STRATEGIC CHANGE MANAGEMENT PRACTICES AT THE NATIONAL BANK OF KENYA LTD.

RUSIPUS ARUPE JEREMIAH

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

NOVEMBER, 2014
DECLARATION

This management research is my original work and has not been presented for award of
adegree in any other university. No part of this project may be reproduced without prior
permission from the author and / or the University of Nairobi.

Signature: ……………………… Date: ………………………

RUSIPUS ARUPE JEREMIAH
REG. NO D61/72270/2011

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

Signature: ……………………… Date: ………………………

DR. BITANGE NDEMO
DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF BUSINESS
UNIVERSITY OF NAIROBI
DEDICATION

This project is dedicated to my parents, Janeffer and Legson for their continued encouragement, my friend Cynthia Cheruto for her support, my sisters and brothers who as a family instilled in me the spirit of perseverance and determination. They left a legacy of patience and calmness that I have found valuable as I endured to complete my study. I wish to express my gratitude to all who stood by me to complete my study.
ACKNOWLEDGEMENTS

I would like to give thanks to my Almighty God for his providence and the people whose contribution were valuable and helped me complete my study. I specially thank Dr. Bitange Ndemo my supervisor whose continued dedication to this work, good advice, creative insight and counsel during my project led to the completion of this project. Special thanks go to the management of National Bank of Kenya ltd for granting me access to information which was confidential. Special thanks go to my family for their inspiration and invaluable support, I love you all.

Finally, I would like to appreciate all those who made contributions in one way or another in this project and whose names have not been mentioned here.

God bless you all.
TABLE OF CONTENTS

Declaration .................................................................................................................................................. ii

Dedication .................................................................................................................................................. iii

Acknowledgements ................................................................................................................................... iv

List of Figures ............................................................................................................................................ viii

Abbreviations and Acronyms .................................................................................................................. ix

Abstract .................................................................................................................................................... x

CHAPTER ONE: INTRODUCTION ......................................................................................................... 1

1.1 Background of the Study .................................................................................................................... 1

1.1.1 Strategic Management Concept .................................................................................................. 3

1.1.2 Commercial Banks in Kenya ...................................................................................................... 5

1.1.3 National Bank of Kenya Ltd ....................................................................................................... 6

1.2 Research Problem ............................................................................................................................. 8

1.3 Research Objectives ......................................................................................................................... 12

1.4 Value of the Study ............................................................................................................................. 12

CHAPTER TWO: LITERATURE REVIEW ............................................................................................. 14

2.1 Introduction ......................................................................................................................................... 14

2.2 Theoretical Foundation .................................................................................................................... 14

2.2.1 Lewin’s Three Step Model ......................................................................................................... 14

2.2.2 Kotter’s Eight-step Change Model .............................................................................................. 15

2.2.3 ADKAR” Model of Change Management ............................................................................... 16
2.2.4 Learning Organizational Model ................................................................. 17

2.3 Factors to Successful Change Management .................................................. 18

2.4 Establishing Change Management Practices ............................................... 19

2.5 Challenges of Strategic Change Management ............................................. 20

CHAPTER THREE: RESEARCH METHODOLOGY ............................ 23

3.1 Introduction ..................................................................................................... 23

3.2 Research Design ............................................................................................ 23

3.3 Data Collection ............................................................................................... 24

3.4 Data Analysis .................................................................................................. 25

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .......... 26

4.1 Introduction ..................................................................................................... 26

4.2 Strategic Change Management Practices ...................................................... 26

4.2.1 Strategic Change Transformation ................................................................. 27

4.2.2 Employee Participation and Involvement .................................................... 28

4.2.3 Corporate Governance and Institutional Banking Strategy ....................... 28

4.2.4 Monitoring and Evaluation Practice ............................................................. 29

4.2.5 Senior Management Support ...................................................................... 30

4.2.6 Employee Training and Empowerment ....................................................... 31

4.2.7 Communication Context ............................................................................ 31

4.2.8 Market Segmentation and Product Diversification .................................... 32
4.3 Challenges of Adopting Strategic Change Management Practices. ................................. 33

4.4 Discussion of the Findings ............................................................................................ 35

   4.4.1 Comparison with Theory ...................................................................................... 35

   4.4.2 Comparison with other Empirical Studies ......................................................... 36

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS .... 37

5.1 Introduction .................................................................................................................. 37

5.2 Summary of Findings ................................................................................................ 37

5.3 Conclusion .................................................................................................................. 39

5.4 Recommendations of the Study ................................................................................. 40

5.5 Suggestion for Further Research .............................................................................. 41

5.6 Limitation of the Study ............................................................................................. 42

5.7 Implications on Policy, Theory and Practice ............................................................. 42

REFERENCES ................................................................................................................. 44

APPENDICES ................................................................................................................. 47

Appendix I: Interview Guide ........................................................................................... 47

Appendix II: Letter of Introduction .................................................................................. 50
LIST OF FIGURES

Figure 2.1: Change Management Process ......................................................... 20
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADKAR</td>
<td>Awareness, Desire, Knowledge, Ability and Reinforcement</td>
</tr>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CMA</td>
<td>Capital Markets Authority</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KBA</td>
<td>Kenya Bank Associations</td>
</tr>
<tr>
<td>MD</td>
<td>Managing Director</td>
</tr>
<tr>
<td>NBK</td>
<td>National Bank of Kenya Limited</td>
</tr>
<tr>
<td>NSSF</td>
<td>National Social Security Fund</td>
</tr>
</tbody>
</table>
ABSTRACT

Implementing change management practices has met varied challenges of resistance in the banking industry owing to open competition in the global arena of the banking industry. Commercial banks in Kenya have had no choice but to embrace change management practices for survival. Emerging developments in the political, economic and technological spheres have presented various commercial banks in Kenya with innumerable challenges of change practices which had poised various options of benchmarking, change of the management of the commercial banks in Kenya, change of the policies and regulations. Over the last fifty years commercial banks in Kenya has adopted some trendy market type of reforms aimed at improving their service delivery to their customers. The strategies of the change management have not been applied uniformly across all commercial banks in Kenya due to implementation challenges encountered by the commercial banks in Kenya. Strategy of the organization is the roadmap towards the attainment of its long term goals and objectives. Strategic management is the process of the operationalization of the firms strategy, strategic management helps in the formulation of the effective organizational goals. Strategic change has become a constant phenomenon which must be attended to and managed properly if an organization is to survive. Changes in technology, the market place, global economy workforce demographics and the political environment have significant processes. Since its inception, National bank of Kenya has been improving its services and the mode of delivery of service to their customers. Although delivery of their service has improved with time national bank did not benchmark themselves with other firms in the market. The study recommends that banks should analyze their target market, identify their competition and learn from your competition and your customers. Banks should gain in-depth insights about their customer portfolio and consider human resource management as a mean to gaining competitive advantage. The study also recommends that banks should continuously maintain the competitive advantage they have gained by predicting future trends in the banking industry, constantly researching and monitoring competitors, and adapting to customer’s wants and needs.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Strategic management as a discipline originated in the 1950’s and 60’s (Ansoff et al, 1990). According to Ansoff (1990) strategic change management practices is a deliberate process in which top executives periodically would formulate the firm’s strategies, then communicate it down the organization for implementation and eventually control them. Strategic change management practices in organization is necessitated by the increasing rapid nature of change as well as greater openness in the external environment which requires a different set of strategic change perspectives.

There are a number of theoretical models of change management which includes; Lewin three step, Kotter’s eight step model, ADKAR model and learning organization model. Each model attempts to describe the process through which organizations successfully alter their business practices, their organizational structure, organizational climate, resource capabilities and culture to manage change. Kotter (1996) described a successful model, for understanding and managing strategic change management practices. Kotter developed a model which should be used at the strategic level of an organization to change its vision and subsequently transform the organization. Strategic change management practices come about when alterations are made to an organization functional part.

Change can originate from external sources through technological advances, social, political or economic pressures, or it can come from inside the organization as a management response to a range of issues such as changing client needs, costs, human or
performance issue. Many strategic change specialists subscribe to the view that change is an everyday occurrence in any organization, there is in fact no such thing as the status quo for business that wants to survive (East, 2011). Strategic change can be dictated by business trends, environmental factors and shifts in the global, social and political and social sphere.

Today, banking industry face a variety of challenges, including competition from global markets, restructuring by down-sizing, mergers, acquisitions, technological changes, increased awareness and demands from customers. These challenges have placed pressure on organizations to change their systems, structures and processes to ensure continued survival and existence of their business (Peach, 2009).

One of the significant strategic changes made by the bank includes; the operational changes, re-branding and hiring of new workforce with vast experience of different divisions of the bank and introduction of new products to meet customer demands. There are three major trends that shape change, specifically; the three trends are (a) the heightened competition brought about by globalization, (b) information technology, and (c) managerial innovation. Globalization is changing the economy and markets in which organizations operate, there has been increase in e-business sector that is changing how work is distributed and performed with the use of information and communication technology. Moreover, managerial innovation becomes more important as a form of response to both competition and information technology trends (Brown and Harvey 2006).
1.1.1 Strategic Management Concept

Strategic change is defined as the alteration in an organization’s alignment with its external environment (Rajagopal and Spreitzer, 1996) has been at the Centre of a growing literature in both the strategy and organizational theory fields.

Hill and Jones (2001), view change management as a move from a present state to a future state that increases competitive advantage. They further suggest the following in addressing change management determining the need to change, determining obstacles to change, implementing the change and finally evaluating the change. Strategic change is increasing seen as not only a shift in structures and processes but also as cognitive organizational re-orientation (Demarie and Mullane, 1994) Involving a redefinition of the organization mission and purpose or substantial shift in overall and goals. There are two types of change within the organization; strategic change and operational change (Nadler, 2006). Strategic change occurs mainly at corporate level and involves fundamental changes in the business of organization and its future direction. It is concerned with vision, mission, values and corporate philosophy with the aim to achieve organizational effectiveness. Operational change occurs mainly at business level and involves routine activities within the organization to achieve efficiency. Operational changes are often proactive measures to adapt to industry changes or to improve processes for competitive advantage.

An organizations survival over time often depends on the normative expectations rather than simply operating with greater efficiency (Di Maggie and Powell 1983) Meyer and Rowan, 1997; Oliver 1991) The importance of ensuring both under and acceptance of new strategies among key constituents is a central element of the legitimacy imperative
for organizations. Managing change has received increasing attention as both internal and external factors accelerate their pace and challenge organizations to respond accordingly. An integral part of the strategic change is effective internal communication that corresponds to each stage of the strategy for the outcome of change programs.

Launching a planned communication strategy for the purposes of informing timely is a pre-requisite for fruitful feedback and external success (Barret, 2002). Therefore, in order to reach full cognition, it is important to illuminate the communication process as perceived also by employees. Members of the modern organizations enjoy unprecedented freedom to voice personal opinions both throughout and outside the working place. The speed of media allows for fast sharing of messages that can affect organizations both directly and indirectly. Therefore change management needs effectively listen and communicate with employees (Daly et al, 2003).

Strategic management is designed to effectively relate the organization to its environment. The environments include political, social, technological and economic elements (Sharplin 1985). Various strategic management models were introduced by Sharplin (1985).

Greenley (1989) Certo and Peter (1991), Stahl and Grigsby (1992) to manage strategic change. Generally strategic management process can be divided into three phases, these include the formulation phase, and it is a strategy that aims at ensuring the organizations achieve their objectives (Certo and Peter, 1991. David (1997) stated that a strategy formulation include deciding which business to pursue, how to allocate resources without hostile takeover and whether to enter international markets. He also added that strategy
formulation phase comprises development of a mission statement, identification of external opportunities and treats, determination of internal strengths and weaknesses, then, establishing long term objectives generating alternative strategies.

Second, is the implementation phase that initiate activities in accordance to the strategic plans (Sharplin, 1985) this requires firms to establish objectives, diverse polices, motivate employees and allocate resources to execute formulated strategies (Certo and Peter 1991) stated that without the effective strategy implementation, organizations are unable to ripe the benefits of performing an organizational analysis establishing an organization direction and formulating organizational strategy. Third, is the evaluation and control phase that requires information to be obtained on strategy performance and comparing with the existing standards (Certo and Peter 1991).

1.1.2 Commercial Banks in Kenya

There are 45 commercial banks in Kenya some of which are small to medium sized and are mostly locally owned and large banks most of which are foreign owned. The Banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya Act and prudential guidelines issued by CBK. The Central Bank of Kenya is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial systems. The Banks have come together under the KBA , which serves as a lobby for the banks” interest and also addresses issues affecting the member Banks. The Banking sector in Kenya has continued to indicate significant growth in assets, deposits, profitability and products offering. Currently, we have 49 commercial Banks, 11 non-Banking institutions, 15 microfinance and 48 Foreign Exchange Bureaus (Central Bank, 2011). This growth of
banking sector has been mainly underpinned by; industry wide branch network, automation of large number of services and stiff competition for better services. The strategies used mainly by banks are price and product differentiation, expansion, technology and mergers. Traditional brick and mortar banks are using technology to meet the competitive challenge posed by online banks, as well as a method of reducing the cost of providing services that were once delivered exclusively by bank personnel (Joseph et al., 2003).

In the dynamic and competitive world players will always be very keen on locking up their niche markets. The banking industry is not different and reacts similarly, currently only four million Kenyans have bank accounts (CBK annual reports 2010).

1.1.3 National Bank of Kenya Ltd

National Bank was incorporated on 19th June 1968 and officially opened on November 14th 1968. At the time it was fully owned by the Government. The objective for which it was formed was to help Kenyans get access to credit and control their economy after independence. In 1994, the Government reduced its shareholding by 32% (40 Million Shares) to members of the public. Again in May 1996, it further reduced its Shareholding by 40 million Shares to the public. The current Shareholding now stands at: National Social Security Fund (NSSF) 48.06%, General Public - 29.44% and Kenyan Government 22.5%. During the 34th AGM held on 25th April 2003 the bank increased its Share Capital by Kshs. 6 Billion i.e. from Kshs. 3 Billion to Kshs. 9 billion through the creation of 1,200,000,000 non-cumulative preference Shares of Kshs. 5 each. These Shares are at the disposal of the NBK Board who will offer them in accordance with the Bank's articles, the CMA (Capital Markets Authority) rules and the Companies Act.
National Bank is a major player in Kenya's banking industry. It is one of the banks in the country giving financial services to all sectors of the economy. The bank will continue to cover the financial landscape and respond positively to the needs of its customers, Shareholders and the economy besides offering traditional financial services and products. National Bank has taken a leading role in the issuance and promotion of modern delivery and payment systems. The Bank has also been involved in the stock market playing multiple roles as an arranger, underwriter and placing agent. The Bank is an appointed fiscal agent, registrar and market maker in the secondary market. National Bank operates one subsidiary Company; National Bank Trustee and Investment Services Limited incorporated in Kenya on 21st July 1995 with a Share Capital of Ksh.10 Million.

The bank faced its share of challenges in 1998 leading to erosion of public and customer confidence. In order to restore lost market confidence, it necessitated the stakeholders to review and revitalized the governance and management structure in 1999. The bank was placed on a recovery program consisting of prudent cost cutting measures, product and market redefinition, risk management and IT application.

In addition to the above strategic changes, there is restructure changes in the top management with appointment of new CEO in the year 2012 to head the bank. However, the situation has changed and it has started recording profits in the recent years (NBK, 2013). There is continuous expansion of branch network which gives the bank added advantages; dealing with customers in their own peculiar local environment and capturing portion of market share. On 24th May 2013, the bank rebranded and changed its logo and colours from the predominately green to yellow. The new slogan is “Bank on Better”. This is a brand promise to customers, shareholders as well as stakeholders.
1.2 Research Problem

A strategic management practice is a process of steps applied to holistically manage the firm competitive (coulter, 2005). The practices are the situation analysis of organization, formulating winning strategies, implementing and evaluating them. Internal situation analysis of the firm is the first step and should be carried out to determine the strengths and weakness of the internal environment. Many organizations are influenced by major changes in their environment. In light of environmental changes, strategic change management practices is perceived to be strategic management tools that top management are likely to pursue in order to manage environmental turbulences and complexities.

According to National Bank report (2013) National Bank like other banks in Kenya is undertaking a number of changes. These changes includes; massive branch expansion, new products, restructuring to consumer banking and re-branding, The strategic plan for the period 2012-2013 will necessitate more changes than expected in the bank.

Nadler and Nadler,(1998) argues that there are two main approaches to change management; the planned and the emergent approach. The planned approach uses pre-set steps to implement the transformational process and it is usually top down. The emergent approach adopts the perspective that key drivers of change are beyond organizational control hence needs thorough understanding of environment of managers so as to respond effectively.
Change management is an effective tool in ensuring that the organization maintains its relevance in terms of market share, revenue generation, industry leadership and optimization of resources (Pearce and Robinson, 2002). Business environment is changing rapidly and customers are increasingly becoming more demanding, high level of competition and the speed with which technological innovations are taking place is listed as the key challenges facing the bank while implementing strategic change management. All these require speed in decision making by organizations hierarchies all equipped to respond (Crainner, 1995).

A firm that does not have appropriate strategies cannot exploit the opportunities available in the market and will automatically fail. A strategy therefore is a critical factor for success in any organization and management needs to craft it carefully to ensure proper fit within the environment which it is operating.

Resistance to change is the key phenomenon that affects the change process, delaying its beginning, obstructing its implementation and increasing its costs (Ansoff, 1990). Resistance to change involve a myriad and range of uncertainty such as fear of loss of job, desire to maintain status quo, fear of transfers to hardship areas, fear of leaving the comfort zone, inadequate training, low motivation and user interface problem. The resistance emanates from mismatch between new and old systems due to connectivity problems, poor communication at lower levels, inadequate training and changes in work schedule.
Strategic change management needs to take account of both internal and external challenges that affect the implementation of the change program. In addition, it is important that resistance to change be anticipated and suitable methods be designed to control resistance (Mugo, 2010). In strategic change management therefore organizations’ adopt various practices in order to ensure that desired change is achieved. A critical success factor is how well a company manages its strategic change programs to achieve its goals.

A considerable number of studies have been done on strategic change management practices in different organizations. The studies focused on the strategic management practices and challenges among small and medium enterprises (Redempta, 2010), petroleum industry (Gichuki, 2010), packaging industry (Gwengi, 2010), Telecommunication industry (Kibisu, 2010), banking sector (Kimaku, 2010), security sector (Mutui, 2009) and insurance sector (Otwori, 2008).

Only Kimaku (2010) looked at aspects of strategic change management practices in the banking industry at Barclays Bank of Kenya. He found that Barclays Bank of Kenya used threats to induce change where resistance was expected, performance appraisal system and communication to manage change. Barclays Bank is a foreign owned bank and some factors influencing change management are quite different from NBK which is a locally owned bank.
According to Kimaku (2010) study, financial constraint is part of the challenge in strategic change management. This involves the expansion of branch network which requires substantial amount of money in hiring of office space, renovation of branches and putting up new buildings. The other costs incurred due to expansion were acquisition of office equipment and payment of disturbance allowance to staff transferred from their stations. After expansion, money is needed for re-branding of products, research and advertisements in media houses. This is an expensive exercise which aimed to create awareness of new products and new branches to customers.

Social constraints are experienced within the bank in the implementation of change. The staff transfers affect work groups by breaking up closely knit work-groups and changing social relationships that provoked resistance. Social reasons for resistance to change include new organizational set –up requiring new social adjustment not liked by people due to stress and strain.

When firms are faced with unfamiliar changes they should revise their strategies to match the turbulence level Ansoff and McDonnell, (1990). Failure to do this may put the future success of the organization in jeopardy (Aosa 1998). The other notable challenge is internal politics and power that affected some of the changes. Some of the branches were opened in regions that were economically unviable due to influence of top senior management, and the buildings owned by top management. Managers to head these branches were not appointed based on qualification and experience but influence of top management and tribalism.
With the business world in a constant state of chaos, the only way for banking industry to survive is by constantly reinventing itself through a ceaseless process of strategy and structure alignment. The organization strategic change implementation is designed to fit the overall strategy of profit maximization and market penetration due to changes in regulatory framework and advanced technology. National Bank like any other organization has undergone numerous changes since its inception including strategic change, structural, operational and technical changes, massive network expansion has been experienced in the last few years, new products and services has been introduced and the market focus for the bank has greatly changed (Pearce and Robinson, 2002). The study seeks to answer the following questions in relation to NBK: What challenges of change is the bank experiencing? What change management practices have the bank adopted?

1.3 Research Objectives

This study has two objectives: this are

1) To establish the strategic change management practices applied by national bank.

2) To find out challenges of adopting various strategic change practices at national bank.

1.4 Value of the Study

To policy makers, this research helped in highlighting areas of policy gaps that require policy improvement in the banking industry. It will result to improved policies that will encourage growth of the bank hence increased employment, economic growth, market competitiveness and technological innovativeness.
In theory, the study formed a basis for academics and for further research and knowledge on the banking industry. The recommendations of this study are expected of this study are expected to enhance management and general performance of the bank, accurate communication and implementation of plans. The study will serve as a source of information to the public who would like to know more about the national bank of Kenya. It will help fill the gap between theory and practice as applied in the management of the industry.

In practice the study enabled the management of the national bank to better understand the challenges involved in the strategic change management. This will assist to adequately prepare how to counter the challenges so that they can be able to succeed in strategic change management. This study helped the regulator central bank of Kenya, top management of commercial banks, ministry of finance and other stakeholders in the financial services in formulating sound policies and strategies to manage trends in the changing environment that can provide numerous opportunities or prove to be catastrophic to organizations in the economic system.

The study was useful to management of NBK in implementation of decisions, strategic plan and in management of change in order to enhance positive opportunities and minimize disruptive aspects. Managers helping in change transition can use the study to detect potential resistance to change and the appropriate strategies to manage change.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter gives an account of the knowledge and ideas that have been published by accredited scholars and researchers on strategic change, strategic change management practices and challenges that have been experienced in managing change in organizations.

2.2 Theoretical Foundation

There are various models developed by researchers like Kurt Lewis (1958), Kotter (1996) and Senge (1990) which have been developed and used to understand and implement change in individuals and organizations. The outlined models help understand and manage change within the organization

2.2.1 Lewin’s Three Step Model

This model highlights an understanding of the critical steps in the change process will increase the probability of successfully managing change. Lewin (1958) argues that there are two opposing sets of forces within social system; these are the driving forces that promote change and the resisting forces that avoid change or maintain the status quo. Change occurs in three steps namely; unfreezing, moving and refreezing (Lewin, 1951). The unfreezing step consists of the process of getting people to accept the change.
The process may begin by disconfirming the usefulness or appropriateness of individuals’ present behaviours, attitudes and work habits. Moving step involve providing new information, new behavioural models, or new ideas of looking at things. Besides, force may be used for inducing change and use punishments, threats and withholding of rewards by the superior to force the individuals comply with the change.

Third step, refreezing aims at making the new practices and behaviours a permanent part of the operation or role after the process of implementation of change has ended. The intent here is to stabilize the workplace at the new equilibrium and ensure that the employee’s new behaviour is congruent with the environment being developed within the organization (Burnes, 2004). Despite its popularity, Lewin’s original theory has been criticized. The key ones are that his work assumed organizations” operate in a stable state, ignored organizational power and politics and was top-down approach or management-driven (Dunphy and Stace, 1993).

2.2.2 Kotter’s Eight-step Change Model

Kotter (1996) described a successful model for understanding and managing strategic change. Kotter developed a model which should be used at the strategic level of an organization to change its vision and subsequently transform the organization. A general lesson learned from successful cases of organizational change is that the change process goes through a series of phases that, taken together, require a length of time. Skipping steps will only create the illusion of speed and never produce satisfactory results.
Kotter (1996) suggests eight steps to strategic change management as follows; create a sense of urgency, form a powerful guiding coalition of managers to work as a team, continuing to build urgency and momentum around the need for change. Creating a vision and the strategies for achieving the vision will help expedite the change. The fourth step involves communicating the vision to all stakeholders involved in the process of change using every vehicle possible to communicate the new vision and strategies.

Fifth step is to empower others to act on the vision by removing barriers to change and encouraging risk taking and creative problem solving actions and changing systems or structures. There is need to plan for, create and reward short-term wins that move the organization toward the new change by rewarding employees. Consolidating improvements and producing more change-using increased credibility to change systems, structures and policies, hiring and developing employees who can implement that vision (Burnes, 2004). The final step is institutionalizing new approaches within the organization-articulating the connections between the new behaviour and corporate success.

2.2.3 ADKAR” Model of Change Management

The five elements of ADKAR are; awareness of the need to change; desire to make change happen; knowledge about how to change; ability to implement new skills and reinforcement to retain change. Hiatt (2006) refers to each of these five actions as building blocks for successful individual change and organizational change. ADKAR model is a goal–oriented model that allows change management teams to focus their activities on specific business results (Hiatt, 2006). This result –oriented approach helps focus energy on the area that will produce the highest probability for success.
ADKAR model becomes a useful framework for change management teams in the planning and execution of their work. As a manager, one can use this model to identify gaps in the change process and to provide effective coaching for employees having difficult in the change process. The ADKAR model can be used to; firstly, diagnose employee resistance to change and help employees transition through the change process successfully. Second, it can also be used to create a successful action for personal and professional advancement during change and develop a change management plan for all employees in the organization (http://www.change-management.com/tutorial-adkar-overview.htm).

2.2.4 Learning Organizational Model

The learning organization approach is a change process aimed at assisting the development and use of knowledge to build capacity for continuous change and learning. The model states that learning organizations perpetually seek strategic change through learning, experimentation and communication to renew itself constantly.

Learning is a key requirement for both leaders and followers for any effective and lasting change to occur. "Without learning, the attitudes, skills and behaviours needed to formulate and implement a new strategic task will not develop, nor will a new frame by which selection and promotion decisions are made," (Conger, et al 1999). Organizations use knowledge and value based changes to improve their problem solving ability and capability for action. Learning organizations are built through individuals” personal mastery, mental models, shared visions and team learning within the organization routine tasks.
2.3 Factors to Successful Change Management

According to Gichuki (2010) proper channels of communication put in place helps flow of information and minimize the challenges of change. Fundamentally it is people who make change happen - nothing moves forward without engagement, motivated stakeholders. Stakeholders are the people that are directly involved in and affected by the change project. Typically they are the organization’s workforce or those whose interests may be positively or negatively affected by the change including other agencies with whom the changing organization partners, service providers, vendors, or the public.

An organization needs to engage its stakeholders, in order to implement changes effectively. To do that, stakeholders need to understand the reasons why the change is happening and its benefits. They also need to have an opportunity to express their views and contribute their own ideas about how it might be implemented. Even if the change is non-negotiable, cooperation and collaboration to achieve the change is more likely if stakeholders are involved and kept informed. Experience shows that approaching change in an open and consultative manner assists in more effective implementation (Coulter M., 2005).

Accordingly, it is important that everyone in the organization and those interacting with the organization, both internal and external stakeholders, are kept informed and provided with messages and information that allow them to feel engaged, thus paving the way for involvement and adoption. Critical to successful change is good planning. Successfully managing the complexity of change is virtually impossible without a robust plan that is supported by strong project management. The formal procedure of applying a planning process in preparation for change helps organizations’ to: Take stock of their current
position, Identify what is to be achieved, and what the future position following the change is expected to be; Detail precisely the who, what, when, where, why and how of achieving and implementing the change objectives, Assess the impact of the change on the organization and the people within it, as well as other stakeholders; and ensure alignment with the organization’s business model/strategy.

2.4 Establishing Change Management Practices

Strategic change management practices require a large commitment from executives and senior managers Kotter (1996). This undoubtedly means that any change effort cannot be optional for senior staff. They must lead or get out of the way. The business environment requires continuous improvement of business processes that affect productivity and profitability. This in turn requires organizations be open to and ready for change. In order to succeed, strategic change management must be carried out properly by ensuring that all stakeholders are included in the process from beginning.

Strategic change management must be carried out properly by ensuring that all stakeholders are included in the process from the beginning. Devos, Vanderheyden and Van Den Broeck, 2000; (international, inc. 2008) identify the following variables most likely to be related to change commitment: change identification, engaging the people, support of top management, making communication a top priority, time and line leadership. The change management practice is the sequence of steps or activities that a change management team or project leader would follow to apply change management to a project or change. Based on prosci’s research of the most effective and commonly applied change, most change management processes contain the following three phases.
Change involves the introduction of new procedures, people or ways of working that have a direct impact on the various stakeholders within an organization. This leads to a number of challenges that manifest under different names. Each of the challenge is unique, yet they are simultaneously independent and inter related. Overcoming any one independently is insufficient for realizing sustainable change. According to Dalziel and Schoonover (1988), failure to recognize barriers that arise from cultural or organizational
conditions can severely impede implementation and acceptance of change. Strategic change management practice is pointed further by Dalziel and Schoonover (1988) are incompatibility with the new organizational structure for example outdated technical, operational and physical environment, and formal and informal company traditions. Another challenge is lack of resources and funding available to conduct the necessary planning and implementation of strategic change (Green and Cameron, 2009).

Employee resistance is another challenge, employee resist change most often because they lack awareness of the need for change and they fear the impacts of the change. (Mary W Munjua, 2012) Poor communications tend to share in depth details about the project such as status updates and development rather than the rational for the change, and are often delivered by someone other than the preferred senders such as a project leader or communication specialist (Dalziel and Schoonover, 1998). Employees do not resist all change, only change that they do not understand or that they see as psychologically or economically threatening (Hayes, 1996).

2.5.1 Managing Strategic Change Practices Challenges
Communication is regarded as highly important in the successful implementation of the change processes, because it is used as a tool for announcing, explaining and preparing the change (Kitchen and Daly, 2002). Communication is essentially viewed as the collective interactive process of generating and interpreting messages between people within the organization through either directional (one-way) or bidirectional (two-way). According to Gichuki (2010) proper channels of communication put in place helps flow of information and minimize the challenges of change. The communication strategy is perceived as a mechanism to clarify the facts to stakeholders of what is going to change,
why and what benefits they can expect to derive from the change. Open communication provides for feedback, input, complaints and for the full involvement of all personnel in the change process. The impetus of the change process is to rely on people. This requires management to communicate with people, communicating the vision, the strategy, training and development (Michelman, 2007).

Successful change management requires commitment and support from organizations’ leaders, regardless of whether the change is occurring in one section or across the whole organization. Hoffman and Woody (2008) highlight management support as the key necessity of promoting change. Leaders play a key role in promoting and sustaining the impetus for the change, developing and communicating a shared sense of the way forward.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages that are followed in completing the study. The chapter discusses the methodology the researcher employed in the study. The methodology included the research design, data collection methods and data analysis techniques.

3.2 Research Design

The study adopted a case study design in investigating the strategic change management practices at National Bank of Kenya Ltd. Kothari (1990) describes a case study as a form of qualitative analysis that involves a careful and complete observation of a social unit. He further describes a social unit as a person, family or institution. The researcher has adopted case study because of its contribution to the knowledge of individual, group, organization, social and phenomena.

Case study has been a common research strategy in business and community planning. The distinct need for case studies arises out of the desire of the researcher to understand the complex social phenomena. Case study method allowed the researcher to retain the holistic and meaningful characteristics of the real life events such as individual lifecycles, organizational and managerial processes.
3.3 Data Collection

Primary and secondary data was used in the study. Primary data is information gathered directly from the respondents (Kothari, 2004). The data was collected by use of an interview guide. Interviewing is a way to collect data as well as to gain knowledge from individuals. Kothari (2004) regarded interviews as an interchange of views between two or more people on a topic of mutual interest, sees the centrality of human interaction for knowledge production, and emphasizes the social impact of research data.

In-depth interviews were conducted to interviewees who are head of key departments in Head office charged with change implementation. Key departments are; Retail and business banking, Islamic banking, Integrated distribution channels, Corporate and institutional banking, IT, Operations, Human resource, Finance and Marketing. The interview was considered appropriate for this study since there was need to gain in-depth understanding of the strategic change management practices at National Bank of Kenya Ltd and this was achieved by conducting interviews. The interview contained three sections: section A sought data on the personal details of the interviewees while section B solicited data on nature of strategic change at National Bank of Kenya Ltd, section C sought data on the challenges of strategic change management practices.

The interview responses was expected to corroborate information collected from secondary data. The respondents consisted of the top management involved in strategy formulation and implementation and they included senior staff comprising of managing director, the chief finance officer, director human resource and General Managers. The respondents gave insight into some of the change management practices while implementing the change strategies. Secondary data was collected from the organizations
documents such as the annual reports and strategic plan. It is presumed that these managers have served the national bank ltd for long enough to be familiar with the strategic changes that the company had undergone over its recent history. The researcher conducted the data collection through face to face interviews with the respondents. The respondents are senior managers drawn from various departments in the organization and who have taken lead position on the execution of the different strategic change management practices adopted by the company.

3.4 Data Analysis

The presentation of findings is of qualitative form. Qualitative implies an emphasis on the qualities of entities, processes and meanings that are not experimentally examined or measured in terms of quantity, amount, intensity, or frequency. Qualitative content analysis is used to analyze the data. According to Cooper and Schindler (2003) Content analysis is any technique used to make inference in systematic and objective identification of specified characteristics of messages. Kothari (2004) also explain content analysis as the analysis of contents of documents and verbal material and describes it as a qualitative analysis concerning the general import of message of the documents and measure pervasiveness.

This study relied on both primary and secondary data. The primary data was collected from senior managers, general managers and directors through in-depth interviews using an interview guide which was developed in line with the objectives of the study. The data collected by interviews is rich and sufficient for the analysis of the current study, particularly in discussing external and internal driving forces of the change programme.
CHAPTER FOUR
DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction
This chapter discusses the findings of the study based on the analysis and interpretation of primary and secondary data collected through interviews from National Bank of Kenya Ltd. The findings of the study are presented into two sections according to the objectives namely; to establish the strategic change management practices applied by National Bank and find out challenges of adopting various strategic change practices at National Bank.

The interviewees targeted in the interview guide were head of Retail and business banking, Islamic banking, Integrated distribution channels, Corporate and institutional banking, IT, Operations, Human resource, Finance and Marketing. According to the data found, eight of all the nine heads of department responded. This makes the response rate to be 88.8% successful. The commendable response rate was achieved upon making frantic effort at the booking appointments with the head of departments and senior managers despite their tight schedule.

4.2 Strategic Change Management Practices
This section of the study sought to identify some of the practices adopted to manage change in the study organization. The interviewees were asked to identify and explain the strategic change management practices that were applied at national bank of Kenya. The respondents identified the following practices; strategic change transformation, communication, top management support, corporate governance, employee training and empowerment, employee participation and involvement. The practices are discussed below to explain how each practice was used by the study organization to minimize employee resistance to change.
4.2.1 Strategic Change Transformation

The interviewees cited the continuous strategic change transformation over the financial year 2011/2012 the Board of National Bank of Kenya recognized that the bank had not been performing at par with its peers or realizing its full potential to meet the rightful expectation of its investors. The Board also noted that the Bank has been steadily losing market share for the last two decades. Despite turning profitable and successful implementation of the first phase of restructuring that exited the Non-Performing Loans from its balance sheet, the Bank required to undertake its next phase of its transformation journey into a high performing organization. This required hiring talent with the necessary experience and background to drive this strategic transformation process.

Senior manager in charge of the banks projects stated that, “Transformation programme entails a number of projects that broadly include; expansion, both on the physical and on the digital space, agent banking, innovation and development of new products as well as in branch network throughout the country and into regional markets”

The Board thus hired a new Managing Director through an international competitive process and also approved the recruitment of senior management team to drive the transformation program. The Board also enlisted a leading international consultancy firm that has helped the Bank develop a turnaround strategy. The interviewees pointed out that transformation program entails a number of projects that broadly include: Organizational structure changes to create new divisions of Corporate and Institutional and Retail and Business Divisions to drive the business, and rationalization of the support 25 divisions and departments.
Innovation and development of products and customer value propositions for the target segments and markets NBK chose to participate in developing an effective sales model that achieves market share growth through building up business volumes and accelerating customer numbers growth.

4.2.2 Employee Participation and Involvement

According to NBK senior manager in charge of human resources, “No Meaningful strategic change could take place without participation and involvement of entire employees”. The interviewees noted that employees were incorporated to the change process from the beginning. They pointed out that all employees were expected to participate in simulation exercise and in idea generation. Each department volunteered two staff to help other users when problems associated with new systems were encountered. They all agreed the results were increased job satisfaction, team performance and high employee work morale. The interviewees stated that group training organized by the consultants provided another good forum for employees to actively participate in the strategic change process.

4.2.3 Corporate Governance and Institutional Banking Strategy

The NBK senior management staff stated that “Part of the banks transformational strategy entails the creation of corporate and institutional banking units as strategic change management practice to cater for the needs of medium to large corporates and institutions” They further pointed out that corporate and institutional clients will be offered services such as cash management, trade services current accounts, transactional accounts, fixed deposits, financing in both local and foreign currencies, treasury services, custodial services and online channels.
Some also stated that corporate and institutional banking will cater for different diverse groups of clients which include the public sector, county government, education, agriculture, hospitality, health, manufacturing, energy, oil and gas, real estate, technology and telecommunication.

In addition, they cited that the unit is committed to continuously improve service delivery by offering innovative and technology-based solutions; the bank will develop robust internet banking and mobile banking solutions for the corporate and institutional clients. This will increase efficiency by enabling relaying of information on financial services in real time.

4.2.4 Monitoring and Evaluation Practice

The study found that National Bank of Kenya upholds monitoring and evaluation as a pillar towards the achievement of its strategic change management practices. The bank outsources audit services from Deloitte & Touche Certified Public Accountants (Kenya). Deloitte and Touche audits the financial statements of National Bank of Kenya Limited, which comprise the statement of financial position, the statement of comprehensive income, statement of changes in equity and statement of cash flows, and a summary of significant accounting policies and other explanatory notes. The auditor’s conducts audit in accordance with International Standards on Auditing. Those standards require that auditors comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from wrong information.
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. According to Deloitte & Touche, the National Bank of Kenya has complied with all legal requirements by Kenyan Companies Act. The bank’s statement of financial position and statement of comprehensive income are in agreement with the books of account.

4.2.5 Senior Management Support

The findings revealed that the top management support was critical for any strategic change process and implementation to be successful. They noted that top management kept the change process moving while maintaining the operational integrity of the organization. The interviewees cited the continuous communication from the senior management staff on the reasons why all employees need to embrace the new changes. This made many employees change their perception and support the changes within their respective departments. To continuously reduce employees’ resistance to change, the MD constantly created a sense of urgency for change by advocating for change at all key staff and board meetings.

Interviewees reported that management provided resources in terms of time, effort and approved budget related to change process on time to facilitate the implementation strategic change management practices within the bank.
4.2.6 Employee Training and Empowerment

To embrace strategic change process, interviewees indicated that employees’ training and empowerment was critical if various strategic change initiatives were to be realized. NBK management engaged the services of consultants to ensure that change champions undergo proper training on the change process before disseminating the information to other users of the system. They further noted that employees were trained on customer service due to continuous expansion of branch network, while another group was trained on credit management due to centralization of operations at credit department.

In addition, some interviewees cited coercion was used to force employees who were adamant to accept change or sabotaged the change process. They argued that these employees were either retired through voluntary retirement program, dismissed or transferred to hardship areas as a disciplinary measure.

4.2.7 Communication Context

The interviewees cited out that nothing moves forward without proper communication, motivated employees and stakeholders. Stakeholders are the people that are directly involved in and affected by the change project. Typically they are the organization’s workforce or those whose interests may be positively or negatively affected by the change including other agencies with whom the changing organization partners, service providers, vendors, or the public. They pointed out that an organization needs to engage its stakeholders, in order to implement changes effectively. To do that, employees and stakeholders need to understand the reasons why the change is happening and its benefits. They also need to have an opportunity to express their views and contribute their own ideas about how it might be implemented.
The study also revealed that the most challenging and demanding aspects of strategic change practice project is communication. Communication is the key way that people are engaged in the change. Introducing successful change relies heavily on how the participants in the change view it.

The interviewees stated out that communication engages the hearts and minds of all employees and stakeholders by facilitating movement along the continuum presented below:

![Communication Continuum](image)

**Figure 4.1 Communication Continuum**

**Source: Interview Guide**

**4.2.8 Market Segmentation and Product Diversification**

The study found out that National Bank of Kenya employs market segmentation and product diversification strategies as means to enhance strategic change management practices. National Bank of Kenya has segmentation its target market by providing accounts that target specific market segments. The accounts include the National Amanah Accounts which are shariah compliant accounts guided by Islamic law. They are packaged to meet the banking needs of all including; children, youth, women, salaried and self-employed individuals, companies.
In compliance with the shariah law, no interest paid and no charges are levied. The bank also provides National Amanah Financing Facilities which are shariah compliant asset facilities guided by Islamic law. This is Halaal financing based on the principles of Murabaha financing and Diminishing Musharaka. The assets financed include houses, plots, vehicles, machinery to name a few.

The study further observed that National bank of Kenya has diversified its product to cater for diverse needs of its customers. The lending products include: Asset Financing which empowers customers in the acquisition of assets for example motor vehicles, tractors and machinery; Mortgage Facilities available for the purchase of residential and commercial properties. Financing is available to companies, Real Estate developers, salaried and self-employed individuals; NBK Equity Release which is aimed at assisting property owners to obtain cash from the value of their residential or commercial property; Overdraft Facilities which help customers to meet working capital funding needs.

4.3 Challenges of Adopting Strategic Change Management Practices.

All interviewees cited out that the forces of strategic change in the organization were both external and internal. The external forces of change identified by respondents were changes in technology, changing demands of consumers and competition from other commercial banks. Internal forces of change identified were changes in employee demands, changes in work schedule, branch expansion and restructure changes for instance rebranding.
The interviewees argued that the major challenge of adopting strategic change management practices was resistance to change. It emerged from the respondents that National Bank of Kenya was non-exceptional to resistance to change. Further analysis by interviewees shows that some employees embrace change while others opposed the strategic change management practices implemented.

The interviewees reported that the reasons for resistance to change are myriad and range from uncertainty, fear of loss of job, desire to maintain status quo, fear of transfers to hardship areas, fear of leaving the comfort zone, inadequate training, low motivation and user interface problem. This concurs with Ansoff (1990) who suggests that resistance to change results to additional costs and delays in its implementation.

The study further observed financial constraint was a challenge in change management. Finances were needed during re-branding, expansion of branch network, payment to external consultants, payment of disturbance allowances, concessionary allowances and hiring of new talent staff with vast experience in the banking industry fill skills gap. In addition advertisements of newly rebranded products made the bank to incur extra cost in its budget.

Internal politics was not exceptional as reported by the respondents; they cited lack of staff involvement in the strategic change management practices and poor staff motivation. Some of the factors contributing to resistance as raised by interviewees include poor communication, lack of coordination, unclear strategies and conflicting priorities.
The study sought to establish the impact of culture in managing strategic change. The study established that the National Bank of Kenya had been undergoing radical change and that the entrenched culture was no longer an asset to the organization. The interviewee cited that the culture within the organization had to be adopted to assist the employees in the changing situation.

4.4 Discussion of the Findings

4.4.1 Comparison with Theory

Several similarities were noted from the findings that National Bank employed and those from the past studies. Kotter (1996) stated that for any progressive organization to survive today, it has to continuously implement and manage strategic change.

In management of people dimension of change, the National Bank of Kenya adopted the ADKAR model developed by Prosci to manage the people aspect of change. By creating awareness of the need for change; developing the willingness to support and engage in change; providing information, training and education necessary to know how to change; executing the change and reinforcing the factors both internal and external that sustain strategic change management practices.

The study also found that the review of the strategic plan was the work of the senior management and later involved the other staff so as to ensure inclusiveness of the process. The top management remained the key stakeholders in the implementation process despite participation of other members of the staff considered to be key. The findings therefore agree with Vinzant and Vinzant (1999) who argued that strategic change management practices is a process carried out at the top of the organization which provides guidance, direction and boundaries for all aspect of operational management.
4.4.2 Comparison with other Empirical Studies

A substantial body of empirical literature supports the hypothesis that environmental turbulence influences the performance of National Bank of Kenya limited as its strategic choices to the volatile and highly competitive banking industry forces the company to implement major corporate changes such as expansion by opening branches across the country, product diversification through introduction of several products initially not associated with the company, product differentiation by introducing products unique to the organization and re-branding. This concurs with Nandewar and Jayasimha (2010) who indicated strategic changes taking place in the social fabric within which the organization operate, are vital forces impacting organizations within the context of their business operations.

The findings of the study reveals that the formulation of the strategic change management practices was a preserve of the top management and other staff were left out is in agreement with Kamaku, (2010) who found out that the strategy formulation was a preserve of the top management.

The study findings that the organizational culture was conducive for the business as it was moving towards a better performance are in agreement with Aosa (1992) and Kamaku 2010 where he noted the importance of matching the organization culture with strategy.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

There are two study objectives to be achieved through this study; one to establish the strategic change management practices applied by National Bank and the second one is to find out challenges of adopting various strategic change practices at National Bank. This chapter will discuss these findings and draw summary discussions, conclusions, limitations of the study, suggestions for further research, recommendations and contributions to theory development in the banking industry.

5.2 Summary of Findings

The objective of the study was to establish the strategic change management practices applied by National Bank and find out strategic change challenges in banking industry environment. The study established that National Bank of Kenya has come up with various strategic change management practices to enable the bank remain competitive in the market. The strategies include Strategic change transformation, Employee participation and involvement, Corporate Governance and institutional banking strategy, Monitoring and Evaluation, Senior Management Support, Employee Training and empowerment, Employee Training and empowerment, Market Segmentation and Product Diversification.
The strategic transformation involved hiring talent with the necessary experience and background to drive strategic change management practices. The Board thus hired a new Managing Director through an international competitive process and also approved the recruitment of senior management team to drive the transformation program. The Board also enlisted a leading international consultancy firm that has helped the Bank develop a turnaround strategy. The transformation program entails a number of projects that broadly include: Organizational structure changes to create new divisions of Corporate and Institutional and Retail and Business Divisions to drive the business, and rationalization of the support divisions and departments.

The study established that the study organization had embraced a number of change management practices as pointed out by the interviewees. Results revealed that NBK has embarked on a program to expand its distribution network throughout the country. This entails establishing 20 additional branches at the county level and deploying a full range of non-branch channels including agent banking, offsite ATMs, mobile banking, electronic banking and other innovative channels. The bank intends to expand into regional markets where opportunities exist that will add value to the Bank.

Findings also revealed that the organization adopted other practices like hiring senior management support, role in crafting objectives of change, policy making and implementation communicating urgency of change and approval of budgets on change process.
The study also established that the National Bank of Kenya has leveraged investments in technology to centralize and automate service delivery. This will deliver superior customer service and increase efficiency by relaying of information on financial services in real time.

Driving the strategic change management practices requires investing in training the existing staff and in some cases bringing in new talent to fill skills gaps. NBK has hired experienced and skilled bankers to lead the new business divisions, drive business growth, manage customer relationship, steward business growth and effectively control all enterprise risks.

5.3 Conclusion

Many organizations have formulated excellent but have not achieved excellent results due to poor strategy implementation. The failure of these strategies can be attributed to ineffective managerial to implement change strategies, lack of resources unanticipated changes in the economic environment.

The study concludes that National bank of Kenya Ltd is aware of the competition in the banking industry and has taken measures to ensure that the bank remains competitive. In addition the study observed that numerous challenges were faced in change management process. Such challenges were either organizational related or people related. These challenges included resistance to change, financial limitations, structural constraints, social constraints and internal politics. The Bank remains positive about the industry growth in the coming years given stability of the macro economy.
The board of directors is committed to ensuring that National Bank becomes part of this expected growth now that the macro-economic indicators of interest rates, inflation and exchange rates are stable and positive. The board, working with the new managing director and the management of the Bank, is implementing transformation programmes which aims at revitalizing the institution and propel it to higher level in the coming years. Refreshing the National Bank brand is also part of this transformation.

Besides, customer service improvement initiatives are a key pillar of the strategic change management practices at National Bank of Kenya Ltd and it has implemented a number of these including setting up a 24/7 customer contact center, revamping value propositions, product innovations and developing a customer centric sales and service model.

National Bank of Kenya Ltd has also implemented a number of cost reduction and cost control measures that makes the Bank deliver cost effective efficient service. NBK is confident these initiatives and changes will have positive impact and help the bank achieve the planned business growth which in turn will help realize the goal of transforming National Bank of Kenya into top tier bank in the future.

5.4 Recommendations of the Study

The study recommends that banks should analyze their target market, identify their competition and learn from your competitors and your customers. Banks should use competitors as a learning tool and assess their business model. In addition the study recommends human resource department should recruit the best employees, design appropriate and effective training programs and institute successful retention programs.
The human resource managers should be given leadership positions by allowing the human resource department to play a role in determining appropriate recruitment system for hiring qualified employees to fill the skills gap in the bank. The study also recommend the entire bank to have sufficient knowledge of their customers to maximize on revenue and profits, increase customer retention and boost prospective customers.

In view of the above, the researcher recommended the following for the bank’s top management to enhance on service delivery: consider re-alignment of the bank’s strategic change practices with the structure by subjecting everybody’s performance to review and appraisal; consider a culture change by “bottom-up” approach in strategy formulation and implementation in order to bring on board all the employees, relevant stakeholders for ownership.

The banking industry should continuously maintain the competitive advantage they have gained by predicting future trends in the banking industry, constantly researching and monitoring competitors, and adapting to customer’s wants and needs.

5.5 Suggestion for Further Research

The study recommends further research on the findings of this study by providing information on challenges faced by bank in their efforts to initiate transformation programmes. In addition the study recommends further research on the key success factors which banks should consider when benchmarking for means to enhance competitive strategic change management practices.
In most organizations strategic change management practices has been viewed in a negative context and the issue of resistance change has always been included as part of notorious impediments throughout the strategic change process. It is recommended that further research be done to find out how organizations can positively leverage on this phenomenon to create competitive advantage in the business environment.

5.6 Limitation of the Study
The first limitation of the study was thought to be sensitive by the respondents and some were not ready to provide the information, some citing that they have signed confidential clause with management. However after some follow–ups and reassurance by the researcher, the respondents were willing to provide information. The data collected was qualitative in nature and therefore the researcher was required to analyze this data using content analysis. The method is subjective and involves a lot of decision making which can lead to different conclusion by different researchers while analyzing the same data.

5.7 Implications on Policy, Theory and Practice
The banking industry and the corporate society policy makers and regulators interested to know the dynamics involved in strategic change management practices can also find this study useful in that respect.

To policy makers, all financial sectors in Kenya, the regulator that’s Central Bank of Kenya should encourage more research on the different strategies these institutions are implementing to enforce success. The study highlights areas of policy gaps that require policy improvement in the banking industry. It will result to improved policies that will encourage growth of the bank hence increased employment, economic growth, market competitiveness and technological innovativeness.
In theory, the study formed a basis for academics and for further research and knowledge on the banking industry. The recommendations of this study are expected to enhance management and general performance of the bank, accurate communication and implementation of plans. The study will serve as a source of information to the public who would like to know more about the national bank of Kenya. It will help fill the gap between theory and practice as applied in the management of the industry.

In practice, the study recommends the management of the national bank and the banking industry to better understand the challenges involved in the strategic change management. This will assist to adequately prepare how to counter the challenges so that they can be able to succeed in strategic change management. This study will contribute to practice by the regulator central bank of Kenya, top management of commercial banks, ministry of finance and other stakeholders in the financial services in formulating sound policies and strategies to manage trends in the changing environment that can provide numerous opportunities or prove to be catastrophic to organizations in the economic system.
REFERENCES


Crainer, S. (1995): *Key management ideas, thinking that changed the management world*, Macmillan India Ltd.


Devos,G., Vanderheyden, K., & Van Den Broeck, H, A framework for assessing commitment to change. Process and context variables of organizational change. *Vlerick working papers no.11*


Edition New Delhi: Anurag Jain


APPENDICES

Appendix I: Interview guide

Section A: Personal details

Name: (optional)............................................

Department:.....................................................

Position:...........................................................

Number of years worked:.................................

1. Are you involved in implementation of strategic change(s) and what is (Are) your role?
   • .................................................................................................................................

Section B: Nature of strategic change

2. What major strategic change(s) have been implemented in your organization?
   • ........................................................................................................................................

3. What force(s) necessitated these changes? What were the driving forces behind the change?
   • ........................................................................................................................................

4. What kind of impact does strategic change(s) have on the following aspect of organization?
   • The business performance...........................................................
   • Culture.......................................................................................................................
   • The stakeholders.....................................................................................................
• Products........................................................................................................ 

Section C: Challenges in strategic change management practices

5. What are the main challenges encountered in strategic change management practice?
   • .................................................................................................................................

6. Would you name other challenges faced in change management program?
   • ...................................................................................................................................

7. Has there been notable resistance to change(s)?
   • ...................................................................................................................................
   • ...................................................................................................................................

8. If yes, describe some of the factors contributing to resistance?
   • ...................................................................................................................................
   • ...................................................................................................................................

9. In your view, what are some of the effects of resistance to change(s)?
   • ...................................................................................................................................
   • ...................................................................................................................................

10. How do you overcome resistant to change(s)?
    • ....................................................................................................................................
    • ....................................................................................................................................
11. Do you have financial constraints in strategic change implementation(s)?

- ........................................................................................................................................

12. If yes, what do you do about it?

- ........................................................................................................................................
- ........................................................................................................................................
- ........................................................................................................................................

13. Do you have structural constraints in strategic change management programme?

- ........................................................................................................................................
- ........................................................................................................................................

14. What measures have been taken to deal with or address the various challenges of change management?

- ........................................................................................................................................
- ........................................................................................................................................
- ........................................................................................................................................
APPENDIX II: LETTER OF INTRODUCTION

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

DATE: 18/8/2014

TO WHOM IT MAY CONCERN

The bearer of this letter, RUSIPUX AROPE JEREMIAH,
Registration No. DC1F2246/2011,
is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

18 AUG 2014