the Ministry of Water and Irrigation in Kenya as well as other African countries currently implementing reforms in their water sectors. As they formulate new policies to govern the water sector, they will find it important to keep in mind the key factors that may impact on implementation of strategic change. This will enable them to seek appropriate solutions to the challenges facing the emerging entities in the sector. The findings will also be particularly useful to the leaders in the Water Companies as they adapt to the new commercialized water sector environment.

The findings of this study are not unique to the water sector only. They will also be of importance to any Chief Executives or managers of any Company which wishes to introduce significant strategic change to their organizations. The findings will inform the leaders on the factors that are likely to influence the implementation of intended strategic change. They will thus be better prepared to plan and mitigate against potential challenges during the change process.

Findings of this study will also be of importance to scholars and researchers who may be interested in studying strategic change management in general or specifically in the Water Sector in Kenya. The study findings may also assist in identifying areas for further research. The findings may also be of importance to donor agencies such as World Bank which are involved in institutional capacity building and reforms in the water sector in Kenya and other third world countries.

CHAPTER TWO

LITERATURE REVIEW

2.1 The Concept of Strategy

The word strategy has entered the field of management quite recently. At first the word was used in the military Science to mean what a manager does to offset actual or potential actions of competitors. A few people still use the word in the same sense. The word strategy was derived from Greek *strategos* which means generalship. Strategy therefore means the art of the general. In management, the word strategy is taken more broadly. However, various experts do not agree on the precise scope of strategy. There are as many definitions of strategy as there are the experts. Lack of unanimity has resulted in two broad categories of definitions; strategy as action inclusive of objective setting and strategy as action exclusive of objective setting (Pearce and Robinson, 2003).

Johnson and Scholes (2002) define strategy as the long term direction of an organization and the types of actions required to achieve the objectives. They also define it as the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill the stakeholders' expectations.

Pearce and Robinson (2003) have described strategy as the primary tool that managers now use to guide companies in their turbulent existence. According to Ansoff and MacDonnell (1990) strategy is a set of decision-making rules for guidance of organization behaviour. They further argue that strategy is illustrative and somewhat abstract concept. Its formulation typically produces no immediate productive action in a firm. It is an expensive process both in terms of money and managerial time. Pearce and Robinson (2003) further define strategy as the managers' large scale, future-oriented plans for interacting with the competitive environment to optimize achievement of organization objectives. Thus, they add that strategy represents a firm's "game-plan". Though it does not precisely detail all future deployment of resources, it does provide a framework for managerial decisions. A strategy reflects a company's awareness of how to compete against whom, when, where and for what (Pearce and Robinson, 2003).

In 2007, Graham stated that by combining various definitions, strategy can be described as a plan or a course of action or a set of decision rules forming a pattern or creating a common thread. The pattern or common thread related to the organization's activities which are derived from its policies, objectives and goals, pursuing those activities moving an organization from its current position to a desired future state. Strategy also defines a framework for guiding the choice of action. Since the firms internal and external environment change over time, strategy needs to be dynamic (Graham, 2007).

Strategy has four components; first, strategy should include a clear set of long-term goals. Second, it should define the scope of the firm. Thirdly, it should have a clear statement of what competitive advantage it will achieve and sustain. Finally, strategy must represent the firm's internal context that will allow it to achieve a competitive advantage in the environment in which it has chosen to compete (Graham, 2007).

2.2 Why Strategic Change is necessary

A business will not survive in the long term unless it re-invents itself (Kotter, 2007). In an effort to achieve efficient organizational structures change is inevitable as a way of reducing costs and improving operational efficiency. Organizational restructuring can be done in various ways such as re-engineering, rightsizing, restructuring and turnaround. The ultimate goal in most cases is to make fundamental changes in how business is conducted in order to maintain a fit with constantly changing and challenging market environment. Graham (2007) states that change is necessary in organizations as maintaining the status quo can lead to stagnation.

Hamel and Prahalad (1994) argue that any company that is a by-stander on the road to the future will watch its structures, values and skills become progressively less attuned to the industry realities. Such discrepancy between the pace of industry change and the pace of Company change gives rise to the need of organizational transformation. Schaap (2006) observes that change in organizations comes about as a response to the shocks of rapidly evolving markets and technology. According to Kotter (2007), transformations often begin well when an organization has a new head who is a good leader who sees the need for a major change.

Kotter (1999) argues that winning in business today requires innovation. Companies that innovate reap all the advantages of a first mover. They acquire deep knowledge of new markets and develop strong relations with them. Innovators also build reputation of being able to solve most challenging problems. Hamel and Prahalad (1994) state that to create a new business, a company has to regenerate its core strategy including its market distribution channels, customers and competitors. If Managers do not have clear and detailed answers to tomorrow’s questions or if the answers are not significantly different from today’s answers, then there is little chance that their companies will remain market leaders. The market the Company dominates today is likely to change substantially in future. There is no such a thing as sustaining market leadership. Every business must be regenerated again and again (Hamel and Prahalad, 1994).

Ian *et al* (2006) point out that change today is occurring at a rate that is difficult to sustain. Globalization of markets, fluctuations in world economy, diversification in services, mergers, acquisitions and industry deregulations are but a few of the challenges faced by companies today. Companies are quickly realizing that to thrive in today's competitive environment, they must rapidly deploy new technologies to support key business objectives (Ian et al, 2006).

2.3 Successful Strategy Execution

Most Companies’ underperformance is due to breakdown between strategy and operations (Welch and Welch, 2005). Many Companies have learned how discussions about bad operations inevitably drive out discussions about good strategy implementation. When Companies fall into this trap, they soon find themselves limping along making or closely missing their numbers each quarter but never examining how to modify their strategy to generate better growth opportunities or how to break the pattern of short term financial shortfalls.

Welch and Welch (2005) argue that, by creating a closed loop management system, Companies can avoid such shortfalls. The loop comprises of five stages beginning with strategy development. The strategy is then translated into specific objectives and initiatives using other tools and processes including strategy maps and balanced score cards. Strategy implementation in turn links strategy to operations with a third set of tools and processes including quality and process management, reengineering, process dashboards, rolling forecasts, activity based costing, resource capacity planning and dynamic budgeting. As implementation progresses, managers continually review internal operational data and external data on competitors and the business environment (Welch and Welch, 2005).

Finally, managers periodically assess the strategy updating it when they learn that the assumptions underlying it are obsolete or faulty. A system such as this must be handled carefully. Often, the breakdown occurs right at the beginning with companies formulating grand strategies that they fail to translate into goals and targets that their middle and lower management understands and strives to achieve. Even when companies do formalize their strategic objectives, many still struggle because they do not link these objectives to tools that support the operational improvement processes that ultimately must deliver the strategy's objectives. Or they decide to mix discussions of operations and strategy at the same meeting, causing breakdown in the strategic learning feedback loop (Welch and Welch, 2005).

When looking at different strategy implementation models Schaap (2006) concludes that the nine step theoretical model developed by Nyambok (2005) truly extends the literature in this field of study. The nine steps include staffing the organization with the needed skills and expertise, creating a Company culture and work climate conducive to successful strategy implementation and execution, developing budgets that steer ample resources into those activities critical to strategic success, ensuring that policies and operating procedures facilitate rather than impede effective execution, ensuring best known practices to perform core business activities and pushing for continuous improvement (Schaap, 2006).

Organization units have to periodically reassess how things are being done and diligently pursue useful changes and improvements, installing information and operating systems that enable Company personnel to better carry out their strategic roles day in and day out, motivating people to pursue target objectives energetically, tying rewards and incentives directly to the achievements of performance objectives and good strategy execution and finally exerting the internal leadership needed to drive implementation forward and keep improving on how the strategy is being executed. When stumbling blocks or weaknesses are encountered, management has to see that they are addressed and rectified on a timely basis (Schaap, 2006).

Dressler (2003) states that in practice a Chief Executive Officer can change several things including the strategy, culture, structure, technologies, attitudes and skills of the staff. But to do so he or she needs a firm command of the Human Resources methods. Changes in people attitudes and skills may involve training and development to provide new and current employees with the skills they need to carry out their jobs. Human Resource organizational development interventions can modify employees' attitudes, values and behavior. Organizational renewal today often entails embracing or modifying technology. For some firms it may mean transferring a host of activities to the internet. For other firms it means re-engineering work processes, or automating production processes (Dressler, 2003).

2.4 Challenges Experienced in Organizational Change

Some of the greatest change management obstacles include; employee and staff resistance for fear of the unknown, middle management resistance due to perceived loss of power and or limited involvement in the change process, poor executive sponsorship when the executive sponsor either does not play a key and visible role in supporting the change effort, or shifted their support too soon after the process of change, limited time budget and resources and corporate inertia and politics where the organizational culture pushes back the change initiative. The embedded culture can become an obstacle particularly where there are too many long tenured employees (Boomer, 2007).

2.4.1 Resistance to change

There are two types of resistance to change namely; behavioral resistance and systemic resistance (Ansoff and MacDonnell, 1990). These two types of resistance occur concurrently during a change process and they produce similar effects which include delays, unanticipated costs, and chronic mal-performance of new strategies. However, the basic causes are different. Behavioral resistance comes as a result of active opposition to change by employees while on the other hand systemic resistance is normally due to passive incompetence of the organization. Many years ago Machiavelli in his book The Prince, stated that there is nothing more difficult to take in hand, more perilous to conduct, more uncertain of success than to take a lead in introduction of a new order of things, because the innovation has for enemies all those who have done well under the old conditions and lukewarm defenders in those who may do well under new (Ansoff and MacDonnell, 1990).

Ansoff and MacDonnell (1990) define resistance as a multifaceted phenomenon, which introduces unanticipated delays, costs and instabilities into the process of strategic change. Behavioral resistance is a natural reaction by groups and individuals to change which threatens their cultural and position of power. The writers contend that resistance to change is proportional to the size of the discontinuities introduced into the culture and power and inversely proportional to the speed of introduction. In managing resistance, a useful approach is to start by building a launching platform. This involves a strategic diagnosis, a behavioral diagnosis, eliminating unnecessary resistance, forming pro-change power base, and designing resistance reducing features into the plan for the change.

Ansoff and MacDonell (1990) state that once the change is launched, the residual resistance should be anticipated and necessary power applied to overcome it. Whenever the change in strategy is completed, capability building should be continued until the change is institutionalized. According to Kotter and Leonard (1979), reorganization is usually feared because it is a disturbance to the status quo, a threat to the people’s vested interests in their jobs and an upset to the normal way of doing things. Therefore, organizational change is often characterized by delays and cost overruns resulting in loss in efficiency and effectiveness. Employees may be worried about the consequences of change such as how the new conditions will take away their power and status. Some are concerned about the process of change itself such as the effort required to break old habits and learn new skills (Kotter and Leonard, 1979).

PringleI et al (2006) observe that, although each Company's circumstances account for some of the problems, widespread problems have one common root, Managers and subordinates view change differently. Both groups know that vision and leadership drive successful change, but few leaders recognize ways in which individuals commit to change to bring it about. From the top Management, change is an opportunity to strengthen business by aligning operations to strategy, new professional challenges and risks and advance career. On the other hand employees including middle management view change as unwelcome, disruptive and intrusive. It upsets balance. Top management often underestimates this gap on relationship with the employees and the effort required winning support for change. In order to close the gap, the top managers need to see change from the perspective of the employees. Unless top managers define new terms and persuade employees to accept them, it is unrealistic for such managers to expect employees to fully buy into changes that disturb status quo. A Chief Executive Officer may understand the problems, articulate plans, undertake initiatives associated with change leadership. Yet change initiative may fail if widespread employee support is not achieved (PringleI et al, 2006).

Problems set in when managers and subordinates fail to understand how change is essential to turning the Company around would require them to take a fundamentally different view of their obligations. Employees who for so long are used to a certain culture will favour maintaining the status quo, so resistance to change would be embedded in the culture, (PringleI et al, 2006).

According to Ansoff and MacDonell, (1990), systemic resistance to change occurs when operating and strategic activities within the firm compete for organizational capacity. Unless special provisions are made, operating work tends to pre-empt the strategic work. Systemic resistance also occurs when organizational competence is unsuited for supporting the strategic aggressiveness of the firm. Systemic resistance is proportional to level of mismatch between the available and the required strategic capacity and to the mismatch between the aggressiveness of the new strategic behavior and the existing systemic competence. Systemic resistance will be inversely proportional to the speed with which change is introduced.

Ansoff and MacDonald (1990) further argue that, the third source of both systemic resistance and behavioral resistance is the sequencing of the steps during a change. When the sequence; strategy systemic competence behaviour modification, the resistance will be maximal. However, when the sequence is reversed, resistance is minimized. In most cases the launching platform will reduce but not eliminate resistance. A combination of systemic and behavioral resistance will persist throughout the change process. Therefore, sufficient power should be mustered to ensure successful implementation of change. The duration of the change should be marched to the available time, adequate capacity should be provided and provisions made for training managers in strategic analysis (Graham, 2007).

Graham (2007) contends that, there is another puzzling type of resistance. An employee could have skills and the smarts to make a change with ease has shown a deep commitment to the Company genuinely supports the change and yet inexplicably does nothing. They have concluded from their research and analysis that resistance to change does not reflect opposition nor is it merely a result of inertia. Instead, even as they hold a sincere commitment to change, many people are unwittingly applying productive energy towards hidden competing commitment. The resulting dynamic equilibrium stalls the effort in what looks like resistance but is in fact a kind of personal immunity to change. Competing commitments cause valued employees to behave in ways that seem inexplicable and irremediable, and this is enormously frustrating to managers.

2.5 Organizational Change Management

Studies have shown that two thirds of transformation initiatives fail. According to Sirkin, *et al* (2005), change Management is a set of ideas, strategies and skills that can be applied to engage change effectively, during planning, implementation and supporting continuous improvement following change. The key benefits of change management include; helping one to recognize the power of human dynamics in a change process, acting as a map for guiding action and helping stay on course rather than getting caught up in the complexity and tumult of change and thirdly, it can help one develop a relationship you need to maximize effectiveness of a change effort.

According Nyambok (2005), organizational change management is a careful planning, organization and execution of an alteration from the norm to the unknown which will require thinking and doing things differently. The entire process has to involve people from the beginning to the end by making the stakeholders buy into the change process and own the process itself. Change must be managed because it is disruptive and alters the equilibrium of operations. It results in a paradigm shift and causes variations in the status quo. Nyambok adds that, it is vital to carefully manage change for the good of the people affected and the organization. Good change management yields good results (Nyambok, 2005).

The pace of change is ever increasing-particularly with the advent of the internet and the rapid deployment of new technologies, new ways of doing business and new ways of conducting ones life. Organizational change management seeks to understand the sentiments of the target population and work with them to promote efficient delivery of the change and enthusiastic support for its results. Change can be looked at in two levels; the first level is generic enough to apply to any type of change. It is mostly targeted at understanding the human response to change and creating effective strategies for engaging people to achieve change. The second level of change management includes strategies that are specific to a particular type of change (Nyambok, 2005).

There are two related aspects of organizational change that are often confused. Organizational change management is concerned with the hearts and minds of participants and target population to bring about changed behavior and culture. The key skills required are founded in business psychology and require “people” people. The other aspect of organizational change is the organizational design where roles, skills, job descriptions and structure of workforce may be designed. Typically, this is more analytical and directive activity, suited to tough skinned Human Resources professionals. Organizational change management issues are often underestimated or ignored altogether. People’s issues collectively account for majority of change effort failures (Nyambok, 2005).

According to Johnson and Scholes (2002), there is an assumption in most of what is written about strategic change that there will be a tendency towards inertia and resistance to change, people tend to hold on existing ways of doing things and existing beliefs about what makes sense. Managing strategic change must therefore address the powerful influence of paradigm and cultural web on the strategy being followed by the organization.

2.6 Change Management Models

To cope with variety over time people form habits. These habits may be simple routines like the order in which they get dressed in the mornings or the activities during the first few minutes in the work place. When this structure or order is changed, it impacts us in many ways. It is often the simple changes to routines like these that cause individuals most problems. Any change management intervention therefore needs to take this into account. (Paul, 1996))

When change is imposed on people they tend to feel they have little ownership in the decision and often feel out of control. Change leaders or agents need to help this process. They cannot and should not force change on people. Their role should be to facilitate change and to encourage people to support and embrace the change process. Various approaches can be used by change leaders to help individuals recognize that what they are experiencing is normal and thus accept change more readily. Some people will go through the process quickly and others more slowly. (Nyambok, 2005))

2.6.1 DICE factors

Companies must pay as much attention to the hard side of change management as they do to the soft aspects (Sirkin et al, 2005). By vigorously focusing on four critical elements referred to as DICE factors, they can stack the odds in favour of success. Duration is the time required to complete the change process. It should be long but reviewed frequently. Scheduling milestones and assessing impact are the best review tools. Integrity represents capabilities of the project team. Employees therefore need to go an extra mile to ensure that normal work does not suffer.

Managing change is tough but part of the problem is that there is little agreement on what factors most influence transformation initiatives. Each manager looks at change from differently from his/her perspective based on personal experience. Experts too offer different perspectives. In recent years most change management *gurus* have focused on the soft issues such as culture, leadership and motivation. Such aspects are important for success but managing these alone is not enough. The hard factors bear three distinctive characteristics; first, they are measurable, secondly, their importance can easily be communicated in and out of an organization and thirdly businesses are able to influence these factors quickly. The writers argue that if companies do not pay attention to the hard factors first, transformation program programs will break down before soft elements come into play. Executives must study the four DICE factors carefully to figure out whether the change effort will succeed or fail (Baulcomb, 2003).

2.6.2 Force field analysis

Kotter a pioneer in the field of social sciences developed a management technique for diagnosing situations known as Force Field Analysis. This technique is useful when looking at variables involved when planning and implementing a change management program. In his theory, Lewin assumed that in any situation there are both driving forces and restraining forces that influence the change that may take place. Driving forces are the forces that tend to initiate change and keep it going. For example incentive earnings, competition, threat of a new entrant, and threat of bankruptcy. Restraining forces are forces acting to restrain or decrease the driving forces. Apathy, hostility and poor maintenance of equipment are examples of restraining forces against increased production. According to Lippitti (2007), equilibrium is reached when the sum of the driving forces equals the sum of restraining forces. The equilibrium can be changed by increasing or decreasing the driving and the restraining forces (Baulcomb, 2003).

Lewin's force field model emphasizes that effective change occurs by unfreezing the current situation, moving to a desired condition and then refreezing the system so that it remains in the desired state. Unfreezing involves producing disequilibrium between the driving and restraining forces (Baulcomb, 2003).

2.6.3 Tempered radicals

If a change agent wants to push important cultural changes without damaging his or her career, it is advisable to step softly (Meyer and Stensaker, 2006). Some change agents believe that direct angry confrontation will get them nowhere but they do not sit by and allow frustration to fester. Rather, they work quietly to challenge prevailing wisdom and gently provoke their organizational cultures to adapt. Such agents have been referred to as tempered radicals because they work to effect significant changes in moderate ways. They gently and continually push against prevailing norms making a difference in small but steady ways and setting examples from which others can learn. The changes they inspire are so incremental that they barely merit notice which is exactly why they work so well (Meyer and Stensaker, 2006).

2.6.4 Positive deviance approach

In an organization, groups of people may already be doing things differently and better (Pryor et al, 2007). To create lasting change, find these areas of positive deviance and fan their flames. Somehow a few isolated groups and individuals, operating with the same constraints and resources as everyone else, prevail against the odds. Bridging the gap between what is happening and what is possible is what change management is all about. The traditional process of creating organizational change involves digging deep to uncover the root causes of problems, hiring experts or importing best practices or assigning a strong role to leaders as champions of change. However, there are now better ways of doing this by looking for indigenous sources of change, those people in the organization already doing things in a radically better way (Pryor et al, 2007).

Pryor et al (2007) recommend a six step model to make the group the guru champions and leaders, reframe through facts, make it safe to learn, make the problem concrete-firm grasp of reality obliterates vague assumptions and helps focus attention on what is really working. Stating uncomfortable truth concretely helps in avoiding ducking the challenge at hand, leverage social proof-seeing in believing and finally confound the immune defense response work on opposing forces.

Pryor et al (2007) argue that positive deviance approach requires a role reversal in which experts become learners, teachers become students and leaders become followers. The role of the leader is to manage attention, allocate resources, reinforcement and score keeping. Traditional change efforts are typically top-down, outside-in and deficit –based. They focus on fixing what is wrong and not what is working. They also assume a reasonable degree of predictability and control during the change initiative. Unintended consequences are rarely anticipated. Once a solution is chosen, a change program is communicated and rolled out through ranks. The positive deviance approach to change by contrast is bottom-up, inside-out and asset-based. It power’s change from within by identifying and leveraging innovators. This method diminishes the social distance that often blocks acceptance (Pryor et al, 2007).

2.6.5 Proactive change

Companies can change proactively by analyzing the treads in the industry to enable read the future, looking out for signs of trouble and instituting the necessary changes to mitigate or counter bad effects, encouraging and rewarding entrepreneurial and innovative activity and create an environment in which such efforts would be accepted and rewarded, trainings and seminars on trends in the industry and concept of organizational change, inviting proposals for new products and services and the proposals should be given high level corporate support to secure individual manager’s commitment to project goals (Meyer and Stensaker, 2006).

Lepsinger (2006) emphasizes that innovative managers can operate outside normal organizational structure and traditional culture boundaries. These managers can be multidisciplinary and report directly to the Chief Executive Director who should personally evaluate their performance and contribution of individual projects to the vision. Juniors should also be given a chance to shape the future of the organization. Visibility and senior management support generates enthusiasm for participating and creates employee ownership in the process. Without the right leadership, employees remain skeptical of the vision for change and distrustful of management. The management will likewise be frustrated and stymied by employee resistance. Pearce and Robinson (2003) contend that a Chief Executive Officer does not have to wait until he or she feels the pinch to investigate opportunities to improve. It is important for the Chief Executive Officer to frequently (weekly or biweekly) study the performance of the various departments and note the trends. Without taking anything for granted, adjustments can be made by increasing or decreasing resources (Pearce and Robinson, 2003).

2.6.6 Time pacing

Most Companies change in reaction to events such as moves by competition, shifts in technology, or new customer demands. They refer to this as event-pacing. It is a reactive and often erratic strategy. In fairly stable markets, event pacing is an effective way to deal with change. However, successful Companies in rapidly changing intensely competitive industries need to take a different approach. They change proactively, through regular deadlines. They call this strategy, time-pacing (Eisenhard and Brown, 1998)

Eisenhard and Brown (1998) state that time pacing creates a rhythm to which managers can synchronize the speed and intensity of their efforts. In contrast to event pacing, time pacing refers to introducing change according to calendar. It is regular, rhythmic and proactive. It creates a relentless sense of urgency around meeting deadlines and concentrates people on a common set of goals. Its predictably also provides people with a sense of control in otherwise chaotic markets. Successful companies implement two essentials of time pacing. The first is managing transitions-the shift, for example from one new product development project to the next. The second is setting the right rhythm for change. Companies that march to the rhythm of time pacing build momentum, and Companies that effectively manage transitions sustain that momentum without missing important beats (Eisenhard and Brown, 1998).

Small and large Companies, high and low tech alike can benefit from time pacing especially in markets that won’t keep still. In rapidly shifting industries, time pacing can help managers anticipate change and set the pace for change. But even in industries in which the rate of change is less than the warp speed, time pacing can counteract the natural tendency of managers to wait for too long, move too slowly, and lose momentum. Time pacing helps managers resolve the fundamental dilemma of how often to change in a dynamic business environment.

2.7 Change Leadership

Fear of change is understandable but since the environment is constantly changing, organizational change cannot be avoided (Kotter and Leonard, 1979). One major task of the Manager is to implement change which entails overcoming resistance. According to Bunker and Wakefield (2006) the reality of ongoing change is not news for most leaders. Even so, few are prepared to lead in the context of significant, unrelenting change. Often, change sets up leaders to struggle between managing the business and addressing the needs of the people. Typically, it is the people side that loses out. But if leaders do not establish an effective balance between business and people priorities they can destabilize the organizational culture and erode trust thus generating fear and skepticism among employees at a time when a loyal, productive, and enthusiastic workforce is essential for success.

Bunker and Wakefield (2006) indicate that, when leaders focus on establishing trust, they are better able to deal with both the structural and human elements of change. Instead of taking a one sided approach, leaders find they can be both tough and emphatic, committed to the plan and understanding of the pain. They become agile and resilient and able to do what it takes to lead through change and transition.

Pringle et al (2006) on the other hand argue that change leaders would be people who can rise above the constraints of functional boundaries and take a helicopter view of the business and of the organization. They would see their job as bringing together the ability to understand the business and its surrounding environment, understand how organizations, personalities and power dynamics work and how to engender effective action and change, meld their organization and business understanding to create integrated strategies, plan, manage and co-ordinate major change projects

According to Sirkin et al (2005), no amount of top-level support is too much for a change process. If employees do not see that Company's leadership is backing the project they are unlikely to change. If top executives do not communicate, the need for change and what it means to the employees it is unlikely to succeed. Such commitment should come early and consistently.

Kotter (2007) contends that, a change process goes through a series of phases, which usually take a considerable length of time. Critical mistakes in any of the phases can lead to devastating results. Leaders who bring about successful change do eight things right, and they do them in the right order. Skipping some of the steps only creates an illusion of speed but does not produce satisfactory results. Kotter (1999) indicated that Managers need to help employees to overcome their immunity to change. The process challenges the very psychological foundations upon which people function. It asks people to call into question beliefs they have long held close, perhaps since childhood. It may also require people to admit to painful, even embarrassing feelings that they would not ordinarily disclose to others or even to themselves. Indeed, some people will opt not to disrupt their immunity to change, choosing instead to continue their fruitless struggle against their competing commitments.

Kotter (1999) adds that a manager should guide people through this process with understanding and sensitivity. If they are to engage in honest introspection and candid disclosure, they must understand that their revelations won't be used against them. The goal of this exploration is solely to make them more effective, not to find flaws in their work or character. They point out that as a manager supports his/her employees in unearthing and challenging their innermost assumptions they may at times feels they are playing the role of a psychologists. But in a sense manager are psychologists. After all helping people overcome their limitations to become more successful at work is at the very heart of effective management.

Johnson and Scholes (2002) observe that a leader needs not only to lead the change initiative, but also closely manage it. Getting people's attention is merely the first step. The CEO needs to explain the urgency for change with respect to survival in jeopardy threat, job losses and bankruptcy threat.

It is then made everybody's business to bring the company back to life, through participation and contribution. Terms for change need to be tough and unambiguous. Those who can't cope may be encouraged to leave. The CEO may offer managers new contracts, and ask them to come up with measurable strategic objectives of reducing costs, increasing revenue, improving efficiency, improved customer service etc. Managers should benchmark against the best in the market. From these, let them develop budgets. Performance should be measured against targets set and linked to bonuses and career growth. Bring in personal commitments, binding agreements and standards for performance. Change cannot be achieved unless subordinates and managers throughout the company are committed to it. Employee concerns need to be addressed. At workshops and seminars, the Managers should explain to employees the consequences and objectives of change. At the top, culture of patronage, social networking and life employment should be a thing of the past.

Sirkin et al (2005) state that a leader must sell the idea that the organization cannot continue doing business the way they have been doing it. He adds that it is necessary to let go of the people who cant or don’t want to go through change by developing the necessary skills required by the organization. Every employee needs to understand that unless they are finding ways to generate profitable business, they put everything in jeopardy. If the employees are well informed of what is happening, they are more likely to participate and support change efforts. There is also need to set up credible channels for receiving feedback such as meetings, suggestion boxes, posing a question and seeking anonymous answers and create a special message system where people can ask questions and comment anonymously.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The study was modeled on case study design. A case study is a research methodology common in social science. It is based on an in-depth investigation of a single individual, company, group, or event. Case studies may be descriptive or explanatory. The latter type is used to explore causation in order to find underlying principles. According to Neale et al (2006) the primary advantage of a case study is that it provides much more detailed information than what is available through other methods, such as surveys. Case studies also allow one to present data collected from multiple methods (i.e., surveys, interviews, document review, and observation) to provide the complete story.

Neale et al (2006) further argue that case studies are appropriate when there is a unique or interesting story to be told. They are often used to provide context to other data such as outcome data, offering a more complete picture of what happened in the program and why. However a few limitations associated with case studies include; they can be lengthy, they lack rigor and they cannot be generalized.

The Nairobi City Water and Sewerage Company Ltd was chosen for the case given that it meets the criterion that is relevant to the theory underlying the proposed research. NCWSC recently underwent through major strategic change process as it converted itself from a department within the City Council of Nairobi to a private company. This made it very suitable for the proposed research. The aim was to obtain an in-depth understanding of how the Company has managed its implementation of strategic change process, the key factors that influenced the process, the challenges experienced and how they overcame or minimized them.

3.2 Data Collection

Qualitative data was collected focusing on the strategy implementation within the organization. Information was collected on the challenges experienced and how they have been managed, factors that are deemed conducive to the change process and strategies of sustaining the change achieved. Primary data was collected using interviews. An interview guide was prepared to assist in the collection of the qualitative data. The interviewees were six senior managers including the Managing Director, Operations Manager, Quality Assurance Manager, and three Regional Managers. Data was collected through e-mail, in-depth personal and telephone interviews and it was then analyzed. Secondary data was obtained from Annual Reports, Newsletters, Company policy documents and the Company official website.

Some of the challenges experienced during the collection of data included; the Managers are ordinarily very busy and getting them to fill the questionnaire was not easy. Secondly, some of the Managers were not very free to give information related to the Company. After interviewing a number of managers it was evident that there was a lot of duplication and therefore it was not necessary to interview all the managers stated in the proposal document.

3.3 Data Analysis

Content analysis was used considering the qualitative nature of the data collected through questionnaires. This technique uses a set of categorization for making valid and replicable inferences from data to their context (Baulcomb, 2003). The data was broken down into the different aspects of strategy implementation, arranged into logical groups and analyzed. This offered a systematic and qualitative description of the objectives of the study.

CHAPTER FOUR

RESEARCH FINDINGS AND ANALYSIS

4.1 Introduction

This chapter outlines the analysis of the data obtained and the findings of the study. The data is analyzed in line with the research questions and objectives of the study which are to find the factors affecting implementation of strategic change at Nairobi City Water and Sewerage Company Ltd.

4.2 Response Rate

The study targeted to interview thirteen senior officers of the Company including the Managing Director, Human Resources Officer, Technical Director, Production Manager, Distribution Manager, Sales and Marketing Manager, Finance and Administration Manager and all six Regional Managers. However only six senior officers including the Managing Director, Operations Manager, Quality Assurance Manager, and three Regional Managers were interviewed. This was due to unavailability of most of the senior officers and also to avoid further duplicity of data obtained. The data was then analyzed as shown below.

4.3 Company Profile

From the information obtained Nairobi Water and Sewerage Company Ltd was started in the year 2004 as a part of the implementation of the Water Act 2002. Its core business is provision of clean water for the residents of Nairobi and its environs. The principal shareholders are City Council of Nairobi. Currently the Company employs 1,900 members of staff. Most of the interviewees felt that the number was low compared to the scope of works, however with computerization, less people will be required. Some interviewees felt that there is need to employ more skilled personnel and retrench the underutilized ones.

The key performance indicators were said to be volume of water distributed to customers, level of unaccounted for water, quality of water, number of accounts billed and actual meter readings taken and response rate to leakages. Most of the managers felt the strategic change has resulted in a significant improvement with respect to key performance indicators for the Company. Specifically the amount of water distributed has increased significantly, unaccounted for water has been reduced, cycle of billing has equally been reduced to monthly, water quality has improved and response to leakage has been reduced to maximum 48 hours.

The interviewees attributed the improved performance of the Company to better management, ring-fenced revenue, strategic planning followed by monitoring and evaluation, better remuneration for staff, improved use of ICT and provision of working tools.

4.4 Strategic Planning and Implementation

The interviewees confirmed that the Company conducts long-term planning which enable them achieve their long-term business goals entailing provision of affordable water and sewerage services to their customers. According to the interviewees, long term planning is undertaken on a three to five-year basis whereby long term resolutions are made and adjustments done on the existing ones. The first strategic plan for NWSC was three years while the current one is five years lasting up to 2012. The interviewees considered long term planning to be very important for the Company business growth and improved customer service. According to the interviewees, the top management of the Company meets on an annual basis to discuss and review the Company's direction, strategy, and future business plans. From the interview findings, only the top management and business process managers are involved in the strategic planning of the organization.

The interviewees clearly categorized the changes experienced by the organization into organization structure, leadership, culture, system process, technology, human resource management. The data obtained showed that there was a complete overhaul of the organizational structure including formation of new directorates such as Risk Management. The organization's leadership changed from engineering bias to Strategic Manager to drive the new strategy. Most interviewees felt that the organizational culture has changed mainly due to enhanced training and different approach to management. The changes highlighted with respect to organization's culture are such as communication channel has changed from formal to both formal and informal so as to boost the employees' moral and encourage team spirit. There has been a remarkable improvement in systems and processes. The Company is now ISO 9001: 2008 certified. Hence ISO international standards are now strictly complied to in delivery of services. The Company has fully embraced ICT particularly in billing, human resources management, payroll and supply chain. Some of the top management positions were filled from competitive markets. There are better terms and remuneration for employees, introduction of bonus incentives to encourage improved performance as well as job evaluation. The interviewees indicated that there has not been any retrenchment so far but most interviewees felt that it will be necessary in due course.

According to the interviewees strategic change was communicated to the staff through preparation of own performance Contracts, staff meetings, Company website, Company newsletters and during training sessions. The message of change was received with mixed reactions. Most senior people were largely positive and receptive to change. However the lower cadres were generally afraid and skeptical. The senior managers communicated the message of change through monthly staff meetings, through notice boards, within the Company Corporate Affairs Department, newsletters etc. Vision and mission statement are communicated to the staff through memos, letters and staff meetings. The Managing Director has been the key driver of change in the organization.

4.5 Major Consideration in Implementation of Strategic Change

The interviewees attested to planning for implementation of strategic change at the management level. According to the interviewees, the plan for implementing the strategic change included development of a new business plans, budgeting, plans for training, complete overhaul of the organizational structure, jobs re-advertisement, job re-evaluation, internal and external recruitment, huge investment in Information Technology and re-branding.

The feeling of being part of the NCWSC success was, according to most interviewees, the key motivator that played part as driving factors in the interviewing participation in the change process. Two of the interviewees indicated that the improved remuneration and better working environment were their key motivators. All the managers indicated that they have benefited a lot from the intensive training on leadership skills and change management. Having been part of the change process, all the interviewees indicated that they desired to realize a marked improvement in their respective areas of operation as well as the success of the Company in general.

According to the interviewees the level of understanding of the objectives of the Company's strategic plan was generally higher at management level and fair at lower cadres of staff. All interviewees were of the view that the implementation of the strategic plan had been largely successful.

From the interviewees, the notable challenges faced during the implementation of strategic change included fear due to job insecurity; employee resistance for fear of the unknown, middle management resistance due to perceived loss of power, limited time and resources. Most employees especially from the lower cadres were also afraid that they might lose their accumulated retirement benefits as a result of the change. One of the managers cited poor communication by some of the actors and having to deal with some difficult customers as some of the challenges faced during the strategic change.

4.6 Managing Resistance to Change

According to the interviewees, the challenges experienced were minimized through awareness campaigns, intensive training of staff, massive investment in Information Technology and provision of the necessary tools and equipment for work. Improved remuneration was also key in reducing change resistance.

The formal tools used to overcome change resistance included leadership and change management training, book discussions, Peak Performance training, ISO Certification, Risk management, Benchmarking and Performance contracting/appraisals.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The objective of the study was to establish and analyze factors affecting implementation of strategic change at Nairobi City Water and Sewerage Company Ltd. The researcher found out that the core business of NCWSC is to provide affordable water and sewerage services to the residents of Nairobi and its environs. The Company employs 1,900 employees most of whom were inherited from the former Water and Sewerage Department of City Council of Nairobi.

NCWSC Company is very important to the city of Nairobi as it provides water for residential commercial and institutional use. It therefore contributes significantly towards social and economic welfare of the city residents. The researcher established that the Company has faired well in its key performance indicators which include increased volume of water distributed to customers, lower level of unaccounted for water, improved quality of water, improved billing and revenue collection and improved response to leakages.

On strategic planning, the researcher found out that the Company conducts long-term strategic planning on a three to five year basis with a view of achieving their long business goals. The Company aims at providing affordable water and sewerage services through efficient, effective and sustainable utilization of the available resources in an environmentally friendly manner. The Company's senior management meets annually to discuss and review the Company's direction, strategy implementation and future business plans.

On implementation of strategic change, the findings were that the Company the organization's structure, leadership, culture, system process, technology and human resource management have changed significantly during the implementation of strategic change. For instance some positions which were previously within the organizational structure have been done away with while new positions such as Quality Assurance Manager have been introduced. Leadership changed from engineering bias to focus on management skills. Organizational culture and values have been gradually changed through intensive training, policy changes and use of Company Newsletters. There has been heavy investment in Information

Technology and this has significantly changed the procedures of doing work making the Company more efficient especially in billing and revenue collection.

The researcher found out that there have not been any layoffs although these may become necessary in future. This is because some employees are naturally either resistant to change or the level of their knowledge cannot support implementation of the required strategic change. The study also established that strategic change and the Company's vision and mission statement are communicated to the staff via departmental memos, letters and staff meetings. On major consideration by the Company before implementation of strategic change by management, the researcher established that the Company management took time to evaluate their long-term objectives and grand strategies to be implemented, resources at the disposal of the organization (human and financial) and water demand to be met.

According to the study's findings, radical changes in organizational structure, leadership, systems and processes and culture were key in implementing the organizational strategy. The management's involvement in the achievement of strategic performance targets set for the Company strengthened their leadership skills through participation during intensive training and change management process. Most interviewees cited increased innovative skills, analytical skills and resource management skills. Being part of the NCWSC success was according to the research findings, the key motivator and a driving factor in their participation in the change process.

The researcher established that the level of understanding the objective of the Company's current strategic plan was higher at management level and generally low at the lower cadres. Notable challenges were faced during the implementation of strategic changes in the Company including employee resistance to change for fear of the unknown, middle management resistance due to perceived loss of power.

On the level of success of the implementation of strategic change management, the researcher found out that strategic change management was largely successful in achieving the strategic performance target set for the Company by its stakeholders. The Company is generating much higher revenues and customer service has improved dramatically. Staff motivation has also improved significantly.

5.2 Conclusions

Based on the findings, the researcher concluded that for a strategic change to be successful, it is necessary to thoroughly plan for the change process. Change in leadership, culture, systems and processes, human resource and organizational structure are inevitable during a strategic change process, as these are the key factors affecting the implementation of strategic change. Annual review meetings are necessary during implementation of strategic change to enable the Company management assess the progress, identify problem areas and take necessary corrective actions to keep change implementation on course.

The study also concludes that the top cadres of staff are more likely to understand the strategic change better than the staff at the lower cadres of the organization. As a result, resistance to change is likely to occur more at the lower cadres due to lack of proper understanding of the benefits of change and fear of the unknown.

To minimize resistance to change, management should increase the duration, over which such changes are effected. This will ensure that most of the affected employees gain better understanding of the change and are committed to the process.

5.3 Recommendations

It should be stressed that implementation of strategic change is an essential mechanism of ensuring that a Company meets the current business challenges it faces such as changing market demand and trends as so maintain or improve its profitability. Employees should therefore be encouraged to be innovative and be more positive towards change since the Company operates in an ever changing environment. Organizations should undertake to continually sustain incremental change through continuous improvement.

5.4 Areas for further research

This study is important to those wishing to study implementation of strategic change management. As this study found out that the extent of resistance to change was quite prevalent in Nairobi City Water and Sewerage Company, more studies should be done to ascertain the in-depth-context remedy to this resistance as this may help mitigate such resistance and as a result improve on the organization success.

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APPENDICES

Appendix 1: INTERVIEW GUIDE-MD NCWSC

Name of respondent____

Designation of respondent___________________________________

SECTION A: COMPANY PROFILE

1. What is your core business?

2. How many employees are there at NCWSC?

3. How has your firm's performance faired in terms of your key performance indicators since the formation of the Company?

SECTION B: STRATEGIC PLANNING AND IMPLEMENTATION

Strategic Planning

4. Do your conduct long term planning

5. If yes, how is long term planning important for the future success of the NCWSC?

6. How often is long term planning undertaken in your organization?

7. How often do you meet to discuss and review the Company's direction, strategy, and future business plans?

8. Who is normally involved in strategic planning?

Implementation of Strategic Change

10. How would you describe the change experienced in the following areas of your organization since the inception of your Company?

- Organisational Structure____

- Leadership____

- Culture ____

- Systems and processes____

- Technology ____

- Human Resources? ____

11. Have you had to retrench some staff during the course of implementing your strategic plan?

12. How was the strategic change communicated to staff?

13. How often do you communicate the vision and mission statement, to all your staff?

SECTION C: MAJOR CONSIDERATION IN IMPLEMENTATION OF STRATEGIC CHANGE

14. Did you plan for implementation of strategic change?

If yes, what did the plan entail?

15. Which formal approaches were used in implementing the strategic change?

16. In what ways has your involvement in trying to achieve the strategic performance targets set for the company strengthened your leadership skills?

17. What motivated you most in driving the change process?

18. How would you rate the level of understanding of the objectives of the Company's current strategic plan by employees at various levels of the organization?

19. What were the notable challenges faced during the implementation of strategic change?

20. From your point of view, to what extent has the implementation of the strategic change been successful with respect to strategic performance targets set for the Company?

SECTION D: MANAGING CHANGE RESISTANCE

21. Which change management tools did you apply to overcome the resistance during strategic change implementation in your organization?

Appendix 2

Complementary Letter to the respondents

University of Nairobi	**Date:**
School of Business	Telephone: +254 (020) 732160
P.o. Box. 30197	Telegrams: “Varsity”, Nairobi
Nairobi, Kenya.	Telex: 22095 Varsity

To Whom It May Concern

The bearer of this letter____

Registration Number________________________Telephone:______________

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

The student is required to submit a research Project as part of partial fulfillment of the requirement Masters Degree in Business Administration. We would like the students to do their projects on real problems affecting firms in Kenya today. We would therefore appreciate if you assist the student collect data in your organization to this end. The results of the report will be used solely for purpose of the research and in no way will your organization be implicated in the research findings. A copy of the report can be availed to the organization on request.

Thank you,

The Coordinator, MBA program