CHALLENGES AND PRACTICES OF CHANGE MANAGEMENT AT THE KENYA UNION OF SAVINGS AND CREDIT CO-OPERATIVE (KUSCCO) LTD

By:

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DECLARATION BY THE STUDENT

I certify that this proposal is my original work and has not been presented previously for

a degree in University of Nairobi or any other university for examination purpose.

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DECLARATION BY THE SUPERVISOR

This proposal has been has been submitted for examination with my approval as a

University supervisor.

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DEDICATION

Many thanks to the almighty God for seeing me through the entire period of this project. I live for you God.

Thanks to my parents for encouraging me to pursuing this project. I would not forget to thank my supervisor for his patience during the entire research period. You gave me the chance to see my best side.

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ABSTRACT

They say that change is inevitable. Change forms the foundation of all progress in life. Change occurs in different ways and entities have to embrace it to survive. Organizations are operating in a highly competitive environment that is global in nature. Companies are no longer competing on a national level but on a global scale with competitors from all corners of the world. As a result, they have had to change the way they conduct business to survive. Information technology has taken over our lives. Computer systems run most functions. Entities, individuals and nations have thus been forced to change and adapt to the new system of operation.

Political changes are the order of the day with new political orders being introduced in various countries around the world. The new political leaders bring with them new policies to change things. Change is thus a part of everyday life. Entities either change to survive or remain steeped in their old ways and perish as change sweeps away the unprepared and intransigent.

This project looked at the challenges facing the change management process at KUSSCO. The Kenya Union of Savings and Credit Cooperatives was set up in 1973 as an umbrella organization for all Savings and Credit Cooperative Societies in Kenya. The organization is currently in the process of implementing a strategic plan for the year 2009-2013. This study sought to identify the forces that brought about the change, the change management practices adapted by the organization, the causes of resistance to change and finally the challenges.

This was a case study where data was collected using semi-structured interviews with an interview guide and questionnaires. The respondents comprised of nine senior managers at KUSCCO Ltd. Thereafter content analysis was used to analyze the data.

Findings of research indicated that the main forces of change at KUSCCO Ltd. Were changes in technology, competitive, pressure, globalization and political forces and the main change management practices adopted at KUSCCO Ltd were communication with staff. The least preferred practiced was the formation of teams. Resistance to change at KUSCCO was mainly driven by fear of loss of power and fear of loss of power ad fear of loss of salary. Challenges faces were: the lack of funds; lack of proper technology and lack of sufficient skills.

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CHAPTER ONE: INTRODUCTION

1.1 Background

Globally, organizations operate in an environment where competition is stiff and market needs change day in, day out. Organizations also constantly change. Therefore, there is a need for managers to have a means of planning, predicting and managing changes within their organization (Kaufman, 1995). Nilakant & Ramnarayan (2006) assert that the comprehension of change is critical as society changes consistently. In the late 80s', the cold war came to an end with the collapse of the Soviet Union. In the 90s', the world witnessed an explosion in computer technology and ICT. In the same decade, governments worldwide embarked on deregulation of various sectors of the economy and divestiture from business as a way of boosting efficiency. These changes have continued to affect businesses globally. Technological changes have had a profound effect on the operation of organizations and lives of people. The most significant introduction in the 90s' was the internet which transformed the way people communicated, interacted and did business.

The lessons learnt in change management are of immense importance to organizations that are undergoing change as a result of one variable or another. The challenges identified and practices applied are replicated by other organizations for successful management of change. Where the change management process is well managed, the benefits reaped are great. (Njiru, 2007).

The Kenya Union of Savings and Credit Cooperatives was set up in 1973 as an umbrella organization for all Savings and Credit Cooperative Societies in Kenya. KUSCCO

operates in an environment dictated to by external and internal socio-economic, legal and political factors, which directly and indirectly impact on its operations. Such an environment creates demands and challenges on the part of the Union, which must be addressed. These challenges include: low capital base, inadequate ICT, inability to fully influence Government Policy in favour of SACCOs, poor savings Culture among Kenyans, high cost of funds, how to rally the Board and Management to support the Vision of the Organization, how to retain qualified and experienced staff, limited outreach to new members into KUSCCO, limited education and information on corporative matters, limited financial resources for capacity building, compliance with regulatory framework, competition, forging strategic linkages/partnerships, political interference, legislation, withdrawal from patronage, lack of external resources, retirement, unstable money market and high inflation rates(KUSCCO, 2008).

KUSCCO introduced and is implementing a Strategic Plan for the years 2009-2013 to better respond to the changing internal and external environment. The researcher is interested in establishing the change management practices and the hurdles faced so far by the organization in the process of implementing the Strategic Plan. Change management involves the shifting of an organization from a current state to a desired state is critical to the success of the strategic plan hence the interest of the Researcher in studying the topic.

1.1.1 Change Management

According to Mintzberg, Ahlstrand and Lampel (1998), change management is the process of introducing controlled change in an organization. The intention behind a change control process is to evaluate the risk, at the end-user level, against the urgency and importance of the change.

Organizations must establish a specific change control process for every type of change and consider a procedure specific to rapid and emergency changes. The creation of these processes must involve several interest groups. Successful change management is not only a matter of skill and expertise, but also a question of where the team draws its support from the company hierarchy.

Change management was also described as the application of structured means aimed at leading a company towards a given goal within a given finance and time limit to meet the objectives (Burnes, 2004). Nadler and Nadler (1998) argued that there are two main approaches to change management – the planned approach and the emergent approach. The planned approach uses pre-determined steps to analyze and implement change. Emergent change approach takes the view that many crucial forces for change happen outside the organization and managers must be aware of the environment around them in order to manage change appropriately.

Strategic change involves a radical change in an organization. The mission, vision as well as operations of a given organization change significantly. The success of this type of

change is dependent on the overall strategic management strategy of an organization (Burnes, 2004). Strategic Change Management is defined as the plans implemented by an organizations with the main objective of the attainment of the overall strategic goals to give the organization an advantage in the market (Hill & Jones, 2001).

Research by Dudik (2000) contends that there are three business forces that resulted in changes in an organization. These forces are: globalization, IT and industry consolidation. With regard to the first two forces above, it is not good enough for an organization to "go international" or "get networked", they must be "more fluid, inclusive and responsive. They need to manage complex information flows, grasp new ideas quickly, and spread those ideas throughout the enterprise. The third force for change is industry consolidation which includes mergers, acquisitions and strategic alliances. Human forces that may promote strategic change include: dissatisfaction with the status quo, a strong attraction towards moving to a more desirable condition and the appeal of a well thought out strategy for realizing the vision.

1.1.2 Kenya Union of Savings and Credit Co-operatives

According to KUSCCO (2008), the cooperative movement constituted roughly 31% of Kenya's total national savings with Ksh 110 billion. Close to 63% of Kenyans got their daily bread from the movement. For the country to transform into a middle income territory, the movement was expected to be a key pillar in the process. The Cooperative movement plays a major role in the democratization of capital, through promoting equitable distribution of wealth. This democratization also manifests itself in the

increasingly diverse and complex needs of the movement. The economic impact of savings and credit co-operatives on the Kenyan economy extended to all sectors: Agriculture, Health, and Finance etc. Statistics showed that more than 1.5 million people in Kenya were involved in the SACCO movement.

The Kenya Union of Savings and Credit Cooperatives was established in 1973 as an umbrella organization for all Savings and Credit Cooperative Societies in Kenya. The Union has since remained the principal national organization recognized as an institution responsible for representing and speaking on behalf of the SACCOs. This National Association was formed and continued to operate on the basis of a system of membership. There were about 2519 SACCO Societies in Kenya out of which most were registered members of KUSCCO. Being national in scope, the Union established 5 regional and 6 sub-regional offices throughout the country. KUSCCO has affiliates in all the provinces of Kenya. The operations of each province is coordinated through a representative structure including elected delegates from participating members, with a committee responsible for managing the affairs of the province. The Board of directors of the Union included representation from each province. KUSCCO was affiliated to the Kenya National Federation of Cooperatives (KNFC), The World Council of Credit Unions (WOCCU) and the International Reifessen Union (KUSCCO, 2008).

According to KUSCCO (2008), the aims and objectives of the organization included: i) To represent, promote and advance all SACCO interests; ii) To promote education and interests of SACCO members; iii) To seek support from, and work cooperatively with

organizations, agencies, groups and individuals having aims and objectives consistent with those of the Union; iv) To partner with affiliates and national associations to deliver services to members; v) To provide a forum to improve communication and cooperation among all sectors of the cooperative movement in order to better address the issues, concerns and problems that is pertinent to the entire cooperative network; vi) To liaise with and advise the government of Kenya on issues relating to the Savings and credit cooperatives; vii) To initiate and coordinate savings and credit-related programs; viii) To affiliate with and represent Kenya in international bodies governing the various disciplines of SACCO Activities; ix) To advise external organizations and the Government on SACCO matters, and; x) To raise, use, invest and reinvest funds to support the above aims and objectives.

1.2 Statement of the Problem

Managing change was an important aspect of the overall strategy of any organization. The management of this process was to make or break an organization. Where new corporate objectives were set and the company wished to shift to a desired state, the management of the process was to determine whether this could be achieved or not. There were numerous challenges that were normally experienced in this process. These challenges came in the form of resistance which involved delays, extra expenditure and destabilization to the process (Burnes, 2004).

Moving from a current state to a new state is not an easy task. Challenges abound with the most prominent being resistance by those who preferred the known to the unknown.

The change management approach adopted played an important role in the success of the process. Leadership determined the success or failure of change. On the Kenyan business scene, organizations underwent change on a regular basis with an overhaul in structure, mission, vision and operations. The business environment globally was dynamic and competitive. Organizations introduced strategic plans that aligned them with their changing environments time and again. Strategic plans involved change from an existing state to a more desired state of affairs. The implementation of a strategic plan had hurdles that required skillful handling by management and the involvement of staff for it to succeed and meet the outlined strategic goals. Introduction of new strategic plans was usually triggered by internal and external forces. Strategic plans faced challenges that came in different forms.

This study seeks to look at the case of KUSCCO and assess the different aspects of change management involved in the implementation of the 2009-2013 strategic plans. The organization operated in a dynamic environment hence the need to be in tandem with the environment through change. KUSCCO Ltd as an umbrella body for Saccos in Kenya had some fundamental issues it had to address to achieve its mission and move towards its vision. The main challenges to the union were: to ensure there was continued collaboration with international organization, that services to the movement were improved for the benefit of members and finally that there was compliance to international agreements and benchmarked standards in service delivery in the movement. Being an umbrella body, it was important for the union to survive and hence the study was to assess the different aspects of change management.

Bringing change is one thing while managing it is another. Thiga (2002) suggested that if change was poorly managed, resistance was likely to be higher than properly managed change. Several studies did focus on change management practices in various organizations and cooperative societies but none had been done on KUSCCO LTD.

Kombo (1997) studied the strategic practices of firms facing changed environment conditions using a study of motor vehicles franchise holders in Kenya, he found out that theses firms operated in a flux environment and success of this firms was attributed to how they had responded to environmental changes. Gekonge (1999) surveyed the strategic change management practices by Kenyan companies using a case study of companies quoted in the Nairobi Stock Exchange. He noted that successful firms in the NSE had adopted strategic change management as part of their competitive strategy.

The above studies were done in other sectors of the economy but not in co-operatives. Hence the study was to bridge the gap by answering the following questions:-

i. What were the forces of change at Kenya Union of Saving and Credit Cooperative?

ii. What were the change management practices at Kenya Union of Saving and Credit Cooperative?

iii. What were the causes of resistance to change at Kenya Union of Saving and Credit Cooperative?

1.3 Objectives of the Study

The main objective of this study was to look at change management by assessing the implementation of the 2009-2013 strategic plans at KUSCCO. Specifically, the study intended:

   i. To determine the forces of change at the Kenya Union of Saving and Credit Cooperative.

  ii. To determine the change management practices at the Kenya Union of Saving and Credit Cooperative.

 iii. To establish the causes of resistance to change at the Kenya Union of Saving and Credit Cooperative

1.4 Significance of the study

The results of this study were of use to various stakeholders in change management which cut across fields and industries. Managers worked in an environment of continuous improvement, action learning organizations, advanced technology, competition, new consumer media, new distribution methodologies which changed what was accustomed to be normal. Managers whose Saccos operated in this kind of environment were able to learn from the KUSCCO experience on the forces of change, causes of resistance to change, challenges and practices applied by KUSCCO.

The results of this research were of great use to students interested in change management with a focus on introduction of new strategic plans. Change was an area of

interest to Students as it stirred up different emotions and reactions when introduced. The findings of this study were to provide information that was used by students studying change management.

Research in change management in Kenya remained sketchy. The results of the study were relevant to the local business scene hence provided findings that were of great use to Researchers in change management not only locally but also internationally. The results provided insights into change management hence contributed to the body of knowledge on change management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter looks at change, change management, the different types of change, importance of leadership in change, learning, resistance to change and its management and finally the different theoretical models of change.

2.2 Types of change

Nilakant & Ramnarayan (2006) assert that organizations undergo continuous and discontinuous change. Continuous change is at a slow pace and incremental in nature. On the other hand, discontinuous change is fast and fundamental in nature. In any transformation, an organization discards what it no longer necessary and conserves what is functional. Change can either be participative or directive. In participative change, employees are involved in the formulation process, planning and implementation of the transformation process. In directive change, the argument is that change needs to be executed fast hence participation slows down the process. This school of thought contends that a directive approach is more effective.

Burnes (2004) points out that change can be planned or emergent. Planned change is deliberate and pre-meditated. Planned change has been linked to organizational development. Emergent change is random, accidental and might be forced upon an organization. Nadler and Nadler (1998) assert that there are two main approaches to change management – the planned and the emergent approach. The planned approach

uses pre-set steps to implement the transformation process and it is usually top down. The emergent approaches adopt the perspective that key drivers of change are beyond organizational control hence the need for thorough understanding of the operating environment on the part of managers to respond effectively. This type of change can originate from any level of the organization.

Dent & Goldberg (1999) note that there are three types of change: i). Development change that involves improving what is and prescribing a new state to enhance the old state; ii). Transitional change-involves the design and implementation of a new state; it requires dismantling of the old state and management of the transition process; iii). Transformational change-the old state is dismantled completely. The new state is unknown. It emerges from visioning, trial and error and learning. The new state needs a fundamental shift in mindset, organizing principles, behaviour and culture, designed to support new business directions. Critical mass of organization must operate from new mindset and behaviour for transformation to succeed.

2.3 Change and Change management

Nilakant & Ramnarayan (2006) argue that change is expansion and transition in any given organization. For most people, organizations are viewed as being rigid, stable and immune to change but that is the opposite. Change can be perceived as an unusual event that is exceptional from what is considered to be the norm. It is thus dealt with on an issue-by-issue basis when it arises. For some organization, change is viewed as a norm

that is a part of the day to day activities of the organization. Each change is unique and involves the development of something new (Burnes, 2004).

Change could be a source of apprehension or optimism to some. Change is unavoidable and affect everyone one of us. Change takes place in homes, companies and countries. Leaders have to determine how to implement the change. The leaders' role is played through development of a new vision and implementation of the changes envisaged (Kirkpatrick, 2001). According to the Harvard Business School (2003), it is hard to predict how and when change will take place but businesses need to have a plan for change should it happen. When there is acceptance of change, organizations get to see change as an opportunity for growth and exploration of new frontiers. Change in an organizational setting may come in form of: mergers, acquisitions, divestitures, and the launch of a new product or service, arrival of a new leader or adoption of new technologies.

Burnes (2004) adds that it is only when some aspects of the organization are changed that strategies, plans and visions can be actualized by the organization. Visions and strategies also direct change as they point towards the areas in any organization that needs to be changed for their fulfillment. Mintzberg, Ahlstrand & Lampel (1998), describe change management as the process of introducing controlled change in an organization. The intention behind a change control process is to evaluate the risk, at the end-user level, against the urgency and importance of the change. Organizations must establish a specific change control process for every type of change and consider a procedure specific to

rapid and emergency changes. The creation of these processes must involve several interest groups. Successful change management is not only a matter of skill and expertise; it is also a question of where the team draws its support from the company hierarchy.

Change management can also be defined as the application of structured means aimed at leading a company towards a given goal within a given finance and time limit to meet the objectives (Burnes, 2004). Gibson & Billings (2003) look at change management as activities that are aimed at moving an organization from an existing state of affairs to another state that is better. Change management is a critical part of organizational expansion. Where change is not well managed, managers might not analyze change dynamics well hence impeding organizational growth.

2.4 Forces of Change

Kennedy (2004) asserts that the forces of change can be business factors. Key factors here include: Globalization which has seen firms compete on an international level. Companies have gone international operating in different markets, cultures and political systems which has forced them to change with the environment so as to be successful in diverse set ups. Globalization has brought opportunities and threats to organizations. He adds that the introduction of computer technology and adaptation in almost all sectors has brought about change in the way organizations do business. Computing technologies have helped in cutting costs and boosting efficiency levels in companies.

Industry consolidation through mergers, acquisitions and strategic partnerships have has also altered businesses and how they operate. These changes have forced businesses to adopt new ways of doing things to survive in a highly competitive environment (Kennedy, 2004). The Indian Institute of Technology (n.d) affirms that competition has been a leading force for change. Where organizations have been faced with competition, they have been compelled to change their way of operating to safeguard their market or tuff. Kennedy (2004) agrees that the human forces of change are basically concerned with the management and employees. Factors such as disenchantment, self interest and personality affect change in an organization.

Dervitsiotis (1998) maintains that the three major human forces affecting change are: sufficient disillusionment with the existing state of affairs such as low quality of products, low profitability and low morale among employees; a strong desire to shift to a state of affair that is better than the existing one. This is usually a vision that captures characteristics that are better than the existing ones. The vision is defined in terms of objectives and expected results; and a well thought out plan to realize the goals that have been set. For stability to be there, the forces favoring change must compete with those opposing it.
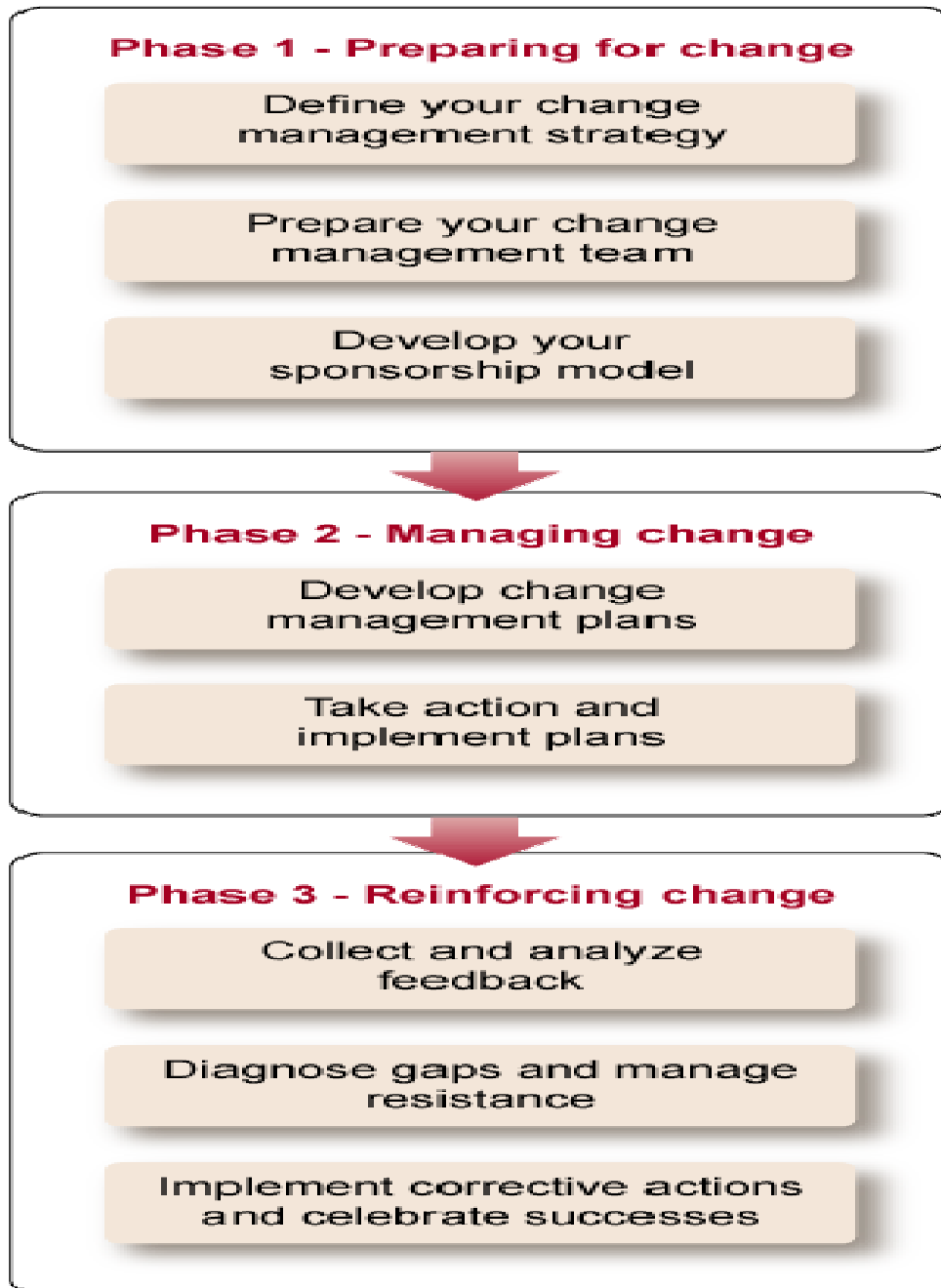
Kaufman (1995) suggests that employees can be a force of change in a given organization. New employees come with ideals and practices that are divergent from those of existing employees. The cause of this divergence is the recruitment of staff from rival firms who have the needed skills and information on the industry. The generation of

the employees could also affect their value system. In addition to that, organizations change due to employees changing them deliberately. Self interests can drive change. Where some employees feel denied, they can bring about change to improve their situation while those who are satisfied are likely to resist change (Kaufman, 1995).

2.5 Change Management Process

Burnes (2004) states that the change management process is normally phased involving certain stages that the Project Leader has to undertake. According to The Harvard Business School (2003) based on Prosci's research of the most effective and commonly applied change, change management involves the following three phases: Phase 1 - Preparing for change (Preparation, assessment and strategy development); Phase 2 - Managing change (Detailed planning and change management implementation); and Phase 3 - Reinforcing change (Data gathering, corrective action and recognition).

Figure 2.1: Change Management Process

Phase 1 – Preparing for change

Define your change management strategy

Prepare your change management team

Develop your sponsorship model

Phase 2 – Managing change

Develop change management plans

Take action and implement plans

Phase 3 – Reinforcing change

Collect and analyze feedback

Diagnose gaps and manage resistance

Implement corrective actions and celebrate successes

Source: adopted from www.prosci.com, Change Management Process and model

Rowley & Joseph (2007) point out that the change management process involves the following: Readiness analysis-assessments are means applied by the change management team or project leader to assess the organization's readiness to change.

Readiness assessments may involve organizational assessments, culture and history assessments, employee assessments, sponsor assessments and change assessments. Each of the criteria used provides the project team with information and knowledge into the challenges and opportunities they may face during the change process;

Communication and communication planning-managers assume that if they communicate clearly with their employees, their job is done. However, there are many reasons why employees may not hear or understand what their managers are saying the first time around. This is because employee's readiness to hear depends on many factors. Effective communicators carefully consider three components: the audience, what is said and when it is said. Communication planning should begin with a careful analysis of the audiences, key messages and the timing for those messages. The change management team must design a communication plan that addresses the needs of front-line employees, supervisors and executives. Each audience has particular needs for information based on their role in the implementation of the change.

Coaching and manager training for change management-supervisors play a key role in managing change. The direct supervisor has more influence over an employee's motivation to change than any other person at work. Supervisors as a group at times can be difficult to convince of the need for change and can be a source of resistance. It is vital for the change management team and executive sponsors to gain the support of supervisors and to build change leadership. Individual change management activities should be used to help supervisors through the change process. When managers and

supervisors are on board, the change management team must prepare a coaching strategy. They team needs to provide training for supervisors.

Training and training development-training is critical for building knowledge about the change and the required skills. Project team members should develop training requirements based on the skills, knowledge and behaviors necessary to implement the change. These training requirements are the starting point for the training group to develop training programs.

 Sponsor activities and sponsor roadmaps-business leaders and executives play an important role in change management. The change management team should develop a plan for sponsor activities and help key business leaders carry out these plans. Sponsorship should be viewed as the most important success factor. Sponsorship involves active and visible participation by senior business leaders throughout the process. Change Agents should be tasked with helping senior executives sponsor the change.
 Resistance management-Resistance from employees and managers is normal. Persistent resistance, however, can threaten a project. The change management team needs to identify, understand and manage resistance throughout the organization.

Data collection, feedback analysis and corrective action-Employee involvement is a necessary and integral part of managing change. Managing change is not a one way street. Feedback from employees is a key element of the change management process.

Analysis and corrective action based on this feedback provides a robust cycle for implementing change.

Celebrating and recognizing success-successes and long-term wins should be recognized and celebrated. Individual and group recognition is a key component of change management in order to cement and reinforce the change in the organization.

The final step in the change management process is the after-action review. It is at this point that the evaluation of successes and failures is done, identification of the process changes for the next project. This is part of the ongoing, continuous improvement of change management for the organization and ultimately leads to change competency.

2.6 Theoretical Models of Change Management

The growth and advancement in the study of change management has a basis in psychology, business and engineering disciplines. Some of the models used in change management are either behavioural based or derived from an organizational perspective. For change to lead to the expected results the organization has to maintain consistency and focus during the implementation. Several models have been put forward by various researchers (Njiru, 2007).

2.6.1 Kurt Lewin's Three Step Model

One of the most applied models is the three step model by Kurt Lewin. The three steps model led to the emergence of: Action Research Model; The Three-Step Model; and Phases of Planned Change Model. The Action Research Model is presupposes that

change needs action and also the recognition that successful action is founded on situational analysis, alternative identification and selection of the best alternative (Njiru, 2007).

The Three-Step Model talks about the steps of unfreezing, moving/changing, and refreezing. Unfreezing involves removing those forces maintaining the organization's behavior at its present level. It involved overcoming inertia and dismantling the existing "mind set". Defense mechanisms have to be overcome to be successful. Moving on the other hand encompasses taking action on the results of unfreezing to shift to the desired state. This is period is characterized by disorientation. The refreezing phase seeks restore calm and stability in the organization (Lewin, 1951). Njiru (2007) points out that the phases of the planned change model developed by Bullock and Batten has four stages of exploration, planning, action, and implementation. Exploration captures the creation of awareness of the need to transform an organization and transit to a better state. The planning phase has the development of the change program. Action phase involves is all about implementation. Integration involves making the change permanent. This model can be applied quite broadly.

2.6.2 ADKAR Model

The ADKAR model for individual change management describes the five elements that are necessary for change to be successful in individuals. The elements are: being aware as to why change is necessary, knowledge on how to bring about the change, the ability to

activate the desired new behaviour and skills and finally reinforcement to ensure that the change holds (Rowley & Joseph, 2007).

Figure 2.2: ADKAR Model
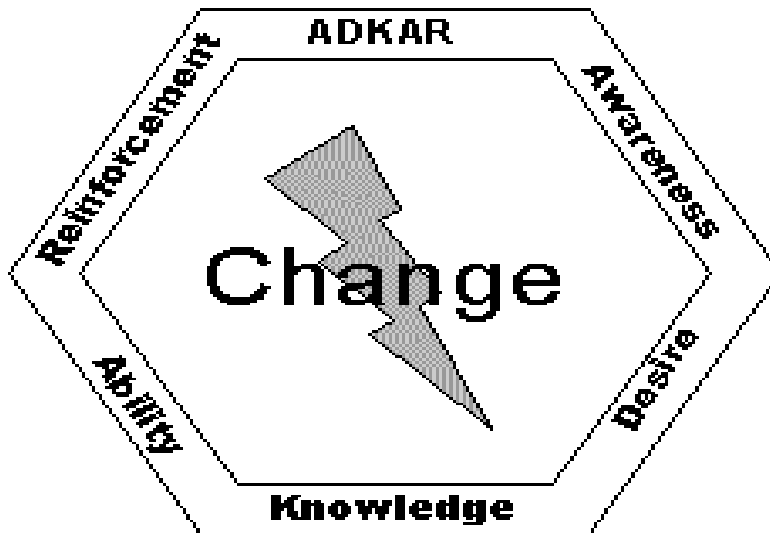
Source: Jeff Hiatt, (2006). Adkar; *A model for Change in business, government and our community*

According to Hiatt (2006) the ADKAR change model was introduced by Prosci in 1998. Prosci is a globally acclaimed leader in rendering services such as process design and change management research. The organization is also well known for provision of change management and reengineering toolkits and benchmarking information. Prosci's research shows that problems with the people dimension of change are the most commonly cited reason for project failures. He adds that ADKAR is a goal-oriented change management model that allows change management teams to focus their activities certain business results. The model was initially used for determining if change management activities like communications and training were having the desired results

during organizational change. The model has its origins in aligning traditional change management activities to a given result or goal. By identifying the required outcomes of change management, ADKAR becomes a useful framework for change management teams in the planning and execution of their work.

The goals defined by ADKAR are sequential and cumulative. An individual must get each aspect in sequence in order for a change to be implemented and sustained. The model cab be applied to identify gaps in the change management process and to provide effective coaching for your employees. The ADKAR model can be applied in diagnosis of employee resistance to change, help employees transition through the change process, create an acclaimed action plan for personal and professional advancement during change; and formulate a change management plan for staffers (Hiatt, 2006).

The ADKAR model can help in pointing out reasons for failure of change and assist the managers to take the required steps to make the change a success as they are able to breakdown the change into steps, figure out the reasons for failure of change and provide the remedial measures necessary. Change happens on two dimensions: the business dimension and people dimension. Successful change happens when both dimensions of change occur simultaneously. The business dimension of change encompasses: identification of business needs; project scope and objectives determination; business solution through new processes and systems; development of new systems; and implementation of the solutions. Effective management of the people dimension of change requires managing five key goals that are the basis of the ADKAR model:

Awareness of the need to change; Desire to participate and support the change; Knowledge of how to change (and what the change looks like); Ability to implement the change on a day-to-day basis; and Reinforcement to keep the change in place (Hiatt, 2006).

Figure 2.3: Phases of change for employees
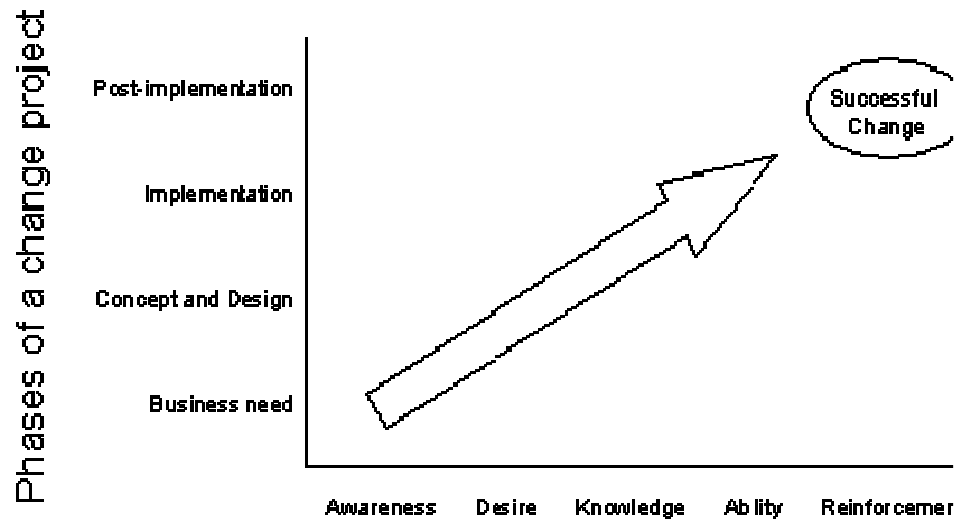
Phases of change for employees

Source: Jeff Hiatt, (2006). Adkar; *A model for Change in business, government and our community*

2.6.3 Eight Step Model

Kotter (1995) argues that change occurs in eight stages. The stages are: creating a sense of urgency by helping the team see the need for change and how critical it is to act with speed;

pulling together the guiding team by ensuring you have an influential team spearheading the process; formulation of a new vision and making it clear how the future will be better;

empowering by elimination of impediments for those willing to embrace change; creation of visible short term successes; pressing harder and faster after the first successes; and creation of a new culture by reinforcing the new way of doing things.

2.7 Change Management Practices

Bridges (1991) asserts that despite the role and permanence of organizational change, change fails in some cases and the objective of initiating the change is not realized. This failure could be as a result of: absence of a change champion or one who is too junior in the organization; poor executive sponsorship or senior management support; poor project management skills; hope rested on a one-dimensional solution; political infighting and turf wars; poorly defined organizational objectives; and the change team being diverted to other projects.

Coetsee (1999) affirms that a principled approach that displays integrity and engenders openness and trust is necessary for the change management program to be successful. For change to be successful, the following ingredients are necessary: i. Sponsorship-the change program needs the support of the Top management and commitment of resources; ii. Planning- planning is conducted methodically before program implementation and committed to writing. Plans are agreed with major stakeholders and objectives, resources, roles and risks are clarified; iii. Measurement- Program objectives are stated in measurable terms and program progress is monitored and communicated to major stakeholders; iv. Engagement- Stakeholders are engaged in genuine two-way dialogue in an atmosphere of openness, mutual respect and trust; v. Support structure- program

implementers and change recipients are given the resources and supporting systems they require during and after change implementation.

The top management of any organization should seek the input on the proposed change from managers and they in turn must do so from the other employees. Those that disagree with aspects of the approach should not be beaten down for expressing valid concerns. Valid input should be considered and adjustments should be made. Top management should sponsor the change making it a priority and reflect it with their actions. Open and honest two-way communication must occur early and often. Expectations must be clearly set. Everyone involved must be aware of the change, why it's being done, who is impacted and how, what the roles and responsibilities are. The message must continually be reinforced throughout the organization by the multiple levels of management. Feedback must consistently be sought and acted upon. Measurable desired results must be spelled out at each level of the organization to include repercussions for not achieving the results. Plans must be put in place (with contribution from team members) to achieve the desired results. Progress must be reported, and those involved must be held accountable for the results (Burnes, 2004).

2.8 Challenges Of Change Management

Burnes (2004) agrees that the difference between successful companies and failures is always the leadership of the organizations. Leadership is about the future and changes. It focuses on fundamental transformation with high levels of creativity on the part of the leader. Nilakant & Ramnarayan (2006) argue that leadership is a critical component in

change management. Without good leadership, the organization could lose control of the change process with a disastrous outcome. It is thus crucial for management to understand the type of leadership required to bring about the desired transformation.

Cameron & Green (2004) declare that in the change management process, leaders play the following roles: they are at the helm of the organization setting objectives and steering the organization to realization of the aims; communicate a vision to the rest of the team and draw followers to the cause; they act as the coaches, consultants and counselors; and they support emergent change guiding the organization through it.

Senge et al (1999) argues that for change to be successful, it is imperative for the organization to have a community of leaders who are inter-linked across the company. This is because, the various types of leaders play different roles in the change process. O'Neill (2000) argues that for change to be sustained, leaders play the role of: sponsor of change; implementation of the change; change agents and advocates.

In an organization where there is faith in the abilities of formal leaders, employees will look towards the leaders for a number of things. During drastic change times, employees will expect effective and sensible planning, confident and effective decision-making, and regular communication that is timely. During these times of change, employees will perceive leadership as supportive, concerned and committed to their welfare, while at the same time recognizing that tough decisions need to be made. The best way to summarize is that there is a climate of trust between leader and the rest of the team. The existence of this trust brings hope for better times in the future, and that makes coping with drastic

change much easier. In organizations characterized by poor leadership, employees expect nothing positive. In a climate of distrust, employees learn that leaders will act in indecipherable ways and in ways that do not seem to be in anyone's best interests. Poor leadership means an absence of hope, which, if allowed to go on for too long, results in an organization becoming completely nonfunctioning. The organization must deal with the practical impact of unpleasant change, but more importantly, must labor under the weight of employees who have given up, have no faith in the system or in the ability of leaders to turn the organization around. Leadership before, during and after change implementation is the critical in change management (O'Neill, 2000).

Schein (1999) suggests that transformation occurs in three phases: unfreezing which creates the motivation to learn; learning new concepts; and finally the internalization of the new concepts. When change is in progress, individuals face learning and survival anxiety. The fears are usually: fear of incompetence and lack of skills; anxiety over punishment for lack of competence; anxiety over the likely loss of identity; and the anxiety over losing group membership. TRIAD Consulting Group LLC (2008) contends that at the centre of resistance to change is usually the fear of loss. People resist out of this anxiety over loss. Employees worry about losing the following as a result of change: their job, income, position or status, reputation, turf, influence, responsibility, expertise, security, freedom, dreams and identity.

Burnes (2004) affirms that systemic resistance to change consists of the passive incompetence of the organization. It is proportional to the capacity needed for the new

strategy and the capacity available to handle it. This resistance can be brought about by issues such as the lack of adequate resources and delays in training personnel on the new strategic direction of the organization.

CHAPTER THREE: METHODOLOGY

3.1 Research Design

Field (2005) asserted that a research design referred to the plan that outlined the procedures that were followed in the collection, collation, arranging, categorization and analysis of data. A research design was defined as the plan that provided answers to the research questions (Orodho, 2003).

The research was to adopt a case study design in the process of assessing change management at KUSCCO with reference to the implementation of the 2009-2012 strategic plans. This was appropriate in that it gave a detailed investigation of a single subject and it involved a complete observation of the social unit emphasizing in depth rather than breadth analysis. Kisilu & Tromp (2006) affirmed that a case study was to describe a given unit or entity in detail. It was a way of organizing educational data and looking at the object to be studied. In a case study a lot of information was collected on the phenomena under study. It brought about deeper in-sights and understanding into the object studied.

3.2 Data Collection

The study primarily employed semi-structured interviews with an interview guide and questionnaires as the main data collection instruments. Interviews were queries that were made verbally (Kisilu & Tromp, 2006). The interview was considered to be a verbal questionnaire. The respondents provided information verbally and face to face (Mutai,

2000). Denscombe (1999) asserted that interviews required some assumptions and comprehension of a given situation unlike casual talks.

Mutai (2000) pointed out that semi-structured interview rely on the application of interview guides which had a list of questions that were covered in the interview. This study was to collect comprehensive and systematic in-depth information about the target population using semi-structured interviews. These types of interviews were flexible and allowed the researcher to collect in-depth information. Through the use of close and open ended questions, the researcher comprehended the issue under study well. The respondents comprised of nine senior managers (i.e. seven Departmental Heads, the Finance Manager and the Human Resource Manager).

3.3 Data Analysis

The nature of the data to be collected was qualitative. The questionnaire was edited and checked for consistency. Data was analyzed qualitatively using content analysis. A suitable statistical package like SPSS was used to analyze the data. The results of the analysis were organized, summarized and presented using tables, pie charts and bar graphs clearly showing the frequency and percentages involved.

CHAPTER FOUR: DATA FINDINGS, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter covered the findings of the study. The findings were presented in form of graphs, pie charts and tables.

4.2 Respondent Demographics

A high proportion of informants were male which is a reflector of corporate Kenya that is still male dominated. Majority of the informants were Christian's representative of the dominance of Christianity in the Kenyan society.

Most of the informants held a Masters Degree showing that most of the informants were qualified to handle complex management issues such as managing change. A significant number of respondents of respondents declined to respond to the question on their qualifications. A high proportion of informants had experience of between 11-20 years. This is an indicator that they had the competencies to handle the change management.

4.3 Forces of Change

Informants were asked to comment on the forces of change that brought about the change process. Majority of informants agreed that the change in technology contributed to the initiation of change at the organization. A high proportion of the respondents didn't agree that the recruitment of new employees was a force of change at KUSCCO. Most

respondents strongly agreed that the increased competition brought about the change management process. A significant proportion of informants agreed that globalization was a force of change. On political forces being a force of change, majority of respondents agreed or strongly agreed. Industry consolidation had a significant number of respondents agreeing.

4.4 Change Management Practices

The different department heads adopted various change management practices in seeking to deliver change at KUSCCO. The most used were communication with teams and consultations which were applied by all respondents. The least applied change management practice was the formation of teams which was utilized by a meager of the respondents. Majority of the informants did not favor the formation of teams as a change management practice when implementing the strategic plan.

4.5 Resistance to Change

Change usually faces resistance where it is applied. The researcher sought to establish the factors that were responsible for the resistance to the change management process. A high proportion of respondents didn't agree that the fear of loss of employment stoked resistance to the change management process implying that the change process was not going to lead to a loss of jobs. Majority of informants didn't agree that the fear of loss of prestige was responsible for the resistance to change. Most informants agreed or strongly agreed that the fear of loss of power and influence sparked resistance to the change. A

significant number agreed or strongly agreed that the fear of loss of salary was responsible for resistance to change.

Most informants didn't agree that the fear of loss of control was a cause of resistance to change. A significant number of informants didn't agree that the loss of competence was a reason for employee resistance to change. More than half of the informants didn't agree with the view that fear of loss of identity had led to resistance to change. Over fifty five percent of the respondents didn't the fear of loss of group membership as a cause of resistance to change.

4.6 Challenges Faced in Change Management

Majority of informants cited the lack of finances as a challenge faced during the change management process. Most of the informants didn't agree that poor leadership was a challenge during the change management process. A significant number of informants agreed or strongly agreed that the lack of proper communication was a hindrance during the change management process. Political interference was identified as a challenge by a cumulative of the informants.

Majority of the informants were in agreement that business competitive pressure was a challenge faced during the change management process. A high proportion of respondents agreed that the lack of appropriate technology was a challenge faced during the change management process. Most informants were of the opinion that employee resistance was not a major challenge during the change management process. A high

proportion of respondents agreed or strongly agreed that the lack of sufficient skills was a challenge during the change management process.

4.7 Discussion Of Results

This chapter has analyzed the findings from the informants at KUSCCO Ltd. The analysis has therefore revealed that increased competition was the major contributor to the change management process and further analysis showed that the main competitors were the Cooperative Insurance Company of Kenya and Cooperative Bank. This competitors target the same market as KUSCCO Ltd. And it has pushed it to restructure its organization and products inured to retain its current customers. All respondents therefore had to rebrand their departments in order to retain the loyalty of their customers. Informants adopted communication with teams and consultants as a change management practice in seeking to deliver change at KUSCCO. It is through the communication that they got new ideas and strategies to perform better in their departments. Consultations with other stakeholders helped them to make informed decisions. The major contributor to resistance to change was the fear of loss of salary, as most of the informants felt that by KUSCCO changing they may end up losing some benefits through salary harmonization. Further, the study also established that lack of finances was the biggest challenge KUSCO faced in its change management process. Only one department was generating enough profits to sustain the unions activities. Hence lack of adequate funds stalled some of the projects proposed by the other departments.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section presented a summary of study findings, conclusions and recommendations based on the major findings of the study.

5.2 Summary and Conclusion

The main objective of the study was to assess the change management process at KUSCCO in regards to the implementation of the strategic plan. Based on the findings in the previous chapter, it was safe to conclude that the main forces of change at KUSCCO were: changes in technology, competitive pressure, globalization and political forces.

The main change management practices adopted at KUSCCO were communication with departments and consultations with staffers. The least preferred practice was the formation of teams. Resistance to change at KUSCCO was mainly driven by fear of loss of power and fears over the loss of a salary. Challenges faced were: the lack of funds; lack of proper communication; political interference; business competitive pressure; the lack of appropriate technology; and the lack of sufficient skills.

5.3 Recommendations

Teams were to be formed during the change management practices as they form the building blocks of change management. Each department should be able to form its own team which is specialized in the area of work. Funds should also be availed to ensure smooth transition process, and they should be given in good time to take advantage of emerging opportunities in the various departments.

Proper communication was to be instituted to ensure that all the members of staff are pulling in the same direction and that they all understand their roles and obligations in their departments in line with the strategic plan. There is also need to train staff members to equip them with new skills and competencies to better take up challenges that come with the change management process.

5.4 Suggestions for further research

The researcher suggested the need for a detailed survey on change management with the expected implementation of the amended Co-operatives Act that was to see changes being introduced in the management of co-operatives in Kenya.

5.5 Limitation of the Study

The researcher encountered problems with respondents unwilling to promptly complete the questionnaire. This delayed data analysis. Even though an introduction letter was attached, a lot of time was taken convincing the respondents that the study was purely for academic purposes.

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APPENDICES

APPENDIX 1: LETTER OF INTRODUCTION

Etindi George Obunaka,
School of Business,
Faculty of Commerce,
University of Nairobi,
P.O. Box 30197-00100,
Nairobi

September 2010.

Dear Respondent,

CHALLENGES AND PRACTICES OF CHANGE MANAGEMENT AT THE KENYA
UNION OF SAVINGS AND CREDIT COOPERATIVE (KUSCCO) LTD

I am a Master of Business Administration (MBA) student of the School of Business,
Faculty of Commerce of the University of Nairobi. In partial fulfillment of the
requirements of the Degree, I am carrying out a Management Research Project on the
above topic.

The purpose of this letter is to request to kindly provide information to the best of your
knowledge by filling the attached questionnaire. Your cooperation in this exercise will be
highly appreciated and ay information provided will be treated with utmost
confidentiality and used for academic purposes.

Kindly note that my student identification card will be provided for identification
purposes.

Yours Faithfully,

Etindi George Obunaka

APPENDIX II: QUESTIONNAIRE

Please fill in the following questionnaire

PART A: Background information

1. Position held …………….…………………………………………………………………
2. Gender …………………………………………………………………………………..
3. Religion…………………………………………………………………………………..
4. Highest level of education……………...
5. Years of experience……………………….......................................…………………..
6. Age……………. ………………………………………………………………………

PART B: The forces of change

Indicate the force that brought about change in the organization.

Key

       4= strongly agree

       3= Agree

       2= Do not agree

       1= Not sure

The change experienced was as a result of:

	1	2	3	4
i. Change in technology	( )	( )	( )	( )
ii. Change in leadership	( )	( )	( )	( )
iii. Recruitment of new employees	( )	( )	( )	( )
iv. Increased competition	( )	( )	( )	( )
v. Globalization	( )	( )	( )	( )
vi. Political forces	( )	( )	( )	( )
vii. Industry consolidation	( )	( )	( )	( )

PART C: Change management practices

Indicate the change management practices adopted by the organization by ticking (√) where appropriate.

PRACTICE	
Consultation	
Directives	
Training	
Workshops	
Formation of teams	
Communication with the staff	

Others include:

_____

_____

PART D: Causes of resistance to change

Indicate how the following contributed to resistance to change.

Key

4= Strongly agree

3= Agree

2= Don't agree

1= Not sure

The fear of loss of:

	1	2	3	4
i. Employment	( )	( )	( )	( )
ii. Prestige	( )	( )	( )	( )
iii. Power and influence	( )	( )	( )	( )
iv. A salary	( )	( )	( )	( )
v. Control	( )	( )	( )	( )

	( )	( )	( )	( )
vi. Loss of competence	( )	( )	( )	( )
vii. Identity	( )	( )	( )	( )
viii. Group membership	( )	( )	( )	( )

PART E: Challenges to strategic change management

Indicate how you rank the challenges to strategic change management

Key

5= Very strongly agree

4= Strongly agree

3= Agree

2= Not at all

1= Not sure

The strategic change management faced the following challenges:

	1	2	3	4	5
i. Lack of financial resources	( )	( )	( )	( )	( )
ii. Poor leadership	( )	( )	( )	( )	( )
iii. Lack of proper communication	( )	( )	( )	( )	( )
iv. Political interference	( )	( )	( )	( )	( )
v. Business competitive pressure	( )	( )	( )	( )	( )
vi. The lack of appropriate technology	( )	( )	( )	( )	( )
vii. Resistance from employees	( )	( )	( )	( )	( )
viii. The lack of sufficient skills	( )	( )	( )	( )	( )