STRATEGIC CHANGE MANAGEMENT AT THE NIC-BANK OF KENYA

BY

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DECLARATION

This is my original work and has not been presented in any other institution or forum for any other award or favour prior to this declaration.

Signature:…………………………………………… Date: 04-11-2011……………

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This project has been submitted for examination with my approval as the University Supervisor:

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I would like to acknowledge my supervisor and my classmates for their invaluable support towards accomplishing this project. I am also grateful to the management of NIC-Bank for their support in collecting the data.

DEDICATION

I would like to dedicate this project to my family who have given me a lot of support and encouragement while undertaking the MBA programme.

ABSTRACT

This study is about strategic change management at NIC-Bank of Kenya. It contends that the banking industry in Kenya has been growing very fast in numbers, range of services, number of regulations and also adaptability to complex customer relations; however, there has not been any systematic study or findings on strategic change management. This study, therefore, sought to ask the question, how are strategic changes managed in NIC-Bank in the face of fast changing banking industry in Kenya and what factors influence it?

The objectives of the study included investigating how strategic changes were managed at NIC-Bank, and determining the factors influencing strategic change management at NIC-Bank.

The study findings will contribute to strategic change management at NIC-Bank, and to the generation of knowledge on strategic change management in organizations. Through the findings, NIC-Bank will be in a position to restructure their performance in such a way as to enable them achieve their goals and objectives. In addition, the study will add some knowledge to the existing body of knowledge and open up areas for further research. In addition, the study will contribute to strategic change management theory by discussing competitive rivalry in the banking industry that is aimed at profit maximization by interfusing elements such as the new phenomenon of Mobile Banking and Internet Banking that have been perfected in Kenya and a requisite regulation enacted by the Central Bank of Kenya to the effect. This has necessitated strategic changes in the banking industry.

This study was a case study. The data of the study was collected from 54 NIC-Bank management and staff in the head office and its sixteen branches. The respondents included the branch managers and departmental heads and managers. The data was collected qualitatively using interview schedules and analyzed qualitatively by checking for internal consistency, extreme cases or missing cases. This involved narrative analyses to establish patterns and interrelationships among variables. The data was then interpreted according to emerging themes and presented in the form of narrative.

The study concluded that strategic changes occurred in the bank frequently and these were dictated by internal factors, external factors and technological factors. Micro- and macro level policies in Kenya that included lower inflation rates, lower interest rates charged by Central Bank of Kenya to commercial banks, good performance of Nairobi Stock Exchange, and lower cost of electricity contributed to the changes experienced by the bank.

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CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

This study is on strategic change management strategies at NIC-Bank of Kenya. It contends that organizations devise strategic changes when their objectives can no longer be adequately met within the scope of their present operating environment, and then it will be forced to manage these changes. There are many strategic changes in the banking industry in Kenya that have to be managed.

They are as a result of the new banking regulations; for instance, the Finance Act 2008, which took effect on 1 January 2009 requiring banks and mortgage firms to build a minimum core capital of KShs 1 billion by December 2012. This requirement will help transform small banks into more stable organizations. The implementation of this requirement poses a challenge to some of the existing banks and they may be forced to merge in order to comply. Global financial crisis experienced in late 2008 is expected to affect the banking industry in Kenya especially in regard to deposits mobilization, reduction in trade volumes and the performance of assets or even the declining interest margins, hence reducing the profitability of the banks (Central Bank of Kenya, 2010).

1.1.1 Strategic Change Management

Strategic change means changing the organizational vision, mission, objectives and the adopted strategy to achieve those objectives. It is further defined as "changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy"(Hofer and Schendel, 1978) or as a difference in the form, quality, or state over time in an organization's alignment with its external environment (Rajagopalan & Spreitzer, 1997).

In his age of discontinuity paradigm, Drucker identified four sources of strategic changes that an organization will inevitably face as new technologies, globalization, cultural pluralism, and knowledge capital. He argues that it is now virtually impossible to predict the future by drawing conclusions from the past. The business environment continues to be very fluid; therefore, it is most unlikely to arrive at an accurate prediction of the firm's future operating environment, though it is possible to account for the common strategic changes to organizations (Drucker, 1969).

Drucker's position is further strengthened by the observations of Toffler. Through his argument that technological changes tend to have shorter lifespan with each succeeding generation, the major problem is how firms can adapt to these changes. Sometimes the resistance or acceptance of the changes causes chaos, confusion or even serious problems to the firms and their business environments (Toffler, 1970). This is further observed by Hamel in his concept of strategic decay that he asserts that no matter how brilliant the strategic changes to an organization are, they will pass with time (Hamel, 2000).

Quite often, the strategic changes to firms are transformatory and quite often are brought forth by the changing business environment (Handy, 1989). Timing is therefore critical in both the formulation and management of strategic changes. In NIC-Bank most of the technological changes were imposed by the changes in the banking business environment in the 2000s. In the process of trying to understand the occurrence of changes in quality, or state over time in an organization's alignment with its external environment (Rajagopalan & Spreitzer, 1997).

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1.1.2 Banking Industry in Kenya

The Banking industry in Kenya is governed by 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). The banking sector was liberalized in 1995 and exchange controls lifted. There were forty six banking and non bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests with the increased reserve money, declining interest rates and impact of global financial crises (Central Bank of Kenya, 2010).

Over the last few years, the Banking sector in Kenya has continued to growth in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region, and automation of a large number of services. There is increased competition over the last few years resulting from increased innovations such as mobile banking and Internet banking that has espoused high caliber technology (Tiwari, 2008)

1.1.3 NIC-Bank

NIC Bank is one of the indigenous commercial banks in Kenya that has recorded the best performance since its inception. The Bank's capital base is Kshs. 4.7 Billion and NIC Bank shares are quoted on the Nairobi Stock Exchange with approximately 21,000 shareholders of which 71% are institutional investors. The bank has 17 branches, 9 of which are in Nairobi Area (NIC-Bank Annual Report, 2009).

NIC obtained a commercial banking license in 1995. In order to effectively diversify into mainstream commercial banking, NIC Bank merged in November 1997 with African Mercantile Bank Limited (AMBank), which was then owned by FCS, by way of a share swap. The purpose of this merger was to allow NIC Bank to enhance its market position, provide a broader and more efficient range of services to its customers and increase the returns to shareholders. The bank has grown from a small micro-credit company to a full-blown bank offering variety of services. However, there has not been any systematic study to explore strategic change management strategies used by the bank in order to cope with its fast growing pace (NIC Annual Report, 2009).

1.2 Research Problem

Outstanding companies lose their market leadership when confronted with disruptive technology, hence the need for strategic changes and management of the same (Christensen, 1997). Pascale (1990) observed that strategic change management in a business environment requires that firms should continuously re-invent themselves by encouraging a creative process of self renewal based on constructive conflict. This is further recognized by Peters and Austin (1985) who stressed the importance of nurturing champions and heroes. The same point is stressed by Slywotzky (1996) in his value migrations concept in business environment. He says that businesses are in a state of strategic anticipation of possible future changes in their business environment, hence the need to introduce and manage strategic changes.

The banking industry in Kenya has been growing very fast in numbers, range of services, number of regulations and also adaptability to complex customer relations. The 2008 Banking Act, for instance, forces banks to have attained a minimum of 1 billion in Kenya shillings minimum reserves by 2012 (Central Bank of Kenya, 2010). This will force many banks to merge. In addition, because of the increased competition, the profitability level of banks diminishes resulting to many strategic changes within the specific banks in order to make up. Such cases are not unique to NIC-Bank that has grown from a financial Institution to a vibrant commercial bank through many strategic changes (NIC-Bank, 2010).

Previous studies in establishing strategic changes imposed by competition into organizations are a follows; Gekonge (1999) studied strategic Change management practices by Kenyan Companies with reference to companies listed in Nairobi Stock Exchange and concluded that many companies listed in Nairobi Stock Exchange were still struggling with how to manage change to enhance their per share value, and Rukunga (2003) studied strategic Change Management Practices in Nairobi Bottlers and observed that most of the changes to the firm are as a result of response to external environment and innovative practices and that the company responds to this changes through increased use of technology and deployment of more superior resources.

In addition, Mbogo (2003) focused on strategic change management process in hybrid private public organizations with respect to Kenya Commercial Bank Ltd and concluded that Kenya Commercial Bank managed change by project model, which entailed restructuring operations and rebranding of their products using KES 60,000,000 and increasing the use of ATMs; Mugo (2006) on strategic change management practices in the KPLC Ltd observed that KPLC faced many changes as a result of policy and increasing consumption of electricity in Kenya in addition to vandalism. The company then started surveillance of its installations and rationing of electricity. Amenya (2008), on the other hand, studied management of strategic change at Rift Valley Railways (Kenya) Limited and observed that the reason why the company failed was as a result of poor management of strategic changes, and in crafting new visions. Finally, Ndope (2007) studied strategic change management process at the Nairobi Stock Exchange and concluded that some of the ways that they managed change included the increased automation of activities; for instance, starting of the Central Deposit System and also introduction of legislation in 2006 and 2008 to that effect.

However, there was no systematic study or findings from the foregoing on strategic change management at NIC-Bank. This study therefore sought to ask the question, how were strategic changes managed at NIC-Bank in the face of fast changing banking industry in Kenya and what factors influenced it?

1.3 Research Objectives

The following were the objectives of the study:

i. To investigate how strategic changes are managed in NIC-Bank.

ii. To determine the factors influencing strategic change management at NIC-Bank.

1.4 Value of the Study

The study findings will contribute to strategic change management at NIC-Bank, and to the generation of knowledge on strategic change management in organizations. Through the findings, NIC-Bank will be in a position to restructure their performance in such a way as to enable them achieve their goals and objectives. In addition, the study will add some knowledge to the existing body of knowledge and open up areas for further research.

In addition, the study will contribute to strategic change management theory by discussing competitive rivalry in the banking industry that is aimed at profit maximization by interfusing elements such as the new phenomenon of mobile banking and Internet Banking that have been perfected in Kenya and a requisite regulation enacted by the Central Bank of Kenya to the effect. This has necessitated strategic changes in the banking industry.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents theoretical and empirical literature relating to strategic change management.

2.2 Strategic Change Management

The major issue with strategic change management in the banking sector has been technological changes that have resulted to strategic changes in firms. Companies have to adapt to fast changing technological knowledge that the competitors would use to have a competitive edge. By this decision, the company tries to conquer the ever changing demands of external environment by using existing knowledge more effectively. This is not different from NIC-Bank whose competitors have embraced mobile banking and internet banking technology easily.

In his attempt to unravel the nature of strategic change management, Mintzberg (1998) concludes that there are five types of strategies: strategy as plan - a direction, guide, course of action - intended rather than actual; strategy as ploy - a maneuver intended to outwit a competitor; strategy as pattern - a consistent pattern of past behavior - realized rather than intended; strategy as position - locating of brands, products, or companies within the conceptual framework of consumers or other stakeholders - strategy determined primarily by factors outside the firm; and strategy as perspective - strategy determined primarily by a master strategist. These are the kind of safeguards that a firm such as NIC-Bank that operates in technological turbulence should be wary of.

It could be affected by the states of firms and their external environments. Because the performance of firms might be 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. The state of the firms will also affect the occurrence of strategic change. For example, firms tend to adopt new strategies in the face of financial distress for the purpose of breaking the critical situations. Additionally, organizations would possess structural inertia that they tend to keep their previous structure and strategy (Hannan & Freeman, 1984).

Rajagopalan and Spreitzer (1997) suggest that the external environment could not be constantly decided; it would be decided depending on the decision maker's cognition of external environment. The occurrence of strategic change would be related to their cognition of external environment. Therefore, the factors which affect decision maker's cognition of external environment would also affect strategic change.

2.3 Strategic Change Models

Changes in an organization can be either reactive or proactive. With respect to strategy and change management models, there are two very common theoretical models to that effect: resource-based theory and strategic conflict model. According to Burnes (2004), resource-based model is simply the amount, quality and superior resources that one firm deploys in order to achieve their desired objectives in strategy implementation. This is quite often measured by the resource capability to deliver on the strategic targets. In some instances, the resources deployed cannot be in sync with the changes in the external environment. Strategic conflict theory looks at strategic changes within an organization and managing them is a question of either managing competitors or rivals or just responding to changes in the external environment (Cole, 2004).

There are about three major models on strategic change management. They include behavioral, group dynamics and open systems school. The behavioral school expounded by the psychologists responds to the effect that strategic changes in organizations are as a result of individual actions and can be resolved by individual related management practices. This is reflective of the psychological experiments of B. F. Skinner and Pavlov with dogs. The resolution comes from motivational model as advanced by Maslow (Cumminga & Warley, 2001).

The groups dynamics model of strategic change management talk of change management as a group management paradigm and is responsive to the idea of collective behavior. In this model, for strategic change to be managed effectively, there should be a group-wide management model (Cole, 2004). The open systems theory is an organization model that talks about change management as an all-encompassing process in the organization. This is in the realm of organization vision, mission, resources that the organization deploys to counter certain aspects of change (Mintzberg et al., 1998).

In addition, Fisher's and Kotter's change models are worth mentioning. Fisher's process of transition model explains how people respond to change. Fisher identified eight stages that people follow in succession through a change process. They include anxiety and denial, happiness, fear, threat, guilt and disillusionment, depression and hostility, gradual acceptance, and moving forward. Some people move more quickly through the stages than others, depending on their temperament, life experiences, degree of control and so on. People may regress to an earlier stage depending on their situation (Fisher, 2005).

Kotter identified eight steps that need to be taken in order to manage change successfully. These steps include establishing a sense of urgency, forming a powerful guiding coalition, creating a clear vision, communicating the vision, empowering others to act on the vision, planning and creating short-term wins, consolidating improvements and producing still more change, and institutionalizing new approaches. These steps are based on a solid foundation of communication, empowerment and focus. Once the change has been made, it is important to embed the new approaches so that people do not slip into old habits. Monitoring, feedback and intervention are necessary for a sufficient period after the changes has occurred (Kotter, 1996).

2.4 Forces of Strategic Changes

There are two major forces to strategic changes in an organization; internal and external factors. Some of the factors that necessitate change in an organization include response to demand, mergers, takeovers, failure of suppliers, trading related changes such as exchange rate problems. The internal changes are quite often the desired changes that are done in order to improve customer satisfaction, to enhance efficiency and quality, need for deployment in various capacities, change of mission and goals for better productivity (Kirkpatrick, 1985). The external changes are as result of competition and need to expand the market niche.

According to Peters (1988), globalization, technological changes, knowledge management and cross boundaries collaboration are four factors that are the major forces creating change in organizations. These changes affect decision-making as organizations are forced to recognize that they need leaders who are innovative, creative visionaries who understand the various environments that their organizations are operating in, and are able to differentiate between these different environments. A convergence of international activities such as the increase in overseas production of goods and services; increasing consumer demands in emerging markets worldwide; declining barriers to international trade aided by rapidly changing technology, have created a globalized economy in which inter-dependency among countries has emerged as the norm today. Therefore the hiring practices of companies who are seeking the best talent have changed because the best talent might no longer be resident in the home country.

Technology is like a two-edged sword that can make our lives easier or worse. The Internet has revolutionized the way in which information is exchanged, communication facilitated and commerce conducted. Technology is rapidly changing and effective management demands more knowledge in these areas in order for companies to manage their resources and develop, maintain or keep their competitive edge. While technology has enabled firms to save time and money by conducting business such as negotiations, trade, and commerce real time, it can also facilitate the dissemination of sensitive information about a company's practice, trade secrets and new product development in a matter of seconds. Hackers can breach a company's security via the internet and put companies at risk. Organizations have responded by managing both the opportunities and the risks associated with technological changes (David, 2009).

Knowledgeable workers comprise a company's intellectual capital and are made up of creative people with novel ideas and problem-solving skills. Managing its knowledge assets can give a company a competitive edge as it effectively utilizes the expertise, skills, intellect, and relationships of members of the organization. For example, a company's strategic management efforts can be greatly enhanced when knowledge that is resident in its international talent pool is tapped at its source, since a manager who is closer to the ground and part of the local culture might be better able to sense environmental changes than one who is not. Keeping knowledgeable workers motivated and incentivized by both intrinsic and extrinsic means will cause organizations to re-think and change their benefits and compensation methods and, perhaps, even redefine the traditional view of the employer-employee relationship into something new, such as a company-contractor model, for example (Kotter, 1996).

An important part of knowledge management is effectively managing organization-wide collaboration. Use of appropriate technology and applications can facilitate communication between an organization and its stakeholders, and help in different types of internal and external collaborative processes. This then acts as a force for change (David, 2009).

2.5 Resistance to Strategic Changes in Organizations

Resistance to change is common in organizations. History shows that workers have resisted some of the best-laid plans. A few may openly fight it. Many more may ignore or try to sabotage a manager's plan. In the corporate world, most people, most of the time, resist change. Why? These people believe that change has very little upside for them—in other words, that change is rarely for the better. There are some reasons employees resist change: uncertainty and insecurity, reaction against the way change is presented, threats to vested interests, cynicism and lack of trust, and perceptual differences and lack of understanding (Kotter, 1996).

The process of change has been characterized as having three basic stages: unfreezing, changing, and refreezing. Unfreezing involves developing an initial awareness of the need for change and the forces supporting and resisting change. Because most people and organizations prefer stability and the perpetuation of the status quo, a successful change process must overcome the status quo by unfreezing old behaviors, processes, or structure. This approach includes the use of one-on-one discussions, presentations to groups, memos, reports, company newsletters, training programs, and demonstrations to educate employees about an imminent change and help them see the logic of the decision. Deficiencies in the current situation are identified and the benefits of the replacement are stressed (David, 2009).

Changing focuses on learning new behaviors. Change results from individuals being uncomfortable with the identified negative behaviors and being presented with new behaviors, role models, and support. In this phase, something new takes place in a system, and change is actually implemented. This is the point at which managers initiate change in such organizational targets as tasks, people, culture, technology, and structure. When managers implement change, people must be ready. Refreezing centers on reinforcing new behaviors, usually by positive results, feelings of accomplishment, or rewards. After management has implemented changes in organizational goals, products, processes, structures, or people, they cannot sit back and expect the change to be maintained over time. Behaviors that are positively reinforced tend to be repeated. In designing change, attention must be paid to how the new behaviors will be reinforced and rewarded (Kotter, 1996).

There is need to focus on organizational culture changes as a way of managing resistance to change. Culture and people change in an organization refers to a shift in employees' values, norms, attitudes, beliefs, and behavior. Changes in culture and people pertain to how employees think; they're changes in mind-set rather than technology, structure, or products. People change pertains to just a few employees, such as when a handful of middle managers are sent to a training course to improve their leadership skills. Culture change pertains to the organization as a whole, such as changing an organization from a bureaucratic structure to a more participatory environment which focuses on employees providing customer service and quality through teamwork and employee participation (David, 2009).

To overcome resistance, managers can involve workers in the change process by communicating openly about changes, providing advance notice of an upcoming change, exercising sensitivity to workers' concerns, and reassuring workers that change will not affect their security. In addition, managers are more likely to implement changes successfully if they avoid faulty thinking, inadequate change process, insufficient resources, lack of commitment to change, poor timing, and a culture resistant to change (Fisher, 2005).

There are a couple of other ways to manage resistance to change. Learning to love change is paramount. In addition, innovation, flexibility by empowering people in the organizations and establishing control systems will enable in managing change (Kotter, 1996). Leaders must be willing to embrace change; they must be curious and appreciative of the richness and diversity of other cultures. The must be trust-worthy and flexible; and they must have very strong time management, communication, conflict-management, problem-solving and people-skills in order to effectively manage these drivers of change (David, 2009).

2.6 Challenges of Strategic Change Management in Organizations

Planning and managing change, both cultural and technological, is one of the most challenging elements of a manager's job. A manager can plan in anticipation of a change. Diagnosing the causes of change and structuring a program to promote a smooth transition to the new process, structure, etc. is critical to a manager's success (Burnes, 2004).

Managers need to be aware that organizations change in a number of dimensions that often relate to one another. These dimensions include extent of planning, degree of change, degree of learning, target of change, or organization's structure. Managers need to take steps to set up conditions that permit and even encourage change to occur. Changes may be incremental (relatively small, involving fine-tuning processes and behaviors within just one system or level of the organization) or quantum (significant change altering how a company operates). This dimension relates to the degree to which organizational members are actively involved in learning how to plan and implement change while helping solve an existing problem (Kotter, 1996).

In addition, organizational change programs can vary with respect to the hierarchical level or functional area of which the change is targeted. Some changes are designed to influence top management and assist them in becoming stronger leaders. Other change programs may involve basic learning, such as customer services techniques for lower level employees. Is it very stiff and bureaucratic? Is there a need for emphasis on policies, procedures, and rules? Some organizations are very stiff and bureaucratic and may need to "loosen up." Other organizations may suffer from lack of organization structure. They may need to emphasize policies, procedures, and rules (Kotter, 1996).

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents research design; data collection methods, tools and procedures; data analysis and reporting.

3.2 Research Design

This study was a case study. Research design is the arrangement of conditions for collection and analysis of data in a manner that aims at combining relevance to the research purposes with economy in procedure (Mugenda & Mugenda, 2003).

3.3 Data Collection

3.3.1 Sources

The data of the study was collected from 54 NIC-Bank management and staff in the head office and its sixteen branches. The Management respondents included the branch managers and departmental heads and managers. The other respondents were staff at supervisor and officer levels.

3.3.2 Methods

The data for the study was collected qualitatively using interview schedules.

3.3.3 Tools

An interview guide was used to collect the data. It is a qualitative research method that uses open-ended questions to uncover information on a topic of interest and allows interviewees to express opinions and ideas in their own words (Nachmias-Frankfort and

Nachmias, 1996). It was appropriate for this study because it will allow for clarifications and probing of responses as the interview is ongoing.

3.3.4 Procedures

The interviews were administered directly to the respondents after consent is secured from the respondent.

3.4 Data Analysis

Data analysis is more or less the ways with which to handle the raw data in order to facilitate understanding and reporting of findings to meet the objectives of the study. After the interview schedules are administered, they were then checked for internal consistency, extreme cases or missing cases. The data was analyzed qualitatively. This involved narrative analyses to establish patterns and interrelationships among variables. The data was then interpreted according to emerging themes and presented in the form of narrative.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and analyses of the study. It specifically focuses on the demographic characteristics of the respondents, the context of strategic change management with respect to NIC-Bank objectives and goals, nature of the changes, sources of the changes, impact of the changes, resistance to the changes, and change management approaches.

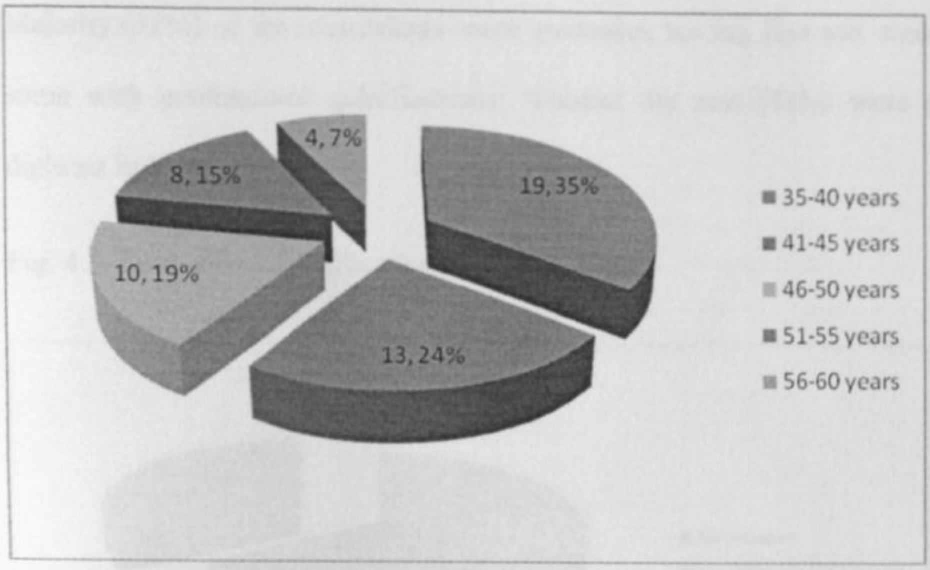
4.2 Demographic Characteristics of Respondents

There were a total of 54 respondents out of the targeted 70, making 75% of the respondents.

4.2.1 Age of Respondents

Al the respondents interviewed were between 35 and 60 years of age. Those between 35-40 years were the majority at 35 %, followed by 41-45 years at 24%, 46-50 years at 19%, 51-55 years at 15% and 56-60 years at 7%.

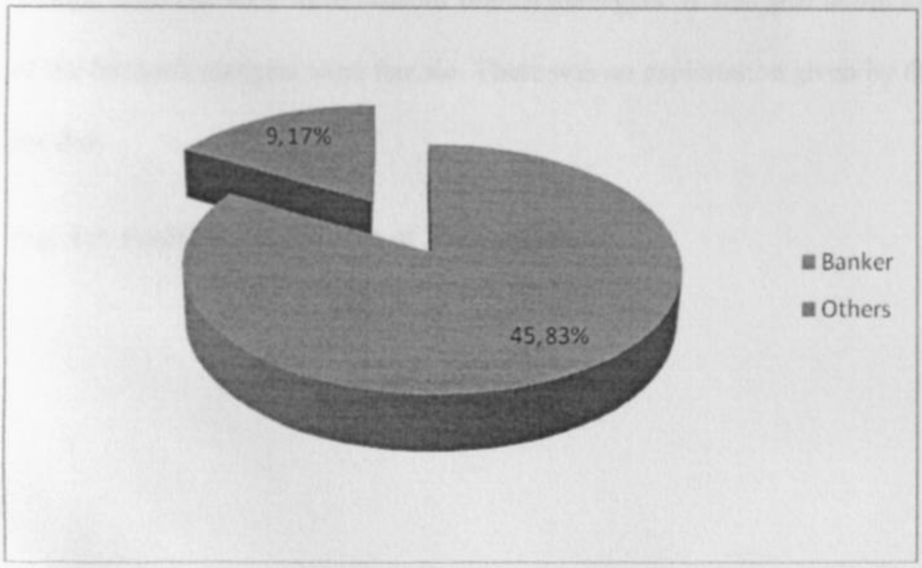
Fig. 4.1: Age of Respondents



4.2.2 Occupation/ Profession of Respondents

Majority (83%) of the respondents were qualified bankers, except those in Technology and operations, HR, and administration and premises, making 17%.

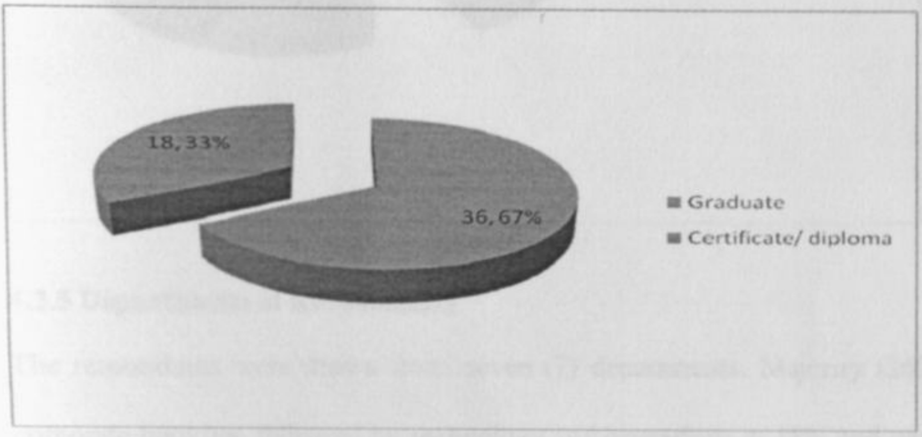
Fig. 4.2: Occupation/ Profession of Respondents



4.2.3 Educational Qualification of Respondents

Majority (57%) of the respondents were graduates, having first and second degree and some with professional qualifications; whereas the rest (43%) were certificate and diploma holders.

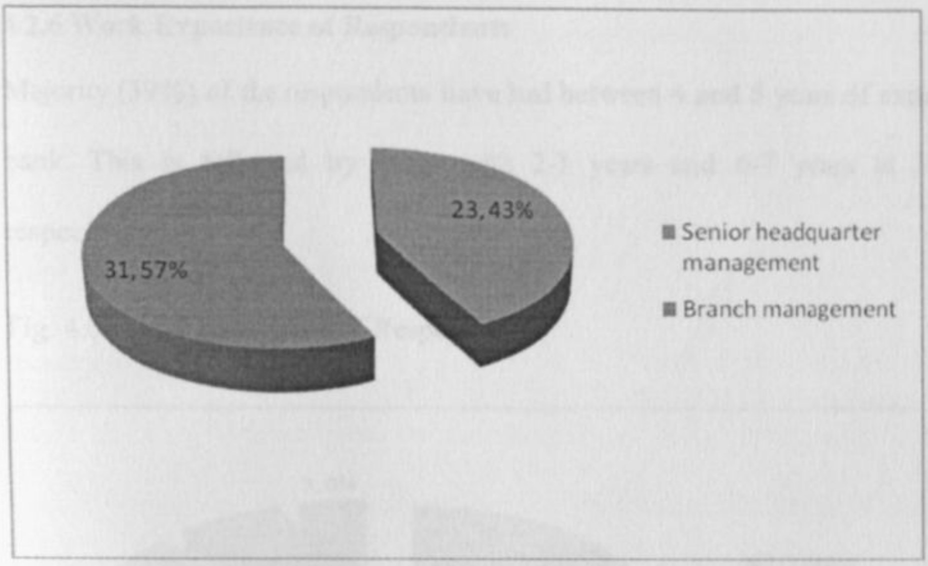
Fig. 4.3: Educational Qualification of Respondents



4.2.4 Position/ Designation of Respondents

Majority (57%) of the resondents were in senior management positions at the headquarter offices, whereas 43% were Nairobi branch managers. It was also worth noting that most of the baranch mangers were female. There was no explanation given by the management for this.

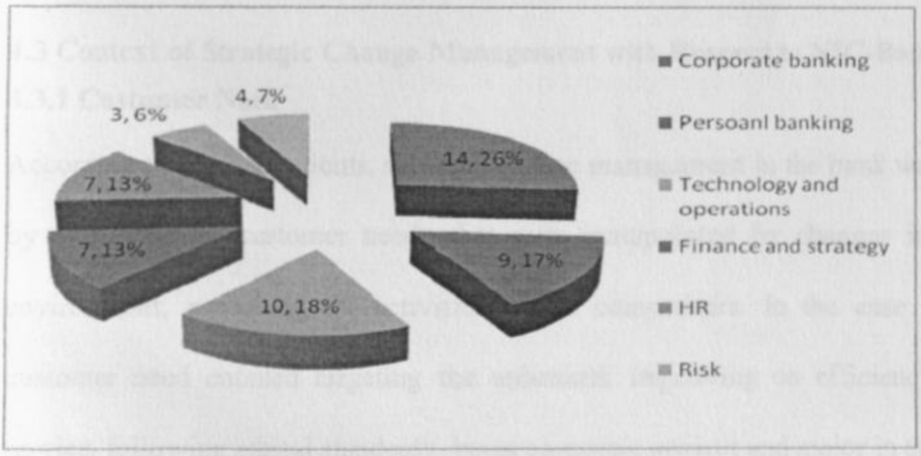
Fig. 4.4: Position/ Designation of Respondents



4.2.5 Departments of Respondents

The respondents were drawn from seven (7) departments. Majority (26%) came from corporate banking, followed by technology and operations at 18% and persoanl banking at 17%.

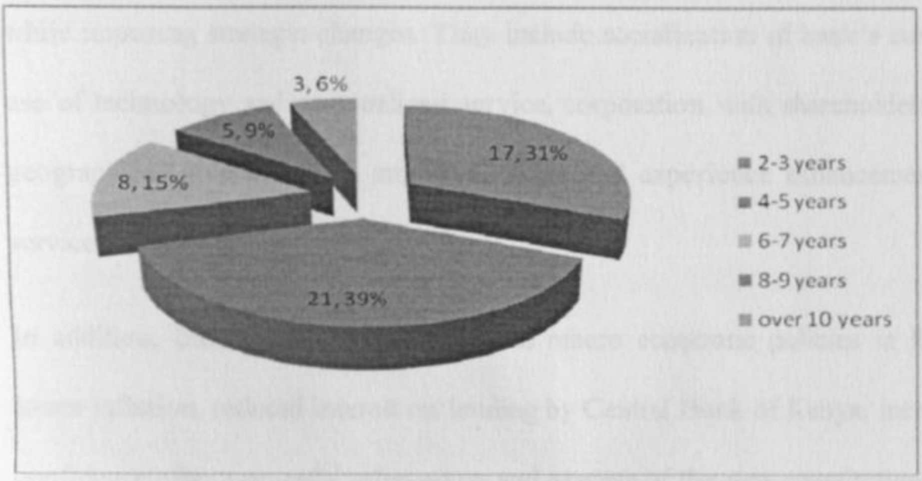
Fig. 4.5: Departments of Respondents



4.2.6 Work Experience of Respondents

Majority (39%) of the respondents have had between 4 and 5 years of experience in the4 bank. This is followed by those with 2-3 years and 6-7 years at 31% and 15% respectively.

Fig. 4.6: Work Experience of Respondents



4.3 Context of Strategic Change Management with Respect to NIC-Bank

4.3.1 Customer Need

According to the respondents, strategic change management in the bank was necessitated by and large by customer needs that were manipulated by changes in the external environment, especially the activities of the competitors. In the case of NIC-Bank, customer need entailed targeting the unbanked, improving on efficiency, satisfactory service, following ethical standards, boost economic growth and major in corporate social responsibility.

The corporate social responsibility component of the bank centred on education, child health, environmental protection and employee welfare. The latter was implemented through constant communication, observing ethical standards, and training.

4.3.2 Fulfilment of Organizational Objectives

There were many factors that influenced the fulfilment of the organizational objectives, while imposing strategic changes. They include socialization of bank's customers on the use of technology and personalized service, corporation with shareholders, product and geographical diversification, employee skills and experience enhancement, and proper service delivery.

In addition, business friendly micro- and macro economic policies in Kenya such as lower inflation, reduced interest on lending by Central Bank of Kenya, increased investor confidence after a peaceful referendum and passage of the new constitution in 2010, good performance of Nairobi Stock Exchange, good weather conditions that lowered cost of electricity and improved people's purchasing power. Finally, improved corporate social responsibility framework also helped to shape strategic changes at the bank.

4.4 Nature of Changes

According to the respondents, there were both positive and negative changes experienced by the bank. In the positive changes, the following were recorded:

- Increased use of technology
- Mobile banking
- Internet banking

- Reporting using International Financial Reporting System (IFRS)

- Growth of the bank as seen in the number of branches that moved from 12 to 16, profit margin and capital base of the bank

The negative changes, according to the respondents, centred on competition. This was more severe in asset finance and interest rates charged. The bank was ever on high alert monitoring the performance of competitors with respect to the same, hence increased work load and stress to the employees.

4.5 Impact of Changes

The changes were reported to have impacted both on the individual employees and the organization.

4.5.1 Impact of Changes to the Individuals

The respondents said that the challenges experienced by the bank affected them in many ways. The positive changes enhanced their professional growth, whereas the negative changes increased their workload. A paltry 1% of the respondents interviewed affirmed that the changes experienced by the bank did not affect them in any way.

4.5.2 Impact of Changes to the Organization

According to the respondents, the changes experienced by the bank affected it in the following ways:

- The bank was forced to develop new products to cater for the ever expanding needs of the customers

- The bank experienced decreased number of customers
- The bank experienced customer retention problems
- The bank was forced to review its interest rates every time to reflect market dynamics

4.6 Source of the Changes

The changes experienced by the organization emanated from internal change of focus by the bank (i.e. strategic changes), external environment and technological changes. The internal changes entailed change of vision from corporate banking to offering variety of services including micro-finance and dividend policy that rooted for ploughing back for the growth of the bank. In addition, the top management played a significant role in initiating the changes. According to the respondents, they decided on the system of change to be effected and also on the financial allocation for implementation and management of changes.

The external environment through the forces of demand and supply, on the other hand, dictated what was happening with respect to the charges for services; whereas technological changes that increased customer convenience and decreased the use of physical banking were very significant.

4.7 Resistance to Changes

According to the respondents, majority of the changes to do with vision, mission and core values did not experience any resistance. However, technological changes faced the strongest resistance from both employees and customers. For instance, most customers did not use their mobile phones to check their balances even if it was the most convenient way to do so, and most employees were not enthusiastic in learning how to use new accounting or banking software.

4.8 Change Management Approaches

There were only tow major approaches to managing change at the bank, according to the respondents: (1) training, and (2) change of mission. The bank was forced to effect trainings for both staff and customers in order to manage the changes. Workshops and seminars were utilized with respect to staff; whereas press advertisements, events and notifications, e-mails and bulk short messages were used for training customers.

In the second approach, the bank was forced to change its mission from purely corporate banking engagement to offering multiplicity of services that included micro-finance in order to be competitive in the industry.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the conclusion to the study and recommendations for further study.

5.2 Conclusion

In the fulfilment of the objectives, the study has been very successful. In the first objective of investigating strategic changes at the bank, the study found that strategic changes occurred in the bank frequently and these were dictated by internal factors, external factors and technological factors.

In the second objective, micro- and macro level policies in Kenya that included lower inflation rates, lower interest rates charged by Central Bank of Kenya to commercial banks, good performance of Nairobi Stock Exchange, and lower cost of electricity contributed to the changes experienced by the bank.

5.3 Recommendations for Further Study

As an extension of this study, there is need for a comparative study in any other banks to ascertain if there are similarities or differences with respect to change management in the banking sector in Kenya.

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