

**MANAGEMENT OF STRATEGIC CHANGE AT FAMILY BANK
LIMITED, KENYA**

BY

SOLOMON MWAURA KIBUE

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DECLARATION

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

Signed.....Date.....

Solomon Mwaura Kibue

D61/73088/2009

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

Signed.....Date.....

Dr. Vincent N. Machuki

Department of Business Administration

School of Business,

University of Nairobi.

DEDICATION

To all of you who made me what I am today. In a special way to my wife Irene Njoki for supporting me through this process. To my late Grandfather Peter Kibue for his support in seeing me through life challenges and sponsoring my whole education to the level I have reached.

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ABSTRACT

This study sought to determine how strategic change is managed at family bank limited. It also focused on various methods adopted to manage strategic change in Family Bank as an organization of analysis. The study established that the bank undertook planned change due to the changing market conditions and technology in the industry to enhance competitiveness. A case study design was selected as it was deemed the best design to fulfill the objectives of the study. In this study, emphasis was given to primary data. The primary data was collected using interview guide. The interviewees were the director of credit, retail banking, corporate banking, technology, finance and managing director. The researcher required getting in-depth information on issues surrounding management of strategic change in family bank, interviews were regarded as the best method and the interview guide gave a clear guidance on what questions to ask. Data was analyzed qualitatively using content analysis. The staff, strategy, structure, systems, style, skills and the shared values of the bank has been instrumental in enabling the success of management of strategic change process. The study concludes that there are three factors that have greatly influenced management of strategic change at Family Bank Limited. These factors are resources(both financial and human resources), management support and communication of aspects of change The study also recommends that other commercial banks or any other organization for that matter that requires to successfully implement the chosen change strategy, needs to consider their resources(financial and human resources), management support, and organization structure. The study also recommends that future studies in this area should replicate the study to other industries to establish whether these results are the same across the industries. A survey study need to be done to establish the how change is managed in commercial banks to determine whether the results found herein still hold.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

In a highly competitive environment, the dynamism for changes in any large organizations becomes indispensable for greater success and excellence. Most business leaders and top executives in various industries have been vigilant toward the modification of business strategies along with effective and continuous changes up to reach their potential. In addition, in present day's pressure for change is not only from the organizational elements but also from international forces galvanized by the notion of globalization, technology, and competition (Howcroft, 2002).

Today change is constant and organizational leaders who anticipate change and react rapidly and responsibly are successful. However, the organizational leaders who anticipate and invent the future are even more successful because those who invent the game are the leaders in their industry (Poole and Van de Ven, 2004). Other organizations are followers that adapt to change. Every industry is undergoing a consistent wave of evolution. Organizations go through periods of intermittent change with some degree of regularity that differs across industries (Jacobs, 2002).

Organizational leaders in this era are facing change that is unprecedented in terms of type, quantity, speed, reach, cause, worldwide communication and implications, time available to address changes and expectations for performance results. In addition, they must simultaneously think and make decisions about future change, some of which is

long term and some of which is immediate (Cummings et. al., 2005). This requirement of simultaneously planning for the long term and the short term is not unique. What is unique is that organizational leaders must now plan into the future 20 or more years whereas in the past, long term meant 3- to 5-year plans (Howcroft, 2002). Rising global competition, the influence of advances in information technology and the re-engineering of business processes are some of the imperatives that force organizations to restructure their businesses. Organizational restructuring is therefore inevitable for any organization. These changes, however, do affect organizations and employees. Employees become insecure, confused about their jobs, and therefore less productive (Klikauer, 2008).

In banking today, as in other service industries, managers must remain alert to constant environmental changes. Family bank must be ready to redefine its corporate mission and reformulate its marketing policies, plans and strategies to meet the needs of the evolving, complex marketplace. Change management is a structured approach adopted to move the bank from a current state to a different state in the future. Effective change management strategies are based in a variety of learning theories and approaches. Strategic management in the bank thus focuses on integrating management, marketing, finance, production, operations, research and development, and information systems to achieve organizational success.

1.1.1 The Concept of Strategic Change

Organizational change has become the norm for many people in all types of organizations (Drucker, 1995). A strategic change is a type of change where some general plans, policies and the initiatives of the business are changed. According to Beer and Nohria

(2000), the restructuring of an organization's business or marketing plan performed in order to achieve an important objective. Strategic change is a difference in the form, quality, or state over time in organization's alignment with its external environment (Rajagopalan & Spreitzer, 1997).

Strategic changes are market oriented and are the first and final steps for market conquests. A strategic change might include shifts in a corporation's policies, target market, mission or organizational structure (Cheney et al., 2008). Planned strategic change is brought by the purposeful efforts of organizational members as a response to more volatile environment.

Organizations of today operate under increasing demands for change. Markets have changed due to globalization, strong competition, technical development and a customer-driven market. This high pace of change means that the organization must change behavior and manage to rapidly adapt to shifts in the market. At the same time, Beer and Nohria (2000) have shown that currently, many change projects and development programs produce unsatisfactory results. Because the performance of firms might dependent on the fit between firms and their external environments, the appearances of novel opportunities and threats in the external environments, in other words, the change of external environments, require firms to adapt to the external environments again; as a result, firms would change their strategy in response to the environmental changes.

1.1.2 Management of Strategic Change

Change management is a set of processes employed to ensure that significant changes put in place are in order, controlled and systematic fashion to effect organizational change. One of the goals of change management is about the human aspects of overcoming resistance to change in order for organizational members to buy into change and achieve the organization's goal of an orderly and effective transformation (Jacobs, 2002).

Those organizations that do survive often relegate to the role of playing catch up to their competitors, while others are either absorbed into larger entities via mergers or acquisitions or simply dissolved into a collection of corporate assets and liabilities. In fact, many of the popular trends in management and organizational consulting such as business process re-engineering, total quality management and the learning organization represent systematic methods for responding to and channeling effectively the forces of change. Unfortunately, the vast majority of improvement initiatives undertaken by organizations, even with the best of intentions, are destined to have little impact (Schaffer, 1992). While organizational change is a constant experience, knowledge and awareness about many of the critical issues involved in the management of such change is often lacking in those responsible for its progress. Strategic change management has been linked to the organization's competitiveness and response to changes in the environment.

1.1.3 Kenya's Banking Industry

Kenyan Banks have realized tremendous growth in the last five years and have expanded to the east African region. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges. There are forty-six bank and non-bank financial institutions, fifteen micro finance institutions and forty-eight foreign exchange bureaus in Kenya. Thirty-five of the banks, most of which are small to medium sized, are locally owned (Central Bank of Kenya annual report 2007). The industry is dominated by a few large banks most of which are foreign-owned, though some are partially locally owned. Nine of the major banks are listed on the Nairobi Stock Exchange. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banks' interests and addresses issues affecting member institutions. The Companies Act, the Banking Act, the Central Bank of Kenya Act and the various prudential guidelines issued by the Central Bank of Kenya (CBK), governs the Banking industry in Kenya. The banking sector was liberalised in 1995 and exchange controls lifted (Kenya Bankers Association annual Report, 2008).

The Kenyan banking sector has been undergoing operational changes in the recent years. Mergers and acquisitions, increased competition, and new regulatory requirements have driven banks to rethink their retail strategies. It has become important for retail banks to leverage technology to optimize sales and fulfillment processes, manage distribution channels, and streamline operations to acquire, satisfy, and thereby retain customers.

The retail finance sector is currently one of the most competitive in the banking industry. However, in order to succeed in such a dynamic market place, the skills required to be a successful retail banker are many and varied: ability to demonstrate a deep understanding of consumer needs and revenue generating methods, ability to develop new market entry and customer retention strategies, application of new business models and translating them into revenue generating projects and programs.

The banking industry in Kenya in the past years had been severely underdeveloped and marginalized, since the majority of Kenyans live below the poverty line. Banks mainly make their money from corporate clients and huge government deposits. Since many Kenyans especially in the rural areas are marginalized from banking, they have to develop alternative avenues of finance and investments for example co-operatives and welfare organizations (CBK, 2010). However, most of the banks have restructured their products in a bid to reach the masses that are unbanked.

1.1.4. Overview of Strategic Change at Family Bank Limited

Family Bank, previously known as Family Finance Building Society started as a building society in 1984. It was registered as a Building Society in October 1984 in Kenya, under the Building Societies Act and commenced operations in the early 1985. Since its inception, the bank has sought to provide affordable financial services to the low and medium income earners as well as to small and medium size institutions (SME's) and corporate institutions (Family Bank 2012).

Family Finance Building Society converted into a fully-fledged bank in May 2007 under the name Family Bank Limited (FBL). As a result, the bank grew in total asset value to approximately KSH 26 billion as of December 2011, with shareholders' equity of approximately KSH 3.32 billion (FBL 2011). Since converting to a commercial bank, Family bank has been pursuing an expansion of its branch network (Family Bank 2011). From only one branch in 1985, Family Bank has grown over time and currently enjoys a network of over 63 branches countrywide. This has been driven by the intentional strategies to be competitive in the market. The bank has changed the focus of most financial institutions to serve individuals and businesses, with a focus on the poor and previously unbanked in the country. There are also changes in the bank related to restructuring in its structure, political realignment, economic situation and technology innovation.

The rise in the number of financial institutions that are designing new initiatives to pursue the under banked consumer market illustrates the recent realization of retail banking that there is such huge potential within that group .First is the rapid technological advances that have introduced significant changes in retail banking. Family Bank branches alone are no longer sufficient to provide banking services to cater for the needs of today's sophisticated and demanding customers. This has led to the introduction of banking services through electronic channels (e-channels) namely ATMs, personal computer banking and phone banking which have provided an alternative means to acquire banking services more conveniently. The banks management indicates that it to defend and grow its small and micro lending market segment which is its core line, Family bank expects to open up and capture more market share in the small and medium enterprises. The bank

also plans to grow its affluent customer franchise and extract more value from personal and consumer, corporate and institutional market segments.

Other changes that have been used by the bank to penetrate into the market are the use of downscaling. Under the concept of downscaling the bank is trying to modify its services to meet the needs of the low- income earners. According to the Financial Access Initiative, (October 2009) Financial institutions around the world compete against one another trying to attract and retain the same middle- to upper-income retail customers year after year. Yet there is an enormous market that most banks are ignoring and that nonbank competitors have begun to cultivate effectively: the world's 2.5 billion adults who are either unbanked or under banked. By definition, unbanked customers have no checking, savings, credit, or insurance account with a traditional, regulated depository institution. Financial Access Initiative, (October 2009).

Due to the strategic need to reach this populace, Family Bank launched a money transfer product that would enable customers to carry out transactions from the comfort of their living rooms According to Family Bank CEO, it will be a change in the traditional banking since there will be a shift in the way Family Bank reaches the unbanked in rural areas and reduce their cost of operations and time taken to reach banks that are located in urban centres. Financial Access Initiative, (October 2009).

1.2 Research Problem

With the ever increasing speed of today's industry, handling changes within companies has become more important than ever. The speed within trade and industry has increased immensely over time and new products are introduced regularly. This demands an increased capability to manage changes within a company (House and Raymond, 2009). Change is unavoidable in a rapidly expanding world that makes it challenging for any organizations not to respond for their survival and prosperity. Changes in technology, the marketplace, information systems, the global economy, social values, workforce demographics and the political environment have a significant effect on the processes, products and services produced. The culmination of these forces has resulted in an external environment that is dynamic, unpredictable, demanding and often devastating to those organizations, which are unprepared or unable to respond (Burnes, 2000). There is evidence to suggest that the universal model of change management is inadequate to describe the diversity of approaches actually used by many organizations (Chapman, 2005).

The environment in which the banks operate is regulated by the central bank of Kenya thus the need by family Bank to adopt change in management strategy. After conversion Family bank faced new challenges and competition from other commercial banks and had to increase its core capital to Ksh.1 Billion to meet the CBK requirements. Informed by the new developments in the industry, the management had to have various new structural and organization changes. The other problem the institution faced was to adopt the structures laid down by Central bank of Kenya, Kenya Bankers Association and

Industry players in terms of day to day operations and reporting lines. Family Bank aligned itself to these new shifts to become compliant by introducing various changes in way of operations and organizational structures so as to remain significant and profitable.

Of the studies done in the area of strategic management in organizations, none has been seems to have been done to explore management of strategic change. Gekonge (1999) focused on strategic change management practises by Kenyan companies listed at the stock exchange; Sikasa (2004) carried out a study on customer perception of change management practises at Housing finance(HFCK) this study did not focus on how organization managed strategic change. Gakenia (2008) focused on strategy implementation in Kenya Commercial Bank; Mwirigi (2012) focused on management of strategic change in Commercial banks in Kenya. Kok`s (2008) focused on strategic responses by Barclays bank to change in environment. Research by Mwirigi (2012) an overview of commercial banks in Kenya on how they managed strategic change however did not focus on Family bank. The process of management of strategic change is not universal due to different organizational structures and culture. This forms the basis for the research gap and seeks to answer the research question;how is strategic change managed at Family Bank Limited.

1.3 Research Objectives

The objective of the study was to determine how strategic change is managed at Family Bank Limited.

1.4 Value of the study

This study has contributed to the literature available on strategic change and management adding value in the perspective of financial service provision. The study also confirm the attribution theories advanced by Heider (1999) and Open systems theory by Poole and Van de ven,(2004) in the field of strategic management thereby allowing for exhaustive understanding of the facets concerned. The outcomes of this study provide a framework for the formulation of an appropriate strategic framework that could assist family bank in implementing organizational restructuring since the organization is composed of various sub systems. Moreover, the findings of the research will be used to develop new models for implementing organizational change that could be adapted to various change situations.

To the extent that change can adversely affect both organization and employees, it becomes critical that organizations should implement it carefully, if they are to survive. To achieve this, requires managers to understand drivers of change, the possible of change on both organization and employees, and to take appropriate actions. This confirms the findings of Nadler and Tushman (1997) who observed that effective communication of aspects helps employees to buy into change.

The study provides a platform for further research in the area of strategic change management and in particular the practices that would contribute to successful strategic change management in financial institutions in Kenya. It will help financial institutions to develop various policies as manage strategic change which differs across organization. In the academic field, future researchers can use the study as a reference point if one is researching on change management and related topics.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of the related literature on the subject under study presented by various researchers, scholars, analysts and authors. The specific areas covered here are concept of strategic change, change management, change management models and the change management approaches.

2.2 Theories Underpinning the Study

The practitioners, who to the large consulting firm model of organizational change, are seen as advocating the rational-linear view of organizational change, while the theoreticians are perceived as supporting the systemic-multivariate view of organizational change (Modahl, 2000). It is commonly observed among the advocates of the rational-linear view of organizational change that there is an optimum solution for organizing labour, raw materials and capital and for adopting new organizational practices. Within this view, the focus has been primarily on the contingencies necessary for the success and effectiveness of implementing organizational change. Situational models of contingencies, under which different approaches to change assume one-best-way across business contexts or timescales (Kotter, 1995), present an ideal model of what happens in organizations at different points in time or in different contexts.

Although a contingency approach to organizational change has encouraged practitioners to consider aspects of their environment, technology and size as a basis for deciding on

the appropriate paths of change, it delineates deterministic assumptions about the nature of change in organizations, presents inadequate appreciation of the role of strategic choice, beliefs and power and neglects the fact that organizations are collections of diverse interests (Dawson, 1996).

Open systems school of thought focuses on the entire organization. It sees the organization as being composed of different sub systems, which are the goals and values sub systems, the technical subsystem, the psychological sub system and the managerial subsystem. A change in one part of the system has an impact on other parts of the system. Change can therefore be achieved by changing the sub systems but one then needs to understand the interrelationship of the subsystems. It seems likely that organizational changes can occur because of planned as well as unplanned events and therefore the theories of Poole and Van de Ven (2004) seem to be more complete compared with the theory of Porras and Silvers (1991).

The Attribution Theory advanced by Heider (1999) states that behavior is determined by a combination of perceived internal forces and external forces (Mullins, 1999). This means that if the employees feel that the upcoming changes are likely to upset their current state in terms of loss of money, job security, disruption of their social patterns or the fear that they may not be able to cope with the new changes, then they are likely to resist and to be negative about it. However, if they believe that the change is for their own benefit, then, they are likely to go along with it.

2.3 Strategic Change

Burnes (2000) depicts that change is a multi-level, cross-organization process that unveils an iterative and messy fashion over a period of time and comprises a series of interlocking projects. The multi-level and cross organization process bring into focus the various player of change from the top management to middle and junior level employees. Their perception about change requires various projects to be undertaken to unlock resistance and build on success achieved to drive the project.

Kleiner and Corrigan (1999) address similarly that all organizational change is triggered with the perception or experience of environmental threat, loss or opportunity. To summarize, change is needed when current performance and the way of operation of a business is no longer on a par with the requirements from inside the company or with the environment and the competitive situation.

Planned organizational change is manifested when a change agent intentionally takes actions, and creates interventions through a deliberate process with the goal of achieving a different state of behavior, structure, and conditions (Howcroft, 2002). Most cases of planned organizational change can be categorized as episodic change that is characterized as discontinuous, infrequent, and intentional. Theories of episodic change tend to take a macro and systems perspective of organization. A change agent in these theories is usually management, which influences the process by commanding a change language managing chaos or managing punctuated equilibrium. Recent studies on unintended

consequences of planned change have suggested that both management and employees are change agents and that the intentional activities of the two parties are reciprocal and exist in tension (Weick, 1999).

Mintzberg and Westley (1992) constructively suggest that change can take place from the broadest, most conceptual level, example, in culture to the narrowest and most concrete (example, piece of equipment). However, change can also happen in two basic spheres: pertaining to organization or to strategy.

2.4 Types of Strategic Changes

Change events come in various forms. First of all, a change can be intrusive or non-intrusive, they can be seen as threats or not. Some changes only affect the environment and not the group while other changes can have a direct influence on the group itself, for example a new group manager. There can be big changes that alter everything or small changes that only concern a few people. Change event can also vary in predictability and controllability. It is only possible for the group to choose the time for a change, when the change is both predictable and controllable. The advantages of these kinds of changes are that they can be done when the group is ready and has time. Changes that are unpredictable or uncontrollable possess potentially bigger challenges and difficulties for the organization (Poole and Van de Ven, 2004).

According to Howcroft (2002), strategic change can be classified by the extent of the change required, and the speed with which the change is to be achieved. Transformation entails changing an organization's culture. It is a fundamental change that cannot be

handled within the existing organizational paradigm. On the other hand, realignment does not involve a fundamental reappraisal of the central assumptions and beliefs. Further, incremental change can take a long period of time, but results in a fundamentally different organization once completed. Finally, big Bang change is likely to be a forced, reactive transformation using simultaneous initiatives on many fronts, and often in a relatively short space of time.

2.5 Management of Strategic Change

Effective change management requires preparedness and articulate planning without which failure and unnecessary expenditure would be incurred. The need for an all-inclusive change implementation cannot be overemphasized in order to embrace success. All the concerned parties need to be brought onboard for the desired goal to be met (Burnes, 2000). The current study seeks to highlight these aspects and give an insight on how to ensure inclusion.

For organizations, Demands for change are now constant and impending. According to Jacobs (2002), there are three major drivers stirring organizational change faster than ever before are as follows: technology, government and globalization. In the first place, technology affects organization structure, determines the nature of individual jobs, affects employee attitudes and behaviour, and controls the informal social structure within the organization and ultimately determines the organization's ability to accomplish its goals.

Since organization change is inevitable, it is important to have a comprehensive overview of these changes and plan how the changes would be implemented without compromising on efficiency. Since change is pegged on numerous factors, intentionally bringing changes such as through strategic changes need to be assessed as to how best to manage them. Daft (2001) emphasizes the fact that some sort of reinforcement is necessary to produce changes in behavior, so management needs to be very active during change phases to institute reinforcement tactics. One method to use that does not cost money is verbal reinforcement. Verbal reinforcement of behaviors that fit into the organizational change will increase employee repetition of those new 'change' behaviors. Over time, old behaviors will hopefully become 'extinguished' as they are replaced with new behaviors. It really depends on the extent of the organizational change taking place as to what type and how intense reinforcement needs to be. The essential point is that reinforcement of some sort is a necessity for change to take place in the individual. An organization can change its structure and policy by simply writing new rules and procedures, but the workers are not going to change quite as easily. That is where the link between learning theories and organizational change really is and where reinforcement comes in as a vital part of organizational change. Whether it is negative or positive, some reinforcement is going to have to be put into place for employees to successfully adapt to changes in the organization (Robbins, 2005).

2.6 Models of Change Management

It is important to examine the change management models that have developed, as they have strongly informed the implementation strategies and practices that have been undertaken within organizations.

One of the most widely known models for change belongs to Lewin, who proposed his three-step model as early as 1951. His theory encompasses three conditions of the organization that take into account pre- and post-change stages plus the stage of actual translation into specific goals (Lewin, 1952). The steps suggested are: Unfreezing current attitudes- in order to move on to the next step that constitutes of change taking place in the organization, the old status quo should be viewed through negative lens. A need should be created within the organization that prepares for the upcoming change. This step might be seen as an early equivalent of Kotter creating a sense of urgency (Kotter, 1998) or what is widely known as the burning platform. This step is followed by moving to a new level. During the second step the organization experiences a period of options seeking or alternatives generating. The third step is refreezing attitudes at the new level which indicates that an alternative is already agreed upon but the model does not clarify how exactly such an agreement or reassessment is made.

Nadler and Tushman (1997) place an emphasis on people as well. Their congruence model lies on the concept of organizations as systems of subsystems. As opposed to the other reviewed models, it distinguishes between individual, team and organizational level. The system (organizational level) sorts out external stimuli and translates them into a transformational process. There is an obvious interdependence among all four

subsystems and no linear step-by step plan. Therefore, this can be seen as a highly dynamic model that takes into account both formal and informal structures in the organization. Unlike Carnall (1995), Nadler and Tushman (1997) recognize the existence of forces (not only external, but internal) that are beyond managers' immediate control and suggest a way to address them.

Kotter (1996) on the other proposed Eight Step Model. His view is relevant to the research purpose due to its main focus being communication. Kotter advocates strong communication as one of the most important assets a leader can have and identifies eight steps in the change process. This model might be seen as advocating an ideal change process. On one hand, Kotter maintains a consistent stress on people, effective internal communication and leading by example. On the other hand, dynamics is not well-represented here. The author himself highlights the dangers of executing more than one stage at a time, while an initial stage is left in hiatus. But the model addresses important points largely ignored by its predecessors – communication and clarity of vision; organizational politics; and short-term successes for upholding motivation. This and the people focus at large make it a very relevant framework for the current research purpose.

The ADKAR model was first published by Prosci (1998) after research with more than 300 companies undergoing major change projects. In 2006, Prosci released the first complete text on the ADKAR model in Jeff (2006). This model is intended to be a coaching tool to help employees through the change process. The first step in managing any type of organizational change understands how to manage change with a single individual. Prosci's model of individual change is called ADKAR - an acronym for

Awareness, Desire, Knowledge, Ability and Reinforcement. In essence, to make a change successfully an individual needs awareness of the need for change, desire to participate and support the change, knowledge on how to change, ability to implement required skills and behaviors and reinforcement to sustain the change. ADKAR describes successful change at the individual level. When an organization undertakes an initiative, that change only happens when the employees who have to do their jobs differently have the Awareness, Desire, Knowledge, Ability and Reinforcement to make the change happen (Westwood and Linstead, 2001).

2.7 Change Management Practices

There can be no doubt that implementation of change is much harder than designing the change and this may account for the high levels of failure of change efforts. Klikauer(2008) suggests that implementation is a procedure directed by a manager to install planned change in an organization. Timmerman et al (2003) outline common implementation approaches. They vary from programmed approaches where a coherent plan is followed to its end and is usually led from the top, to adaptive approaches where feedback may modify the change as it is being implemented.

Organizations need to develop an action list to eliminate, mitigate or weaken existing restraining forces (Al-Khouri, 2010). Action plan may include items such as improving communication so all organization members are aware of the need for change and the nature of the changes being made. Empowering employees and inviting them to participate in the planning for change can play a key role in allaying employees' fears and overcome potential resistance (Burnes, 2000). This action plan can be considered as a

starting point and a subset of the overall change management strategy. If the organization's management is not trusted, any attempt to change will be treated with skepticism. What companies often fail to realize is that the causes of disaster, as well as enablers of success, can be readily discovered and addressed by tapping the knowledge already contained in the minds of their employees.

Nadler and Tushman (1997) suggested that effective communication of the vision, the future, and the ways that change will occur usually result in improved outcomes. The importance of communicating these aspects is seen as a crucial part of gaining the stakeholders' buy-in into change. There is general acceptance that where communication of the change vision is poor and stakeholders do not accept the need for change. The stakeholders are less likely to adopt the change is therefore less likely to be successful.

Daft (2001) suggests that a failure to create a shared understanding amongst participants in the change may occur if the vision is not communicated effectively, which can lead to a failure to create a statement of the reasons for change. This can, in turn, create resistance amongst the participants in the change. Leppitt (2006) supports this contention with his case study of an unsuccessful organizational change. In this study, the leadership of the organization did not effectively communicate a vision and strategy for change, which resulted in a lack of urgency and conviction of the need for change. This failure subsequently played a part in the lack of success of the change initiative.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used by the researcher to find answers to the research question. This chapter covers the research design, data collection and data analysis techniques used in the research. The chapter further describes the process through which data will be collected and the methodology used to analyse findings from research tools.

3.2 Research Design

This study was a case study since the focus is in one organization, namely Family Bank Limited. A case study is an in-depth exploration of a particular context that involves the collection of extensive qualitative data usually via interview, observation, and document analysis (Creswell, 2003).

Kothari (2000), suggest that a case study is a powerful form of research design qualitative analysis: The level of analysis was one unit. A case study is a form of qualitative research done on one institution and from the study, data and inferences are drawn. Being that the study focused on only one organization to epitomize change management in commercial banks, case study design was deemed most appropriate.

3.3 Data Collection

In this study primary data was collected by use of interviews. Interview guide was used since it generally yields highest cooperation and lowest refusal rates, offers high response quality, takes advantage of interviewer presence and its multi-method data collection (Bryman and Bell, 2003). The interview guide was unstructured with open ended items. This was done in order to facilitate the process of data collection. The interview guide was administered using face to face discussions with the senior managers.

The study focused on the section and particularly on top level management who deal with the day to day management of the bank. These are the Chief Executive Officer, director of corporate strategy, director of operations, director of credit and director of I.T and Innovation Center. This was because they are the most conversant with the information sought by the study.

3.4 Data Analysis

The data collected was qualitative in nature. The study thus used content analysis to synthesize the responses collected from the interviewees so as to bring out common themes from the various responses. This approach ensured any unanticipated themes are given the opportunity to emerge from the data. Content analysis was based on presence of certain words, concepts, themes, phrases, characters, or sentences within texts which are quantified in an objective manner.

To conduct a content analysis on any text, the text was coded or broken down, into manageable categories on a variety of levels, word, word sense, phrase, sentence or

theme and then examined using one of content analysis' basic methods, that is, conceptual analysis or relational analysis pegged on research objectives. This approach ensured that any unanticipated themes are given the opportunity to emerge from the data. The data that was obtained was also compared with existing literature in order to establish Validity of the findings.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings of the study and the analysis of the data collected from the interview guide which was administered to the management staff working in Family bank. The purpose of the study was to establish how strategic change was managed at Family Bank. According to the data collected, all the respondents projected in the previous chapter to be interviewed were successful. The commendable response rate was achieved at after the researcher made frantic effort at booking appointments with the respondents despite their tight schedules and making phone calls to remind them of the interview.

The study, in an effort to establish the interviewees' competence and conversance with matters regarding Family Bank Limited, asked questions on the years that the interviewees had worked for the organisation. According to the interviewees' response, all of them had worked for the organisation for at least five years as most promotions are internal, within the organization. The interviewees' responses hence had the advantage of good command and responsibility being that they head of departments and experience and aptitude owing to their years of experience in the organisation. It was also important to determine whether the interviewee was the appropriate person for the interview.

4.2 Organisational Change at Family Bank

The interviewees indicated that there was change in structure of the whole from top level management-middle and junior this resulted in creation of other department and merging

of other departments that had similar functions.

Strategic change at Family Bank Limited was gradual starting with introduction of new strategic processes then to new management to an overall change in business operations within the banking industry. The bank adopts both emergent and planned changes. For internal environment changes, it is mostly planned. Example. Review of policies and procedures vis-à-vis external threats; review of products and services vis-à-vis competitors activities. However, for external, it is mostly emergent such as responding to regulatory environment. Every department at Family Bank Limited had to implement the changes particular to their own department and so the relevant department take charge depending on what change is taking place. The IT department would champion the change in the system and change of Core banking software was championed by ICT and Operations Departments. The managers were involved in coordination of staff for change management training during transition from Building society to Commercial Bank, internet banking introduction and in various design work.

The internal factors contributed to the change that was experienced in the Bank such as an adoption by staff and general embrace of the expected change in structure, promise of career growth, lack of morale and work ownership, especially when dealing with a slow system or poor working procedures and policies, recruitment of new and skilled staff, change in management and new people came into the organization, the need for more efficiency and effectiveness in the banks processes, unmet staff and shareholders goals, losses and inefficiencies. The external factors that contributed more to changes experienced include competition, market changes, technological advances, political and

social environments provided platform for business to thrive, loss of customers, more expectations from stakeholders, emergence of new interventions example; advocacy, people were aware of the need for change and global developmental trends. Further, the Bank spare time to anticipate the changes it was to undergo by doing research and test works before implementation. The changes were timely and appropriate adding that the economic environment is so dynamic that change as to be induced every now and then to remain relevant and competitive.

There was notable resistance to the changes occasioned by an expectation of the worst from the unknown such as loss of job as some felt the change was directed to 'finish' them. Most staff members would compare the new and current system and openly be against the new one as it did not seem user friendly at first. The factors attributed to the resistance as job security (or a lack of it), time spent during testing and integration, lack of information, poor communication, lack of training and clearly stipulated objectives on the change. The methods were utilized in managing change in the organization included training to all staff, intimidation (that non-reformers will leave), coercion (laid down structures that had to be followed), and negotiation on some of the changes.

The major challenges of implementing change management include lack of understanding, mistrust among the employees, lack of finances, since there was no documented strategy and therefore there was lack of understanding by staff, some employees were not sure of the strategic change, organization culture was negative, changing people's attitudes, target group was ignorant of services, there was some

resistance to change in the organization, political instability in the country and economic hardships.

Family Bank Limited did not use change agents in carrying out its change management. Change at FBL started with the top management, who are the first agents. These are later cascaded down to the next lower levels until the last on the bottom of the structure. Change was communicated to the staff in the lower positions in the Bank through staff emails, internal intranet, others over the media outside the bank, as well as various workshops, brainstorming and training sessions. The changes at Family Bank Limited affect the various stakeholders by bettering service delivering and preserving their interests better. Some employees had to leave as were deemed incompatible or at their own volute, shareholders ad to accommodate new ones, which meant divergent views.

4.3 Forces of Change at Family bank

The respondents of the study were requested to cite the various changes that had taken place in the banking sector. The respondents indicated that the strategic changes that had taken place in the banking sector include adoption of technological advances, virtual arena, cheque clearing systems (cheque truncation), regulatory changes example. excise duty imposed on service charges and AML practices, listing on the stock exchange by leading banks in the sector. They also added that currently the banking sector has become quite competitive, for instance, most banks have come up with extended working hours. The interviewees intimated that Family Bank was not an exception and had to introduce various changes in line with planned change strategy. The challenge for Family bank was

how it will manage the strategic change within the organisation to a desired success levels.

4.3.1 Strategic Change Management approaches in Family Bank

The study sought to establish whether the change management approaches had any impact positively or negatively on the Bank. The interviews unanimously agreed that the change management has had a positive in the way FBL business has grown and impacted the lives of customers and staff it has however also had negative impact on the Bank because it has been not been consistent/available after the first time. They added that there is growth in business hence profits, more professional hiring and promotions, better communication. By promoting fast and efficient service when the system was changed and negatively at first as there were teething problems during initial implementation.

The study required the respondents to indicate whether they experienced any change in their Department in the last 3 months to 1 year. The respondents indicated changes in their Department in the last 3 months to 1 year were such as change of system from manual (excel) kind of system to a more elaborate, fast and user friendly system to promote quick delivery of services to our shareholders and branch reorganization to model branch.

4.3.2 Factors Necessitating Change at Family Bank

The study sought to investigate the main factors that necessitated change management at Family Bank Limited. The interviewees revealed that the main factors that necessitated change management at Family Bank Limited include the move from Building Society to

Commercial Bank so as to provide full Banking services, deteriorating service delivery, loss of income, need for more profits, introduction of new management team and business competition.

The study sought to investigate whether the internal factors contributed to the change that was experienced in the Bank. The interviewees indicated that the internal factors contributed to the change that was experienced in the Bank such as an adoption by staff and general embrace of the expected change in structure, promise of career growth, lack of morale and work ownership, especially when dealing with a slow system or poor working procedures and policies, recruitment of new and skilled staff, change in management and new people came into the organization, the need for more efficiency and effectiveness in the banks processes, unmet staff and shareholders goals, losses and inefficiencies.

The study required the respondents to cite the external factors contributed more to changes experienced at Family Bank Limited. The respondents indicated that the external factors that contributed more to changes experienced include competition, market changes, technological advances, political and social environments provided platform for business to thrive, loss of customers, more expectations from stakeholders, emergence of new interventions example. advocacy, people were aware of the need for change and global developmental trends. They added that the Bank spare time to anticipate the changes it was to undergo by doing research and test works before implementation. The interviewees unanimously agreed that the changes were timely and appropriate adding

that the economic environment is so dynamic that change as to be induced every now and then to remain relevant and competitive.

4.4 Change Management Practices Used at Family Bank Limited

The study sought to investigate the change management practices at Family Bank Limited. The respondents indicated that strategic change at Family Bank Limited was managed through communication to all staff is done; change champions are recruited from within, the change is made desirable, benefits should be relevant; data clean-up is done, monitoring of the change is done as it's implemented to capture any hiccups. For some time change in family bank was not a thing to consider as such until the new management came in 2010. Now with new expectations and the desired growth, many changes have had to be adopted including training of staff, top-down cascading of new practices in the bank. However, there was limited involvement of staff in the change process during initiation of changes and was a management affair since 2007.

The study sought to investigate the whether the Bank practice adopt planned or emergent change. The interviewees indicated that the bank adopts both emergent and planned changes. For internal environment changes, it is mostly planned such as view of policies and procedures vis-à-vis external threats; review of products and services vis-à-vis competitors activities. However, for external, it is mostly emergent such as responding to regulatory environment.

The study sought to establish the departments which are responsible of implementation of the changes. The interviewees intimated that every department had to implement the

changes particular to their own department and so the relevant department take charge depending on what change is taking place example. it department would champion the change in the system and change of Core banking software was championed by ICT and Operations Departments.

On whether the interviewees had ever been part of change management team at Family Bank Limited, majority of the interviewees indicated that they are part of change management team at Family Bank Limited given their position in the bank, they had to drive the team into accepting and adopting the new way of doing things. They also cited that they were involved in coordination of staff for change management training during transition from Building society to Commercial Bank, internet banking introduction and in various design work.

4.5 Managing Resistance to Change at Family Bank

The interviewees indicated that there notable resistance to the changes occasioned by an expectation of the worst from the unknown. i.e. loss of job as some felt the change was directed to ‘finish’ them. Most staff members would compare the new and current system and openly be against the new one as it did not seem user friendly at first.

The interviewees enumerated the factors attributed to the resistance as job security; time spent during testing and integration, lack of information, poor communication, lack of training and clearly stipulated objectives on the change. They added that methods were utilized in managing change in the organization included training to all staff, intimidation

(that non-reformers will leave), coercion (laid down structures that had to be followed), and negotiation on some of the changes.

From the findings, the interviewees indicated that to decrease the level of resistance to planned change, the management should constant training of staff and educate them on the need for change making the training enjoyable, re-assurance of job security, pay for overtime worked, make the benefits of the change relevant and through employee involvement in change management.

The interviewees also indicated that Family Bank Limited did not use change agents in carrying out its change management. Change at FBL started with the top management, who are the first agents. These are later cascaded down to the next lower levels until the last on the bottom of the structure.

The study sought to investigate the means used to communicate the change to the staff in the lower positions in the Bank. The interviewees intimated that change was communicated to the staff in the lower positions in the Bank through staff emails, internal intranet, others over the media outside the bank, as well as various workshops, brainstorming and training sessions. They added that the changes at Family Bank Limited affect the various stakeholders by bettering service delivering and preserving their interests better. Some employees had to leave as were deemed incompatible or at their own volute, shareholders ad to accommodate new ones, which meant divergent views.

4.6 Discussion of Findings

The study sought to investigate how strategic change was managed at Family Bank limited. Resistance to change was on key factors that greatly hindered the implementation of strategic change due to lack of understanding, mistrust among the employees, lack of finances and rapid change in technology. This was mainly attributed to lack of documented strategy and therefore there was lack of understanding by staff, some employees were not sure of the strategic change, organization culture was negative, changing people's attitudes, target group was ignorant of services, there was some resistance to change in the organization, political instability in the country and economic hardships such as recession. These findings concur with Daft (2001) who observed that if vision is not communicated it can lead to failure to implement change.

To enhance change management in the organization, the interviewees suggested that there is need for broader stakeholder involvement. The findings indicate actual change time should be some period before actual implementation through more interactive sessions access and act on feedback, clean up prior to change, proper communication to external and internal parties especially customers, recruit help from within the organisation so as to get the users to own the change. Involvement of all stakeholders in the strategic change planning resulted to assurance of jobs and rewards towards attainment of the desired change. Burnes (2000) and Mwirigi (2012) observes that for change to occur all parties involved for greater success to be achieved this confirms the findings where initially the project was a top management affair.

The findings of the case study also suggest that family bank should have adopted a model of change management to ensure that the organisation prepares itself for planned change. This had been advanced by Lewin, (1952) and Kotter (1998). The existence of forces that are external and internal posed a challenge that was beyond the control of manager thus hindering implementation of change within family bank. The finding suggests various way to control the forces by effective communication and distinguishing between an individual, team and organisation. It supports the findings by Nadler and Tushman (1997) and Kok`s(2008)who placed emphasis on people for successful implementation of change.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings from chapter four, and also it gives the conclusions and policy and practise recommendations of the study based on the objectives of the study. It also focuses on the suggestions for further research and limitations of the study. The objective of this study was to determine management of strategic change at family bank limited.

5.2 Summary of Findings

The study sought to find out how Family Bank Limited Kenya manages strategic change. In the study, aspects in the banking industry's strategic management are interrogated through review of literature. An assessment of the changes in the banking industry and how Family Bank responds to change through management strategies is reviewed.

The study observes that the banking industry in Kenya has evolved and encompassed major changes that call for management and operational changes. Some of the developments in the industry have required regulatory bodies to come up with policy changes. Policy changes force banks in the industry to alter their management and operational aspects. The necessitated changes are factored in the banks strategic management structure. For this reason, the study sought to show how strategic change is managed at family bank.

To facilitate the undertake of the study, literature on the banking industry and the changes observed is reviewed highlighting land mark changes in family bank and the industry's performance. Information gathering was conducted using interview schedule that collected information from family bank management and employees.

The study found that the strategic changes that had taken place in the banking sector include adoption of technological advances, virtual arena, cheque clearing systems (cheque truncation), regulatory changes such as excise duty imposed on service charges and Anti money laundering practices, listing on the stock exchange by leading banks in the sector.

5.3 Conclusion

Currently the banking sector has become quite competitive, for instance, most banks have come up with extended working hours. Family Bank is not an exception and had to tow the line as well by introducing mobile banking, internet banking, agency banking, regional expansion. Family bank has also joined the bus by introducing extended working hours.

Change management has had a positive impact in the way FBL business has grown and impacted the lives of customers and staff it has however also had negative impact on the Bank because it has been not been consistent/available after the first time. Further, there is growth in business hence profits, more professional hiring and promotions, better communication.

The main factors that necessitated change management at Family Bank Limited include the move from Building Society to Commercial Bank so as to provide full Banking services, deteriorating service delivery, loss of income, need for more profits, introduction of new management team and business competition. The study concludes there have been various aspects considerate by Top management in the management of strategic change at Family Bank. It also established that the changes instituted by family banks where planned and to some extent emergent to due rapid technological changes within the banking industry had to be adopted.

The study also concludes that communication of the vision, involvement of the entire staff and community; continuous reaffirmation of the new direction, continuous review of the process and giving feedback on short term gains are some of the means through which strategic change management was made possible at Family Bank Limited. It is also observed that, both internal and external factors contributed to the change that was experienced in the Bank. This included deteriorating service delivery, need for more profits, introduction of new management team, lack of morale and work ownership, the need for more efficiency and effectiveness in the banks processes, unmet staff and shareholders goals, competition, market changes, technological advances and political and social environments.

5.4 Recommendations for Policy and Practise

This study recommends that family bank should implement strategic change management with a view that there exist internal and external forces that could either hinder or promote change. To counter this Family Bank needs to adopt industry practises that align

to its goal and objectives of change in its operation Policy and manual. This will help Family bank to Manage strategic change within its own scope.

The study also recommends that family bank should work towards communication of the vision, involvement of the entire staff and community; continuous reaffirmation of the new direction, continuous review of the process and giving feedback on short term gains as they are some of the means through which strategic change management can be made possible. This confirms the findings of (Daft, 2001) that lack of shared understanding will result to mixed outcomes.

The study further recommends that for family bank to gain competitiveness in adopting strategic change management they need to ensure the right combination of academic leadership, operational and strategic management, and administration, adoption of strong financial strategies, innovation and invention strategies and research and development ventures aimed at developing the relevant customer knowledge.

To decrease the level of resistance to planned change, the management should constant training of staff and educate them on the need for change making the training enjoyable, re-assurance of job security, pay for overtime worked, make the benefits of the change relevant and through employee involvement in change management.

The study finally recommends that for family bank to succeed in strategic change management process they must look into the challenges lack of training to staff. To this effect everyone involved in the strategic management process ought to be trained on goal setting while using the management tools. Middle managers should be involved in the

strategy making process as well as the ensuing implementation. Their involvement can instill a deeper understanding of the need for strategic change across the organization; develop a sense of ownership, while supporting it in its execution. Their involvement will also help in communicating the strategy to all employees, as this will overcome message distortion through the cascading process. In doing this teamwork, coo-operation and motivation should be instilled amongst the middle managers. Middle managers should also be involved in training programs on strategic issues, which will lead to skill adequacy and expertise in strategy formulation while minimizing sub optimality. Environmental scanning and management of emergent strategies should be highly considered in such training.

5.5 Limitations of the Study

The researcher encountered various limitations that tended to hinder access to information sought by the study. This included:

The researcher encountered problems of time as the research was being undertaken in a short period which limited time for doing a wider research. However the researcher countered the limitation by carrying out the research across all management levels which enabled generalization of the study findings.

The respondents approached were reluctant in giving information fearing that the information sought would be used to intimidate them or print a negative image about family bank. The researcher handled the problem by carrying with her an introduction

letter from the University and assured them that the information they gave would be treated confidentially and it was to be used purely for academic purposes.

In communicating strategy to all employees, unexpected reactions from employees, inadequate communication channels and message reception were reported as main challenges. Loss of message or message distortion through the cascading process due to formal structures in the Family Bank was also sighted as a challenge. While in encouraging employees to internalize and memorize communicated strategy, resistance, lack of motivation, the lack of a culture of belonging and negative attitude were sighted as the main challenges.

Lack of empowerment, limited understanding and lack of appreciation of strategic issues among employees and the lack of emergent approach to strategic development in the bank were sighted as the main challenges of using strategy to guide employees' actions and behaviors. External forces drove most strategies in the bank and therefore were implemented for survival purposes rather than a deliberate mode of doing business.

5.6 Suggestions for Further Research

This study has explored the strategic change management at Family Bank Limited and identified the benefits and challenges of strategic change management in the organization. The banking industry remains competitive both in Kenya, region and internationally. There is therefore need to carry out a similar study to investigate the effects of strategic change management at Family Bank Limited (K) Ltd. There is therefore need to carry out another study to investigate the effects of these strategic

change management practices among the commercial banks. This warrants the need for another study which would ensure generalization of the study findings for all the commercial banks in Kenya and hence pave way for new policies. The study therefore recommends another study be done with an aim to investigate the effects of strategic change management practices on the performance of Commercial Banks in Kenya.

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APPENDICES

Appendix I: Introduction Letter

I am master of business administration student at the Nairobi University and in my final year of study.

As part of the requirement for the award of the degree of Master of Business Administration for graduation, I am undertaking a research on **MANAGEMENT OF STRATEGIC CHANGE AT FAMILY BANK LIMITED.**

In this regard, I'm kindly requesting for your support in terms of time, and by responding to the attached questionnaire. Your accuracy and candid response will be critical in ensuring objective research.

It will not be necessary to write your name on this questionnaire and for your comfort, all information received will be treated in strict confidence.

Thank you for your valuable time on this.

Yours faithfully

Solomon Mwaura Kibue

Appendix II: Interview Schedule

- 1) Indicate position that you hold in the department.....
- 2) How long have you worked in the organization?
- 3) What are the changes, currently, taking place in the banking sector? Has Family Bank Limited reacted to any of them?
- 4) What are the change management practices at Family Bank Limited?
- 5) Is it the Bank's practice to adopt planned or emergent (in relationship with external/internal environment changes) change?
- 6) Which department is responsible of implementation of the changes?
- 7) Have you ever been part of change management team at Family Bank Limited? What was your role?
- 8) Have the change management approaches had any impact positively or negatively on the Bank? Explain
- 9) Have you experienced any change in your Department in the last 3 months to 1 year? Kindly elaborate
- 10) What were the main factors that necessitated change management at Family Bank Limited?
- 11) Have internal factors contributed to the change that was experienced in the Bank? Explain
- 12) What external factors contributed more to changes experienced in the Bank?
- 13) Did the Bank spare time to anticipate the changes it was to undergo?
- 14) Do you think the changes were timely and appropriate?

- 15) Was there a notable resistance to the changes? Explain
- 16) What factors do you attributed to the resistance?
- 17) Which methods were utilized in managing change in your organization?
- 18) What can the management do to decrease the level of resistance to planned change?
- 19) Do Family Bank Limited use change agents in carrying out its change management?
- 20) What means was used to communicate the change to the staff in the lower positions in the Bank?
- 21) Did the changes at Family Bank Limited affect the various stakeholders
- 22) Kindly give suggestions on what can be done to enhance change management in the organization