INFLUENCE OF CHANGE MANAGEMENT PRACTICES ON CORPORATE GOVERNANCE AT LABOREX KENYA LIMITED

ROBERT OUMA OLALE

A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION (MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.

NOVEMBER, 2013

DECLARATION

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

Signature: ……………………. Date: …………………………

ROBERT OUMA OLALE

REG. NO. D61/70409/2009

SUPERVISOR'S APPROVAL

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

Signature……………………….. Date……………………………………..

DR. JAMES GATHUNGU

DEPARTMENT OF BUSINESS ADMINISTRATION,

SCHOOL OF BUSINESS,

UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

This research project would not have been possible without the blessings of the Almighty. I take this opportunity to thank the Almighty God for taking me through this study and for giving me the strength to go through the whole programme.

I wish to acknowledge the support and advise of my supervisor Dr. James Gathungu. He patiently read the draft versions of the chapters and helped in pointing out some improvement areas. I am forever grateful to my loving and caring family, my wife Mary Ouma, son David Ouma and daughter Loise Ouma for their understanding and encouragement.

I am also grateful to Laborex Kenya fraternity led by the Chief Executive Officer Mr. Sebastien Renard for their contribution and cooperation during the study period and for providing valuable insights. In writing this project, I have drawn materials from different authors on change management. I owe a profound intellectual debt to these authors whose ideas and contributions have shaped my thinking. I say thank you for all your support.

DEDICATION

I dedicate this work in the memory of my mother, the late Mrs. Loise Awuor Olale.

ABSTRACT

The study objective was to determine the influence of change management practices on corporate governance at Laborex Kenya. Organizations today continue to face business related problems that force them to adjust or change. They are therefore undertaking strategic changes in order to align their business strategies to the environment thereby matching their resources and activities to that environment. Corporate governance hence plays a significant role in ensuring that the needed changes take place successfully. Strategic change management is an important process since it can deliver vast benefits by improving the system and thus satisfy customer needs. How these changes are managed can have a profound influence on the corporate governance of an organization. The choice of the change practice, agent of change and timeliness all have a role to play when instituting changes. For a pharmaceutical distributor in Kenya to operate efficiently in a changing environment, there is need to take into consideration the influence change management practices may have on running of the organization. The research design used case study method aimed at investigating the influence of change management practices on corporate governance at Laborex Kenya. The study used an interview guide to obtain data required to meet the specific objective of the study. The respondents were the Chief Executive Officer, marketing and Finance Directors. Interviews were conducted with all the three. Given their positions and service years with the organization, their information was considered representative enough for the study. The study concludes that, the success or failure of change management in an organization will eventually have a bearing on its corporate governance. It may sometimes be necessary to have a change at the top in order to have meaningful changes especially if the old management was the one in charge when the problems developed. Given the nature of the positions held by the respondents and that information relating to strategy in any organization is always treated with sensitivity, it was difficult to get appointment initially. The researcher had to inform the respondents in advance that the purpose for the research study being carried out was meant for academic purpose only. Further research should be carried out around the change management strategies so that organizations can become more aware of them and put them into practice.

Key words: Change management, Corporate governance, Stakeholders, Environment

TABLE OF CONTENTS

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Many organizations are occasionally faced with challenges that force them to adjust or change (Burnes, 2004). Development organizations, in particular, regularly have to go through change processes when having to respond to new development scenarios or simply as part of their expansion or restructuring processes. Johnson and Scholes (2002) define change management as the deliberate and coordinated actions taken to transform an organization to overcome environmental challenges in order to achieve its objectives.

Hence organisations are undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organisation to that environment. Change is inevitable and ubiquitous in a rapidly expanding world (Pettigrew, Woodman and Cameron, 2001). Corporate governance is a key element in improving economic efficiency and growth as well as enhancing investor confidence (OECD Principles, 2004). Good corporate governance should provide proper incentives for the owners and management to pursue objectives that are in the interests of enterprise. It rises when power of management tends to be a threat for owners. Thus, in the beginning OECD defines corporate governance as a system by which business corporations are directed and controlled, or as all the organizational mechanisms, which have the effect of bounding the power and of influencing the decisions of the managers. In other words, the mechanisms govern their behaviour and define their discretionary space (Huang and Mak, 1999).

In stakeholder theory of the firm, shareholders are but one of a number of important stakeholder groups. Like customers, suppliers, employees, and local communities, shareholders have a stake in, and are affected by, the firm's success or failure. According to one typical formulation of the claim, in the same way that a business owes special and particular duties to its investors, it also has different duties to the various stakeholder groups.

Laborex Kenya, one of Kenya's largest pharmaceutical distributors has an innovative development strategy that hinges on exploiting the potential for growth lying latent within the company's different assets. Laborex has put together a remarkable portfolio of businesses, always picking leading brands and companies with differentiating qualities that enjoy exceptional appeal. Their commercial success stems in large part from a capacity to anticipate market expectations. The company is bound into a strong culture of cost-control and seeks constantly to refine their business models to enhance operating profitability.

1.1.1 Change Management

Change management has been defined variedly by different authors. Dawson (1994), defined change management as the use of systematic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted time frame and with desired results. This definition placed emphasis on the process. Judson (1966) defined change management as a structured and refined approach to achieving a sustained change in human behavior within an organization thus focusing his definition on the people aspect of change.

Change management draws from a number of social disciplines and traditions. Disciplines relevant in understanding organizational change include organizational theory, organizational behavior, human resource management, organizational development among others. Some schools of thought that form the foundation for change management include, individual behavior, group dynamics and open system. Individual behavior holds that behavior is learned and this learning takes place through some external stimuli like reward, punishment and reinforcement. Group dynamics on the other hand looks at individuals as members of a group thus they are a function of the group environment. The individuals will therefore behave in a way to conform to group pressures. In the open system, organizations are composed of a number of interconnected subsystems. A change in one subsystem impacts on the other subsystems because they are in constant interaction with the environment.

According to Balogun and Hailey (1999), contextual features that should be taken into account when designing change programmes include the scope, institutional memory, diversity of experience within an organization, the capability of managing change and the readiness for change throughout the different levels in the organization. There are different approaches to managing change. These are sudden, planned and incremental. Kazmi (2002) says that change is not linear and therefore cannot be worked on a mathematical formula basis with a set of variables that will yield a fixed answer for their combination. Aosa (1996) points out the necessity of carrying out change within the context of unique environmental challenges within Africa. Therefore change is context and environmental dependent, and there is no one best way.

1.1.2 Corporate Governance

Corporate governance refers to the set of systems, principles and processes by which a company is governed. They provide the guidelines as to how the company can be directed or controlled such that it can fulfill its goals and objectives in a manner that adds to the value of the company and is also beneficial for all stakeholders in the long term (Pettigrew, 1987). Stakeholders in this case would include everyone ranging from the board of directors, management, shareholders to customers, employees and society. The most influential parties involved in corporate governance include government agencies and authorities, stock exchanges, management which include the board of directors and its chair, the Chief Executive Officer or the equivalent, other executives and line management, shareholders and auditors. Other influential stakeholders may include lenders, suppliers, employees, creditors, customers and the community at large.

Corporate governance can also be seen as a system by which business corporations are directed and controlled or as all the organizational mechanisms, which have the effect of bounding the power and of influencing the decisions of the managers. Metrick and Ishii (2002) define corporate governance as both the promise to repay a fair return on capital invested and the commitment to operate a firm efficiently given investment. Cadbury Committee (1992) defines corporate governance as the system by which companies are directed and controlled. According to Mayer (1997), corporate governance is concerned with ways of bringing the interest of investors and managers into line and ensuring that firms are run for the benefit of investors.

Corporate governance is concerned with the relationship between the internal governance mechanisms of corporations and the society's conception of the scope of corporate accountability (Deakin and Hughes, 1997). Cadbury report (1992) identified three fundamental practices of corporate governance as openness, integrity and accountability. These principles are relevant to both private and public entities. The Cadbury report defined these three principles in the context of private sector and more specifically of public companies. In the context of public sector, these definitions need to be adopted to reflect the key characteristic of public sector entities which distinguish them from private sector.

In particular public sector entities have to satisfy a more complex range of political, economic and social objective which subject them to a different set of external constraints and influences; and are subject to form of accountability to their various shareholders which are different to those that a company in the private sector owes to its stakeholders. The report of the Nolan committee, published in May 1995, identified and defined seven general principles of conduct that should underpin the public life. The committee recommended that all public sector entities should draw up code of conduct incorporating these principles. The principles are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

1.1.3 Pharmaceutical Industry in Kenya

Increased public and private sector expenditure on healthcare, coupled with increasing levels of medical insurance coverage and continued foreign donor funding, are creating significant opportunities for growth within the Kenyan pharmaceutical industry.

The pharmaceutical industry in Kenya will continue to exhibit continued expansion as the government boosts the allocation of resources to provide healthcare for all. Growth in healthcare industry in Kenya will continue to be supported by increasing expenditure on healthcare, within both public and private sectors. The Ministry of Health has undertaken to widen access to affordable healthcare through outsourcing of both public and private hospitals to provide medical services to the huge civil service and possibly roll out the same to the rest later. This expanded outlay within the public sector, combined with rising private expenditure and greater levels of insurance coverage will drive the further growth of pharmaceutical industry.

The pharmaceutical industry in Kenya earned revenues of $208.6 million in 2007 and is estimated to reach $ 558.5 million in 2014 (Frost and Sullivan, Strategic Analysis of the Healthcare Industry in Kenya, 2008). The pharmaceutical industry comprises of manufacturers, distributors, wholesalers and retailers. Manufactures will in most cases depend on distributors to access the market. Distributors normally have several channels to move the manufacturers' products. These are wholesalers, retailers, government institutions, non-governmental organizations.

There are more than 100 registered pharmaceutical distributors in Kenya who directly import their goods from around the globe. The main players however are Laborex Kenya, Surgipharm, Phillips and Omaera. These four companies are estimated to control 50% of the pharmaceutical market in Kenya. The market these distributors compete for are the wholesalers, retail pharmacies, hospitals and private clinics, NGOs, institutions and the government.

The industry profitability is attractive ranging from 30% to as high as 90%. Laborex Kenya is currently thought to be the largest pharmaceutical distributor in the country with annual turnover of over $60 million.

1.1.4 Laborex Kenya Ltd

Laborex Kenya Ltd is a subsidiary of the Eurapharma Group in Paris, France. Eurapharma is the largest pharmaceutical distributor in Africa, founded in 1949 in Dakar, Senegal. In Kenya, Eurapharma acquired a local pharmaceutical distributor Howse & McGeorge in 1995 and renamed it Howse & McGeorge Laborex and eventually Laborex Kenya Ltd. in 2007. Laborex engages in pharmaceutical distribution and marketing. It has five branches spread throughout the country. Nairobi which doubles up as the headquarters, has two offices, one in CBD which acts as a supply centre for customers in that area and on Mombasa road where the core administration sits and also looks after customers from the Central, Eastern and Northern parts of the country.. Nakuru branch covers the Lower Rift Valley up to Kericho County. Eldoret branch is responsible for customers in the Upper Rift Valley while Kisumu branch takes care of those in Western part of the country. Mombasa branch runs the affairs of the coastal region.

The holding company Eurapharma defines Laborex's high-level strategy and ensures the interests of the Group's various stakeholders remain aligned. Laborex applies cross-functional policies to optimize specific key processes for the company as a whole, notably talent management. Sharing of knowledge throughout the company as well as dissemination of best practice is encouraged. This helps drive creativity, innovation and excellence in process, optimizing the use of resources and to cut costs.

Expertise in retailing and brand management gives Laborex a special know-how when it comes to selling. Supply chain management is another area where synergies are particularly well exploited. By bringing together these exceptional skills, Laborex Kenya has gradually moved the centre of gravity of its core assets into a group of universal and powerful brands focused around quality healthcare products.

Laborex Kenya has more than 120 employees. The top management of Laborex Kenya comprises of three directors, the Chief Executive Officer, the Finance Director and the Marketing Director. The middle-level management is comprised of the human resources, finance, marketing, commercial, regulatory, transit, operations and branch managers. Each branch has a manager all reporting to the Marketing Director. The three directors are responsible for developing the company's strategy and ensuring that the set objectives are met. They are involved in capturing the environmental changes as advised by the middle-level managers and crafting a response to the challenges emanating from these changes.

1.2 Research Problem

Organizations go through various internal change processes throughout their normal life cycle where organizational leaders may create change-driving forces within the organization. For instance, some organizations initiate radical change that results in structural transformation through which organizations attempt to revitalize business orientations (Chandler, 1962; Child, 1972; Miller, 1982; Miller and Friesen, 1982) through changing the reporting structure.

Changes in corporate governance should primarily arise when there is Chief Executive Officer turnover and should depend on the quality of the new Chief Executive Officer relative to the old one. Governance standards should improve when the new Chief Executive Officer is of better quality than the old one and should worsen when on the contrary the new Chief Executive Officer is of worse quality than the old one.

Laborex Kenya's growth opportunity revolves around the immense resources that are readily available within the organization. Laborex has managed to get distributorship for leading pharmaceutical companies with interest in the Kenyan market. Their business achievement is due mainly to their ability to scan the environment and adapt accordingly to meet market demands. Laborex Kenya strongly enforces the tradition of putting a tight control on operating costs and frequently pursues to improve on their business models to increase the organization's financial performance. Change management will therefore continue to attract attention because it plays a central role in the overall success of organizations today be they small or large, profit or non-profit making and even government institutions worldwide.

A number of case studies have been conducted on many companies on change management: Kenya Revenue Authority (Ayuma, 2008), K-Rep Bank (Gathungu, 2008), Department of Immigration (Khamis, 2008), AON Minet Insurance (Kibunga, 2008), Nairobi City Council (Muhia, 2008) among others. Many of these studies are devoted to identifying change factors from both the external and internal environments. As organizations face the dynamic changing environment, they are required to adapt change and in some cases totally transform.

Earlier research examines environmental factors that motivate organizations to change in response to external environmental threats and opportunities and focus on environmental factors that may motivate organizations to change. The studies have discussed change management as the deliberate and coordinated actions taken to transform an organization to overcome environmental challenges in order achieve its objectives. Hence organisations are undertaking change management in order to align their business strategies to match the resources in the environment. No known study has been done on the influence of change management practices on corporate governance at Laborex Kenya. This study therefore seeks to fill in this gap by investigating the influence of change management practices on corporate governance with specific reference to Laborex Kenya. What is the influence of change management practices on corporate governance at Laborex Kenya?

1.3 Research Objective

The objective of this study was to determine the influence of change management practices on corporate governance at Laborex Kenya.

1.4Value of the Study

Findings of the study will particularly make a contribution to theory by providing additional knowledge to existing and future institutions on change management and corporate governance and provide information to potential and current scholars on strategic management in Kenya. This will expand their knowledge on strategy implementation and also identify areas of further study.

The study will be a source of reference material for future researchers on other related topics; it will also help other academicians who undertake the same topic in their studies. The study will also highlight other important relationships that require further research. This study will also be of significance to the pharmaceutical industry.

It would help them understand the influence of change management practices on corporate governance in one of the successful pharmaceutical distributors in Kenya. In practice, this study will establish how one of the local companies managed change so that the desired deliverables can be achieved. Corporate executives can also get an insight into the local experience of managing change.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of change management process, change management theories, change management practices, and corporate governance.

2.2 Theoretical Foundation

Change management encompasses the requesting, determining, attainability, planning, implementing and evaluation of changes to a system. It has two main goals, supporting the processing of change which is mainly discussed here and enabling traceability of changes, which should be possible through proper execution of the process described here. This study addresses change management from a system perspective to change management related to organizational development and people (Crnkovic and Persson, 2003).

Change management is an important process, because it can deliver vast benefits by improving the system and thereby satisfying customer needs, but also enormous problems by ruining the system and or mixing up the change administration. Furthermore, at least for the Information Technology domain, more funds and work are put into system maintenance which involves change management than to the initial creation of a system (Dawson, 1994). According to Hardy (1995), the law of continuing change shows that systems that are used must change or automatically become less useful and the law of increasing complexity indicate that through changes the structure of a system becomes ever more complex and more resources are needed to simplify it.

The organizational environment is nowadays also confronted with many changes due to increasing worldwide competition, technological advances and demanding customers, (Huang and Mak, 1999). Therefore, change management is also of great importance in this area. Change can be approached in two different ways, planned or emergent.

Planned approach puts too much emphasis on managers and their ability to control the outcomes of change programmes (1992). Advocates of a planned change model can be criticized because of their attempt to impose an order and a linear sequence to processes that are in reality messy and untidy, and which unfold in an iterative fashion with much backtracking and omission (Buchanan and Storey, 1997). Planned approaches have typically ignored the role of power and politics in organizational change and, in doing so have limited our understanding and therefore our ability to manage change effectively (Hardy, 1995). This study is anchored on planned change. Theories published so far on planned change are Lewin’s, Schein’s, Lippit, Watson and Westley’s, Kotter’s and Shield’s.

In Lewin’s Model, there is a stipulation for three distinct steps in change management if it is to be effective. These are unfreezing the present, moving from the present and freezing. If this model is not followed, then changes will be short-lived. In other words, you can cause needed change to occur. However, in order for change to be permanent, you must dismantle the present as well as the capability to move back to the present, move from the present to the future and put in place the people and processes to ensure permanency (Lewin, 1951). This model is still relevant in terms of what to do. However, the speed at which it must be done has increased dramatically.

Lewin's Model as an example of planned change, is not a response to unplanned change. Yet it is applicable when unplanned change occurs, particularly if we know in advance that there is some probability that the change will occur. Examples are weather- related disasters such as hurricanes, earthquakes, tornadoes, floods and tsunamis. The U.S. agencies in charge of responses to natural disasters have experienced various structural and reporting changes. However, months after the hurricanes occurred, mobile homes intended for victims of Katrina and Rita in Louisiana, Mississippi and Texas were sitting unoccupied in Arkansas. Perhaps the right organizational leaders, processes and structure need also to be in place.

The three steps of Lewin's Change Model is discussed by Schein (1992, 1985, 1980) as three stages of change and describes ways to unfreeze an organization, move it from the status quo to a future state and freeze the changes. He indicates that for unfreezing to work and for people in the organization to embrace change, they must experience a need for change, i.e., dissatisfaction with the status quo. Then, once the need for change and the desired change are introduced, people will see the gap between what exists and what will exist. Because of guilt and or anxiety, people will be motivated to reduce the gap and achieve the desired change.

In order to be productive and efficiently and effectively accomplish the required change, people must feel psychologically safe. They must be assured that moving or changing will not cause them humiliation, punishment, or losses of self esteem (Schein, 1992, 1985, 1980). Stage Three is Refreezing in Schein's model, and is segmented into two parts – self and relations with others.

In order to make changes permanent, people must personally make the changed way of doing things a comfortable part of their respective self-concepts. They also must ensure that their respective attitudes and behavior are aligned with the system and relationships with others, both of which must become frozen, i.e., permanently changed (Schein, 1992, 1985, 1980).

The terminology and number of steps of Lewin’s Model are expanded and changed by Lippitt, Watson and Westley (1958). Their Phases of Change Theory includes seven steps. The seven steps focus more on the role and responsibility of the change agent than on the evolution of change itself (Lippitt, Watson and Westley, 1958). The seven steps are, diagnose the problem, assess the motivation and capacity to change, assess the motivation and resources of the change agent, choose progressive change objects, select the role of the change agent, maintain the change and finally, gradually terminate from the helping relationship

A model which should be used at the strategic level of an organization to change its vision and subsequently transform the organization was developed by Kotter (1996). Studies using this model have shown that the change process goes through a set of phases. Each phase lasts a certain amount of time and mistakes at any phase can impact the success of the change. Kotter’s eight step approach to change management starts with establishing a sense of urgency. People typically prefer the status-quo. Change means uncertainty about what the future looks like. Uncertainty makes people uncomfortable. Furthermore, people tend to mistrust things about which they are uncertain (Kotter, 1996, 1998).

The second step is creating the guiding coalition. This is similar to interventions in drug treatment. You can try and battle the resistance to change that people have by yourself, or you can make your life much easier by enlisting the help of others. To counteract resistance, one option is to form a powerful coalition of managers to work with the most resistant people (Kotter, 1996, 1998). Third step is developing a change vision. While it is not impossible to get things done without a definite plan of action, it is much simpler if there is a clear plan in place. Since the status quo is more comfortable for most people, they are likely to revert to business as usual and not flow with changes without a plan in place. Creating a vision and the strategies for achieving the vision will help expedite the change (Kotter, 1996, 1998). Forth step is communicating the vision. If people do not know that change is coming or has occurred, they are more likely to resist the change.

The fifth step is empowering broad-based action. Remembering once again that people tend to prefer the status quo and are apprehensive about new experiences, they must be encouraged or inspired to change. This step seems to be an extension. People need to be rewarded when they break away from old behaviors and do something that is new and desirable. Basically it is positive reinforcement.

Step six is generating short-term wins. This is the step where you plan for, create and reward short-term wins that move the organization toward the new vision change (Kotter, 1996, 1998). Step seven is never letting up. By this step, resistance should be diminishing, but actions still need to be observed. So, the change is nurtured and adjustments made as necessary change (Kotter, 1996, 1998). Lastly, step eight is incorporating changes into the culture.

When it comes to work, you can never tell someone enough about all the good reasons why the things they do make them and the company a success. Otherwise, some people will tend to behave as if they have no reason to do anything differently than they did before. So, to make the changes more permanent, reinforce them by demonstrating the relationship between new behaviors and organizational success change (Kotter, 1996, 1998).

Shield's model builds on the idea that when change fails, it is because of insufficient attention to the human and cultural aspects of business (Shield 1999). Shield suggests that there are critical components that are necessary for leaders to change an organization. If a change occurs in one component and one does not align the other components, this will lead to inefficient work processes. This system integrates human resources management with business process innovations. Organizational leaders who are considering change should clearly understand which strategies they want to change and define critical success factors so that they will know the extent to which the desired change is possible. Some of the change models do not address this phase of change. Organizations must communicate the strategic objectives to the work force.

Finally, organizational leaders must review each of the work elements to identify their degree of alignment in support of the business strategy (Shield, 1999). According to Shield (1999), there are five steps to accomplish change. First define the desired business results and change plans, secondly create capacity as well as capability to change, thirdly design innovative solutions, fourthly develop and deploy solutions and finally reinforce and sustain business benefits.

2.3 Change Management Practices

There are different practices of managing strategic change. Whoever is in the position of managing change needs to consider the style of management they adopt. These practices are education and communication, collaboration, intervention and direction. Education and communication, as explained by Johnson, Scholes and Whittington (2008) involve the explanation of the reasons for and means of strategic change. It might be appropriate if there is a problem in managing change based on misinformation and if there is adequate time to invest in persuading people and give them a chance to assimilate the information.

The drawback here is assuming that reasoned argument will overcome perhaps years of embedded assumptions about what really matters especially if there is a lack of mutual trust and respect between managers and employees (Johnson, Scholes and Whittington, 2008).Collaboration is the involvement of those who will be affected by strategic change in the agenda. It is a way of building capability and readiness for change. It fosters a positive attitude to change since people will see the constraints the organization faces as less significant and are likely to take ownership of and commitment to a decision.

The risk here is that solutions will be found from within the existing culture so anyone who sets up such a process may need to retain the ability to intervene in the process (Johnson, Scholes and Whittington, 2008). Intervention is the coordination of and authority over processes of change by a change agent who delegates elements of the change process.

The advantage here is that it involves the members of the organization, not only in originating ideas but also in the partial implementation of solutions. For example, those who originate ideas may be given responsibility for coordinating or overseeing the implementation of such strategic change. This involvement is likely to give rise to greater commitment to change (Johnson, Scholes and Whittington, 2008).

Lastly, direction involves the use of personal managerial authority to establish a clear future strategy and how change will occur. It is essentially top-down management of strategic change. It may be associated with a clear vision or strategic intent developed by someone seen as a leader in the organization. On the flip side, directive style becomes coercion, involving the imposition of change or the issuing of edicts about change. This is the explicit use of power and may be necessary if the organization is facing a crisis (Johnson, Scholes and Whittington, 2008).

2.4 Corporate Governance

A corporate governance system rightly directs its efforts on the firm's resources and capabilities because inefficient accumulation and deployment of these resources and capabilities are the key causes of agency problems. Such inefficiency results from the misalignment of managers' motivation with that of the firm owner, which hinders the utilisation of firm resources and capabilities towards realising their full value. Thus, the effects of corporate governance need to be examined on the basis of the firm's profile of resources and capabilities. The firm must also undertake competitive actions to achieve economic again.

Therefore, it is necessary to first understand the effects of corporate governance on firm competitive actions rather than simply linking corporate governance directly with firm financial performance. And, since firm competitive actions are interconnected, it is more appropriate to examine the governance effects on the overall patterns of firm-level competitive actions than to only investigate how firm strategies in specific areas like Research and Development, internationalisation, etc. are influenced by corporate governance.

Analogically, corporate governance can be viewed as a valve that is installed to control the flow of firm resources or capabilities towards economic value-increasing deployments by reducing inefficient managerial diversions of firm resources and capabilities. Further, among various mechanisms of corporate governance, the board of directors is likely to affect both the motivation and capability of the firm to undertake competitive actions. On the one hand, the board of directors, along with other hand, outside directors may lack the necessary information and ability in effectively monitoring managers even though these directors are supposedly strongly motivated to do so. Thus, the proposed multi-theoretic approach needs to recognise how different dimensions such as motivation and capability of the governance system influence firm-level competitive behaviour. Agency theory has been the dominant logic for corporate governance research due primarily to its effective characterisation of some key governance issues. Numerous empirical studies of corporate governance emerged employing both informal and formal principal-agent logic.

The foundational premise is that effective governance needs to better align managers' own interests with those of owners, thus leading to firm behaviours that are consistent with owners' expectations, and superior firm-level financial performance due to reduction of agency costs (Eisenhardt, 1989).

When examining the effects of corporate governance, empirical research has been conducted at outcome and behaviour levels. At the outcome level, researchers have employed various approaches of firm-level performance and tested hypotheses derived from the agency-theoretic model in numerous empirical settings. A large number of review papers and meta-analyses sum up conflicting empirical findings concerning the relationship between corporate governance effectiveness and firm financial performance. Two possible explanations for such conflicting empirical findings are normally considered.

First, the expected positive relationship between governance effectiveness and firm-level financial performance ignores key linkages between these two constructs. Pettigrew (1992, p.171) observes that great inferential leaps are made from input variables, such as board composition to output variables such as board performance with no direct evidence on the processes and mechanisms which presumably link the inputs to the outputs. At the firm level, the apparent link between input variables such as corporate governance mechanisms and output variables is the competitive behaviour of the firm. Secondly, the relationship between competitive behaviour and firm performance is still subject to the influence of contingent forces such as industry environment.

2.5 Change Management on Corporate Governance

The change models and theories presented in this paper share similar characteristics which are noted in various steps of the models. All of the models identified a process where the organization has to establish a reason and need for change. This step has to start with the leaders of the organization. A company’s challenge is to select the right organizational leaders who can create an atmosphere where people are inspired to go beyond the minimum expectations. People do not want to change unless there is a reason to change. All of the models incorporate the development of a vision or desired business result and movement from the status quo to a future state. Visioning is one of the most important steps of a change process. A good vision helps people in the organization know where they are going. Many organizations have written visions that are published, distributed to employees and hung prominently on the walls. Having a published vision is not enough to direct people to a future state or assist them in getting there.

The leaders have to communicate the vision to the people within the organization and they have to lead by example to make the vision real. When there is a difference in what leaders say and what leaders do, this leads to a loss of trust and faith among the leaders and their people. If the vision of a company is to have the best workforce in the industry and the leaders disregard employee opinions it sends a wrong message (Simonson, 2005). Conventional corporate governance research based on agency theory generally focuses on identifying mechanisms that can achieve effective alignment of interests between managers and owners and on studying the effects of such mechanisms on firm performance or strategic decisions that may lead to increased benefits for firm owners.

The key underlying logic is that efficient governance mechanisms lead to reduced agency costs, thus improving firm financial performance (Eisenhardt, 1989). Literature on corporate governance and change management in the OECD principles (2004) mention that every organisation should define the desired business results and change plans, create capability as well as capacity to change, design innovative solutions, develop and deploy solutions, and reinforce and sustain business benefits. The roles and effects of corporate governance can be carried forward in the field of change management. Although, divergence of interests between managers and owners is likely to be directly manifested in these areas, empirical research in this stream has also generated largely mixed findings, which can also be partially attributed to its over-reliance on agency theory. Shleifer & Vishny (1996) explicitly state that while we pay some attention to cooperatives, we do not focus on a broad variety of non-capitalist ownership patterns, such as worker ownership and non-profit organizations.

Stewardship theory, stakeholder theory and agency theory are all essentially ethnocentric. Although the underlying ideological paradigms are seldom articulated, the essential ideas are derived from Western thought, with its perceptions and expectations of the respective roles of individual, enterprise and the state and of the relationships between them. In the tradition of scholarly corporate governance research, the legal/political/regulatory system and the division of power between directors and shareholders, as set out in corporate constitutions is mostly implicitly accepted as the given state of the world. Major theorists and practitioners have proposed a number of models for change management. These theories can broadly be divided into two groups, planned and emergent.

Planned approach put too much emphasis on managers and their ability to control the outcomes of change programmes. Emergent approach on the other hand is a complex process that occurs over time and is influenced by a number of unpredictable variables. Making a choice on which approach would be better is therefore not easy as this is more dependent on the choice of the management. It would appear however that Kotter's eight step model would be more preferable to use especially in individualistic cultures with high level of distance to power.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents an outline of the research methodology that was used in this study. It focuses on the research design, data collection methods and comes to a conclusion with the data analysis and presentation methods that will be used in this study.

3.2 Research Design

This was a case study which investigated the influence of change management practices on corporate governance at Laborex Kenya limited. This design was most appropriate for a single unit of study because it would offer a detailed in depth analysis that would give valuable insights to phenomena. According to Mugenda and Mugenda (2003), a case study involves a careful and complete examination of a social unit, institution, family, cultural group or an entire community and embraces depth rather than breath of the study.

3.3 Data Collection

The primary data was collected using interview guide. It made it possible to obtain data required to meet specific objectives of the study. The respondents were the Chief Executive Officer, Finance Director and Marketing Director of Laborex Kenya Limited. Given that those interviewed were not many and the researcher required getting in-depth information on issues surrounding the influence of change management practices on corporate governance at Laborex Kenya limited, interview was regarded as the best method. The interview guide gave a clear guidance on what questions to ask.

The interview guide had unstructured questions which were used so as to encourage the respondent to give an in-depth response without feeling held back in revealing of any information. With unstructured questions, a respondent's response may give an insight to his feelings, background, hidden motivation, interests and decisions and give as much information as possible without holding back.

3.4 Data Analysis

The qualitative analysis was done using content analysis. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda and Mugenda, 2003). It involved observation and detailed description of objects, items or things that comprise the influence of change management practices on corporate governance at Laborex Kenya limited.

This research yielded qualitative data from the interview schedules and was analyzed using content analysis because this study sought to solicit data that is qualitative in nature. Data collected was analyzed and compared with the theoretical approaches and documentation cited in the literature review that had already been discussed herein.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis and interpretations of the study findings. The main objective of the study was to determine the influence of change management practices on corporate governance at Laborex Kenya. The main objective of the study was achieved through determination of the change management processes, change management practices and change management on corporate governance at Laborex Kenya.

Data was collected using interview guides administered to Chief Executive Officer, Finance Director and Marketing Director. The choice of these respondents was informed by the senior positions they hold in the organization as well as their service years with the organization. They are therefore knowledgeable and representative enough to give fair account of strategic changes in Laborex Kenya.

4.2 Change Management Process

This section covers the people involved in change management process in Laborex Kenya, changes that have been implemented in Laborex, how change process was viewed by the staff, who was responsible for the implementation of the change process and finally on the role of top management. There are different practices of managing change. Whoever is in the position of managing change needs to consider the style of management they adopt. These practices are education and communication, collaboration, intervention and direction.

4.2.1 People Involved in Change Management Process in Laborex Kenya

The Chief Executive Officer of Laborex indicated that there is a whole system of people in the organization responsible for supporting employees in making this transition. From the highest levels of leadership to front-line supervisor, effectively managing change requires a system of actors all moving in unison and fulfilling their particular role based on their unique relationship to the change at hand. Therefore the main people who have been put to task to handle the roles include the Chief Executive Officer, the Marketing and Finance Directors, Quality Management Representative (QMR), executives and senior managers, middle-level managers and supervisors, as well as project teams. Employees can successfully make their own personal transition when each of these actors fulfills their role in the context of a holistic, planned change management approach.

The Marketing Director pointed out that while implementing strategy, the company has to go beyond just the distributing process and business strategy. It needs to involve all employees, at all levels and not just the decision-makers in order to be successful.

4.2.2 Changes that have been Implemented in Laborex Kenya

The Chief Executive Officer specified that the pharmaceutical industry has long recognized the need to control and properly validate changes to pharmaceutical processes and materials, and the resulting product changes. This change management system has been developed and refined through the process of supplying products to the healthcare industry. The decision to set up a call centre in head office was one of the major changes introduced in Laborex Kenya.

Each branch used to have its own telephone sales team but this was changed to avoid duplicity, cut costs and have control on the activities of this team. Since their responsibility was to call customers and relay their orders to the warehouse, it was envisaged that they could do this from any location without affecting business.

The Finance Director suggested that one of the major changes that have been implemented is to simplify operations and processes, and reduce costs. Laborex Kenya has implemented a methodology on how to integrate itself into its banks' systems where the main aim was to manage the organisation's various accounts across the region. Customer profiling was introduced. This sought to categorise customers into classes depending on their level of purchase, history, credit worthiness and risk.

The Marketing Director testified that they have implemented the V8 IT management systems and planned routing during deliveries. This is a long-term philosophy of growth by generating value for the customer, society, and the economy with the objectives of reducing costs, improving delivery times and improving quality through the total elimination of waste. Lean is heavily based on the principle that continuous improvement can be found through the power of respect for people. The culture on the company is crucial in designing the business system that motivates people to want to improve, teaching them the tools of improvement and motivating them to apply those tools every day.

4.2.3 How Change Process was Viewed by the Staff

The respondents implied that changes in Laborex Kenya were met by resistance from some quarters due to misunderstandings. Some people experienced different work expectations and priorities, fewer resources, reassignment or layoff of colleagues and co-workers, and the emotion of grief or loss. The respondents indicated that loss of attachment impacted on service delivery from the staff. Some of the changes required working with new people, a new manager, or a new work group. A good number of the affected staff found this difficult to adapt to. Attachment and loyalty to familiar colleagues runs deep. Leaving the known to the unknown can often feel threatening. This made some of the Laborex Kenya staff anxious and not to happily welcome change.

As employees tried to understand the changes in process, individual workloads sometimes increased and two phenomena occurred, anxiety and distraction. Each of these can vary in severity and duration. However, most people experienced them at some point in time, sometimes at the same time. This created the need for a heightened awareness of safety and security issues. Lapses in concentration and attention can elevated the potential for accident or error. The managers offered designated times for the work group to talk about the changes that were occurring. Acknowledgment of the need for greater attention to routines and the work environment helped the employees to be more sensitive to these concerns.

4.2.4 Responsibility for Implementation of the Change Process

The Chief Executive Officer was responsible for the overall implementation of change in the company. The Chief Executive Officer had the ultimate responsibility to ensure an effective distribution quality system is in place to achieve the quality objectives, and that roles, responsibilities, and authorities are defined, communicated, and implemented throughout the company. The Chief Executive Officer established a quality management system that describes the overall direction of the company.

The top management was also responsible for determining and providing adequate and appropriate resources (human, financial, materials, facilities, and equipment) to implement and maintain the quality management system and continually improve its effectiveness. They were also involved in ensuring that resources are appropriately applied to specific process, or area.

The Marketing Director indicated that she was tasked in ensuring there was a more elaborate plan on how to introduce the changes. Laborex Kenya having relied heavily on innovator brands, she was also involved in creating the need to have alternative brands to compete and increase sales. She enlisted the help of marketing staff to conduct a survey, creating a clear marketing plan, informing all the people of the new addition, introducing incentives for success in the new line, and lastly reviewing the performance and making adjustments where necessary.

The Finance Director pointed out that the Chief Executive Officer and the directors within the organisation were ultimately responsible for accepting all deliverables of the changes on behalf of the various departments.

They did have a representation on various committees tasked with different projects. The person responsible for the actual implementation within the said department will work closely with the project manager to provide quality assurance of the project deliverables and coordinates the activity of a team of change agents to influence the project, ensuring that the needs and views of the various departments are represented.

The QMR manager was the person responsible for the identification, planning, monitoring and ultimate achievement of benefits associated with the change. This role would continue until all desired benefits are achieved or abandoned. The role of members of staff from the department being affected by the change was to help plan and implement change at ground level and to provide a reality check for change and project managers based on their technical and departmental expertise. Change agents acted as communication channel for key messages and helped identify and resolve technical, functional and organisational risks and issues.

4.2.5 Role of Top Management

The top management participates in overall design, implementation, monitoring, and maintenance of an effective strategic change management in Laborex Kenya. They demonstrate strong and visible support for the quality management system and ensure its implementation throughout the organization.

They ensure a timely and effective communication and escalation process exists to raise quality issues to the appropriate levels of management. Top management is involved in defining individual and collective roles, responsibilities, authorities, and inter-relationships of all organizational units related to the pharmaceutical distribution quality system. They ensure these interactions are communicated and understood at all levels of the organization. An independent quality unit/structure with authority to fulfill certain distribution quality system responsibilities is required by regional regulations. They conduct management reviews of process performance and product quality and of the pharmaceutical distribution quality system. They are involved in advocating continual improvement. They are also involved in ensuring that resources are available for all the operations required for the change process.

4.3 Change Management Practices

This section covers change management practices employed by Laborex Kenya, change management initiatives taken by the management in creating and sustaining a change climate within the firm, how ineffective coordination and poor sharing of responsibilities caused change management practice, role of the change agent, mechanisms to monitor change process, step-by-step process in implementing change, measures taken to correct deviations and consolidate any gains and challenges encountered during the change process.

4.3.1 Change Management Practices Employed by Laborex Kenya

The respondents indicated that in an increasingly complex pharmaceutical distribution environment, it has become difficult to choose the most appropriate change management practice. It was evident however that the systematic method of having every step enumerated was in use in Laborex Kenya. It is preceded of course by communication and education of the staff the change is going to affect. The implementation of change interventions can no longer be based on opinion or individual experience alone. Scientific evidence, built up from good quality research, should be used as a guide, and adapted to each individual organisation's circumstances.

Laborex Kenya used a mixture of ways to institute changes within the organization. Depending on the urgency, the practice chosen would either be education and communication or through direction from the top management. These two practices appeared to be the most common according to the respondents. The latter practice would especially be used if the incoming change is being championed by Laborex Kenya's parent company CFAO.

4.3.2 Change Management Initiatives Taken by Management in Creating and Sustaining a Climate Within the Firm

The Chief Executive Officer specified that early involvement of staff from all levels served to underline the importance of the change being considered and to build support and commitment to its success. At this early stage the emphasis was on setting the ground rules for a successful relationship between the project team and the concerned department. Staff would be encouraged to participate in the change activities.

As a key stakeholder in the change process, the affected department had a role to play in defining business benefits arising from the change. These were usually expressed in 3 ways – what will be done, what will change and finally what difference will it make. According to the Marketing Director, Laborex Kenya has a team of branch and key accounts managers who have responsibility for customer care. The team is well defined, and collaboration needs are actively sought. Being middle-level managers, they have and important role to play. They will need to adapt their knowledge, skills and attitudes to this new role, which integrates best practices in pharmaceutical marketing with customer aspects of client satisfaction, negotiation skills, management and communication skills, active collaboration with medical teams and solving of account management related problems.

The respondents suggested that medicines safety is another important issue in change management process in Laborex Kenya. Because of intense competition among pharmaceutical distributors, products may be registered and marketed in many countries simultaneously. As a result, parallel imports of medicines registered in another country are a common problem. Some of these parallel imports may even involve unscrupulous manufacturers thus not assuring safety of the medicines to consumers.

According to the Marketing Director, Laborex Kenya has to ensure that data derived from sources such as Medicines Information System or the Drug Index, have great relevance and educational value in the management of the safety of medicines. Medicine-related problems, once detected, need to be assessed, analyzed, followed up and communicated to regulatory authorities, health professionals and the public.

The Sales and Commercial Manager in involved in pharmacovigilance which includes dissemination of information. Sometimes, medicines may need to be recalled and withdrawn from a market, a process that entails concerted action by all those involved at any point in the medicines supply chain. Middle-level managers hence have an important contribution to make in post-marketing surveillance and pharmacovigilance.

The respondents testified that formal change management procedures and a formal change notification policy are required to provide pharmaceutical customers with adequate assurance that changes will not be implemented without proper notification and customer acceptance. A good change management and customer notification procedure distinguishes between major changes that require pre-notification and customer acceptance, and minor changes that do not need customer acceptance before implementation and product distribution. Although customer acceptance is not required for minor changes, customers should be notified when the change is implemented.

4.3.3 How Ineffective Coordination and Poor Sharing of Responsibilities Affected Change Management Practice

The respondents implied that for change initiatives to succeed it was vital that the change was owned and led by the service area being affected. Respective managers are responsible for integrating business change with service delivery, ensuring both activities are adequately resourced. At this stage of change initiative, change leaders can actively engage with the change in a number of ways. This can include different departments working together.

The respondents indicated that change is a process that occurs over time and involves themes of loss, uncertainty, and control**.** Adaptation to change comes in phases and reactions fluctuate greatly. Understanding what people typically experience and need when facing transition can help one to plan for the work and personal issues related to change. One of the most difficult tasks managers deal with during times of major change is assisting employees with their reactions. By developing a resiliency strategy, managers can continue to motivate and engage their employees in their work. It became quiet difficult to get the support of different departments when effecting changes in another. The other department often felt they were unnecessarily being disturbed. This slowed and almost always affected implementation of change initiatives cutting across departments.

The respondents pointed out that change is often external and situational, the new manager, the new policy, the reorganization. Unless psychological transition occurs, change will not be successful. Inward psychological transition occurs much more slowly than situational change. Understanding what happens during this transition time, and allowing oneself to work through it, is key to coming to terms with change. The biggest challenge organizations encounter in the change process is the failure to identify losses associated with change and to find a constructive way to deal with those losses.

4.3.4 Role of the Change Agent

The respondents specified that the change agent was responsible in developing employee morale and motivation, including absenteeism, turnover, and the quality of work performed. The methods used include job enrichment, goal setting, and behavior modification.

The major assumption underlying this orientation is that if individuals change their behavior, the organization will also change, provided enough people within the organization change. The respondents also implied that the role of the change agent was to enable people to work effectively as they plan, implement and experience change and increasing people's ability to manage future change. The change agent was also tasked with responsibility of understanding both the business drivers and the organization well enough to identify performance issues and analyze their impact on short and long term business results. He was also responsible in forming partnerships with mutual responsibility for the outcomes of the change effort. The activities of the change agent were blended by pairing them with a representative from each of the departments in the company. They then worked together with line management. They also worked directly with the organization's management team to facilitate change efforts. The change agent worked on changing the organizational culture so as to improve output and efficiency.

The change agent used operations research, systems analysis, policy studies, and other forms of analytical approaches to change the organization's culture and technology. The change agent introduced computerized information-processing systems that helped in searching and keeping records of pharmaceutical products.

4.3.5 Mechanisms to Monitor Change Process

The respondents mentioned that they established indicators of efficiency, effectiveness and impact, then setting up systems to collect information relating to these indicators, collecting and recording the information, analyzing the information and finally using the information to inform day-to-day management.

The respondents pointed out that evaluations were done by self-evaluation which involved an individual or audit team holding up a mirror to itself and assessing how it is doing, as a way of learning and improving practice. It takes a very self-reflective and honest organization to do this effectively, but it can be an important learning experience. There was also participatory evaluation which is a form of internal evaluation. The intention was to involve as many people with a direct stake in the work as possible. This means project staff and beneficiaries working together on the evaluation. If an outsider was called in, it is to act as a facilitator of the process, not an evaluator.

4.3.6 Step-by-Step Process in Implementing the Change

The respondents implied that the step-by-step process of implementing change was done as follows: the first step was planning which was done by developing and documenting the objectives to be achieved by the change and the means to achieve it. Laborex Kenya took stock of their current position, identified what was to be achieved, and what the future position following the change was expected to be.

This was followed by defined governance done by establishing appropriate organizational structures, roles, and responsibilities for the change that engage stakeholders and support the change effort. A committed leadership was put in place at the top and across the organization to guide organizational behavior, and lead by example. Then Laborex encouraged stakeholder participation and commitment to the change. This was done by employing open and consultative communication approaches to create awareness and understanding of the change throughout the organization.

Finally an aligned workforce was put in place which was to identifying the human impacts of the change, and developing plans to align the workforce to support the changing organization.

4.3.7 Measures Taken to Correct Deviations and Consolidate Gains

The respondents indicated that an alternative for addressing the important issue of change mismanagement and for significantly improving the success rate of organizational changes was that they developed the position of QMR Manager in the organization structure. The QMR Manager was responsible for effectively championing the important organizational changes.

The respondents suggested that the QMR Manager was crucial at all levels of the organization. QMR would then be encouraged to champion needed changes, involving the organization in various change efforts when needed, and making them available to help others involved in making changes. This was a simple approach that did not cost the organization much that had a positive impact and it significantly improved the organization's success at making and managing change.

4.3.8 Challenges Encountered During the Change Process

The respondents implied that one challenge that was greatly encountered by Laborex Kenya was lack of understanding of how to successfully manage change, not only by top management, but also by management at all levels and others involved in change efforts.

The people initiating change were visionary leaders, excellent managers, or star employees. However, they had little knowledge of how to manage change which requires excellent instincts about change or training in how to champion and manage change.

It was equivalent of expecting a person to intuitively know how to play tennis or the piano with no training when both require a high degree of skills to do well. With change, even the right changes implemented the wrong way is likely to fail. The Chief Executive Officer pointed out that changing the culture of an organization is always challenging.

At Laborex Kenya, the initial skepticism meant creating a pilot project, which may not be the case for other organizations. Despite the success of the change management implementation, it became clear that momentum was being lost. In particular, there was a notable lack of motivation amongst middle management. Only a few of the middle-level managers cited change management as a factor increasing their motivation for working for the organisation. However, Laborex Kenya is planning to introduce a leadership program that will break this deadlock as well as increase the middle-level management motivation.

The respondents suggested that there were organizational fears. The Laborex Kenya departments were apprehensive about implementing performance management systems due to fears on how the results will be interpreted, what it may indicate about the departments' performance, and a lack of clarity of how it will affect the departments and its employees. This was overcome by clearly communicating to all employees and assuring them of their job security and also training them.

4.6 Discussion of the Study

The discussion of the study is divided into two sections. The first section will look at the link to theory and the next will look at the link with other studies.

4.6.1 Link to Theory

Major theorists and practitioners have proposed a number of models for change management. These theories can broadly be divided into two groups, planned and emergent. Planned approach put too much emphasis on managers and their ability to control the outcomes of change programmes. Emergent approach on the other hand is a complex process that occurs over time and is influenced by a number of unpredictable variables. Making a choice on which approach would be better is therefore not easy as this is more dependent on the choice of the management. It would appear however that planned change model would be more preferable to use especially in individualistic cultures with high level of distance to power.

Laborex Kenya did a lot of planning for the organization before strategic change management was implemented. Laborex Kenya identified that and increasingly complex pharmaceutical environment had made it difficult to compare the effectiveness of different change management practices. Strategic change management practices at Laborex Kenya were a blend of communication and education as well as direction. It was clear from the respondents that all the changes introduced were planned and clearly thought out earlier. Laborex Kenya was tasked with identifying and meeting the changing needs of customers.

It also needed to ensure that consumers can access medicines or pharmaceutical advice easily and, as far as possible, in a way and at a time and place of their own choosing. They can empower clients by engaging them in dialogue to communicate knowledge which enables them to manage their own stocks and accounts.

4.6.2 Link to Other Studies

Change management draws from a number of social disciplines and traditions. Disciplines relevant in understanding organizational change include organizational theory, organizational behavior, human resource management, organizational development among others. Some schools of thought that form the foundation for change management include, individual behavior, group dynamics and open system. Individual behavior holds that behavior is learned and this learning takes place through some external stimuli like reward, punishment and reinforcement. Group dynamics on the other hand looks at individuals as members of a group thus they are a function of the group environment.

At Laborex Kenya, there was a whole system of people in the organization responsible for supporting employees in making the transition. From the highest levels of leadership to front-line supervisors, effectively managing change required a system of actors all moving in unison and fulfilling their particular role based on their unique relationship to the change at hand. Therefore the main people who had been put to task to handle the roles included change management senior executives, senior managers and middle-level managers.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary, conclusion and recommendations from the study findings. The main objective of the study was achieved through determination of the influence of change management practices on corporate governance at Laborex Kenya.

5.2 Summary of the Findings

The pharmaceutical industry has long recognized the need to control and properly validate changes to pharmaceutical distribution, and the resulting product changes. This change management system has been developed and refined through the process of supplying products to the pharmaceutical industry.

One of the major changes that have been implemented is to simplify operations and processes, and reduce costs. Laborex Kenya had implemented a methodology on how to integrate itself into its current good distribution practice where the main aim is to deliver a safe and effective medicinal product and the need to control the pharmaceutical environment.

Lean management systems had been implemented which is a long-term philosophy of growth by generating value for the customer, society, and the economy with the objectives of reducing costs, improving delivery times and improving quality through the total elimination of waste. Lean is heavily based on the principle that continuous improvement can be found through the power of respect for people.

The culture of the company is crucial in designing the business system that motivates people to want to improve, teaching them the tools of improvement and motivating them to apply those tools every day.

Sometimes change requires working with new people, a new manager, or a new work group. Attachment and loyalty to familiar colleagues runs deep. Leaving the known can often feel threatening and make people anxious. As employees try to understand the change that is in process, and as individual workloads sometimes increase, two phenomena commonly occur, anxiety and distraction. Each of these can vary in severity and duration. However, most people will experience them at some point in time, sometimes at the same time. This creates the need for a heightened awareness of safety and security issues. Lapses in concentration and attention can elevate the potential for accident or error. It is beneficial for managers to offer designated times for the work group to talk about the changes that are occurring. Acknowledgment of the need for greater attention to routines and the work environment will help employees to be more sensitive to these concerns.

The Chief Executive Officer is responsible for the overall implementation of change in Laborex Kenya. The Chief Executive Officer has the ultimate responsibility to ensure an effective pharmaceutical distribution quality system is in place to achieve the quality objectives, and that, roles, responsibilities, and authorities are defined, communicated, and implemented throughout the company. The Chief Executive Officer establishes a quality policy that describes the overall intentions and direction of the company.

The top management was also responsible for determining and providing adequate and appropriate resources to implement and maintain the quality management system and continually improve its effectiveness. They are also involved in ensuring that resources are appropriately applied to specific processes or department.

Laborex Kenya was tasked to identify and meet the changing needs of its clients. Pharmaceutical organizations need to ensure that people can access medicines or pharmaceutical advice easily and, as far as possible, in a way and at a time and place of their own choosing. They can empower clients by engaging them in dialogue to communicate knowledge which enables them to manage their own health and treatment.

One challenge that was greatly encountered by Laborex Kenya was lack of understanding of how to successfully manage change, particularly by top management, but also by management at all levels and others involved in change efforts. The people initiating change were visionary leaders, excellent managers, or star employees. However, they had little knowledge of how to manage change which requires excellent instincts about change or training in how to champion and manage change. With change, even the right changes implemented the wrong way is likely to fail.

5.3 Conclusion

The study concludes that for change initiatives to succeed it is vital that the change is owned and led by the department area being affected. Department managers are responsible for integrating business change with service delivery.

This ensures that all activities are adequately resourced. At this stage of change initiative, change leaders can actively engage with the change in a number of ways. Change as a process, occurs over time and involves themes of loss, uncertainty, and control**.** Adaptation to change comes in phases and reactions fluctuate greatly. Understanding what people typically experience and need when facing transition can help in planning for the work and personal issues related to change. One of the most difficult tasks managers deal with during times of major change is assisting employees with their reactions. By developing a resiliency strategy, managers can continue to motivate and engage their employees in their work.

5.4 Recommendations

An alternative for addressing the important issue of change mismanagement and for significantly improving the success rate of organizational changes is to develop change champions throughout the organization, and especially at the top, who can effectively champion important organizational changes.

Organizations can also develop change champions at all levels of the organization, encouraging them to champion needed changes, involving them in various change efforts when needed, and making them available to help others involved in making changes. This is a simple approach that requires minimal time from the regular jobs of change champions and it significantly improves an organization's success at making and managing change.

5.5 Limitation of the Study

Information relating to change management is always treated with sensitivity. This caused difficulties in convincing the respondents of the importance of giving an appointment. This was evidenced in some but not all of the respondents in their initial reluctance to give appointments. To counter the challenge, the researcher had to inform the respondents in advance that the purpose for the research being carried out, was meant for academic purpose only and not for other investigations.

5.6 Suggestion for Further Research

Further research should be enrolled around the strategic change management theories so that organizations can become more aware of them and put them into practice. One may question what kind of change is an organization dealing with, how this change should be managed and which change theory approach should one use to achieve the best results. Making awareness and information of these issues could contribute to make strategic change management more effective and successful.

REFERENCES

Aosa, E. (1996). Management in Africa: Contextual Factors and their Influence, *Nairobi Journal of Management*, .4-23.

Ayuma, I. M. (2008). *Corporate Communication and Change Management A Case Study of KRA. (*Unpublished MBA Project), School of Business, University of Nairobi.

Balogun, J. and Hailey, H. V. (1999). *Exploring Change*. Englewood Cliffs: Prentice-Hall,

Burnes, B. (2004). *Managing Change: An Approach to Organizational Dynamics.* 4th Edition; New Jersey: Prentice Hall.

Cadbury, A. (1992). *Report of the Committee on the Financial Aspects of Corporate Governance*, London: Gee Publishing.

Chandler, A. (1962). *Strategy and Structure*. Cambridge, MA: MIT Press.

Child, J. (1972). *Organization Structure, Environment, and Performance: The Role of Strategic Choice.* Sociology, 6, 2-22.

Crnkovic, T. G. and Persson, E. F. (2003). *Organizational Development and Change,* 4th edition, Minnesota West: St. Paul.

Dawson, P. (1994). *Organizational Change: A Procession Approach.* London: Paul Chapman Publishing.

Deakin, F. and Hughes, M. (1997). *Strategic Management*. 5th ed., Englewood Cliffs: Prentice-Hall.

Frost, R. and Sullivan, S. (2008, December 17). *Strategic Analysis of the Healthcare Industry in Kenya.* Retrieved October11, 2012 from Frost.com:www.frost.com/prod/servlet/report-bronchure

Gathungu, N. K. (2008). *Employee Perception of Change Management at K. Rep*. (Unpublished MBA Project), School of Business, University of Nairobi.

Hardy, C. (1995). *Managing Strategic Change; Power Paralysis and Perspective*. London: IAF Press.

Huang, G. and Mak, D. (1999). An Uneasy Look at Performance Appraisal. *Harvard Business Review*, 13-38.

Johnson, G. and Scholes, K. (2002). *Exploring Corporate Strategy: Text and Cases*, New Delhi: Prentice-Hall.

Johnson, G. Scholes, K. and Whittington, R. (2008). *Exploring Corporate Strategy: Text and Cases*. New Delhi: Dorling Kindersley.

Judson, A. (1966). *A Managers Guide to Making Changes.* London: John Wiley and Sons.

Kazmi, A. (2002). *Business Policy and Management.* 2nd Edition Tata McGraw Hill Kenya Bankers Association Annual Report, 2010

Khamis, T. (2008). *Change Management Practices in Kenya, Department of Immigration*

(Unpublished MBA Project), School of Business, University of Nairobi.

Kiambuthi, M. (2008). *Change Management at KAM*. (Unpublished MBA Project), School of Business, University of Nairobi.

Kibunga, S. (2008). *Change Management Strategies used by AON Minet Ins. Brokers* (Unpublished MBA Project), School of Business, University of Nairobi.

Kiuma, A. (2008). *Change Management at Ngata Mwalimu Cooperative Society*. (Unpublished MBA Project), School of Business, University of Nairobi.

Kotter, J.P. (1996). *Leading Change,* Boston: Harvard Business School Press.

Kotter, J. P. (1998). *The Leadership Factor.* New York: The Free Press.

Lewin, K. (1951). *Field Theory in Social Science: Selected Theoretical*, Kurt Lewin, Ed. Dorwin Cartwright, Boston, Massachusetts: MIT Research Center for Group Dynamics and New York: Harper and Brothers Publishers.

Lippitt, R. Watson, J. and Westley, B. (1958). *Dynamics of Planned Change*. New York: Harcourt Brace.

Mayer, W. (1997). Strategy in action: Techniques for implementing strategy. *Long Range Journal of Planning*. Vol. 21 No.3, pp.67-74.

Metrick, A. Ishii, J. (2002). *Firm Level Corporate Governance,* paper presented at the Global Corporate Governance Forum, Research Network Meeting, Washington, DC April.

Miller, D. and Friesen, P. (1982). A Longitudinal Study of the Corporate Life Cycle. *Management Science,* 30, 1161-1183.

Mugenda, M. O. and Mugenda, A. (2003). *Research Methods*: *Qualitative and Quantitative Approaches*. Nairobi: African Centre for Technology Studies.

Muhia, J. K. (2008). *Change Management Practices Adopted by Nairobi City Council.* (Unpublished MBA Project), School of Business, University of Nairobi.

Pettigrew, A. M. (1987). Context and Action in the Transformation of the Firm, *Journal of Management Studies.* 35, 37-61.

Pettigrew, A., Woodman, R. W., & Cameron, K. S. (2001). Studying organisational change and development: Challenges for future research. *Academy of Management Journal*, 44(5), 697-713.

Schein, E. H. (1980). *Organizational Psychology*. 3rd Ed., Englewood Cliffs: Prentice-Hall.

Schein, E. H. (1992). *Organizational Culture and Leadership.* 2nd Ed., San Francisco: Jossey-Bass. Schein, E.H. (1985), Culture and Leadership, San Francisco: Jossey-Bass.

Shield, J. (1999). Transforming Organizations, Methods for Accelerating Culture Change Processes, *Journal of Information Knowledge Systems Management.*Vol.1, No.2, pp.105-115.

Simonson, M. (2005). Distance Education: Eight Steps for Transforming an Organization, *The Quarterly Review of Distance Education,* Vol.6, No.2, pp.7-8.

Ulrich, D. (1997). *Human resource champions*. Boston: Harvard Business School Press.

Wilson, J. (1992). Performance Appraisal, an Obstacle to Training and Development? Career Development International, *Journal of European Industrial Training,* Vol. 6 Iss:(2), pp 93-100.

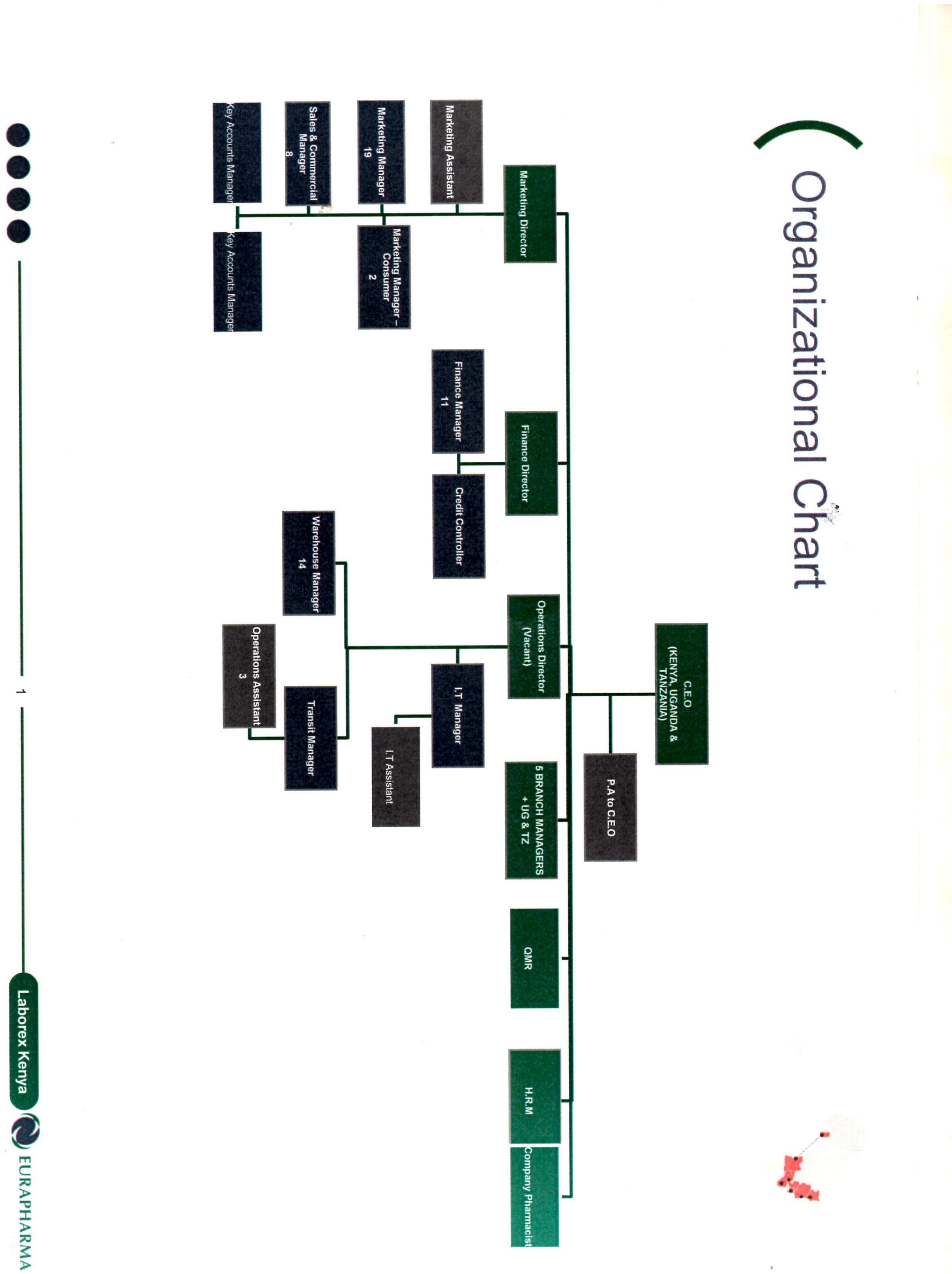
APPENDICES

Appendix I: Interview Guide

1. Who are involved in change management process in your organization?
2. What changes have been implemented in Laborex Kenya that had significant impact?
3. In your opinion how was change process taken by the staff?
4. Who was responsible for the implementation of the change process? What was your involvement?
5. What role does the top management play in the process of change management in your organization?
6. What are the change management practices employed by Laborex Kenya as pertain to your department?
7. What are change management initiatives taken by management in creating and sustaining a climate within the firm?
8. In your opinion how has ineffective coordination and poor sharing of responsibilities affected change management practice activities?
9. What was the role of the change agent and how did this role complement the roles of the line managers?
10. How were the activities of the change agents blended with those of the business unit managers?
11. What mechanisms were put in place to monitor the change process? Who was responsible for their evaluation?
12. In your opinion was there a step-by-step process in implementing the change and if so how?

13. What correction measures were taken to correct deviations and consolidate any gains? Who was involved in consolidating gains and designing the corrective action?
14. What challenges were encountered during the change process? What measures were put in place to overcome these challenges?

Appendix II: Laborex Kenya Organisation Chart



Appendix III: Laborex Kenya Authorization Letter

LABOREX KENYA LTD

eurapharma.com

21st February, 2013

Ref:IK/Labo(K)/1052/13

Robert OLALE
P.O. Box 10575 – 00100
NAIROBI

RE: RESEARCH PAPER

This is in reference to your earlier request to conduct interviews in our organization for purposes of your research project.

We hereby confirm the request has been granted.

Yours faithfully,
FOR: LABOREX KENYALTD

Irene KAIMURI
Human Resources Manager

Cc: All departmental heads

P.O Box 72030-00200 Mombasa Road, NAIROBI KENYA, / Telephone: 254 20 69 39 000 Cell: 254 722 20 30 00, 254 733 33 38 88,254 720 62 20 30,254 720 63 20 30
Fax: 254 020 8000081, 254 020 356 2778 / Email: info@laborex-kenya.com / PIN NO: P051129234X, VAT No: 0112996X / Directors: **Eurapharma-SA, *S.RENARD (Managing) *JEAN-YVES MAZON, JEAN-MARC LECCIA (**Incorporated in France) (*French) / Branches: Nairobi, Eldoret, Kisumu, Mombasa, Nakuru

Appendix IV: Pharmaceutical Distributors in Kenya

1. Ace Pharmaceuticals Ltd
2. Accord Healthcare (Kenya) Ltd
3. Adcock Ingram E.A Ltd
4. Ansell Pharmaceuticals Ltd
5. Armicon Pharmaceuticals Ltd
6. Ariquest Ltd
7. Astrazeneca
8. Autosterile (E.A) Ltd
9. Bayer East Africa Ltd
10. Beijing Hollery - Cotec Co. Ltd
11. Beta Health Care International
12. Biodeal Laboratories Ltd
13. Bioparma Ltd
14. Biotech Pharma Ltd
15. Boehringer Ingelheim
16. British Pharmaceuticals Ltd
17. C. Mehta & Co. Ltd
18. Cadila Pharmaceuticals (E.A) Ltd
19. Caronga Pharma Kenya Ltd
20. Cistein Pharmaceuticals
21. Camet Healthcare Ltd
22. Concepts (Africa) Ltd

23. Consolata Pharmaceuticals Ltd
24. Cosmos Ltd
25. Dafra Pharma
26. Dapco Pharmaceuticals Ltd
27. Dawa Ltd
28. Depo Pharma Ltd
29. Easton Pharmaceuticals Ltd
30. Egypro East Africa Ltd
31. Eldohosp Pharmaceuticals Ltd
32. Elys Chemicals Industries Ltd
33. Eros Ventures Ltd
34. Europa Healthcare Ltd
35. Eurox Pharmaceuticals Ltd
36. FAW Pharmaceuticals Ltd
37. Galaxy Pharmaceuticals Ltd
38. Giant Pharmaceuticals Ltd
39. Glaxo Smithkline
40. Glenmark Pharmaceuticals Ltd
41. Global Net-Medical Ltd
42. Globe Pharmacy Ltd
43. Haripharma Pharmaceuticals Ltd
44. Harley's Limited
45. Highchem Pharmaceuticals Ltd

46. Highridge Pharmacy Wholesalers Ltd
47. Hoffman La-Roche Products Ltd
48. Ham Pharmacy (Wholesale) Ltd
49. Infusion Medicare Limited
50. 1PCA Laboratories
51. Isis Africa Ltd
52. Laskam & Company Ltd
53. Jawamed Pharmaceuticals
54. Jos Hansen & Soehne (E.A) Ltd
55. KAM Industries Ltd
56. Ken- Bangia Pharmaceuticals Ltd
57. Kulal International Ltd
58. Laboratorie & Allied Ltd
59. Laborex Kenya Ltd
60. Leo Pharmaceuticals
61. Lords Healthcare Ltd
62. Lukim Pharmaceuticals Agencies Ltd
63. Mac Lawrence Pharmaceuticals Co. Ltd
64. Namcaughton Ltd
65. Madawa Pharmaceuticals Ltd
66. Manhar Brothers (K) Ltd
67. Masten Pharmaceuticals Ltd
68. Maxim Pharmaceuticals Ltd

69. Medivet Products Ltd

70. Medox Pharmaceuticals Ltd

71. Metro Pharmaceuticals Ltd

72. MICA Pharmaceuticals Ltd

73. Micro Labs Ltd

74. Mission For Essential Drugs & Supplies

75. ModuPharma

76. Monks Medicare Mrica Ltd

77. Nairobi Enterprises Ltd

78. Nairobi Pharmaceuticals Ltd

79. Nila Pharmaceuticals Ltd

80. Njimia Pharmacy

81. Novartis Pharma Services

82. Novelty Manufacturing Ltd

83. Omaera Pharmaceuticals Ltd

84. Pan Pharmaceuticals Ltd

85. Pharm Access Africa

86. Pharma Specialties

87. Pharma Vision Ltd

88. Pharmaceuticals Manufacturing Co (K) Ltd

89. Philips Pharmaceuticals Ltd

90. PSM Pharmaceuticals' Ltd

91. Radiance Pharmaceuticals Ltd

92. Ram Pharmaceuticals Ltd
93. Ranbaxy Pharmaceuticals Ltd
94. Rangechem Pharmaceuticals Ltd
95. Ray Pharmaceuticals Ltd
96. Regal Pharmaceuticals Ltd
97. Riviera Pharmaceuticals Ltd
98. Rup-Pharm Ltd
99. Saicare Enterprises Ltd
100. Sai Pharmaceuticals Ltd
101. Sanofi Aventis
102. Sanofi Pasteur International
103. Samba Pharmaceutical Ltd
104. Sky Pharmacy Ltd
105. Sonal Holdings (K)Ltd
106. Sphinx Pharmaceuticals Ltd
107. Statim Pharmaceuticals Ltd
108. Sunnyland Pharmaceuticals Ltd
109. Sunpar Pharmaceuticals Ltd.
110. Surgilinks Ltd
111. Surgipharm Ltd
112. Syner-Chemie Ltd
113. Syner- Med Pharmaceuticals (K)
114. Swama Ltd

115. Three Pyramids Company Ltd
116. Transchem Pharmaceuticals Ltd
117. Transwide Pharmaceuticals Ltd
118. Trinity Pharma Ltd
119. Twokay Chemicals Ltd
120. Unisel Pharma (K) Ltd
121. Uni Supplies & Marketing (K) Ltd
122. Wellmed Pharmaceutical Ltd

Source: Pharmacy and Poisons Board