STRATEGIC CHANGE MANAGEMENT PRACTICES AND SERVICE DELIVERY AT THE CO-OPERATIVE BANK OF KENYA

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DECLARATION

I declare that this research project is my original work and has not been presented for a degree in any other university.

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

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(D61/80234/2012)

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

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DEDICATION

This project is dedicated to my entire family for their love and commitment towards accomplishment of my dream. For all those whose encouraging words and good work remains outstanding. Without their love and support my studies would have been impossible to undertake. God bless you and thanks a lot.

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ABSTRACT

The purpose for this research was to establish the strategic change management practices and service delivery at the Co-operative Bank of Kenya. The study highlights the background, the research problem and objectives of the study, research questions and value of study. The study focused on a case study as it required in-depth information from the bank and analyzed the data using content analysis. This study investigated the bank's strategic change management practices employed, identified the driving forces, determined whether the practices adopted impacted on service delivery. The study also embarked on measuring the intensity of the adopted practices on service delivery and whether the bank's management is satisfied with the current method of service delivery. The study revealed that the bank succeed in its strategic change management and succeeded in action and behavior. The study established that management was able to avoid poor management of change as managers operated with the highest ethical standards, process focus and were able to work across functions/units. The top management not only embarked in transforming the bank into a more innovative and successful organization but they also helped to change the environment by getting key stakeholder groups to accept the top management's view of the future as well as supporting it. The management devised methods of transforming the bank into a more innovative and successful bank. As a result of undertaking the strategic change management practices, there was an improvement in measures of performance such as quality, service and speed. This was possible because the management identified the processes that are central to its business and also found ways and means of improving such processes.

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ABBREVIATIONS AND ACRONYMS

BSC	-	Balanced Score Card
CEO	-	Chief Executive Officer
ERP	-	Enterprise Resource Planning
GMT	-	Graduate Management Trainee
IT	-	Information Technology
RBV	-	Resource Based View
RBM	-	Resource Based Management
ROTA	-	Return on Total Assets
ROCE	-	Return on Capital Employed
ROSC	-	Return on Shareholders' Capital

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Organizations are open systems that continuously interact with the environment in which they operate. For organizations to exist within different degrees of uncertainty and adapt to change in the environment, change agents use structures of their organization to minimize the impact of the environment (Burnes, 2004; Robbins, 1990, p. 206). A clear understanding of the general external environment and competitive environment allows the company to understand the changes going round and this in turn help the organization to develop and adjust strategy and plans in order to take best advantage of identified opportunities and perform to the best of its ability.

French and Bell (1978) views change as a long-range effort to improve an organization's problem solving and renewal processes, particularly through a more effective and collaborative management of organization culture, with emphasis on the culture of formal work-teams. Thompson (1997) argues that strategic change arises out of the need for organization to exploit existing or emerging opportunities and deal with threats in the market. The strategic fit will match the activities that would be undertaken by the organization and those of the environment. A turnaround change needs major structural changes or major cost cutting programs to deal with a decline in financial performance or difficulty or changing market conditions (Bullock et al., 1985). In turnaround managers anticipate the need for transformational change and may plan evolutionary change.

The banking industry has not been left behind in this process. There has been so many technological changes and challenges in the 21st century such that the banking industry need to re-invent itself, become more innovative, have a paradigm shift and strategies in order to survive. Since 2011, the Co-operative Bank of Kenya has spent considerable time in refocusing the corporate business within the performing sectors of the economy and business process improvement so as to remain competitive in the industry and also be able to meet needs of their customers.

1.1.1 Management of Strategic Change

Lynch (2009) points out that management of strategic change is a proactive management of change in an organization so as to achieve clearly indentified strategic objectives. Change can be triggered by various factors such as shifts in the environment, new business relationships, and shifts in technology or changes in the leadership of the organization. In other words, strategic change management is a problem solving activity (Comstock, 2006). The problem is the future state to be realized, some current state to be left behind and some organized process for getting from one state to the other.

Fishman (1997, p. 72) points out, that the world is changing with incredible speed and until recently, organizational leaders thought that change was an event (Kanter, 1991).

Change is however, now viewed as an ongoing process triggered by multiple variables (Poole, 1998) and appears to be replacing stability as a key trait of forward-looking organizations.

Tichy (1983) articulated various categories such as technical, political and cultural forces and (Jick, 1995) identified competitive pressures and pursuit of competitive advantages as accelerator of change. John Harvey-Jones (1993) stated that change is easier to manage when there is an element of danger present in an organization and therefore an obvious need for change of setting up working methods to meet changing circumstances. There is no one way of managing change and as noted by Johnson et al. (2008) the approach taken towards managing strategic change need be context dependent.

One of the major challenges in achieving strategic change can be the need to change the often long standing mindset or the taken for granted paradigms or assumptions (Giola and Thomas, 1996). The objective of any change management is to maximize benefits while minimizing the risk of failure during the change implementation. Ansoff and McDonald (1990) views strategic the approach to strategic change management as being structured and systematic towards achieving a sustainable change in human behavior within an organization. It is also the ability of an organization to anticipate and respond to opportunities or pressures for change both internal and external, is one of the most important ways in which competitive advantage could be gained.

The major problem that managers face in managing change is the tendency towards inertia and resistance to change. People will tend to hold on to the existing way of doing things which may lead to strategic drift. Giola and Thomas (1996) point out that a manager takes substantive change demands seriously and consider the existing identity and image. This raises a particular challenge to management when the action required is outside the assumptions and beliefs of the members of the organization.

1.1.2 Service Delivery

Service delivery is getting services as effectively and as quickly as possible to the intended recipient. Stenzel J. and Stenzel C. (2003) say that in most instances service delivery implies a degree of excellence on the part of the organization. Managers therefore need to understand among which activities they undertake are important in creating value and which ones are not. Organizations achieve competitive advantage by delivering value to customers. Mintzberg and Quinn (1991) define service delivery as a set of technology components that provide capabilities.

Strategic capability often lies in the day-to-day activities that people undertake in organizations, and developing the ability of people to recognize the relevance of what they do in terms of the strategic capability of the organization is important. Organizations create transformational leadership teams who have the knowledge, insight and experience to help organizations create a flexible, scalable and cost-effective platform for delivering functional and business–enabling processes. Pfeffer and Salancik (1978) indicate that improvement in service delivery is also informed by the need to grow and expand services, take advantage of opportunities or merely to implement new knowledge which can come up with action plan.

In order to achieve successful change management, managers define measurable stakeholder aims, create a business course for the achievement (which should be continuously updated), monitor assumptions, risks, dependencies, costs, return on investment, dis-benefits and cultural issues affecting the progress of the associated work.

1.1.3 Commercial Banks in Kenya

A commercial bank is a type of a bank that provides services such as accepting deposits, making business loans, and offering basic investment products. According to Aburime (2005) a commercial bank can also refer to a bank or a division of a bank that mostly deals with deposits and loans from corporations or large businesses, as opposed to individual members of the public. Commercial banks and Mortgage Finance Institutions are licensed and regulated pursuant to the provisions of the Banking Act and the Regulations and Prudential Guidelines issued by the Government of Kenya. In Kenya the commercial banks dominate the financial sector.

In a country where the financial sector is dominated by commercial banks, any failure in the sector has an immense implication on the economic growth of the country. Thus, there is need to take precautionary and mitigating measures to ensure survival and continuity of these banks. Management of commercial banks must ensure that their banks become profitable and enjoy sound financial performance. Despite the good overall financial performance of banks in Kenya, there are a couple of banks declaring losses (Oloo, 2011). Others have complained of reduced market share and reduced earnings for the shareholders. There is also a reduced employment opportunity which translates to decline in economic growth this in turn eliminates additional investment and hence increases the poverty level of the country. The current banking failures and liquidation motivated this study to evaluate business processes of banks in Kenya.

1.1.4 Co-operative Bank of Kenya

Co-operative Bank of Kenya is a commercial bank in Kenya and a financial institution that offer financial services. It is one of the commercial banks licensed by the Central Bank of Kenya, the national banking regulator. The bank was established in 1965, initially as a cooperative society. The banking license was granted in 1968. The Kenya Government directed all cooperative societies in the country to transfer their deposits to the Cooperative Bank of Kenya and that all cooperatives buy the bank's shares.

The bank serves the banking needs of individuals, small businesses and large corporations, focusing on the needs of cooperative societies in Kenya. It is 100% privately owned by over 57,000 Kenyan shareholders. Out of this, Co-operative Societies and Unions own 84%, while individual members of co-operatives own the remaining 16%, making Co-op Bank the largest private indigenous bank in Kenya. In 1977, the bank opened its first subsidiary: Cooperative Finance Limited. In 1989, the bank converted to a fully-fledged commercial bank and increased its products menu.

The bank has the second highest customer base in Kenya with over 3.2 million accounts as of December 2012 and a total assets of U$2.35 billion (Kshs. 197.7 billion), with shareholders' equity valued at approximately U$345 million (Kshs29 billion). The bank serves the banking needs of individuals, small businesses and large corporations, focusing on the needs of cooperative societies in Kenya. In 2010, the bank was awarded "Best Bank of Kenya" by the London Financial Times due to their excellent growth. The year 2011 was characterized by a difficult macro-economic environment especially second half of the year with Kenya's economic growth declining to an estimated 43% compared to 5.6% in 2010 (Central Bank of Kenya, 2011).

Despite the hard economic times the bank repositioned itself for future growth and aligned to the county government structure increasing the branch network to 100 branches and 426 ATM locations. As of June 2013, Co-operative Bank of Kenya was the third-largest financial services provider in Kenya, by asset value, behind Kenya Commercial Bank and Barclays Bank of Kenya. At that time its total assets were valued at approximately U$2.01 billion (Kshs.168.3 billion) with shareholders' equity in excess of U42560 million (Kshs. 21 billion) and controlled about 8.2% of all bank assets in Kenya and had the second highest customer base with over 3.5 million accounts.

The bank has in the recent past opened nine new branches as part of Kshs.500 million expansion plans to give the lender a presence in all the 47 counties. Some of the new branches opened so far include: Yala, Malaba, Oyugis, Ruiru, Embakasi Junction, Kawangware 46, Othaya and Molo and a branch in Juba Southern Sudan. Apart from branches, the bank also intends to set up shopping malls while increasing its agents' network to above 3,500. Under the Agency Banking Model 1800 Agents have been operationalized and the bank continues with the roll out.

1.2 Research Problem

A firm may find itself with declining performance due to various external and internal factors. Top managers believe that such a firm can survive and eventually recover if concerted efforts are made over a period of time to fortify its distinctive competencies.

Revolutionary changes, which are usually the result of a crisis, call for deep changes in one or more of the organization's strategic areas, for example products, markets, financial, organizational and personnel. Participative business makeovers reject the top-down approach to re-engineering in favour of a middle group where the managers and workers come together to re-design business processes.

The objective of any change management is to maximize benefits while minimizing the risk of failure during the change implementation. Many of the major decisions at the heart of strategic management lead directly to significant change within the organization (Kimathi, 2011). Maregwa (2003) did a study on the effects of business process re-engineering on service delivery at the Co-operative Bank of Kenya and found that business re-engineering improves business processes. Kiptoo (2008) did a study of strategic management change at the University of Nairobi and established that strategic change management practices if successfully implemented provides survival in the turbulent times. Lang'at (2011) studied the Kenya Revenue Authority and how change in the environment was handled and came up the conclusion that change depends on how well it is handled. (Chune, 1998) studied strategic change management at the Interim Independent /Electoral Commission and the impact it had on the stakeholders and hence established that the human side of change is very important in order for change to succeed.

The Co-operative Bank of Kenya (Co-op Bank) initially formed to serve the co-operative movement in Kenya was confronted with internal and external issues that led to declining performance in 2000 (Kimathi, 2011). This study therefore seeks to investigate causes of the decline in performance, the strategic change management practices adopted to successfully halt decline and return the Bank to profitability and the challenges encountered in the implementation process and how they were overcome. What were the strategic change management practices that were adopted by the bank? What was the influence of the practices on service delivery?

1.3 Research Objectives

This study had two objectives

To establish the strategic change management practices adopted by the

Co-operative Bank of Kenya

To determine how strategic change management practices adopted influences service delivery by the bank

1.4 Value of the Study

This study is significant to the financial institutions and co-operative societies in Kenya. More specifically the study would help Co-operative Bank of Kenya Ltd. to embrace strategic management practices in order to achieve competitive advantage. The bank would be able to know how to tackle changes in both internal and external environment and at the same time know how to deal with challenges to change management. The study facilitate theory building in other areas of strategic management by testing whether practices stipulated in literature review could be applied at the Co-operative Bank to assist in implementing its business process re-engineering projects and therefore help in maintaining and sustaining a fair market share.

The study is of great importance to stakeholders in the banking industry in understanding the dynamics of managing change and also regulating it. This is important because change is not something that just happens, but must be planned in a proactive and purposeful way to keep an organization current and viable. To the researcher, this study is useful as she has added knowledge learnt from strategic change management and would be able to apply the new ideas and experiences to practical work environment. The researcher intends to conduct further research studies in strategic change management in order to build more theories.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides a review of various strategic change concepts and previous studies which have focused on management of strategic change. It aims at comparing and contrasting the different author's views on strategic change management, relating this study to conclusions drawn, highlighting any gaps and summarizing on the specific gap that this study will strive to contribute to. Two theories that could facilitate strategic change will be discussed in this study.

2.2 Theoretical Foundation of the Study

Change generally implies innovation, in the basic sense of introducing something new into an environment. The strive for efficiency is mandatory in case an organization is to succeed. Complexity theory id decidedly a new way of looking at things, and as such seems to quantity the need for change. This includes the rearrangement of jobs, roles, and structures. It also includes rearranging systems. Burns and Stalker (1961) identified what they termed mechanistic and organic systems of organization. Mechanistic systems had a tendency for operations to be dominated by superiors and were seen by the authors as being appropriate for conditions of stability. Organistic systems of organization, by contrast, were seen as suitable for changing conditions.

2.2.1 Resource-based View

Resource-based view is an approach to achieving competitive advantage that emerged in 1980s and 1990s, after the major works published by (Wernerfelt, 1984) on the Resource-Based View of the Firm. The RBV suggests that the resources possessed by a firm are the primary determinants of its performance, and these may contribute to a sustainable competitive advantage of the firm (Hoffer and Schendel, 1978; Wenerfelt, 1984). According to Barney (1991), the concept of resources includes all assets, capabilities, organizational process, firm attributes, information and knowledge controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness (Barney, 1991; Daft, 1983).

The supporters of this view argue that organizations should look inside the company to find the sources of competitive advantage instead of looking at competitive environment for it. According to RBV proponents, it is much more feasible to exploit external opportunities using existing resources in a new way rather than trying to acquire new skills for each different opportunity. In RBV model, resources are given the major role in helping companies to achieve higher organizational performance. Penrose (1959) states that firm development is an evolutionary and cumulative process of resource learning, in which increased knowledge of the firm resources both helps create options for further expansion and increase absorptive capacity. She regards a firm as more than an administrative unit and a collection of productive resources which includes both physical and human resources.

There are two types of resources, that is, tangible and intangible assets (Barney, 1991). Also there are o are two critical assumptions of RBV that is, the resources must be heterogeneous and immobile. The first assumption is that skills, capabilities and other resources that organizations possess differ from one company to another and if it were not so, organizations could not employ different strategies to outcompete each other. What one company would do, the other could simply follow and no competitive advantage could be achieved. Therefore, RBV assumes that companies achieve competitive advantage by using their different bundles of resources.

The second assumption of RBV is that resources are not mobile and do not move from company to company, at least in short-run. Due to this immobility, organizations cannot replicate rivals' resources and implement the same strategies. Intangible resources, such as brand equity, processes, knowledge or intellectual property are usually immobile.

2.2.2 Competitive Advantage

In practice, all organizations are in competition in one form or another. Porter (1980) points out that the key aspect of the firm's environment is the industry or industries in which it competes. He argues that the intensity of competition in an industry is neither a matter of coincidence or bad luck, but more a question of how that industry is structured. He then proceeds to analyse the structure of an industry in terms of five basic forces, which are threat of new entrants, threat of substitutes, bargaining power of the buyers and that of the suppliers and rivalry among current competitors. Porter's model is now used by many organisations as an important element in their strategy formulation, and especially in their assessment of strengths and weaknesses.

Most organizations compete through price where goods and services of a comparable quality are offered at a lower price. Firms also compete by means of lower costs, where comparable goods or services are produced with lower unit costs, thus offering the competitor the prospect of higher margins on competitive prices, and putting them in the position of being able to lower prices. Porter (1985) insists that satisfying buyer needs may be prerequisite for industry profitability, but in itself it is insufficient.

Peters (1987) view in thriving on chaos is that nothing is predictable. Peters points out, among other things, to the volatility of currency markets and energy prices, to the ever-growing numbers of new competitors, to unsettling impact on everything of technology and to changing tastes among consumers. The outcomes of these pressures, according to Peters, include uncertainty, more choices, market fragmentation, product/service explosion, and demand for quality, more complexity and the mid-size firms.

Business portfolio planning involves understanding the sources of competitive advantage for firms and implementing strategies that exploit their internal strengths, through responding to environmental opportunities, while neutralizing external threats and and avoiding internal weaknesses. Porter (1980, 1985) state that most sources of sustained competitive advantage has focused wither on isolating a firm's opportunities and threats describing its strengths and weaknesses (Hofer and Schendel, 1978; Penrose, 1958, Stinchcombe, 1965), or analysing how these are matched to those strategies. A business enterprise can develop strategies in all of its main functional areas, that is, product strategies, market strategies, financial strategies and general strategies. Each of the principal strategies can be seen as a choice between a range of further options between two strong polar positions. Most business enterprises opt for one polar position or the other, but some adopt half-way positions, which Porter (1985) calls '*being stuck in the middle',* which he personally views as an unsatisfactory situation. The portfolio, or selection, of options made by a firm may not always be consistent, and Kanter (1989) points out that tension may exist between different strategies and this is a cause of problems for firms.

2.3 Management of Strategic Change

In the process of managing change at the strategic level, the companies that have been successful have shown an ability to harness the external forces bearing on them and their own internal strengths. Goldsmith and Clutterbuck (1985) noted that in trying to isolate what organizations did best enabled them to innovate where it matters. To avoid poor management of change (Kanter, 1984) suggests that there are seven skills and sensibilities (including ethical ones) which must be cultivated. These are as follows: managers must operate with the highest ethical standards, have process focus, able to work across functions/units, be flexible and make connections with the skills of others, gain satisfaction from results and be willing to stake their own rewards on them.

Peters (1988) proposes prescriptions for managing change as innovation, survival and management by objectives. Barker (1993) said that whatever the perception of strategic change, it means entering into a new territory and playing the game by the new rules. A paradigm shift then and whether welcomed or resisted, the paradigm shift needs to be managed. Due to the growth of technology, modern organizational change is largely motivated by exterior innovations rather than internal moves. When these developments occur, the organizations that adapt quickest create a competitive advantage for themselves, while the companies that refuse to change get left behind. This can result in drastic profit and/or market share losses and the entire company must learn how to handle changes to the organization.

Hardy (1993) points out that managing strategic change entails unfolding new linear dynamic processes during strategy implementation. This involves changes or alignment and re-alignment of policy, system, styles, values, staff and skills of an organization to realize strategy. Johnson et al. (2008) points that how change is managed will depend on the magnitude of the challenges faced in trying to effect strategic change. It is useful to consider the type of change required, the wider context in which change is to occur, the specific blockages to change that exists and the forces that exist to facilitate the change process.

Zingales (1998) points out that the ability to manage and adapt to organizational change is an essential ability required in the workplace today. Yet, major and rapid organizational change is profoundly difficult because the structure, culture, and routines of organizations often reflect a persistent and difficult-to-remove "imprint" of past periods, which are resistant to radical change even as the current environment of the organization changes rapidly. With the business environment experiencing so much change, organizations must then learn to become comfortable with change as well.

2.4 Strategic Change Management Models

Several authors have advanced various models to describe the process through which organizations can undergo change. The models cover the two approaches to change, the planned and emergent change. Each model attempts to describe the process though which organizations successfully alter their business practices, their organization structure or their organizational climate. Some models for planned change are as follows:

Kotter (1996) proposed an eight step model and argues that successful change goes through the eight stages which involves establishing a sense of urgency, forming a powerful guiding coalition, creating vision, communicating the vision, empowering others to act on the vision, planning for and creating short term wins, consolidating improvements, producing still more change and institutionalizing new approaches.

Bullok and Batten (1985) summarizes the steps into four broad stages namely: exploration phase which involves awareness of need for change, planning phase which involves understanding the problem, collecting information, setting change goals and designing action plan. Action phase involves arrangement for managing change, feedback processes and finally integration phase involves consolidating and stabilizing change and reinforcing new behaviour.

Lewin (1951) proposed a three step model in managing change process which include unfreezing previous behaviour by dismantling those factors that supports or maintain the previous behaviour. The second step involves the change itself which involves introducing a clear and appealing option for new patterns of behaviour. Finally, the refreezing stage requires that changed behaviour be reinforced both formally and informally in the organization. It involves consolidating new practices.

Other models have contributed to emergent approach to change such as: Dawson (1984) advanced the processual model. This includes the conception of the need for change which may be in response to some external or internal pressure or through a belief in the need for change. Temporal aspects of change are used as means of breaking down the complex process of organizational change into manageable portions. It is also a period in which relatively stabilized systems of operations emerge, comprising of new patterns of relations and new forms of working practises

2.5 Strategic Change Management Practices

Strategic changes are prompted by both internal and external factors. One of the organic (adaptive) ways in which organizations can bring about change is by means of an organization development program, which have been described by (French and Bell, 1978) as a long-range effort to improve an organization's problem solving and renewal processes, particularly through a more effective and collaborative management of organization culture with special emphasis on the culture of formal work-teams.

Pearce and Robinson (1997) state that managers need to create awareness and understanding, by effectively communicating to stakeholders of the benefits, details of change and successful implementation. They have to let it become part of their beliefs and integrate teams and manage people training.

Quinn (1982) argues that managers consciously and proactively move forward but incrementally. The planning phase which involves understanding the organization problem or concerns begins and planning cannot be successful if the force that make things happen is missing, therefore a leader or change agent determines whether change efforts succeeds or fails. Their programmes involves patterns of change such as creating awareness, solidifying progress, creating commitment, managing coalitions, empowering champions, integrating processes measurement and rewarding key players.

There is need for possession of an array of skills and techniques to cope with environmental change and complexity and strategic thinking to accommodate need for flexibility and have to lead from the front. Choi and Lee (2002) points out that the resource management issues such as organizational learning are recognized as central, particularly in fast changing conditions. Successful firms may be those that have grown the dynamic capabilities to readjust required competencies continually. In effect their competence becomes that of learning and development.

Johnson et al. (2008) say that benchmarking can be used as a way of understanding how an organization's strategic capability, in terms of internal processes compare with those of other organizations. Organizations may consider their performance in relation to previous years in order to identify any significant changes. The danger is that this can lead to complacency since it is the rate of improvement compared with that of competitors that is really important. The leader explains why change is happening, define change objectives and scope, help select right people for the team and ensure adequate resource allocation.

Forces of change are anything that increases organization's momentum to implement change. These forces vary in intensity depending on the situation. These could be external pressures toward change, dissatisfaction with present situation, momentum toward change as well as motivation by management. Such scenarios prompt top management to check on the business area that needs to be changed and also embark on the journey to recovery. An analysis of the operational details may reveal problems or concerns and hence a need for change. Therefore it is upon the management to choose to act or just sit and wait for the evitable.

Once a problem has been identified an approach to change is chosen as different stages of changes require different strategies. Change may be planned or emergent. Planned changed is aimed to help an organization to move from one fixed state to another through a series of pre-planned steps. There are a few people who do not see the need for change and therefore resistance appears massive. To any manager, people focus offers the most serious of challenges and therefore has to devise strategies for overcoming opposition to change. This is because there is a new set of behavior required and also defined relationship with others as well as new work procedures and job skills.

The greater the impact on the existing culture the greater the resistance and the more difficult it is to implement change. The organization also needs to change its policies, procedures, organization structures, work flows and operational activities. An attempt to initiate change by a series of orders and commands is likely to be met by either active resistance or more passive avoidance whereas a manager has to set up working methods to meet changing circumstances. These changing circumstances need to be understood by everyone.

In order for successful change management to occur, change agent need to create awareness and understanding by effectively informing the various stakeholders of the reasons for the change and benefits of successful implementation as well as the details of the change. This involves explaining the reasons why a change is necessary, why things need to be done differently and then try to convince people so that this becomes part of their beliefs. When faced with change in their organization, it has been observed that people will often attempt to deal with the situation by searching for areas of change they can understand and cope with in terms of the existing culture. They will attempt to minimize the extent to which they are faced with uncertainty by looking for what is familiar. This will usually be as true as anybody else.

Change management processes may include creative marketing to enable communication between changing audiences, as well as deep social understanding about leadership's styles and group dynamics. Organization change aligns groups' expectations, communicates, integrates teams and manages people training. Successful change management is more likely to occur if it benefits management and hence realization to define measurable stakeholder aims, effective communication that informs the stakeholders of the reasons for the change and the benefits of successful implementation.

Effective education, training and or skills upgrading scheme for the organization may be used to counter resistance from the employees and align them to overall strategic direction of the organization. There is provision of personal counseling (if required) to alleviate any change-related fears as well as monitoring of the implementation and fine-tuning as required.

In addition, the human capital management process must have a credible performance measurement criterion, for example a reward structure. In order to integrate the new processes, there is a greater chance of success if change is gradual and have longer time frame. Some organizations' only chance for survival depends on radical change and if change is introduced swiftly. To evaluate the change programme standards of performance are developed and designed to measure the degree of change and impact on the organization. However, the organization has to continue scanning the environment to adjust to the changes and turbulence in the environment if it were to sustain competitive advantage

2.6 Service Delivery and its Measurements

The measurement of strategic performance is primarily about assessing the extent to which a strategy has achieved its broad goals. Thus, the measurement is just as likely to be qualitative as quantitative in nature (Cole, 1997). Assessing whether the organization has done the right things (effectiveness) is just as important as doing things right (efficiency). The key areas of concern that organizations must focus on when measuring their strategic performance are corporate strategy, objectives, policies and review procedures, strategic business unit objectives and efficiency in the use of resources as allocated.

Tichy (1983) points out that practice shows that evaluation of performance is an extremely complex, difficult and highly political process in organization and there is a need for clarity about why you do it. Good evaluation always carries the risk of exposing failure and it is an emotional process. Evaluation needs to be acceptable to the organization and informal evaluation will take place whether managers plan for it or not. Questions may be how many, not what works.

The measurements must include feedback from both internal and external customers. The leadership must take special interest in figuring out it the expectations are being met or even better still, being exceeded and if those responsible are being held accountable. The people aspect is crucial. Without the right persons holding the right jobs and performing to the required standards, it becomes difficult to drive a culture of service excellence. It is easy to make promises but difficult to keep them because everyone is involved in service delivery, whether internally or externally.

Any employee that does not show the desired attitudes and behaviourt should be a key concern to the leadership and action must be taken as service standards are not adequate as a stand-alone; they must be supported with mechanisms for accountability and incorporated in the procedures and policies. Once the standards have been set and it is clear who is accountable for what, measurements must be put in place. Buzzell and Gale (1987) stated that while it is expected that Results-based Management will lead to positive outcomes, since most efforts often try to improve the prevailing condition; this is not always the case. Thus, it is important to manage for results that can truly have a real and meaningful improvement on prevailing conditions.

On the other hand, Finkelstein and Hambrick (1996) states that the learning model does not suddenly adopt strategic change but is perpetually seek it. It uses learning, experimentation and communication to renew itself constantly. However, managers may increase driving forces in order to attain change in the short-run although this may however result in instability (Gold et al., 1984). RBM provides a sensible measurement tool and develop user-friendly information systems. The results are then used for learning and managing as well as for reporting and accountability.

Peters and Waterman (1982) gives examples of yardsticks of efficiency that indicate how well the management of an enterprise has utilized the human, physical and financial resources at their disposal. Some such yardsticks that assess overall corporate performance are Return on Total Assets (ROTA), Return on Shareholders' Capital (ROSC), Return on Capital Employed (ROCE), Profit margin on sales, and Earnings per share. Successful change management is more likely to occur it benefits management and the realization to define measurable stakeholder aims.

Schneiderman (1987) proposes a balance score card to be used to evaluate the performance of a firm in the process of implementing its strategy. A BSC is a method in which a firm can formulate its strategies using different measures for its performance. Kaplan et al. (1992) say that firms should not use financial results alone as an indicator of success or failure in their activities rather they should focus more on the big picture on the performance of the firm. Managers should provide effective communications which informs various stakeholders of the reasons for change, the benefits of successful implementation as well as the details of the change.

2.7 Strategic Change Management and Service Delivery

Changes which disrupt day-to-day routines and threaten the maintenance of performance standards will be greeted negatively by highly conscientious people unless steps are taken to facilitate the transition (Denrell, 2004). These assessments operate either to create a motivational boost to do what is necessary to overcome the "capacity to learn" barriers to change. This is putting effort into mastering the change as quickly as possible, thus accelerating the slope of the recovery curve, or to decelerate the recovery curve and prolong the duration of performance problems subsequent to a change.

In other words, leaders need to provide the appropriate support that enables conscientious individuals to maintain their personal performance standards. Once change is introduced, both the content as well as the process quickly operates to shape people's beliefs about what is happening, leading to the exertion of effort on behalf of or against the change effort. Furthermore, people whose jobs have been affected by change may be affected emotionally and hence leaders need to be alert to how different people respond to change related stress. Schein (1964) states that one attitude that strongly influences followers' responses to change are how committed employees feel to the organization and its goals, often referred to as organizational commitment.

Given the importance of organizational commitment, one thing to be considered is the perception of fair treatment in as far as allocation of rewards, pay or promotion is concerned. French and Bell (1978) say that what determines an individual's capacity to attain the behaviors required or dictated by organizational change will be whether the person possesses the knowledge or abilities to perform at the new level and also psychological, physiological and emotion capacity to adapt to the new requirements. For example, many a change initiative is accompanied by massive amounts of training. This is in recognition that the new behaviors will require new knowledge, skills, or both.

Many organizations miss out on the full benefits of service excellence by presuming that it the responsibility of frontline staff. They fail to recognise that service excellence must be fully entrenched as a culture across the entire organization. The leadership must get involved and their involvement goes beyond identifying service excellence as a core value, a strategic pillar, or one of the organisational objectives. A leadership that is involved constantly communicates its commitment to service excellence. They become an inspiration and a living example of what service excellence really is and together with their teams, they continually look out for opportunities to improve the service. The service standards for both internal and external service must be clearly defined, for example understand customer expectations, set standards that meet those expectations

and live out the standards as a daily promise.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter represents the techniques, methods and approaches which the researcher will use to collect data in order to achieve the intended results. Research methodology is a systematic way of solving the research problem. It guides and gives direction to be followed in order for the researcher to get answers to issues in which he is concerned (Kothari, 2004).

3.2 Research Design

Creswell (1994) points out that a research design is a plan that guides the research in collecting, analyzing and interpreting observed facts while Kothari (2004) states that a case study helps the researcher get an in depth understanding of the phenomena under study as it places more emphasis on a full contextual analysis of events. For this study the researcher used case study so as to establish the strategic change management practices adopted by the bank and to determine whether the practices adopted had any impact on service delivery. Case study was chosen to assist in learning of complex strategic management concepts by way of describing in detail a challenging environment or situation.

3.3 Data Collection

Qualitative data was collected for the purpose of this research. The data obtained was both primary and secondary. Interview guide with unstructured (open ended) questions was used to collect primary data. Probing and clarifications were possible in this method and it allowed interviewees to express their own feelings and opinions on management of strategic change at the Co-operative Bank of Kenya. The interviewees included the managing director, operations manager, credit manager, financial controller and human resource manager. Secondary data was obtained from other sources including the turnaround framework paper 2012-2015 of the Co-operative Bank of Kenya and financial regulatory policy paper 2004.

3.4 Data Analysis

The data that was obtained from the field was in raw form and hence difficult to interpret. The researcher summarized the data, putting it into categories, coded it and key-punched it into a computer, to enable her make sense of the data. Editing was done in order to rectify errors that may affect results. Content analysis was used to analyze data and according to (Kombo and Tromp, 2006) content analysis systematically describes the form or content of written or spoken material. Classification system was developed to record the information and assisted in interpreting the results and the frequency with which a symbol or idea appeared. The frequency was then interpreted as a measure of importance giving attention to emphasis (Mugenda O. and Mugenda A., 2003).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and interpretation on the change management practices adopted by the Cooperative Bank of Kenya and discussion. The findings of this research were meant to establish the strategic management practices adopted by the bank and to determine how strategic management practices adopted influences service delivery by the bank. Both primary and secondary data were collected by the researcher. The qualitative data was subjected to content analysis and the researcher made inferences from the views of the respondents in order to come up with this report.

4.2 Change Management Practices adopted by the Bank

The first objective of this study was to establish the strategic management practices that were adopted by the Co-operative bank of Kenya. When the interviewees were asked what informed the need for organizational change at the bank, the interviewees revealed that the bank was experiencing a decline in performance due to various external and internal factors such as rapid developments in the environment, market demands and internal processes among which are technological changes. The interviewees revealed that the prevailing scenario prompted the top management to check on the business areas that needed to be changed and also on how to embark on the journey to recovery.

Major decisions on how to tackle changes in both internal and external environment revealed that change at the bank must be planned immediately and in a proactive and purposeful way. The interviewees argued that this was to help the bank move from the fixed state of decline to a more profitable state through a series of pre-planned steps that would keep the bank current and viable. The interviewees were asked to describe how the bank planned to go through change and they explained that the bank embraced Lewin's action research model which refers to programs and interventions designed to solve a problem or improve a condition whilst solving the issues in question.

The other model used was Porter's model that assisted the bank to isolate its opportunities and threats while capitalizing on its strengths while minimizing its weaknesses and identifying matching strategies. The interviewees explained that change at the bank began with systematic diagnosis of that current situation and realized that bank had a strong strategic positioning in the market place, powerful and supportive shareholder structure and institutional capacity to succeed, but was performing well below its market peers who lacked similar advantages.

The interviewees revealed that after this notable identification of the problem, the bank embraced Kotter's 8 step model where a sense of urgency was created by establishing a powerful guiding coalition that created a new vision for the bank. The vision was communicated by top management where they empowered others to act on the vision, the top management ensured that planning and creating of short term wins was done by everybody. When the interviewees were asked how exactly this was achieved they explained that sectional heads were responsible for consolidating improvements, producing more change and institutionalizing new the approaches.

It was revealed from the study that sectional heads convinced the stakeholders why things needed to be done differently and why it was important for the stakeholders to belief in need for change, while constantly chipping away at people's views of what was necessary in order to guarantee survival. The interviewees revealed that steps were planned in regard to cost reduction, business growth and customer acquisition initiatives in order to forestall decline. This opportunities the bank may face during the change process and hence the groups' expectations were aligned, integrated and people training managed.

The person leading change is the most important force for change. When the interviewees were probed about this, they revealed that their leaders created capacity for them to adapt quickly and also become customer focused. They said that they were encouraged to continually carry out environmental assessment in order for them to adapt quickly to fresh developments and new strategic change. Interviewees were in agreement that this practice minimized the extent to which they felt uncertain as they were initially looking for what they were familiar with. The practice therefore assisted them embrace change and ensured a world-class customer experience, cultivation of strategic partnerships, strengthening of the bank's IT platform, enhancement of performance culture and aggressive entry into new market segments.

When probed further the interviewees said that they discovered that a readiness assessment that was carried out gave insights into the challenges and possible solutions to the problems that they were facing. The interviewees exposed that the readiness assessment involved articulation, communication and setting up of a team to monitor the implementation of competitive strategy using a system interlinked with the long-term vision of the bank. When change process started the top leaders at the bank took responsibility for the human side of the change and the CEO's office immediately put in place customer service structures that removed from CEO's office any form of selection of any customer when delivering service and hence made it easier for decisions to be made by people responsible for operations and services thereby invoking participative management.

Managers coached and facilitated their employees by changing their leadership styles and the way they interacted with them which resulted into professionalism, credibility and trust in their skills by all parties involved. Top leaders described the team that they worked with as young and as highly trained and therefore hailed them for being at the heart of the bank's success. Top leaders also helped their staff with the implementation of a balanced scorecard which promoted a new cultural shift with staff spending more time driving and talking about business performance. The practice helped to alter the culture of the bank and the top leaders made their mark as transformational leaders pushing for change and growth.

The interviewees revealed that the line managers managed the day-to-day process of change, translated overall goals of the change into specific actions which were undertaken by all staff. This was aimed at reassuring the troops and paving the way for the acceptance of other changes that were more revolutionary such as growing by acquisition rather than only through innovation. Interviewees revealed that the bank changed its policies, procedures, organization structure, work flows and operational activities and the change process was monitored and significantly contributed change capacity of the bank. To do this, the management depended and still depends on an array of skills and techniques to cope with environmental change and complexity.

When asked what other initiatives that were used by the bank, interviewees outlined benefits management and measurable stakeholder aims coupled with effective communication as some of the strategies used to achieve the bank's goals. They revealed that the bank invested on younger and professional staff, transforming the executive suite of the bank inside out and created accountable management team, whose focus was on business growth.

The CEO with his Christian-faith orientation was also instrumental in the success of the bank, which at the time of carrying out this study boasted over 3.3 million account holders in its 120 branches nationally. The culture had been that of taking service in the bank as part of a higher calling to fulfil God's purpose for the present generation and the bank has been registered as "The Kingdom Bank" as trading name. As the CEO puts it, "Kenya is a prayerful nation right from the top and that this specific attribute has brought a very clear sense of discipline in the bank and introduces a clear moral-ethical beacon for staff discipline".

It was revealed from the study that the bank has forged several strategic partnerships with institutions and companies in deployment of its mobile banking platform and the bank has continued to innovate and roll out additional value added services such as e-Banking as well as rolling out its agency banking channel like 'pesa kwa jirani' as a critical strategy for growing its customer base. Interviewees revealed that bank had over 5000 agents in the market, serving customers. This additional distribution channel had continued to enable the bank to enter new market in a more cost efficient manner, mobilizing deposits from these markets while proving the much desired convenience to its customers.

Similarly, the interviewees revealed to the researcher that credit decisions are made by independent credit committees right from the branches to the Board of Management Credit Committee and this has resulted in the bank reducing its portfolio-at-risk from a high of 30% in 2011 on much smaller loan book to the current 4% which is well within the industry average and on a loan book of over Kshs.120 billion. In addition, the bank established a credible human capital management process where reward structure and especially at senior level was changed from having to depend on the whims of the executive management. This created fiefdoms where those seen to be close to the seniors had a free hand to lord over others.

When probed further the interviewees said that Human capital was recognised as a key growth pillar to performance. The bank took intense focus towards performance management in order to become more effective and efficient. This included the introduction of performance based culture, with the CEO leading from the front. Interviewees revealed that each member of staff was challenged to introduce five new customers to the bank every month and that no wonder the bank had over 3.3 million accounts. This was made possible because when the CEO was leading on account opening, staff members could not afford to be seen to be struggling with their targets, particularly when they were hired for that specific role, an interviewee commented on the performance yardstick.

In summary, the interviewees revealed to the researcher that due to increased business pressures, the need for better business execution and retention of competitive advantage the bank embarked on devising innovative solutions that ensured that the processes delivered real results and improved performance. Regular appraisals were conducted for all employees and the level of competence and skills required for all jobs were specified. The bank saw performance management as a continuous process which was more than employee performance appraisal or review but as a means to execute better on business strategy, and do more with less resources. Standards of performance were developed and designed to measure the degree of change and impact on the organization.

4.3 Strategic Change Practices and Service Delivery

The second objective of this study was to determine how strategic change management practices adopted influenced service delivery by the bank. When interviewees were asked what informed the need for the bank's organizational change, they revealed that this was in conformity with Davenport's argument that business processes have to be improved in order to increase effectiveness and efficiency in service delivery. Interviewees revealed that the bank's timely identification of the problem helped all the stakeholders in finding new ideas to solve the problems facing the bank thereby reducing the bank's costs and improving its competitiveness. The bank's aim of adopting new strategic change management was to enhance quality service to their customers. The changes in the delivery of service were actually as a result of fundamental rethinking and interlinking of efficiency, productivity and competitiveness. This was done by redesigning business process through introduction of contemporary measures of performance like cost, quality, service and speed.

The interviewees revealed that effective communication served as a link in setting and communicating clear performance expectations and facilitated the flow of information across all departments and to all those who needed the information. The leadership of the bank consulted one another to make informed decisions that helped in raising the bar of performance and setting of new standards that made the bank achieve its goals. The change management practices used assisted in attracting, developing, motivating and retaining the best people thereby supporting excellent performance. When interviewees were probed further, they revealed that compensation was linked to performance unlike before when it depended on the whims of top management and brought about discontentment amongst staff. The employees were also assisted in identifying career paths and new methods of evaluating performance and delivery of incentives in a fair and consistent manner helped in motivating staff.

The interviewees in this study were asked whether there were any implications on service delivery due to how the stakeholders responded to change and they revealed that the willingness to change and the expected outcome was influenced by factors such as faith in the feasibility of the change, belief that it was necessary and it was not going to threaten their personal interests. This enhanced the certainty of being qualified to do a good job and development of employees' positive attitude towards change. The management's invitation to participate in decision making enabled them understand the change and strategies that once implemented would help meet financial targets and certain business thresholds. Some of the strategies entailed assisted in getting the right people in the right places in the business.

Interviewees revealed that the adopted practices provided appropriate learning and development opportunities, setting of target and recognizing and rewarding of achievement and also led to employees' involvement in the development of the business and flexible working procedures and policies that encouraged equality and diversity. When asked what they thought about forming strategic partnerships with the people involved in the change process, the interviewees revealed that the bank management recognized human capital resource as a key growth pillar and took measures to improve staff performance.

The management had chosen a group to create new units like risk management and was mandated to comply with government regulations, adherence to standards, ethics and anti-corruption regulations, as the risks of doing business today are higher and included litigation. When probed further on this, the interviewees revealed that the capacity created by their leaders assisted them adapt quickly and also became more customer focussed and this made them to continually assess the environment in order to keep up with their customer needs and expectations.

It was evident from the study that the alignment of the change management with the groups' expectations helped remove the uncertainties usually associated with change and this made all stakeholders support change. The realization that individual performance was being documented; fairness in compensation career planning decisions, skill development and learning activity choices was key to the management motivated the staff. Productivity was optimized by aligning individual employee's day-to-day actions with strategic business objectives. It also provided visibility and clarity in accountability relating it to performance expectations motivated by a new performance based reward structure that was introduced.

Interviewees explained that improved service delivery by the bank was through the adopted renewal practices that enabled the bank to constantly improve the internal efficiencies like Enterprise Resource Planning. The ERP system managed and audited internal processes and corporate governance. This was done by integrating both front and back office operations and setting various committees responsible for various aspects of business such as risk management, finance and human resource.

When the interviewees were asked whether there was a need for the bank to form strategic partnerships they argued that bank realized tremendous success through strategic partnerships and this informed the conscious decision to renew and strengthen its bonds of partnership with the co-operative movement. The partnerships enabled the bank to retain the co-operative movement as loyal clients and shareholders, and in turn assisted the bank to largely raise additional capital from the movement to fund business recovery and growth. To-date this partnerships continues to flourish, and to buttress its operations, the bank has consistently invested in the tools, systems and channels required to deliver great business performance even in lean business periods.

On empowerment of teams the interviewees revealed that a graduate management trainee (GMT) programme was developed and was used as a development and learning ground for many current leaders in the bank. Training and development equipped the stakeholders with the skills that enabled them handle change. Staffs were also empowered with knowledge on the organization policy and the operation of the entire organization. Interviewees revealed that the top management adopted the practice of as participative business makeovers where the top-down approach to change was rejected in favour of a middle group. Through this model, workers and managers were able to come together to redesign the business processes and increase the bank's competitive advantage and leverage on innovation.

When asked about their opinion on the processes developed by the bank, the interviewees revealed that the bank's embrace on technology had improved its operations by offering a technology platform – a switching system to enable customers transfer money conveniently and hence provided a host of e-services by automating their systems and that the bank boasts of cutting-edge ICT systems that include a robust new core banking system, bank fusion universal banking (BFUB), a pervasive service network comprising 135 branches, over 550 ATMs, over 400 front office sacco outlets (FOSAs that offer most of the products and services available in the bank) and over 7,000 agencies (commonly referred to as Kwa Jirani, meaning Co-op Bank services at the neighbour's). It has been revealed from the study that the turnaround was successful and Co-operative Bank became a profitable enterprise contributing to the country's economic growth by banking the public as well as giving returns to its shareholders. The bank successfully pioneered a retail banking model that went beyond investment in conventional bank-owned channels, such as branches, ATMs, agencies and electronic banking. The bank invested massively in over the counter banking services (FOSAs) and payment card systems operated by co-operatives (Saccolink) to serve their over two million members.

The interviewees were then asked whether the speed at which the bank was adopting change had led to efficiency and effectiveness in service delivery, they agreed that the bank had transformed from a loss-making to a profitable institution that was hinged on getting employees deliver excellent services to customers and that the most outstanding transformation was in work culture. The management overtime had nurtured a culture that was customer focused, away from job survival and corporate politics for career growth. The bank achieved this due to the merit-driven career decisions the bank pursued and through the competitive terms that the bank retained for its team, and the bank was regarded as an employer of choice in the banking industry.

When asked whether the bank had put in place any measurement systems to improve service delivery, the interviewees revealed that effectiveness and efficiency were improved and measured in terms of promptness to respond to issues raised by customers. The study established that the daily challenge was to keep the brand alive, going and to continuously expand and strengthen operations internally to handle growing business. It was revealed that the bank's thirst for market expansion resulted in bank's presence in many towns due to identification of opportunity, expansion and the desire to get into new markets. The interviewees said that failure in strategy was handled by re-evaluating why it happened and building on that reasoning. Service delivery was improved and quality was achieved by involvement, accountability and devotion to continuous improvement process with measurable levels of all concerned. It was revealed also that the bank focused on direction in which human and physical resources were deployed to achieve organizational goals in the face of environmental constraints and pressure. Through this, the bank avoided strategic problems by altering its strengths relative to those of competitors and hence the bank gained the ability to respond to changes quickly and in the most efficient way. The bank's resources were also focused on core areas thereby minimizing resource misallocation and wastage by not tying money in areas that are not profitable.

The interviewer then asked the interviewees whether the turnaround in the bank had helped the bank refocus on the corporate business within the banking industry and whether there was improvement in the business process they said that performance indicators were owned by all levels of staff and that the bank had forged several strategic partnerships in order to grow the vision of the bank. A five-year business plan had also been set and was subject to reviews from time to time. The key areas in the plan were corporate strategy, objectives, policies and review procedures, strategic business units (SBUs) and efficiency in the use of resources as allocated especially personnel and physical. Most of the branches gave more weight to areas such as reducing the time taken by customers in order to be served.

It was revealed from the study that the bank had also invested heavily in other strategic areas namely: shareholder value, technology, direct investment in co-operative institutions, support in the creation of new co-operative institutions and expansion into new market segments and continued scanning the environment to adjust to the changes and turbulence in the environment in order for the bank to sustain its competitive advantage. The bank is expanding into the region starting with Southern Sudan and Ethiopia. This additional distribution channel has continued to enable the bank enter new market in a more cost efficient manner; mobilize deposits from these markets while providing the much desired convenience to its customers.

4.4 Discussion

It was clear from the study that change management at the Co-operative Bank of Kenya was driven by a number of factors such as competition and technological changes. It is noted from the study that turbulence in the environment led the bank to the need of strategic change. The bank competed with several banks for market share and profits and hence the need to adjust its strategy. As Penrose (1959) state that an organization's development is an evolutionary and cumulative process of resource learning. The bank increased its knowledge of the available resources thereby creating options for further expansion and increasing of its absorptive capacity of the uncertainties. The bank's use of resource based view (RBV) enabled it achieve higher organizational performance through proper utilization of resources.

The bank was of the view when thriving on chaos, nothing is predictable (Peters, 1987) and therefore business portfolio planning involved understanding of its sources of competitive advantage and implementation of strategies that exploit that would exploit its internal strengths, through responding to environmental opportunities, while at the same time neutralizing external threats and avoiding internal weaknesses. In attempt to respond to the first objective which sought to establish practices adopted by the Co-operative Bank of Kenya in order to manage change, (Lewin, 1951; Kotter 1985) models were used in order to fulfil the bank's aim for renewal and the desire to restore confidence in its customers. This was done through Goldsmith and Clutterbuck (1985) model where the bank isolated what they did in order to innovate where it matters.

The bank embarked on identifying the problem, creating the awareness for the need of change, understanding the problem, collecting information, setting change goals and designing action plan in order to restore the publics' faith as well as serve its mandate as envisaged in its Mission and Vision (Bullock and Batten, 1985). The bank embraced clear forms of communication channels, transformational leadership styles, clear organization structure and use of information technology as provider of profits. The bank choose to use the integrative approach in order to deal holistically with problems and try out new ideas by pushing the bank to its limits by seeing change as an opportunity rather than a threat.

Resource management issues such as organization learning were recognized as central, particularly in that fast changing conditions and the bank considered their performance in relation to previous years in order to identify any significant changes. It soon became clear to the bank that innovation and the introduction of not just new products and new technology, but also of new ideas and practices – would help sustain its competitive advantage. This approach to change assisted the bank to innovate more and improve the bank's ability to meet and satisfy its customer needs.

The bank evaluated its performance on key areas such as corporate strategy, objectives, policies and review of procedures, strategic business units and efficiency in use of resources (Cole, 1997). The evaluation exposed the potential areas of failure as well as the emotional process and the results were used for learning and managing as well as for reporting and accountability. A balanced Score Card was used as an indicator of success on the activities undertaken and managers provided effective communication to the stakeholders (Kaplan et al, 1992) and this ensured that the bank implemented various programs successfully.

This led us to our second objective which was to determine whether the strategic change management practices adopted by the bank improved service delivery or not. The bank embraced (Moss Kanter, 1984) approach on change management to approach innovation. The bank designed a customers' service program around the concept of delivering enhanced customer value and experiences as well as excellence in service under the theme 'We are You'. The bank then continued re-engineering of business processes making them simpler and more efficient without diminishing the integrity, products and brand propositions so as to exceed customer expectations and respond to diversification.

Pettigrew and Whipp, 1991; Patterson et al., 1997 have shown that the early models of communication process adopted a linear approach where information was depicted as flowing from the source to a receiver and the management used it to make a difference to company performance. Open communication (Schein, 1964) helped change the follower's attitudes that strongly influenced them to be committed into the bank's goals. Communication was used to reduce the possibility of conflict that may have arisen and trust and confidence were developed between staff and the management which enabled the discussion in detail of the proposed changes. Consultations were also held which explained the alternative methods of implementation. The managers showed that they understood the employees' concerns and adequately involved them in the process of change.

The bank's CEO, Dr Muriuki clearly stimulated an organizational transformation at the Co-operative Bank of Kenya in early 2011. Dr Muriuki's antics put him in the front page of the Kenyan daily newspapers and he put strategic change on the agenda of all the heads of departments. He did not attempt to initiate change by a series of orders and commands, which was likely to be met by either active resistance or more passive avoidance but his actions were seen as a constant process of setting up working methods to meet changing circumstances. Dr. Muriuki encouraged stakeholders to help establish long term goals and also concentrated on team building. Although successful transformations are underway across a wide range of organizations, strategic change management programs are unlikely to be adequate. The organizational capabilities and the necessary improvement of transformation on balanced changes are therefore critical. Dr. Muriuki also invested on younger and professional staff, transforming the executive suite of the bank inside out and creating an accountable management team, which focused on business growth.

In this study, the researcher found out that change when handled with great focus on the human side of change successful change management occurs and it is in consistent with a study carried out by Maregwa (2003) who sought to evaluate the effects of business process re-engineering on service delivery at the Co-operative Bank of Kenya where he found out that the achievement of quality is attained by personal involvement and accountability, devolution to continuous improvement process and with measurable levels of all concerned. This study is also consistent with a study carried out by Lang'at (2011), a case study of the Kenya Revenue Authority, who wanted to establish if innovation and technological changes would impact on organization success and found out change solely depends on the handlers of change, the degree at which the organization embraces environmental changes and change acceptability by the implementers.

This study is consistent to Otele (2011) study on strategic change management at the Interim Independent/Electoral Commission who found out that the Commission adopted policies and procedures which were necessary and which were in line with the new constitution to bring about the desired change. The change at the IIEC was informed by the failures that the ECK had undergone and hence change was inevitable. The balancing act was thus necessary to enable a smooth transition.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings on the change management practices adopted by the Co-operative Bank of Kenya and the influence the change management practices have on service delivery. It also highlights conclusions drawn and the recommendations of the study highlighting implications for theory, methodology and managerial practice, limitations of the study and suggested areas of further research.

5.2 Summary

According to the first objective, the study established that change management practices have been essential in the Co-operative bank's circumstances. The idea was to redesign business processes in ways that increase their efficiency in fundamental ways. The bank wanted to abstract from the present way in which the business processes had been organized. This was based on an in-depth environmental scanning. The bank adopted strategic change management theories and designed a framework for adjusting the business processes where the steps in the process were performed in a natural order. These processes were designed to take account of different situations. In the circumstances, different strategic change management models were used in order to realize change.

The top management not only embarked in transforming the bank into a more innovative and successful organization but they also helped to change the environment by getting key stakeholder groups to accept the top management's view of the future as well supporting it. Different models of strategic change management were used to help the bank realize change. The management devised methods of transforming the bank into a more innovative and successful bank. First they recognized the human side of change and deployed effective communication to enable them reach out to all stakeholders.

The bank invested on younger and professional staff and also introduced performance based culture, with the CEO leading from the front. Stakeholders were provided with clear and appropriate information on what was happening and decisions on when to take action made. Once the change was achieved the top management ensured that the conditions for further change and development were in place. The consolidated improvements and use of change successes assisted in developing more changes in systems, structures and policies. These changes were institutionalized and connections made between the new approaches and the bank's successes.

5.3 Conclusion

That conclusion that has been drawn from objective one is that the bank succeeded in its change management was due to the creation of awareness and understanding for the need of change to all stakeholders and the benefits of successful implementation and although the decision to implement change was considered to be largely conceptual in nature, it took effect in action and behaviour at the bank. The management at the bank took change as essentially about people and not concepts and ideas, and the results of change was seen clearly in matters of detail by most stakeholders.

The bank perpetuated its culture through a variety of socialisation mechanisms as well as more formal approaches such as recruitment policies, induction, reward systems, leadership and training and development. The Strategic change management enabled the bank to enter into new territories and play the game by the new rules. This includes the re-arrangement of jobs, roles, systems and structures. According to Porter (1985) these phenomenon have necessitated strategic changes in the way business is carried out by firms. A paradigm shift then and whether welcomed or resisted needs to be managed and managers have to determine the actual causes of resistance to change and remain flexible enough in their approaches to overcome them in an appropriate manner.

From objective two the conclusion drawn was that, at the bank, the strategic change management entailed unfolding new linear dynamic processes that involved alignment and re-alignment of policy, system, styles, values, staff and their skills. The bank was able to avoid poor management of change as managers operated with the highest ethical standards, had process focus, were able to work across functions/units, were flexible and made connections with the skills of others thereby gaining satisfaction from results and stakeholders were will to stake their own rewards on them.

Once the change was achieved, the managers made sure that the conditions for further change and development were in place. This resulted in drastic profits, innovation, survival and management by objectives.

5.4 Recommendations

In order to achieve the overall objective of strategic change management, it is important for the management to embark on creating awareness on the new developments on how services and products are delivered among the targeted customers. This can easily be achieved through advertisement, training and organizing open forums among the stakeholders. Though most organizations take up strategic change management with an aim of 90% success, most programs fail due to lack of sustained management commitment and leadership, unrealistic scope and expectation and resistance to change.

5.4.1 Implications for Theory

According to (Davenport and Short, 1990) any strategic change management is driven by a business vision, which implies specific business objectives such as cost reduction, output quality improvement, and time reduction. At the bank, strategic managers identified the process to be redesigned, understood and measured the existing processes, designed and built a protocol of the new system so as to achieve quick delivery of results and the involvement and satisfaction of the customers. Mintzberg and Quinn (1991) define service delivery as a set of technology components that provide capabilities, strategic capability often lies in the day-to-day activities that people undertake in organizations, and developing the ability of people to recognize the relevance of what they do in terms of the strategic capability of the organization is important.

Managers at the bank defined measurable stakeholder aims, created a business course for the achievement and updated it continuously, monitored the assumptions, risks, dependencies, costs, return on investment, dis-benefits and cultural issues affecting the progress of the associated work. The theory by (Pfeffer and Salancik, 1978) indicated that improvement in service delivery is also informed by the need to grow and expand services, take advantage of opportunities or merely to implement new knowledge which could come up with action plan. In order to achieve successful change management, the portfolio and the selection of options made by the bank was made to always be consistent. Kanter (1989) pointed out that tension may exist between different strategies but this study established that this was not a cause of problems for the bank as strategies were matched to the objectives and goals. Porter (1985) however showed that satisfying buyer needs may be pre-requisite for industry profitability, but in itself it is insufficient.

Strategic change at the bank was managed bearing in mind the human side of change and hence most of the stakeholders supported it. Johnson et al. (2008) viewed that change depends on the magnitude of the challenges faced in trying to effect strategic change and how they are managed. Managers should therefore consider the type of change required, the wider the context in which change is to occur, the specific blockages to change that exists and the forces that exist to facilitate the change process. The ability to manage and adapt to organizational change is an essential ability required in the workplace today

5.4.2 Managerial Implications

In order for organizations to be successful in major changes in the external and internal context, organizations require a strategic response by managers. The managers at the bank introduced policies, processes and structures within the bank to enable their bank compete successfully. The bank reacted positively to the strategic change and created a fit between its operations and the new internal and external contexts. The leadership and management of these processes were critical factors in ensuring the bank's success. The bank's capability was made up of two components, that is, functional and general management capability. During shifts in the turbulence, general management capability was critical to success of the bank. Left to themselves, functional managers could not have been able to respond appropriately to discontinue the challenges.

Managers should focus on the future, create change, create culture based on shared values, establish an emotional link with others and use personal power. Managerial policies on such as advertisement, training and organizing of open forums among the stakeholders determine whether strategic change process would succeed hence it is important for managers to identify the process to be redesigned, understand and measure the existing processes; design and build a series of new system in order to achieve quick delivery of results and the involvement and satisfaction of customers.

The rate at which the organization will succeed would be determined by the practices employed, though most organizations wait until they faced with difficulties brought about by the environment. At Co-operative Bank of Kenya, major decisions on how to tackle change in both internal and external environment were planned in a proactive and purposeful way. The pre-planning helped the stakeholders understand; measure the existing processes as well as creates awareness on new developments. The bank also embarked on practices and models of change that adequately assisted them achieve their objectives.

5.4.3 Contribution to Knowledge

This study has revealed that for successful change management to occur, long-range effort to improve an organization's problem solving and renewal processes should be put in place. There is also a need to maximize benefits while minimizing the risk of failure during the change implementation and managers should take substantive change demands seriously and consider the existing identity and image. Managers therefore need to understand among which activities they undertake are important in creating value and which ones are not. The leadership must be involved and involvement goes beyond identifying service excellence as a core value, a strategic pillar, or one of the organisational objectives. This commitment is not only seen in what the leaders say but also in what they do. Such a leadership also leads the way by being daily role models.

Second, the service standards for both internal and external service mu be clearly defined. Defining service standard is seen by many as a tedious process, yet it is simple and straightforward. All that one needs to do is understand customer expectations, set standards that meet those expectations, and live out the standards as a daily promise. I consider this a great milestone when working with customers. Strategic thinkers constantly relate the organization to its external environment, not just to ensure compatibility and survival, but also to understand or alter the environmental trends well enough to "create the future". Service standards are not adequate as a stand-alone; they must be supported with mechanism for accountability and incorporated in the procedures and policies. Once the standards have been set and it is clear who is accountable for what, measurements must them be put in place.

The measurements must include feedback from both the internal and external customers. The leadership must take special interest in figuring out if the expectations are being met or even better still, being exceeded and if those responsible are being held accountable. Finally, the people aspect is crucial. Without the right persons holding the right jobs and performing to the required standards, it becomes difficult to drive a culture of service excellence. It is easy to make promises but difficult to keep them because everyone is involved in service delivery, whether internally or externally. With a plan of action that involves leadership, setting of standards and accountability, many organizations would be able to make a culture of service excellence, grow and thrive across the organisation. Leaders are obligated to provide and maintain momentum.

5.5 Limitations of the Study

In the process of carrying out this study, there were some limitations encountered. One of the major limitations was that the members of staff feared to disclose the information sought as the researcher may be an emissary of their competitors. However, this was taken care of since the researcher presented herself as a customer to the bank hence informal discussions helped gather important information for the purpose of this study.

It was also difficult to measure aspirations and expectations resulting from the answers from the interviewees, owing to the nature of work undertaken by the interviewees, some of the answers may be inaccurate due to divided attention. Though the researcher would have preferred to interview the heads of the departments, this was not possible as some of them delegated to their juniors, they themselves either being too busy or away on official duties. It is therefore assumed that the interviewees gave similar information as would have been provided by the heads of the departments.

The amount of funds available for the research was also not enough to cater for the research exhaustively as the gadget for tape recording filled up in the middle of interviewing and the researcher could not acquire a new one. Time factor was also a major limitation in that some protocols used where staff members had to receive a formal communication not only from the senior management but also from the headquarters where all decision and policies are formulated. This took a lot of time and during this period; much of the observation was done for comparison purpose.

5.6 Suggestions for Further Studies

This study recommends that more studies should be done to study the strategic change management practices that have been adopted by other banks in the region and also their influence on service delivery.

Various factors have been blamed for the slow adoption of customer service initiative in competitive market; a study in this area should be carried out to establish its effect on service delivery. A study may also be carried out to find the proportionate changes in lead time and follow up costs as a result of strategic change. A detailed study of ways to maintain and sustain competitive advantage should be carried out. Similar studies can be carried out in other banks to compare findings as this study was carried out in only one bank.

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APPENDIX I: INTRODUCTION LETTER

August, 2014

Dear Sir/Madam

I am an MBA student at the University of Nairobi. I am currently conducting a research on strategic change management practices and service delivery at the Co-operative Bank of Kenya.

In order to undertake the research, you have been selected to form part of the study. This letter is therefore to request for your assistance in collecting information to enable me carry out the research.

The information you will give will be treated with utmost confidentiality and is needed for academic purpose only.

A copy of the final report will be availed to you upon request. Your assistance will be highly appreciated.

Yours sincerely

Kariuki Mary Ruguru
MBA student

Prof. Martin Ogutu
Project Supervisor
Department of Business Administration
University of Nairobi

APPENDIX II: INTERVIEW GUIDE

Section A: General Information

1. What is your name (optional)
2. What is your age bracket?
3. How long have you worked for the banking industry?
4. How long have you been working in your present capacity?
5. What are your major roles in the bank?

Section B: Adopted Strategic Change Practices

6. What would inform the need for organizational change and innovation in your bank?
7. How is market intelligence handled by your bank?
8. Are problems or concerns communicated to stakeholders of your bank? If any.
9. Has the top management supported change process in your bank? If so, in what ways have they supported and participated in the process?
10. How often does the top management translate the overall goals of your bank?

11. What is your level of involvement in dealing with threats and weaknesses that face your organization? Explain the roles played by the various participants in the change management.

12. What are the initiatives that are undertaken by the management to ensure that change management succeeds?

13. Does a process-based approach lead to better implementation of change?

14. How is performance measured in your bank?

15. Have you noted any considerable interference in change management from within or without?

16. What do you think the Co-operative Bank of Kenya should do so as to fast-track the change management?

17. What are the most significant disadvantages of change, when handled ineffectively by senior management? How could these be avoided?

Section C: Strategic Change Management Practices and Service Delivery

18. How would identification of problem determine whether your bank succeeds or fails?

19. Would the manner in which the need for change is communicated determine the level of involvement and impact on service delivery?

20. Does the management style adopted by your bank in change management affect service delivery? Please explain.

21. Could you cite any implications on service delivery as a result of how people respond to change?

22. Is there a need to form strategic partnerships with the people involved in the change process and how will this affect service delivery?

23. How does your bank empower teams so that they are self-directed and self-managed in order to fast-track service delivery?

24. In your own opinion do you think the processes developed by your bank have enhanced service delivery?

25. Does the speed at which your bank adopts change lead to efficiency and effectiveness in service delivery?

26. Has your bank put in place any measurement systems to improve on service delivery?

27. Would you say that the turnaround change in the bank has helped the bank to refocus the corporate business within performing sectors of the economy and business process improvement and hence remained competitive in