STRATEGIC CHANGE MANAGEMENT PRACTICES ADOPTED BY COMMERCIAL BANKS IN KENYA

BY

JACINTA MUTINDI MUNYWOKI

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DECLARATION

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

Signed________________________ Date_________________

Jacinta Mutindi Munywoki

D61/60661/2011

Signed________________________ Date_________________

Prof. Martin Ogutu

Department of Business Administration

University of Nairobi

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I am deeply indebted to everyone who has helped me in one way or another in this study. I also extent gratitude to my supervisor Prof. Martin Ogutu as well as the department of business administration for their guidance and support during the process of executing this project

DEDICATION

I dedicate this project to the almighty God for giving me the grace to undertake and my entire family who have been of much help and understanding during the period of my study. I would also like to dedicate this project to the teaching fraternity of school of Business Studies, University of Nairobi

ABSTRACT

The rise of competition in the business arena has necessitated robust strategic change management by many commercial banks to ensure that they remain relevant. However, efficient actualization of these strategic change management practices has been hindered by numerous challenges that face commercial banks while trying to adopt such practices. The purpose of the study was to investigate the strategic change management practices adopted by commercial banks in Kenya. The objectives of the study were; to determine the challenges for managing strategic change by commercial banks in Kenya and to establish the strategic change management practices adopted by commercial banks in Kenya. Descriptive research design was used in the study. The study targeted 43 banks in Kenya. Questionnaires were used as main data collection instrument in the study. Questionnaires were deemed appropriate as they ensured confidentiality of the respondents. The data collected from the field was analysed using descriptive statistical techniques such as percentages and means. SPSS was used to compute the data, which was then presented in tables and charts. The study found out that the most important challenge faced by banks in managing strategic change were information and technological innovations. The study also found out that the main strategies employed by banks were; manufacturing products that were needed in the market, diversification in new products, recruiting qualified staff and business re-engineering leading to short and less costly processes. The study recommends that the commercial banks should increase their competitive edge through adoption of these three broad generic strategies; overall cost leadership, differentiation and market segmentation. The commercials banks should also be bold in adopting new strategic change management practices, should embrace and invest in new technologies, and carry out frequent market research. The study also recommends that more study be done on strategic change management in other commercial institutions that were not concern of the study.

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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Due to the rise and rise of competition in the business arena, robust strategic change management has become of utter essence to commercial banks. Indeed, banks face many challenges and are forced to adopt various strategic change management practices. However, even as banks adopt these strategic change management practices, they face other numerous challenges that hinder the efficient actualization of such practices.

Several theorists have tried to expound on challenges that face banks and that necessitate strategic change management. The theory of disruptivechange for example, as put forth by Christensen (2000) shows that a disruptive technology, generally speaking is a technology that introduces superior technological qualities to the mainstream product/service, an eventuality that brings forth disruption to the market niche of the mainstream product/service. In this case new money transfer and banking technologies mean that banks have to continuously change due to this disruptive change.

The management theory on its part according to Guldbrandsen (2010) stipulates that an organization has to be as effective as is practically possible. As such, organizations have to respond to problems and implement all feasible solutions. This calls for change. Such change often starts with the organizational structure. This redefines the various unit's purposes, references and authority, operational processes, remuneration, recruitment issues. On its part, the organizational change theory, which has been impacted greatly by Darwin's theory of survival for the fittest also defines the necessity of strategic change management. In this light, Vaill (1989) points out that organizations have to implement change, when it is inevitable, or risk elimination from competition. As pointed out by ESI international, today's business environment requires continuous improvement of business processes that affect productivity and profitability. In this light, organizations are required to be open to and ready for change. Organizational changes happen regardless of economic change. On its part, strategic change is defined as a difference in the form, quality or state over time in organization's alignment with its external environment (ESI, 2008).

Strategic change is usually affected by the state of firms and their external environments. Being in mind that the performance of firms is dependent on the fit between firms and their external environment - the appearance of novel opportunities and threats in the external environment - then change in external environment require firms to adapt to the external environment (ESI, 2008). As a result, firms would change their strategy in response to the environmental changes. The state of firms will also affect the occurrence of strategic change. For example, firms tend to adopt new strategies in the face of financial distress for the purpose of breaking the critical situations. Additionally, organizations would possess structural inertia that they tend to keep their previous structure and strategy (Dent, Chandler and Barry, 2004).

1.1.1 Strategic change management

All over the world, organizations are facing new challenges every day. As a result, each organization has to contend the necessity for innovative and more environmentally friendly solutions each day in the market. Banks, just like any other organization are faced with a constant demand for better products in a very competitive arena. For institutions to cope with the ever changing business environment, they must be in a position to keep up with the rapid pace and constant change (Heide and Johansson, 2008).

It goes without saying that a well structured strategy is requisite for success in the wake of massive changes. Since time immemorial, strategy is intrinsically linked to society (Clegg *et al.*, 2005). It has been of great necessity during times peace in areas such as sports, governance processes, business environments among other as well as during the times of war, where a warring grouping wants to win with less cost, time and casualties. A strategy can be viewed from three dimensions: strategy process, strategy content and strategy context (De Wit and Meyer, 2004). The three dimensions are not parts of the strategy, they are just dimensions. Indeed, strategic always consists of all these three dimensions. So what is strategic management?

According to Thenmozhi (2007) strategic management is the set of managerial decisions and actions that determines the long-run performance of a corporation. It includes aspects such as: environmental scanning, strategy formulation, strategy implementation, evaluation as well as control. It is designed to set a firm's courses of action, to identify the strategies it will use to compete in the market-place as well as how it will organize its internal activities.

Strategic management is important in tough economic times and is a way of avoiding failure. With the globalization, strategic management comes in handy for any organization willing to remain relevant. Technology and communication advancement means that there is constant development of new products and ways of doing business. As such organizations have to bear with the constant change through strategic thinking and management (Chinowsky and Meredith, 2000).

1.1.2 Commercial Banks in Kenya

Commercial Banks are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines of the Central Bank of Kenya. They are the dominant players in the Kenyan Banking system. As such, closer attention is paid to them through off-site and on-site surveillance to ensure that they are in compliance with the requisite laws and regulations (CBK, 2013).

According to Price Water Coopers (2013), the banking sector in Kenya has, over the last few years, continued to grow in assets, deposits, profitability and products offering. The growth has been characterised with an industry-wide branch network expansion strategy both in Kenya and in the East African community region; automation of a large number of services and a move towards emphasis on the complex customer needs rather than traditional 'off-the-shelf' banking products.

Players in the banking sector have experienced increased competition over the last few years due to increased innovations among the players and new entrants into the market. Of key importance to note is the emergence of mobile money transfer service which was introduced into the world by Safaricom. This has seen most of the money transfer transactions shift from the traditional banking institutions therefore substantially reducing the business volumes for banks. Another innovation that has brought in more competition in the banking sector is mobile banking, creating fierce competition among the banks with banks having to roll out platforms to support mobile banking. This has translated to more costs in terms of the initial investments.

Since the onset of this decade, the competitive situation in the banking industry has posed enormous challenges to commercial banks. These challenges have arisen from changes in the business environment due to liberalization, economic decline, legislative changes, increasing level of education, and technological advancements. The management of these changes has been made more and more difficult (Kiptugen, 2003). This, as such, needs robust strategic change management practices.

Following the above discussion, it is clear that banks, like any other organizations have to face the inevitability of change. As a result, they have to continuously put in place strategies in today's tough economic times so as to avoid failure. This necessitates continuous studies to find out how institutions deal with change management. Regrettably, there is lack of studies that handle the subject of strategic change management in Kenya. This necessitates this study. Furthermore, undertaking such studies in the competitive banking sector shall strengthen business processes in Kenya.

1.2 Research Problem

Mainstream banks in Kenya have experienced increased competition over the last few years due to increased innovations among the players and new entrants into the market. Some of the new innovations such as mobile money transfer and more recently mobile banking are creating fierce competition among the banks. This has forced banks to roll out platforms to support mobile banking. This means that banks have to constantly cope with the unpredictability of the technological future in doing business. This has called for robust strategic change management.

Organizations have to have relevant change management strategies so as to ensure that the human aspects of introducing new processes and technology are addressed. According to Bauer, (2009) organizations have to create an organizational structure aligned with new strategies and processes. In addition, they should have jobs and skills sets that support the new organizational direction and employ effective communications strategies. They should also ensure customers, suppliers and other stakeholders understand and support the effort, and minimizing inertia to change. Regrettably, no studies have been undertaken in Kenya to investigate how commercial banks have aligned their organizational structures in line with emergent new strategies and processes.

In this light, in organizations strategic change management translates the success or failure of organizations. It is therefore pertinent to find major challenges faced by banks that necessitate such change and the strategic change management practices employed by such banks. Lastly it is also important to determine the challenges faced in implementing change. This is of great essence in the absence of studies that address the subject of strategic change management in banks. The study by Kimaita (2010) focused on strategic change management practices within Teachers Service Commission, Kenya. It did not focus on technological and communication challenges necessitating rigorous change management in banks. Furthermore, it was undertaken in a public sector. As a result, it may not address the issues facing the competitive commercial sector. A similar study, this time round focusing on commercial banks was undertaken by Kimaku (2010). Kimaku's study only focused on the Barclays bank of Kenya only sought to determine the various strategic change management practices adopted by the bank. It did not endeavour to ascertain the challenges that the bank faced and ways in which such challenges could be addressed.

Another notable study focusing on strategic change management in commercial banks was undertaken by Mwirigi (2012). Mwarigi's study did not endeavor to determine a detailed account of the challenges that commercial banks are being faced with so as to necessitate strategic change management. In addition, it focused on less number of banks, 43. Since strategic change management is dynamic and is pegged on the environment in which the business takes place, it is difficult to ascertain why banks undertake strategic change management and the befitting strategic change management practices expedient for such banks. Furthermore, without focused study, relevant knowledge of subject of strategic change management in banks shall remain scanty. This is not good for a sector that is bombarded from every side by innovativeness and cutthroat competition. As such it is pertinent to ask the following questions: what challenges do the Kenya commercial banks face? What strategic change management practices has Kenya commercial banks adopted?

1.3 Research Objectives

i. To determine the challenges for managing strategic change by commercial banks in Kenya
ii. To establish the strategic change management practices adopted by commercial banks in Kenya.

1.4 Value of the Study

This study will be of significance to the academia, bank practitioners and policy makers in different levels. For academia, it will contribute to additional knowledge on context specific strategic change management practices in Kenya. It will also cast light into the various strategic change management practices as well as major challenges facing strategic change management in Kenya. It will also establish the extent to which various theories such as Christensen and Overdorf's (1999) Theory of Disruptive Change relates to the current scenario necessitating robust strategic change management in commercial banks. It will also endeavor to find which Models of change management inform strategic change management practices in Kenya.

To the practitioners such as banks, the findings will be essential in determining ways of effectively managing strategic change in the banking sector. It will also provide an insight to the industry players in understanding the challenges they are likely to face when implementing strategic change management in their organizations and what strategies are adopted in overcoming the challenges and the benefits of indulging in strategic change management.

As far as policy formulation, the findings will also help bank managers in the wake of stiff competition. To the government, the findings will be useful in developing policies that improve the business environment hence enhancing success in commercial banks.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter outlines the literature and authorities on strategic change management. Issues on strategic change management have been critically reviewed focusing on the concept of strategy and strategic change management practices and factors that affect strategic change management practices.

2.2 Theoretical Foundation

2.2.1 Theory of Disruptive Change

This study was guided by the Christensen (2000) theory of disruptive technologies. This has been a major focus of innovation theorists. In technology organizations, the theory has been of much interest due to the fact that it casts light into the effects of technology on technology markets and techno-economic aspects of business. A disruptive technology, generally speaking is a technology that introduces superior technological qualities to the mainstream product/service, an eventuality that brings forth disruption to the market niche of the mainstream product/service.

In the work entitled “The Innovator’s Dilemma” (Christensen, 1997) points out a disruptive technology is one that has lower performance and qualities in the onset in comparison to the original product/service. However, as the technology develops, it begins to command a niche in the market of the mainstream technology and may eventually overtake the original product in performance. In the onset, a disruptive technology addresses a different market segment compared to the original product. As such it competes on a different set of issues and/or priorities.

According to Christensen, the concept of disruptive technologies is not limited to physical consumer products. It can also equally apply to a service-based industry, such as the banking sector as the case of this study. This study thus theorizes that the wake of various superior products (e.g. M-Pesa, M-Swari, M-Kesho, Airtel Money among others) have changed the way banking is practiced in Kenya. As such, banks have to continuously change their strategies so as to cope with the inevitable change brought by these new innovative mobile money services (disruptive technologies) and also manage the stiff intra-bank competitive innovations.

2.2.2 Management theory

This theory, as elaborated by Guldbrandsen (2010) is pegged on rationalism school of though. An organization, such as a commercial bank, is a goal seeking machine. Such an organization has to be as effective as is practically possible. As such, organizations have to respond to problems and implement all feasible solutions. This calls for change. Such a change is executed in areas such as organizational structure. This redefines the various unit's purposes, references and authority, operational processes, remuneration, recruitment issues.

Rationalists see change as a disturbance to an organization and as such it has to be as swift as possible. This means that "planned change" has to be effected. As such there should be a change agent in organization. In commercial banks, this is usually a department or a docket within a department. All in all, a manager is often tasked with change management practices. Within the context of banks, the management theory apply to the extent to which the management team of banks restructure their management structures so as to implement change in the wake of rising challenges and the process that is undertaken with the management hierarchy to realize such change.

2.2.3 Organizational change theory

The study was also informed by the organizational change theory. According to this theory, change is of utter necessity. Indeed, according to McDonald (2000), Darwin's theory of survival for the fittest, has been continuously applied to the organizational theory. Survival of the organizational change theory has been applied to organizations. In this light, Vaill (1989) points out that organizations have to implement change, when it is inevitable, or risk elimination from competition.

The theory also stipulates that organizations have to put in place change that is results driven. This is indeed important since it acts as an incentive to change management. Simply put, it the change is seen to enhance the achievement of an organization's goals, then there will be increased appeal to implement such change irrespective of any inertia to change. For commercial banks, since profitability is a motivation, change that can see the rise in profits becomes of utter essence. Additionally, with the ever increasing competition in the financial sector due to mobile telephone, commercial banks have to implement change or lose to the highly competitive mobile money transfer and mobile telephony services.

2.3 The strategic change management practices

2.3.1 Major challenges faced by banks that necessitate strategic change management

Kimaita carried out a study in 2010 on strategic change management practices within Teachers Service Commission in Kenya. Her study established that there are various changes that pose challenges to institutions. These include information technological innovations, political, social and consumer behavior. As a result of these factors, many organizations are being forced to enhance their business processes in order to survive in a very competitive environment. This means that have to undertake strategic changes in order to align their business strategies to the environment in addition to matching the resources and activities of the organization to that of the environment.

Gachohi carried out a study focusing on 54 NIC-Bank management and staff in the head office and its sixteen branches. The study aimed at determining the challenges facing commercial banks that necessitated strategic change management. The study concluded that strategic changes occurred in the bank frequently. Such strategic changes were dictated by internal factors, external factors and technological factors. Furthermore, Micro and macro-economic policies in Kenya that included lower inflation rates; good performance of Nairobi Stock Exchange, lower interest rates charged by Central Bank of Kenya to commercial banks; and lower cost of electricity contributed to the changes experienced by the NIC bank.According to Berger and DeYoung (2001), technology is one of the major challenges facing banks. Banks are constantly bombarded with new technologies and this means that they have to constantly adjust their strategies in order to remain relevant in the emerging economies. Indeed technological advancement means that the banking sector may have to be more competitive in future to survive.

According to Accenture (2011) ultimate value to investors is another challenge facing banks. Irrespective of the competitive of the market, banks have to concentrate on services and products that deliver value to their clients. This is not a minor feat because this they too have to maximize on value. This necessitates banks to cope with the inevitability of developing real-time products that register a balance between risk and reward in a competitive world. Management of such constant change product formulation and positioning is therefore inevitable.

As pointed out by Barth, Caprio and Levine (2000) another major challenge for banks is the non-bank financial industry. There have been rise in institutions that lend to larger companies. In addition, access to funding of projects from other institutions as innovativeness in access of capital from non-bank institutions means that banks have to constantly review its products. This comes at a cost and so banks have to strategically deal with this scenario.

In Kenya, business institutions are faced with major challenges that include: corruption, high competition, low practical skills, high crime level, high tax rates, policy uncertainty, macroeconomic instability, custom operation, poor transport, inadequate and inhibitive labour laws and delays in licensing among others (World Bank, 2005). These challenges mean that banks have to constantly prepare to deal with these constraints.

2.3.2 Strategic change management practices adopted by commercial banks in Kenya

According to Williamson and Williams (2011), due to external force companies adopts new strategies so as to cope with change. Major corporate changes include diversification in new products, adoption of focus strategy in offering their products to specific groups in the markets as well as differentiation their products to serve all the categories of the customers.

Marete (2010) carried out a study on strategic change management practices at GlaxoSmithKline limited, Kenya.The study findings concluded that GlaxoSmithKline Limited management in ensuring effective change management should: enhance creation of awareness by developing an informal network of relationship to get information, commitment, solidifying progress and integrating processes and interests, using formal analytical techniques for establishing, measuring and rewarding key initiatives to ensure significant changes are implemented.

Marete's study also found that companies should engage in recruiting qualified staff and helps the company members develop a relationship necessary to maximize effectiveness of a change effort, manufacture products that are in need in the market, well implemented strategies, acquisitions that lead to achieved expected synergies, business re-engineering leading to short and less costly processes, down-sizing that lower the costs as well as quality programs that deliver expected outcomes.

A similar study, this time round focusing on commercial banks was undertaken by Kimaku (2010). Kimaku's study only focused on the Barclays bank of Kenya only sought to determine the various strategic change management practices adopted by the bank. The study found out that Barclays bank of Kenya which was the subject of the study undertook changes to its strategic direction, information technology, performance management system, product changes and changes in the compensation plan. The study however, did not endeavor to ascertain the challenges that bank faced and ways in which such challenges could be addressed.

Another notable study focusing on strategic change management in commercial banks was undertaken by Mwirigi (2012). The study found out that banks had strategic change management policy. This policy stipulated that the banks were expected to realize improved decision making, resource allocation, improved performance, reduced financial losses and improved communication from effective strategic change management. The Mwarigi’sstudy did not endeavor to determine a detailed account of the challenges that commercial banks are being faced with so as to necessitate strategic change management.

Banaszyk, Urbanowska- Sojkin, Witczak and 2004 on their Polish study elicit that companies manage change by putting into practice of theoretical solutions and various kinds of projects, realization of ideas and intentions in line with market demands. To this end, companies undertake activities such as improvement in organizational structure, rationalization of operating process, human capital management, creating of reputation among others.

2.4 Models of change management

2.4.1 Grol's Model (1997)

Grol's Model (1997) uses a combination of approaches, focusing on internal processes and external influences. It has been used more in the context of changing clinical practice due to uptake and wide scale awareness.

Grol's model is a five-step implementation model which can be used as a framework. The initial step is to develop a proposal of the how the change should be undertaken. This is followed by the identification of obstacles to such desired change. Then after that, the right intervention to overtaking the objectives should then be linked with the obstacles; the fourth step are the development of a proper work plan for implementation while the fifth process is the evaluation in the wake of the intervention if at all it works or to readjust the plans.

2.4.2 Kurt Lewin's (1951) Three-Phase Model of Change

Kurt Lewin (1951) introduced a three-step change model. Lewin, a social scientist views behavior as a dynamic balance of forces operating in opposing directions. External driving forces change because they push in the desired direction. Other restraining forces hinder change since they make employees in the opposite direction. The three-step model can help shift the balance of such forces in the planned change... As pointed out by Lewin, the first step within the process of changing behavior is to "unfreeze" the status quo-the equilibrium of society. Unfreezing is essential because it removes inertia to change and group conformity. There are 3 ways to successful unfreezing: (a) increasing the driving forces that direct behavior away from the status quo; (b) decreasing the restraining forces that negatively hinder movement from the existing equilibrium and; (c) Find a combination of the two methods. This can be done through activities such as motivation of participants by preparing them for change, trust building and appreciation of the need to change, active engagement in recognizing problems and group focused determination of solutions through brainstorming (Robbins 2003).

The second step of changing behavior is movement according to Lewin is moving the target system to a new equilibrium level. The movement step can be achieved in three steps such as: persuading employees to depart from the status quo and to view the problem from another perspective and work together for new and relevant information and to link with the views of the group to powerful and respected leaders who also support the desired change.

The third and last step in Lewin's model is called "refreezing". In this step is necessary since it promotes sustainability of the change once it has been realized. This is important since employees may revert to the old status quo. This step can be realized through integration of the new values into the existent values and traditions of the organization. Lewin's third step can also be used to reinforce new patterns and institutionalize them through formal and informal mechanisms including policies and procedures (Robbins, 2003). Therefore, Lewin's model illustrates the effect of forces in the bid promote and inhibit change.

2.5 The challenges facing strategic change management practices in commercial banks in Kenya

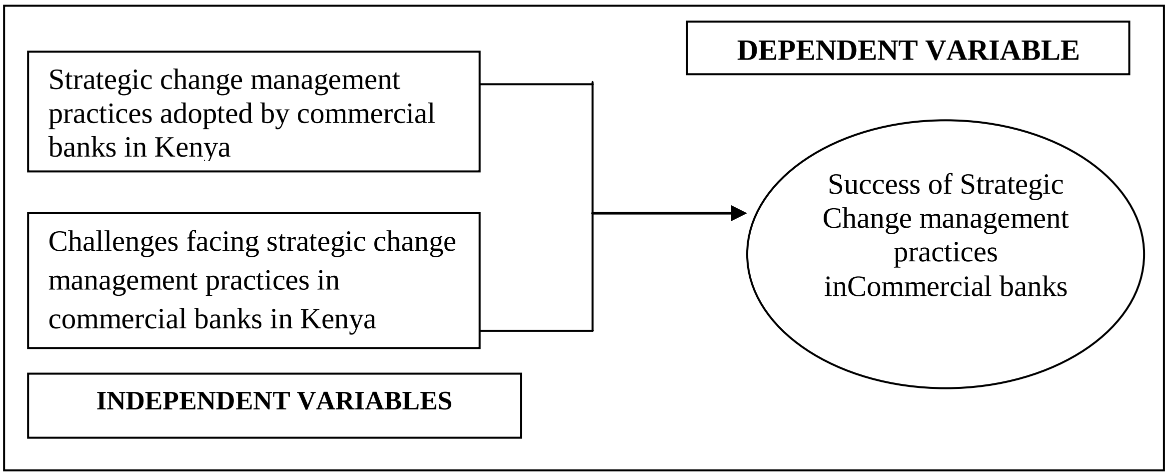
According to LorenziandRiley (2000) one of the major challenges facing strategic change management is behavioral than technical. People tend to resist change (inertia). In a hospital situation, introducing systems into complex health care organizations necessitates an effective blend of good technical and good organizational skills. If people have low psychological ownership in a system, they will tend to frustrate it. This study points out that one of the reasons for the failure of desirable change is the inability of managers to create ownership among the staff or people. Another major challenge facing strategic change management is lack of compatibility between long-term strategic goals of the organization and goals of particular organizational departments, team and employees. As such organizations should put in place ways of ensuring that strategies are in line with short-term goals and that employees subscribe to new strategies Markiewicz (2011).

Another major challenge to strategic change management is poor communication. According to Heide and Johansson (2008) communication and strategy are paramount within the process of organizational change. In itself, change is making things different (French *et al.,* 2008). In every society, change is inevitable since with changing times, new conditions arise. This necessitates strategies so as to cope with the emergent changes. However, if the strategies are not well communicated, then they are bound to fail.

2.6 Conceptual framework

The researcher conceptualizes that banks need robust strategic change management practices. However, the overall success of strategic change management in a commercial bank will depend on various factors. First of all one has to take cognizance of the challenges that commercial banks face in managing strategic change Such challenges inform the kind of strategic change management practices adopted. The detailed association of the variables under study can be conceptualization is presented in Figure 2.2. (Researchers' own model)

Figure 2.2 Researchers Model



Source: Researcher (2013)

2.7 Summary of the literature review

The various studied reviewed have been undertaken in different contexts. Kimaita study of 2010 on strategic change management practices within Teachers Service Commission in Kenya did not focus on a commercial bank although it was done in Kenya. It is in line with this study since it focuses on challenges facing organizations and the practices of strategic change management undertaken. Berger and DeYoung (2001), is also in line with this present study since it highlights technology as a major challenge facing organizations. It was however done in another country and may not address the challenges facing organizations in Kenya. The same case applies to Accenture (2011) since the study was done in America. Accenture relates to this study in that it points out competition as a major challenge facing organizations. The study by World Bank (2005) also related to this study because it focuses on challenges facing business in Kenya. The disparity with this study is that World Bank focused on Direct Foreign Investors and not banks.

In terms of strategic change management practices adopted by organizations in Kenya, this study is in line with Williamson and Williams (2011) on the aspect of adoption of new strategies so as to cope with change, diversification in new products, adoption of focus strategy in offering their products to specific groups in the markets as well as differentiation their products to serve all the categories of the customers. The former study was however done in another continent and may not directly address the issues of sub-Saharan Africa. This study also agrees with Marete (2010) study done in Kenya. That organizations practice change management strategies by enhancing creation of awareness by developing an informal network of relation to get information, commitment, solidifying progress and integrating processes and interests, using formal analytical techniques for establishing, measuring and rewarding key initiatives to ensure significant changes are implemented. It differs with Marete in that it focuses on banks and also in that it begins with a scan of the challenges that create the need for change management.

In terms of challenges facing strategic change management practices in Kenya, this study agrees with bothLorenzi and Riley (2000) and Markiewicz (2011) on the aspect of inertia and incompatibility of goals as two main challenges to the practice of strategic change management practices in organizations. These two studies were however done in other continents and may not relate to the challenges faced in Kenya.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

The previous chapter was used to present various opinions and perspective on the study from other scholars. This chapter however will focus on the research methodology that was used to carry out the research. The research methodology is sought to lay out the research design, the sampling design that was used to obtain a sample from the population, data collection method and research procedure. The chapter will also contain information on how the data collected was analyzed and presented.

3.2 Research Design

This study was a descriptive survey. A descriptive survey attempts to describe the relationship between variables, the testing of hypotheses, and development of generalizations principles or theory that have universal validity (Best & Kahn, 1993). In descriptive survey, the researcher does not manipulate the variables nor decide who receives a treatment for events to happen, hence in this study, this study has been identified as one of the best designs. In addition, a descriptive survey is essential in social sciences. It produces statistical information and aspects of the subject under study of profound interest to policy makers and educators (Borg & Gall, 1989).

3.3. Target Population of the Study

According to Cooper & Schindler (2008), a population is the total collection of elements about which we wish to make inferences. The population for this study constituted 43 banks in Kenya.

3.4 Data Collection Instruments and Procedures

The data was collected using questionnaires that include both closed and open ended questions. They were given to relevant staff members to fill in. Questionnaires are considered to be the most appropriate because the staff members will feel free and confident to express themselves, since the research will not require them to record their names or their organization. Primary data entailed field research which was obtained from first-hand information by use of questionnaires. Secondary data wasobtained from documented materials on the subject. The data source included reports, records, print media, books, bulletin, academic works and internet.

3.5 Data Analysis

The data was analyzed using descriptive statistical techniques such as percentages and mean, and was presented in form of charts and graphs to draw out conclusions. The primary data collected was analyzed using statistical software, SPSS (Statistical Package for Social Science). SPSS is a version that analyses data behavior and it was used to institute the graphical realism behind the data as well as development of tabulated data.

CHAPTER FOUR: DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter analyses the findings, interprets and presents data in line with the objectives of the study. The data obtained is presented in tabular form and in descriptive statistics such as pie charts and bar graphs. The chapter is further sub divided into several sections that are pertinent to the subjects under study.

4.2 Research Findings

4.2.1 Response Rate

The targeted population was 43 bank employees drawn for 43 banks. The total number of respondents who responded was 43 giving a response rate of 100%. This is presented in table 4.1

Table 4.1: Response Rate

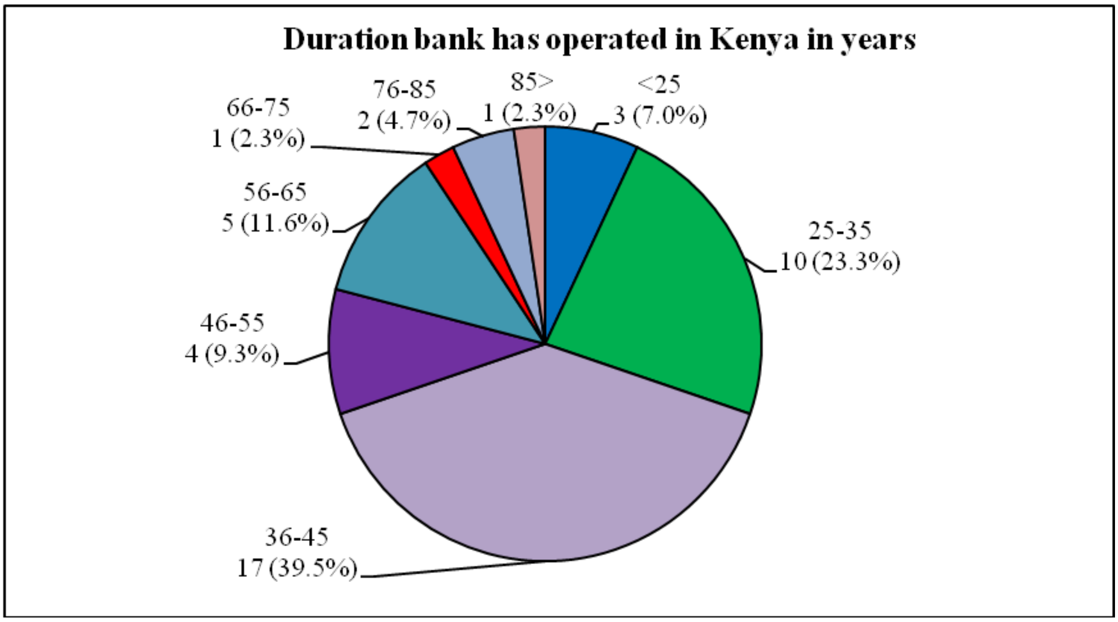
	Target Population	**Response rate (%)**
Respondents	43	100%

Source: Researcher (2013)

4.2.2. Distribution by number of years of operation in Kenya

The respondents were asked to indicate the number of years their banks had operated in Kenya. According to the findings most of the banks 39.5% had operated for 36 to 45 years. These were followed by banks that had operated for periods of 25 to 35 years at 23.3%. Only 3 banks (7%) had operated for less than 25 years. The findings show that the banks sampled had operated for long enough to have adopted various strategic change management practices and have hands on understanding of banking issues in Kenya. This means that the respondents were in a position to adequately respond to the subject under investigation. The findings are presented in table 4.1

Figure 4.1 Duration bank has operated in Kenya in years

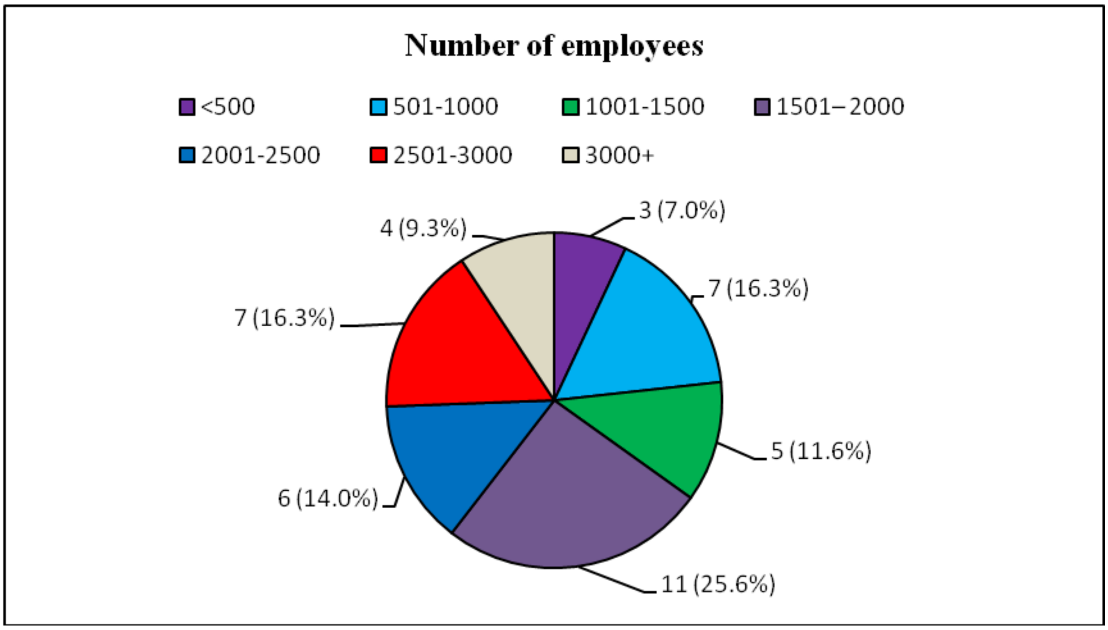


Source: Researcher (2013)

4.2.3 Distribution by number of employees

The researcher sought to determine the number of employees in the various banks sampled. The findings obtained indicate that most of the banks (25.6%) had employees ranging from 1,501 to 2,000. Only three banks (7%) had less than 500 employees. This shows that the banks sampled had immense human resources that could participate in strategic change practices and that needed good management during the process of implementing change. The detailed findings are presented in Figure 4.2.

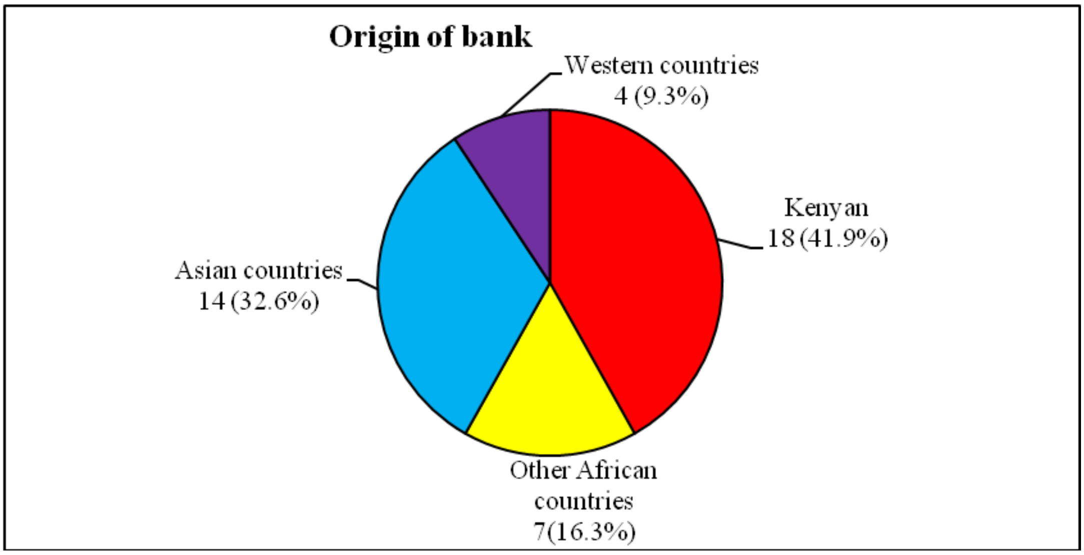
Figure 4.2: Number of employees



4.2.4 Distribution by country of origin of commercial banks

As shown in Figure 4.3, most of the banks sampled were of Kenyan origin (41.9%). These were followed by banks owned by Indians and people from other Asian countries (32.6%). Banks from other African countries were only 7 (16.3%) while only 4 banks (9.3%) were from Western countries (Europe or America).

Figure 4.3: Country of origin of commercial bank

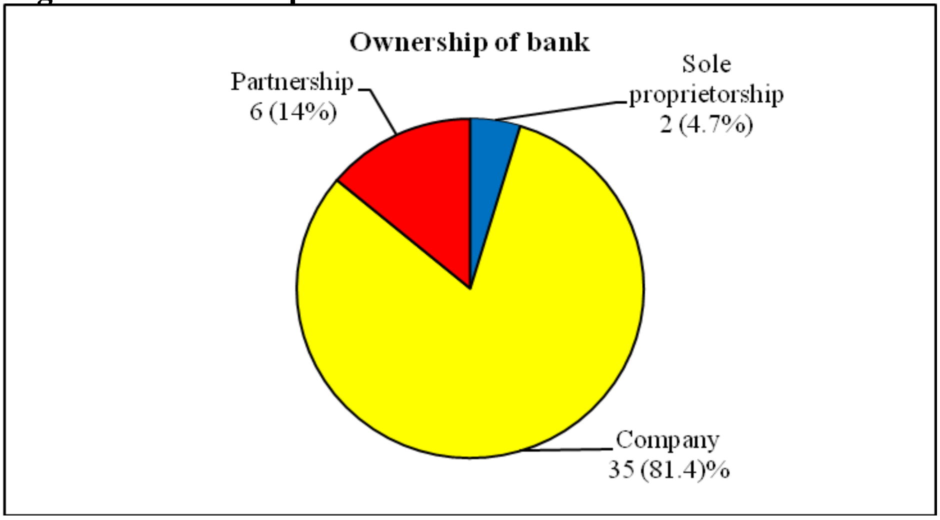


Source: Researcher (2013)

4.2.5 Distribution by ownership

Almost all the banks were owned by companies (81.4%). The others 14% were partnerships while only 2 were sole proprietorship. The findings are shown in Figure **4.4.**

Figure 4.4 Ownership of bank



Source: Researcher (2013)

4.3 Challenges of Managing Strategic Change

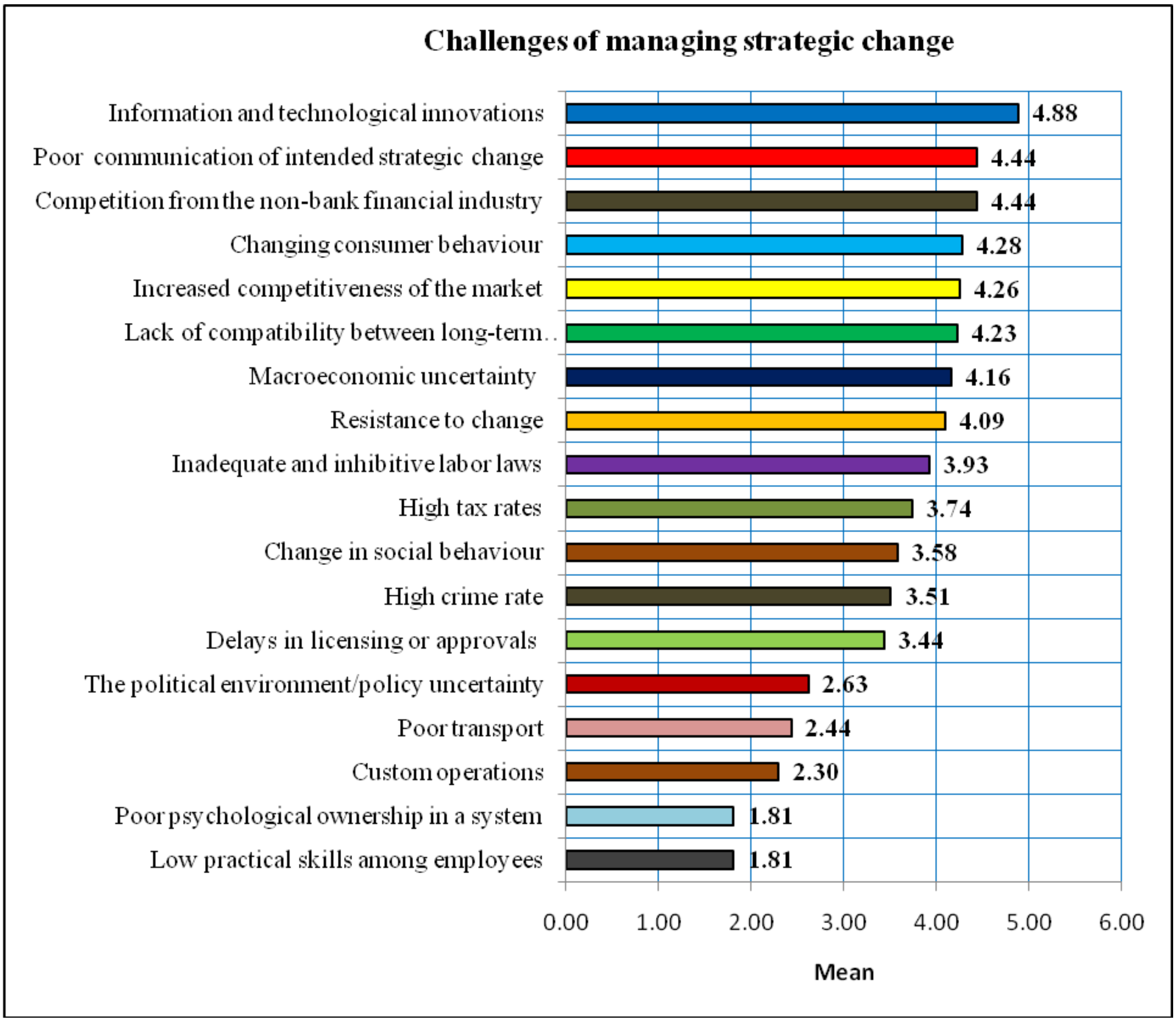
The researcher sought to determine from the respondents their level of agreement with several statements about challenges facing banks in managing change. The respondents are given on scale of 1-5 as follows: 1 -Not at all, 2- to a little extent, 3 -to a moderate extent, 4- to a great extent, 5 -to a very high extent The means of the responses given were calculated using the following formula: Mean= ∑ scores/N. Where ∑ scores is the summation of all responses given and N is the total number of respondents (43 in the case of this study). The findings were interpreted using the following criterion: mean of 1.00-1.49=not at all; mean of 1.50 – 2.49=to a little extent; mean of 2.50-3.49=to a moderate extent; mean of 3.5 to 4.49= to a great extent; and mean of 4.50-5.00 to a very high extent. The findings are presented in Table 4.2 and Figure 4.4.

Table 4.2 Challenges of Managing Strategic Change

	Rating					
Challenge	**1**	**2**	**3**	**4**	**5**	**Mean**
Information and technological innovations	0	0	1	3	39	4.88
Competition from the non-bank financial industry	1	2	5	4	31	4.44
Poor communication of intended strategic change	0	0	4	16	23	4.44
Changing consumer behavior	0	2	7	11	23	4.28
Increased competitiveness of the market	0	1	6	17	19	4.26
Lack of compatibility between long-term strategic goals of the organizational departments, team and employees	1	4	3	11	24	4.23
Macroeconomic uncertainty	0	1	11	11	20	4.16
Resistance to change	0	2	6	21	14	4.09
Inadequate and inhibitive labor laws	1	2	9	18	13	3.93
High tax rates	1	7	7	15	13	3.74
Change in social behavior	0	1	21	11	9	3.58
High crime rate	4	5	8	17	9	3.51
Delays in licensing or approvals	5	6	8	13	11	3.44
The political environment/policy uncertainty	2	25	7	5	4	2.63
Poor transport	9	17	9	5	3	2.44
Custom operations	11	19	5	5	3	2.30
Low practical skills among employees	23	11	5	2	2	1.81
Poor psychological ownership in a system	23	11	4	4	1	1.81
N=43						

Source: Researcher (2013)

Figure 4.5 Challenges of Managing Strategic Change



Source: Researcher (2013)

The findings show that the most important challenge faced by banks in managing strategic change (very high extent) was information and technological innovations (mean of 4.88). These were followed by challenges that were perceived to be face managing strategic change to a great extent. In order of importance, these challenges include: competition from the non-bank financial industry (4.44) and poor communication of intended strategic change (4.44); changing consumer behaviour (4.28); increased competitiveness of the market (4.26); lack of compatibility between long-term strategic goals of the organizational departments, team and employees

(4.23); macroeconomic uncertainty (4.16); resistance to change (4.06), inadequate and inhibitive labor laws (3.93); high tax rates (3.74); change in social behaviour(3.58) and lastly high crime rate (3.51). Other challenges such as poor transport (2.44); custom operations (2.30); poor psychological ownership of the system (1.81); and low practical skill among employees (1.81) were seen as the least important challenges facing management of strategic change. Challenges that that were deemed to affect managing strategic change to a moderate extent included: Delays in licensing or approvals (3.44) and the political environment/policy uncertainty (2.63).

The study correlates with a study carried out by Kimaita in 2010 on strategic management practices within the Teachers Service Commission in Kenya. According to Kimaita (2010), information technological innovations, political and consumer behavior are the main challenges facing strategic change management in the organizations. Likewise, the same was also affirmed by Barth, Caprio and Levine (2000) who pointed out technology as one of the major challenge facing banks. The findings also connects with World Bank (2005) that outlined major challenges facing business institutions in Kenya as corruption, high competition, low practical skills, high crime rates, policy uncertainty, macroeconomic instability, custom operation, poor transport, inadequate and inhibitive labor laws and delays in licensing. The study also agreed with Heide and Johansson (2008) who pointed out poor communication as a challenge facing commercial banks in Kenya. Communication is important within an organization. When strategies are not well communicated, then they are bound to fail.

4.4 Strategic Change Management Practices Adopted By Commercial Banks in Kenya

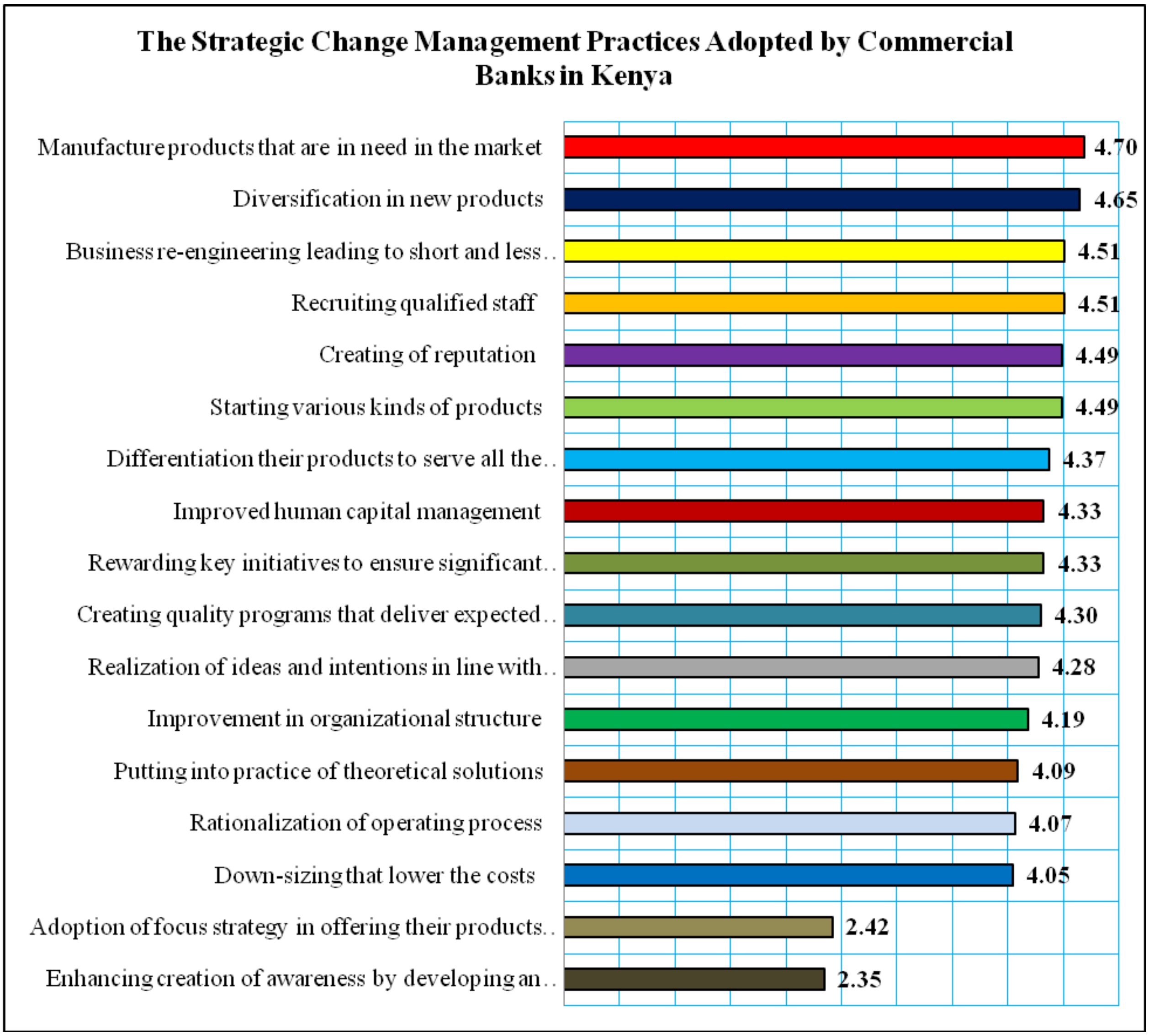
The researcher also sought to determine the strategic change management practices faced by commercial banks in managing change. The detailed findings are presented in Table 4.3 and Figure 4.5.

	Rating					
Change management practice	**1**	**2**	**3**	**4**	**5**	**Mean**
Manufacture products that are in need in the market	0	0	2	9	32	4.70
Diversification in new products	0	0	3	9	31	4.65
Recruiting qualified staff	0	0	2	17	24	4.51
Business re-engineering leading to short and less costly processes	0	0	2	17	24	4.51
Starting various kinds of products	0	0	4	14	25	4.49
Creating of reputation	0	0	6	10	27	4.49
Differentiation their products to serve all the categories of the customers	1	1	2	11	27	4.37
Rewarding key initiatives to ensure significant changes are implemented	0	0	6	17	20	4.33
Improved human capital management	0	0	8	13	22	4.33
Creating quality programs that deliver expected outcomes	0	3	4	13	23	4.30
Realization of ideas and intentions in line with market demands	3	1	2	12	25	4.28
Improvement in organizational structure	1	3	7	8	24	4.19
Putting into practice of theoretical solutions	1	3	5	16	18	4.09
Rationalization of operating process	1	2	9	12	19	4.07
Down-sizing that lower the costs	2	4	5	11	21	4.05
Adoption of focus strategy in offering their products to specific group	15	12	4	7	5	2.42
Enhancing creation of awareness by developing an informal network of relationships to get information	16	11	8	1	7	2.35
N=43						

Table 4.3 Strategic Change Management Practices Adopted By Commercial Banks in Kenya

Source: Researcher (2013).

Figure 4.6 Strategic Change Management Practices Adopted By Commercial Banks in Kenya



Source: Researcher (2013).

The researcher went on to establish the strategic change management practices adopted by commercial banks in Kenya. The researcher established that the main strategies employed by banks were manufacturing products that are in need in the market (mean of 4.70). This was followed by diversification in new products (4.65); recruiting qualified staff and business re-engineering leading to short and less costly processes each at a mean of 4.51.

Next important practices (agree to a great extent), were, in order of priority, starting various kinds of products and creating of reputation each at means of 4.49. These were followed by differentiation their products to serve all the categories of the customers (4.37); rewarding key initiatives to ensure significant changes are implemented (4.33); improved human capital management (4.33); creating quality programs that deliver expected outcomes (4.30); realization of ideas and intentions in line with market demands (4.28); improvement in organizational structure (4.19); putting into practice of theoretical solutions (4.09); rationalization of operating process (4.07) and; down-sizing that lower the costs (4.05).

Practices which were adopted by commercial banks to a little extent included adoption of focus strategy in offering their products to specific group (2.42) and Enhancing creation of awareness by developing an informal network of relationships to get information (2.35).

The study findings correlates with the findings of Williamson and Williams (2011) who outlined the major corporate changes as diversification in new products, adoption of focus strategy in offering their products to specific groups in the markets as well as diversification their products to serve all the categories of the customers. The study findings is also in line with Marete (2010) findings that companies do engage in the following; recruiting qualified staff and helping company members to develop a relationship necessary to maximize effectiveness of a change effort, manufacturing products that are in need in the market, business re-engineering leading to short and less costly processes, down-sizing to lower the costs as well as providing quality programs that deliver expected outcomes.

One of the notable commercial bank that undertook the highlighted strategic change management is the Barclays bank that was studied by Kimaku (2010). The bank undertook changes in its strategic direction, information technology, performance management system, product changes and changes in compensation plan.

4.5 Conclusion

The findings of this study show that banks had various demographic characteristics and, as a result, the respondents could provide a balanced view of the subject under investigation. Furthermore, the study shows that various challenges face commercial banks in implementing strategic change. Irrespective of these challenges, banks had put in place various strategic change management practices in areas such product development, human resource management among others. The following chapter presents a summary of findings, conclusion and recommendations

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The purpose of this study was to investigate the strategic change management practices adopted by commercial banks in Kenya.The study had the following objectives; to determine the challenges for managing strategic change by commercial banks in Kenya and to establish the strategic change management practices adopted by commercial banks in Kenya.

5.2 Summary of Findings

This section will present summary of the findings according to the objectives.

5.2.1 Challenges for managing strategic change by commercial banks in Kenya

According to the study, the challenges faced by banks in managing strategic change is information and technological innovations, competition from the non-bank financial industry, poor communication of intended strategic change, changing customer behavior, increased competitiveness of the market, lack of compatibility between long-term strategic goals of the organizational departments, team and employees, macroeconomic uncertainty, resistance to change, inadequate and inhibitive labor laws, high tax rates, change in social behavior, high crime rate, and delays in licensing or approvals. Other challenges include; political environment/policy uncertainty, poor transport, custom operations, poor psychological ownership of the system, and low practical skill among employees.

5.2.2 Strategic Change Management Practices Adopted By Commercial Banks in Kenya

The study indicated that the strategic management practices adopted by commercial banks in Kenya include; manufacturing products that are needed in the market, diversification of new products, recruiting qualified staff, business re-engineering leading to short and less costly process, starting various kinds of products, creation of reputation, differentiation of the products to serve all the categories of the customers, rewarding key initiatives to ensure significant changes are implemented, improved human capital management, creating quality programs that deliver expected outcomes, realization of ideas and intentions in line with market demands, improvement in organizational structure, putting into practice of theoretical solutions, rationalization of operating process and downsizing that lower the costs. other practices include; adoption of focus strategy in offering their products to specific group and Enhancing creation of awareness by developing an informal network of relationships to get information.

5.3 Conclusion of the study

From the findings, it can be concluded that commercial banks face a lot of challenges in managing strategic change. The key challenges includes; information and technological innovations, competition from the non-bank financial industry and poor communication of intended strategic change. Nevertheless, the commercial banks have managed to adopt strategic change management practices. The most commonly adopted strategic change management practices includes; manufacturing products that are needed in the market, diversification of new products, recruiting staff, business re-engineering leading to short and less costly process and starting various kinds of products.

5.4 Recommendations of the study

The study recommends that;

The commercial banks should adopt a competitive position, which will allow them to defend themselves against any forces in the industry. This is through adoption of three broad generic strategies, which will enable the banks to be competitive. These strategies are; overall cost leadership (achieve lower cost than competitors), differentiation (creating something unique and superior) and market segmentation. Similarly, in order to have effective strategic management practices, the commercial banks should; set clear objectives, establish policies with which to work towards objectives, assign responsibilities and provide for coordinated action, select and develop key personnel and help them to adjust to change, motivate and stimulate personnel to think creatively and measure progress and evaluate results.

The management of the commercial banks in Kenya should take bold step of adopting strategic change management practices that are unique and relevant. They should also ensure that all the employees are competent enough to carry out these strategic change management practices by having frequent in-house training. The banks could also invest in business seminars and conferences so as to get new ideas on the same. Application of new, better and more meaningful strategic management will transcend all categories of workers within a business organization.

The commercial banks should embrace new technological innovations so as to increase efficiency and facilitate strategic change management practices. The management should invest heavily on technology by purchasing new technologies and providing in-house training to their employees on new technological innovations.

The management of the commercial banks in Kenya should also carry out frequent market research so as to understand the market very well. Through this, they will be able to master consumer behavior and hence adopt strategic practices that will be able to address the needs of the consumers. Market research will go a long way in developing new products and diversification of existing products.

5.5 Limitations of the study

The study set out to investigate the perception of staff members of banks in regard to strategic change management practices adopted by commercial banks. As such, other stakeholders in the banking industry such as investors, clients, support staff and bank owners were left out. The results were generalized to the extent of the sample size.

Furthermore, the researcher anticipated difficulty in getting honest and impartial answers to data collection instruments. In that respect, the researcher attached letters of introduction to questionnaires to provide assurance of confidentiality in handling the information. As such it is hoped that the findings obtained present the best picture of the subject under investigation.

5.6 Recommendations for Further Research

The study constituted 43 commercial banks in Kenya. The aim of the study was to investigate strategic management practices adopted by commercial banks in Kenya. The researcher recommends more research on the strategic management practices be carried out in other commercial institutions that were not concern of the study.

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APPENDICES

Appendix 1: Questionnaire

My name is Jacinta Mutindi Munywoki. I am undertaking a study on strategic change management practices adopted by commercial banks in Kenya. Your bank is part of the sample of my study. I seek your assistance in undertaking this study. The findings of this study shall be used for academic purposes only. NB: Please do not write your name anywhere on this questionnaire. I will highly appreciate your support.

Thank you in advance.

A: DEMOGRAPHIC INFORMATION

1. How long has your bank operated in Kenya?

<25 ☐ 25-35 ☐ 36-45 ☐ 46-55 ☐

56-65 ☐ 66-75 ☐ 76-85 ☐

2. Number of employees

<500 ☐ 501 – 1000 ☐ 1001-1500 ☐

1501– 2000 ☐ 2001-2500 ☐

2501>3000 ☐ over 3000 ☐

3. Origin of the Bank

Kenyan ☐ Other African countries ☐

Asian countries ☐ Western countries ☐

4. Ownership

Sole proprietorship ☐ Company ☐ Partnership ☐

B: CHALLENGES OF MANAGING STRATEGIC CHANGE

5. To what extend do you encounter each of the following in managing strategic change? Rate in a scale of 1 to 5(1 -Not at all, 2- to a little extent, 3 -to a moderate extent, 4- to a great extent, 5 -to a very high extent)

	Rating				
Challenge	**1**	**2**	**3**	**4**	**5**
Information and technological innovations					
Changing consumer behaviour					
Change in social behaviour					
Increased competitiveness of the market					
Competition from the non-bank financial industry					
The political environment/policy uncertainty					
Low practical skills among employees					
High crime rate					
High tax rates					
Macroeconomic uncertainty					
Custom operations					
Poor transport					
Inadequate and inhibitive labor laws					
Delays in licensing or approvals					
Resistance to change					
Poor psychological ownership in a system					
Lack of compatibility between long-term strategic goals of the organizational departments, team and employees					
Poor communication of intended strategic change					

6. which other challenges facing banks necessitate robust change management? Please explain………………………………………………………………………………

………………………………………………………………………………………

C: THE STRATEGIC CHANGE MANAGEMENT PRACTICES ADOPTED BY COMMERCIAL BANKS IN KENYA

7. To what extend do you apply each of the following practices in managing strategic change in the bank? Rate in a scale of 1 to 5(1 -Not at all, 2- to a little extent, 3 -to a moderate extent, 4- to a great extent, 5 -to a very high extent)

Change management practice	**1**	**2**	**3**	**4**	**5**
Differentiation their products to serve all the categories of the customers					
Enhancing creation of awareness by developing an informal network of relationships to get information					
Rewarding key initiatives to ensure significant changes are implemented					
Recruiting qualified staff					
Manufacture products that are in need in the market					
Business re-engineering leading to short and less costly processes					
Down-sizing that lower the costs					
Creating quality programs that deliver expected outcomes					
Putting into practice of theoretical solutions					
Starting various kinds of products					
Realization of ideas and intentions in line with market demands					
Improvement in organizational structure					
Rationalization of operating process					
Improved human capital management					
Diversification in new products					
Adoption of focus strategy in offering their products to specific group					
Creating of reputation					

8. In which other ways has your bank adopted change management practices? Please explain

………………………………………………………………………………………………

………………………………………………………………………………………………

………………………………………………………………………………………………