

**STRATEGIC CHANGE MANAGEMENT PRACTICES AND
CHALLENGES AT KENYA NATIONAL AUDIT OFFICE**

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DECLARATION

This project is my original work and has not been presented to any university or institution of higher learning and that all the sources I have used or quoted have been indicated and acknowledged by means of complete references.

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Date

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D61/72652/2012

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

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DEDICATION

I dedicate this study to my daughter Amy Wahu, my Parents Mr and Mrs Ephraim Nyamu, my siblings Alex, Michael and Purity, my house help Catherine. Their continuous support, prayers and encouragement were a source of strength and inspiration during my study may God bless all of you.

ABBREVIATIONS

ICT	Information Communication and Technology
CPA	Certified Public Accountant
MBA	Master of Business Administration
AFROSAI –E	African Organization of Supreme Audit Institutions – English Speaking
INTOSAI	International Organization of Supreme Audit Institutions
KENAO	Kenya National Audit Office
OST	Open System Theory
CAP	Chapter
PR	Public Relations

ABSTRACT

The objective of this study was to establish the challenges faced by Kenya National Audit Office in managing strategic change and determine strategic change management practices adopted by Kenya National Audit Office. The research was conducted through a case study and in-depth interviews with senior officers concerned with strategic change management at Kenya National Audit Office using an interview guide and data analyzed using content analysis. Lack of adequate funding, inadequate multi-disciplinary officers, high staff turnover, low staffing levels, low morale as a result of poor remuneration, communication breakdown, inadequate transport to carry out assignments in the field, unfavorable working conditions, lack of implementation of recommendation made in audit reports, and lack of involvement of all staff in the strategic change implementation were some of the challenges faced by KENAO. KENAO has strategic change management practices like; ensuring every officer gets a laptop/computer, internet connectivity and intranet to improve on communication, employment of multi-disciplinary officers like lawyers, engineers, environmental specialists to enhance quality of audit reports and also extensive training. With the change process it has been observed that there is improved staff morale, increased work productivity, less stress, low involvement in drug and alcohol abuse, few medical claims, enhanced organizational public image, timely audit reports, increased staff self-development especially by going back to school, and few legal cases between the office and the clients.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In today's world change is the only constant thing. Human organizations are never static entities. They are on the contrary constantly changing Cole (1995). Kotter (1996) states that, "the amount of significant, often traumatic change in organizations has grown tremendously over the past two decades and experts agree that over the next decades, business environment will become even more volatile. Therefore, organizations need strategies to continuously adapt to their environments". Change management should therefore entail thoughtful planning and sensitive implementation, and above all, consultation with, and involvement of, the people affected by the changes. Change must be realistic, achievable and measurable.

This study is based on two theories namely resource based view theory and open system theory. resource based view argues that for organizations to achieve its goals it has to evaluate its resources both tangible and intangible, functional and technological skills. Pfeffer, J. & Salancik, G.R. (2003) defined Open Systems Theory (OST) as a modern systems-based change management theory designed to create healthy, innovative and resilient organizations and communities in today's fast changing and unpredictable environments. As organizations and communities conduct their business they influence and change their external environments, while at the same time being influenced by external changes in local and global environments. Organizations are strongly influenced by their environment. The environment consists of other organizations that exert various forces of an economic, political, or social nature. An organization's survival is dependent upon its relationship with the

environment. The two theories are relevant for this study in that with the devolved form of government and the expanded mandate of the Office necessitate refocusing and re-strategizing to enable the office of the auditor general reposition herself to meet the enhanced stakeholder expectations.

Kenya National Audit Office is a public audit agency whose mission is to build professional excellence in the provision of audit services through objective, reliable and timely audit reports and to be a lead agency in promoting good governance and effective accountability in the management of public resources. It is important to know the practices Kenya national Audit Office is trying to implement and the challenges arising thereof because the Auditor General's office is the only audit institution in the country charged with the duty to ensure public finances are spent well

1.1.1 Management of Strategic Change

The study of strategic change usually covers the nature of the change, the need for change, analysis of forces bringing change, the effects of environmental forces, resistance to change by individuals in organisations, and the means of overcoming these remittances (Yabs, 2010). Change can thus be thought as a condition and a process. Change as a condition describes what is happening in the environment, it is part of the reality an organisation must accept. Change as a process is what employees foster internally in response to changes in the environment.

Ansoff and McDonnell (1990) assert that change has become increasingly complex, novel and discontinuous from the past experiences. Accelerated by the frequency of changes and rate of diffusion of change, today's world has moved from being evolutionary to revolutionary. Fay and Luhrmann (2004) point out that organizations are constantly being forced to go through continuous adaptation due to forces of

globalization, increased competition, changes in information technology and deregulations. Globally many firms are currently undergoing strategic change to adapt to the new market environment in order to retain their market share and enhance their profitability. The strategic change programmes arise from organized management strategies such as culture change, business process engineering, empowerment and total quality management. Other strategic change initiatives are driven by the need for organizations to reposition themselves in the face of changing competitive conditions. Strategic change often involves radical transitions within an organization and encompasses strategy, structure, systems, processes and culture (Kazmi, 2002). The track record of success in bringing about strategic change within most organizations has been poor in most organizations since many fail to grasp that they are performing an implementation which actually means turning plans into reality rather than formulation.

Lack of understanding of change implementation techniques and the inability to modify one's management style or organizational functions are cited as barriers to success (Gilley, 2005). The concept of resistance is central to the change management phenomenon. It is perhaps the most common challenge to any change management strategy. At both the individual and the organizational levels, resistance to change impairs concerted efforts to improve performance. Many corporate change efforts have been initiated at tremendous cost only to be halted by resistance among the organization's employees. Resistance frequently occurs to organizational change that has a potential of personal impact. Ansoff (1990) define resistance as a multifaceted phenomenon, which introduces unanticipated delays, costs and instabilities into the process of change. He further argues that resistance to change is not confined into

introduction of strategic planning. It occurs whenever an organizational change introduces a discontinuous departure from the historical behaviour, culture and power structure.

Resistance to change therefore is a product of the change process. It can occur at the individual level (behavioural) or Organizational level (systemic). Being unable to manage resistance at organizational level is a mistake that accounts for failures of new businesses, mergers, organizations and other strategic change efforts (Reynolds, 1994). Coughlan (1993) points that, it is very important that organizations have proper understanding of the process that leads to change as well as the underlying causes of resistance to change. To remain competitive, organizations must effectively manage change. They must deal with both objective and subjective conditions of change management practices in organizational transitions

1.1.2 Kenya National Audit Office

Originally the office of Auditor General was referred to as the Controller and Auditor General's office and was established on 1st June 1955 under Exchequer and Audit Act Cap 412. The public audit Act 2003 began operating in 9th January, 2004 and established the Kenya National Audit Office and the Kenya National Audit Commission. The duty of the National Audit Commission is to approve the budget of Kenya National Audit Office and determine the remuneration and other terms of appointment of staff.

The Controller and Auditor general's responsibility is to authorise and approve all the withdrawals from the consolidated fund and audit all the government ministries and departments together with the local authorities.

Chapter 12, part 6, article 229 of the new constitution provides for the appointment of the Auditor General nominated by the president with the approval of the National Assembly whose duties will be to audit the accounts of national and county government, the accounts of funds and authorities of national and county governments, accounts of all courts, accounts of every commission, independent office established by the constitution, the accounts of National assembly, the senate and County assemblies, the accounts of political parties funded from public funds, the public debt and the accounts of any other entity that legislation requires auditor General to audit and issue a report. The audit report will confirm whether or not public money has been applied lawfully and in an effective way and the reports shall be submitted to parliament or the relevant county assembly where within three months after receiving the audit report parliament or county assembly shall debate and consider the report and take appropriate action.

To achieve the planned change, the Kenya National Audit Office is escalating its reforms agenda. The Office is reviewing the way it is conducting business and specifically lay considerable emphasis on instilling professionalism in audit service delivery, in order to produce audit reports of high quality in a timely manner. In this regard, the Office has set up a reorganization strategy that will enable it face and overcome the challenges of transformation. Alongside these changes, the Office has set up a new governance and internal control organization structure to ensure effective and efficient operations.

The Office is in the process of building capacity to handle new and emerging audits. These include areas recommended by other accountability institutions such as the African Organization of Supreme Audit Institutions- English speaking (AFROSAI-E), and the International Organization of Supreme Audit Institutions (INTOSAI) as well as partner supreme audit institutions (SAIs).

1.2 Research Problem

According to Moran and Brightman (2001) change management is the process of continually renewing an organization's direction, structure, and capabilities to serve the ever changing needs of external and internal customers. A study by Simon (2012) confirmed that some of the important factors that influence the outcome of process improvement programmes in organizations include strategic alignment, structural alignment, IT alignment, executive commitment, and employee empowerment. Other factors he found to be significant and critical to the success of process improvement programmes were: value and clarity of the proposed changes, Pace of the change, inherent culture of an organization, sustainability of the change, and skills. To remain competitive and prosper in today's dynamic business environment, managers in organisations must continually be innovative and adaptive to new change management practices and techniques in line with the changing world.

The Office of the Auditor-General as the Supreme Audit Institution of Kenya is charged with the primary oversight role of ensuring accountability within the three arms of government and independent commissions and offices. The Office is determined to play this important role by deterring and revealing at the earliest opportunity any deviations from accepted standards or violations of principles of legality, efficiency, effectiveness and economy of financial management to facilitate

corrective action and call those responsible to account. The major challenges facing the Office include resource limitation, insufficient remuneration, lack of independence in the budget process, insufficient human resource, inadequate preparedness for emerging audits, lack of a clear professional development policy and delay in implementation of audit recommendations. These challenges have adversely affected the efficiency and effectiveness of the operations of the Office.

several studies have earlier been done in Kenya by Anyumba (2013) on challenges and practices of strategic change management of insurance firms in Kenya, Ruwaida (2011) on change management practices at Bomu Medical Centre, Kiange (2010) on change management practices at Kenya Ports Authority, Nzomo (2013) on strategic change management practices and challenges at Safaricom Limited, Kenya, Kimaita (2010) on strategic change management practices within Teacher Service Commission-Kenya. No study has been done on this subject in Kenya National Audit Office and also the fact that the office has been affected by current constitution. This is my motivation for undertaking this research work. Therefore, the study has two research questions; - what change management practices has Kenya National Audit Office adopted and has Kenya National Audit Office encountered any challenges while managing strategic change?

1.3 Research Objective

The study was guided by the following research objectives;

- (i) To establish the challenges faced by Kenya National Audit Office in managing strategic change.
- (ii) To determine strategic change management practices adopted by Kenya National Audit Office.

1.4 Value of the Study

The findings of this study have contributed to the Resource Based View and the open system Theory. The findings are being applied to the strategic change practices of audit institutions and are in agreement with the two theories and future researchers can refer to this.

The findings of this study have filled the existing knowledge gap in the implementation of strategic change management practices at Kenya National Audit Office. The managers in audit firms use the information in the formulation and implementation process and any foreseen challenges during implementation are overcome in good time to allow smooth strategic change implementation.

The study has also been useful to audit firm's policy makers in different institutions in formulating policies on areas that necessitate smooth strategic change practices in organizations. The study has provided advice to the audit institutions on issues to do with challenges of strategic change practices and how they can be overcome.

The findings of this study have highlighted insights of best practices that has been helpful to management of audit firms. The study has assisted audit institutions in pointing out areas of difficulties in allocating resources to address the priority areas.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on strategic change management in detail by looking at the theoretical foundations of this study, strategic change its importance and what it involves, models of change, change management practices, and challenges of change management.

2.2 Theoretical Foundations

The resource based View refers to the concept that each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the basis of a firm's strategy and its ability to earn above average returns. Resources are inputs into a firm's production process. A capability is the capacity for a set of resources to perform a task or an activity in an integrative manner. (Hitt 1.H, 2013)

The resource-based view (RBV) as a basis for the competitive advantage of a firm lies primarily in the application of a bundle of valuable tangible or intangible resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort (Barney, 2001).

A resource must enable a firm to employ a value-creating strategy, by either outperforming its competitors or reduce its own weaknesses. Relevant in this perspective is that the transaction costs associated with the investment in the resource cannot be higher than the discounted future rents that flow out of the value-creating

strategy. A resource must be rare by definition. In a perfectly competitive strategic factor market for a resource, the price of the resource will be a reflection of the expected discounted future above-average returns (Barney, 1986). If a valuable resource is controlled by only one firm it could be a source of a competitive advantage. This advantage could be sustainable if competitors are not able to duplicate this strategic asset perfectly.

Even if a resource is rare, potentially value-creating and imperfectly imitable, an equally important aspect is lack of substitutability. If competitors are able to counter the firm's value-creating strategy with a substitute, prices are driven down to the point that the price equals the discounted future rents (Barney, 1986). According to Hitt (2003), a firm should select a strategy that best allows it to utilize its resources and capabilities relative to opportunities in the external environment.

Open Systems Theory (OST) refers simply to the concept that organizations are strongly influenced by their environment (Harvey, 2005). OST is a modern systems-based changed management theory designed to create healthy, innovative and resilient organizations and communities in today's fast changing and unpredictable environments. As organizations and communities conduct their business they influence and change their external environments, while at the same time being influenced by external changes in local and global environments in a two-way influential change known as active adaptive change (Pfeffer & Salancik, 2003). The environment consists of other organizations that exert various forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival. Organizations and communities are open systems; changing and influencing each other over time.

To ensure viability an open system must have an open and active adaptive relationship with its external environment because a healthy viable open system has a direct correlation with respect to changing values and expectations over time with its external environment (Pfeffer & Salancik, 2003). This means that if the values and expectations of a certain organization or community are out of sync with those that exist in the external environment then that particular organization or community will eventually become unhealthy and unviable. People too are open systems. Through their actions they influence and change their external environment, and at the same time are constantly being influenced by changes in the external environment. From an employee's perspective, the organization itself is their immediate external environment. In today's globalized and networked world socio-ecological change is relentless and increasing exponentially (Pfeffer & Salancik, 2003).

2.3 Strategic Change

According to Hambrick and Fredrickson (2005), strategic change deals with the changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy.

Mullins (2002) explains change as a pervasive influence which affects all in a continual form or another. Change is an escapable part of both social and organisational life. Balogun and Hailey (2008) point out there are two schools of thought about how changes occur in organisations. The first sees change as continuous, with organisations transforming on an on - going basis to keep pace with the environment and the second sees change as a process of punctuated equilibrium. Organisations change or adapt what they want to achieve and how to do so. Some

organisations change mainly in response to external circumstances that is reactive change while others change principally because they have decided to change that is proactive change (Cole, 2006). Johnson, Schole and Whittington (2008) argue that it is beneficial when change in an organisation is incremental since such change should build on skills, routines and beliefs of those in the organisation. According to them in that way, the change is more likely to be understood and win commitment.

Regardless of which forces cause organizations to see the need for change, Leana and Barry (2000) posit that organizational change is aimed at adapting to the changing environment, improvement in performance and changes in employees behavioural patterns. The driving forces for organizational change are the result of the need to constantly improve productivity and efficiency (Arnetz, 2005). The biggest challenge of change is posed by resistance which is seen as dysfunctional yet a common element embedded in the change loop (Bovey and Hede, 2001). The intention to resist is triggered by maladaptive defence mechanisms adopted by individuals to protect them from the perceived threats of proposed change. Management must prepare and anticipate the likely reactions of employees, their resistance and their coping mechanisms and ultimately how they accept change in the workplace (Gotsill and Natchez, 2007).

2.4 Models of Change

Kotter (1996) 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 organization 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 speed and never produce

satisfactory results, Kotter (1996) suggests eight steps to 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 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.

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.

The main thrust of Lewin three Step model is that 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).

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 difficulty 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>).

Bullock and Batten's (1985) phases of planned change are; exploration, planning, action, integration. Exploration involves verifying the need for change and acquiring any specific resources (such as expertise) necessary for the change to go ahead. Planning is an activity involving key decision makers and technical experts. A diagnosis is completed and actions are sequenced in a change plan. The plan is signed off by management before moving into the action phase. Actions are completed according to plan, with feedback mechanisms which allow some replanning if things

go off track. The final integration phase is started once the change plan has been fully actioned. Integration involves aligning the change with other areas in the organization, and formalizing them in some way via established mechanisms such as Policies, rewards and company updates. This model was an expansion of Lewin 3-step model and did not factor the volatility and dynamism of organizations

Processual model by Dawson (2005) states that to understand the process of change, we need to consider the past, present and future context in which the organization functions, including external and internal factors. The substance of the change itself and its significance and timescale including the transition process, tasks, activities, decisions, timing, sequencing, political activity, both within and external to the organization and the interactions between these factors. Dawson identifies five specific aspects of the internal context which are human resources, administrative structures, technology, product or service, and the organization's history and culture. He also identifies four key features of the substance of change which are the scale, its 'defining characteristics', its perceived centrality, and the timeframe of change initiatives. The substance of change influences the scale of disruption to existing structures and jobs.

The transition process may be slow and incremental, or rapid. In addition, managers can draw upon evidence from the context and substance of change to marshal support and to legitimate their own proposals through organizational political action. It's therefore the interaction between context, substance and political forces which shape the process of organizational change (Dawson, 2005).

2.5 Change Management Practices

Johnson and Scholes (2002) define change management as the deliberate and coordinated actions taken to transform an organisation to overcome environmental challenges in order to achieve its objectives. Therefore, organisations are undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organisation to that environment. Strategic change is long term in nature, affects the entire organization and aims at achieving effectiveness. Operational change on the other hand is short-term in nature, affects a section of the organization and the focus is on efficiency. Heller and Hindle (1998) say that change affects every aspect of life and taking a proactive approach to change is the only way to take charge of the future. Organizations change to stay competitive and to grow by either resisting, following or leading. Those that resist stay put but eventually find that they have to follow, trying to catch up and if that fail, they face competitive disadvantage. Cummings and Worley (2009) indicate that change can vary in complexity, from the introduction of relatively simple process into a small work group to transforming the strategies and design features of the whole organization, and implementing organizational change generally requires additional financial and human resources; particularly if the organization continues day to day operations while trying to change itself. The pace of global, economic and technological development makes change an inevitable feature of organizational life. However change that happens to an organization can be distinguished from change that is planned. Cummings & Worley (2009) discuss activity planning when it comes to change which involves making a roadmap for change, citing specific activities and events that must occur if the transition is to be successful. It should clearly identify temporary orient and integrate discrete change tasks, and it should explicitly link

those tasks to the organizations change goals and priorities. Activity planning should also gain top management approval, be cost effective and remain adaptable as feedback is received during the change process.

To implement changes successfully, organizations need to be adept in managing transitions. Goodstein and Burk (1991) assert that the process of change management deals with aligning people, resources and cultures with a shift in organizational directions. During these transitions, many organizations usually encounter many problems that cause delays and additional costs thus affecting implementation of the desired changes.

Successful change efforts seem to be those where the choices regarding the speed of the effort, the amount of preplanning, the involvement of others and the relative emphasis given to different approaches are both internally consistent and fit some key situational variables. These variables include the amount and kind of resistance that is anticipated, the position and power of the change initiator, the person who has the relevant data for designing the change and the energy for implementing it and lastly, the stakes involved in the change process.

Change implementation efforts thus need to be designed to fit the organisational context. The contextual features are aspects to the organisation that relate to its culture, competencies and current situation (Balogun, 2001). A number of contextual factors that need to be considered in managing change include time available for change, the degree of diversity among the staff groups who need to undertake change, experience, views and opinions within an organisation, capability of managing change in the organisation which relates to three levels that is individual, managerial and

organisation capabilities, capacity for change in terms of resources, readiness for change and finally the amount of power or autonomy that the change agents have to implement change as they wish (Johnson et al., 2008).

Balogun (2006) points out that the key to develop comprehensive change plans that take best practice into account is lots of communication, clear assignment of responsibility, management of stakeholders to overcome resistance and training in new ways of working. Monitoring and evaluation are means of reinforcement of the change. Reinforcement mechanisms include compliance audit reports, corrective action plans, individual and group recognition approaches, success celebration and after action review. She further argues that to be able to gauge change progress in terms of advances in behaviours and practices it is essential to understand what interpretations are developing and why on an ongoing basis, which in turn requires proximity to those on the receiving end. Balogun (2006) observes that the drawback of monitoring systems is that they can be abused with attempts to further individual self-interest through what is reported, how things are reported and what is withheld, therefore a wide and overlapping network of participants is needed to reduce such risks. She suggests the use of an outsider who is not involved in advising or designing the change to remove the risks of bias in reporting the feedback reviews.

2.6 Challenges of Change Management

There are many reasons why people in an organization resist change. Every organization has its own culture that is defined by processes, methods, habits, procedures and perceptions that are engrained in the fabric of the business and its people. These traits are not easily altered as they are developed over the course of time and become the precedence and standards for the correct way things are done

within an organization; consequently, expectations and belief systems are established which identify with the social and economic factors within a company's working environment.

Some of the greatest strategic change management obstacles are employee resistance, middle management resistance due to perceived loss of power and or limited involvement in the strategic change process, poor executive sponsorship when the executive sponsor either does not play a key and visible role in supporting the strategic change effort, or shift their support too soon after the process of strategic change, limited time budget and resources and corporate inertia and politics where the organizational culture pushes back the strategic change initiative. The embedded culture can become an obstacle particularly where there are too many long tenured employees (Boomer, 2007).

Change is usually implemented for positive reasons (to adapt to changing environmental conditions and remain competitive); employees often respond negatively toward change and resist change efforts. Kline (2007) explains this is because change fosters uncertainty about the future, stimulates fear about job loss, status quo and is naturally threatening.

Employees do not resist all change, only change that they do not understand or that they see as psychologically or economically threatening (Hayes, 1996). Resistance to change introduces costs and delays into the change process that are difficult to anticipate but must be taken into consideration (Ansoff, 1990). Similarly Ford et al. (2008) consider resistance as a resource which could boost awareness, build participation and engagement while implementing and inducing change in the

organization. Resistance may also be a helpful response to perceived unethical procedures that may not be in the best interest of the organization (Oreg, 2006). A number of challenges in change management relate to ineffective and breakdown of communication. Communication is very important from the initial point of assessing the need of change. Kotter notes that not establishing a sense of urgency is the first error leading to failure of transformational efforts. The need and urgency of change has to be communicated broadly and dramatically (Kotter, 2007).

Ansoff (1990) identified two types of resistance to change namely, behavioural resistance and systemic resistance. The two types of resistance occur concurrently during a strategic change process and they produce similar effects which include delays, unanticipated costs, and chronic mal-performance of new strategies. However, the basic causes are different. Behavioural resistance comes as a result of active opposition to strategic change by employees, while on the other hand, systemic resistance is normally due to passive incompetence of the organization.

Organisational control is another challenge faced in change management. Since change disrupts the authority and reporting relationship structure it can undermine the existing systems of management control, particularly those developed as part of formal organisational arrangements. As a result during a change the organisation may lose the capacity to effectively coordinate the work being done.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter covers research design and methodology used in the study. It specifically covers the research design, data collection and data analysis. This chapter sets out various phases that will be followed.

3.2 Research Design

The research was conducted through a case study method. Case study is a form of qualitative analysis where a study is done on one organization and it gives detailed investigation of a single subject Robinson (2002). In this case the unit of analysis was one organization the Kenya Audit Office.

According to Yin (1994) a case study design should be considered when: the focus of the study is to answer “how” and “why” questions; one cannot manipulate the behavior of those involved in the study; one wants to cover contextual conditions because they believe they are relevant to the phenomenon under study; or the boundaries are not clear between the phenomenon and context. Since this study was looking at building a profile on the challenges of strategic change management the Kenya National Audit Office Service, case study was more appropriate since there is no other organization that can be compared to the Kenya National Audit Office.

3.3 Data Collection

Primary data was collected through in depth interviews using an interview guide with open ended questions with senior managers from the organization. The procedure involved personal interactive interviews conducted by the researcher and the interviewees. This

enabled oral administration of questions in a face-to-face encounter therefore allowing collection of in depth data.

The selection for the interviewees that were interviewed was based on those individuals who have been involved in the change program as initiators, implementers of the changes and those directly affected by the changes.

These interviewees specifically included the director finance and accounts, deputy auditor general incharge of specialized audits, deputy auditor general incharge of corporate services, director human resource, manager incharge of budgeting, manager information technology.

3.4 Data Analysis

Content analysis was used to analyse the primary data collected. This is the best suited method of analysis since it is a case study. Content Analysis is defined by Creswell (2003) as a technique for making inferences by systematically and objectively identifying specific characteristic of messages and using the same approach to relate trends.

According to Mugenda and Mugenda (2003), the main purpose of content analysis is to study the existing information in order to determine factors that explain a specific phenomenon. The researcher used content analysis to categorize and make valid and replicable inferences from data, summarize quantitative analysis of messages that relied on the scientific method. Mugenda (2003) noted that by using qualitative methods, researchers are able to collect data and explain phenomenon more deeply and exhaustively.

The researcher analyzed the information provided by the interviewees against known strategic management concepts and implementation models to describe and determine how strategy implementation was done at KENAO. It also enabled the researcher to identify, or interpret and make scholarly judgement on the challenges of strategic change implementation at KENAO.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AN DISCUSSION

4.1 Introduction

This chapter discusses data analysis and results. The study had two objectives namely; to establish the challenges faced by KENAO in managing strategic change and to determine strategic change management practices adopted by KENAO.

Primary data was collected using a comprehensive interview guide from managers from key divisions directly involved in strategic change management. The divisions were Human resources, finance, supply chain, corporate services and budget. Secondary data was collected from KENAO website including the company's current strategic plan.

4.2 Change Management Practices at Kenya National Audit Office

This section of the interview guide sought to establish from the interviewees whether they understand the change management practices at KENAO. The section covered questions on the strategic change practices, persons involved in the process and the involvement of the staff in the process.

4.2.1 Change Management Practices

On the question of whether there were any change management practices used in KENAO and what the practices were the interviewees indicated that indeed there was change management practices used and stated intentional employment of managers from outside with different professions other than auditors to enhance the audit process ,introduction of staff magazine called Oag Perspectives and organizational intranet to improve on communication,introduction of PR department to handle

internal and external issues on behalf of the organization. as examples of such practice. Additionally, the interviewees also pointed at organizing of frequent offsite change management meetings for all concerned top and senior middle level manager, improving the ICT department and ICT competencies through extensive training and purchasing of laptops for all staff. as examples of such practice.

4.2.2 Effective Leadership

The study sought to determine the opinion of the interviewees with regard to whether there is effective leadership as pertaining strategic change management in KENAO i.e. the role played by leadership in managing change in KENAO. The interviewees indicated that effective and supportive leadership is available to drive and sustain change. it provides resources, negotiates change, generates and supports momentum, and puts control on progress. The interviewees also noted that the auditor general is always ready and available to listen to issues and operates an open door policy whereby any staff can access his office.

4.2.3 Communication Systems

Raps (2005) argued that involvement of middle management valuable knowledge and clear assignment of responsibilities is essential to the effective implementation of strategies. Persons vested with the mandate to implement strategic changes should be fully involved in its development to avoid resistance. The interviewees confirmed that communication of responsibility is totally lacking. Lower level managers are not involved in the strategic planning process. While top level managers and middle level managers are involved, lower level managers were merely assigned responsibilities derived from the strategic plan by their immediate supervisors. Lack of clear communication leads to confusion and resistance by members of staff.

4.2.4 Adequate Resources

On the question of required resources to carry out the strategic changes all interviewees indicated that funding in KENAO is a major challenge because of the requirement where Ministry of Finance/Treasury has to approve the budget for the office. The budget allocation is not adequate to hire additional staff or undertake the office assignments on time.

The interviewees agreed that the office has experienced high staff turnover due to non-competitive terms and conditions of employment among professional cadres. This has also resulted in low morale amongst the staff. Further, all the interviewees confirmed that KENAO was being faced with acute staff shortage to ensure successful implementation of the strategic plan.

However, all the interviewees unanimously agreed on the major improvement in ICT department whereby the office is almost reaching its target of one laptop for every staff; there is internet connection in all offices and also the office intranet.

It was also observed that KENAO has embarked on employment of multi-disciplinary staff such as human resource officers, engineers, lawyers, public relations officers and procurement specialists.

4.2.5 Factors Necessitating Change

There are various factors that necessitate change. All the interviewees observed that change in the constitution was the major factor since it required fresh re-alignments and redrafting of the Public Audit act, readjustment of the audit structure to be in line with the county Governments such as establishing offices in the forty seven counties, request for special audit assignments such as fraud cases and new and emerging audits.

The Office has also been working with other accountability institutions such as the African Organization of Supreme Audit Institutions- English speaking (AFROSAI-E), and the International Organization of Supreme Audit Institutions (INTOSAI) as well as partner supreme audit institutions (SAIs) which recommend other areas of audit like performance audit, environmental audit, and value for money audit. The office is in the process of building capacity to handle these new and emerging audits.

4.2.6 Success on the Changes

KENAO has experienced major success on the changes it has implemented. The interviewees agreed there was improved staff morale, increased work productivity, less stress, low involvement in drug and alcohol abuse, few medical claims, enhanced organizational public image, timely audit reports, increased staff self-development especially by going back to school, and few legal cases between the office and the clients.

The study further sought to determine factors that accelerated change and those that reduced the speed of change. Interviewees indicated some distracting activities especially where the staff members have been sponsored for Master Degree program or Certified Public Accountants (CPA) courses. It has transpired that the staff members are sometimes doing assignments during working hours thus compromising their output.

Also increased cases of alcohol abuse where many officers had to be rehabilitated slowed the speed of change. However, factors like commitment of top level management in implementing the required changes, aggressive training policies, high staff turnover and improved ways of communicating with staff accelerated the speed of change.

4.3 Challenges of Strategic Change at Kenya National Audit Office

This section covers challenges experienced in KENAO when implementing change, possible solutions to the challenges, factors affecting strategic change both internal and external, culture and strategic change.

4.3.1 Strategic Change Management Challenges

The interviews revealed that the key challenges facing KENAO were lack of adequate funding, high staff turnover, low staffing levels, low morale as a result of poor remuneration, communication breakdown, inadequate transport to carry out assignments in the field, unfavorable working conditions, lack of implementation of recommendation made in audit reports, and lack of involvement of all staff in the strategic change implementation hence lack of buy-ins of the changes by members of staff, lack of rewards for achievers, alcohol abuse lack of physical resources such as office space and equipments, cultural challenges and competing activities that distract attention.

4.3.2 Measures taken to Mitigate the Challenges

On the question of any possible solutions to the challenges the interviewees indicated the following; challenge of lack of enough funding is being addressed by seeking funds from the donor community such as African Development Bank (AFDB) for training and purchase of computers, KENAO should also lobby for more funds from

the ministry of Finance. To overcome the challenge associated with the inadequate staffing levels, new posts are being advertised to fill the gaps on all cadres. Employment of professionals in areas such as lawyers, environmental, PR specialists, procurement experts, engineers among others.

Medical schemes both in-patient and outpatient have been introduced. Extraneous allowances and commuter allowances have also been introduced to enhance staff morale. KENAO has been recognized as an independent office by the current constitution thereby separating it from the civil service. The public audit Act is also being reviewed and several changes are expected .all members of staff should be involved in the changes implementation and aggressively trained to avoid resistance.

4.3.3 Strategic Change and the Environment

KENAO has been affected by the speedy changes in its environment. The pressure and direction for change come from both external and internal environment as observed by interviewees. This is as a result of rapid technological changes, high quality auditing tools in the market, increased demand for better services, increased calls for accountability and transparency and strict audit timelines.

The organization has been able to undergo several changes in order to streamline its functions and management systems for effective service delivery and stringent accountability measures. On the other hand Kenyans are becoming enlightened day by day meaning that their needs are also changing very fast as well as their needs to the organization.

KENAO is not only supposed to give an opinion on whether the financial statements have been prepared in accordance with the applicable standards but it is also supposed to report whether public funds have been applied lawfully and report any deviations.

4.3.4 Culture and Strategic Change

Culture comprises of factors like norms, traditions or the way people carry out their activities. The culture of an organization affects the success of strategic change implementation process. Culture is the collective programming of the human mind that distinguishes the members of one human group from the other. It is a system of collectively held values and is what is typical of the organization, the habits prevailing attitudes and grown up patterns.

There is need to align the organizations culture to its strategies. Aosa (1992) argued that lack of compatibility between strategy and culture can lead to high organizational resistance to change and demotivation. He said that it is necessary to examine the cultural fit with the strategic change implementation.

In KENAO culture affects strategic change implementation. This is because most of the staff still have the old civil service mentality of absconding duty to pursue personal interests, less commitment to their duties, and the popular saying that they are permanent and pensionable .

The existence of culture and tradition as a challenge has resulted in resistance to change and old approach to work, lack of modern skills, collective responsibility and procedures of work hence strategic plans not being implemented in time. It was also observed that most members of staff are not committed to their work and report late in the morning and left early. This means that the culture that prevailed in KENAO is not supportive of strategic changes.

4.4 Discussions

According to Moran and Brightman (2001) change management is the process of continually renewing an organization's direction, structure, and capabilities to serve the ever changing needs of external and internal customers.

The Resource Based View states that each organization is a collection of unique resources and capabilities. The uniqueness of its resources and capabilities is the basis of a firm's strategy and its ability to earn above average returns (Hitt, 2013). KENAO suffers from insufficient funds, inadequate physical resources and inadequate qualified personnel. This affects the implementation of Strategic changes.

Therefore, organisations are undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organisation to that environment. Strategic change is long term in nature, affects the entire organization and aims at achieving effectiveness.

Change implementation efforts need to be designed to fit the organisational context. The contextual features are aspects to the organisation that relate to its culture, competencies and current situation (Balogun, 2001). A number of contextual factors that need to be considered in managing change include time available for change, the degree of diversity among the staff groups who need to undertake change, experience, views and opinions within an organisation, capability of managing change in the organisation which relates to three levels that is individual, managerial and organisation capabilities, capacity for change in terms of resources, readiness for change and finally the amount of power or autonomy that the change agents have to implement change as they wish (Johnson et al., 2008).

There are many reasons why people in an organization resist change. Every organization has its own culture that is defined by processes, methods, habits, procedures and perceptions that are engrained in the fabric of the business and its people. These traits are not easily altered as they are developed over the course of time and become the precedence and standards for the correct way things are done within an organization; consequently, expectations and belief systems are established which identify with the social and economic factors within a company's working environment.

Some of the greatest strategic change management obstacles are employee resistance, middle management resistance due to perceived loss of power and or limited involvement in the strategic change process, poor executive sponsorship when the executive sponsor either does not play a key and visible role in supporting the strategic change effort, or shift their support too soon after the process of strategic change, limited time budget and resources and corporate inertia and politics where the organizational culture pushes back the strategic change initiative.

The embedded culture can become an obstacle particularly where there are too many long tenured employees (Boomer, 2007). At KENAO it was observed that there was no compatibility between culture and strategic changes and culture did not support strategic change. This is because there are too many long tenured employees who still hold on to the mentality of absconding duty to pursue personal interests, coming late and leaving early leading to low output.

Open Systems Theory (OST) refers simply to the concept that organizations are strongly influenced by their environment (Harvey, 2005). As organizations and communities conduct their business they influence and change their external

environments, while at the same time being influenced by external changes in local and global environments in a two-way influential change known as active adaptive change. KENAO is affected by the external environment during implementation of strategic change and as the organization interacts with other organizations, delays occur and distract the process.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter focuses on summary of the findings, conclusions and recommendations of the study. This study focused on strategic change management practices and challenges at Kenya National Audit Office. This study had two objectives: to establish strategic change management practices adopted by KENAO and any challenges encountered in managing strategic change at KENAO.

5.2 Summary

Generally the study indicates that the interviewees are aware of the organizations mandate as outlined in the new constitution. This new mandate of the office of the auditor general is the key factor that has necessitated change. It requires fresh re-alignments, redrafting of the Public Audit act, and readjustment of the audit structure. It also calls for use of advanced auditing tools to produce quality and timely reports. Other factors necessitating change include new and emerging audits as recommended by AFROSAI-E, INTOSAIS, and partner SAI institutions like environmental audit, performance audit, and value for money audits.

Several strategic change practices were identified as used by KENAO. They include aggressive training policies being formulated and implemented for example sponsoring staff for CPA and MBA. KENAO also does a lot of in house training to equip its members of staff with current audit skills like excel training for analysis of data, risk based audit training, fraud audit training. Senior managers are also being

taken for management courses at Kenya School of Government to equip them with better management skills. KENAO has also improved its communication channels. This has been done through internet connectivity and the introduction of office intranet which is a fast way of communicating with all staff countrywide. Public relations office has been established and qualified staff employed to handle internal and external affairs of the organization. This department is very effective and efficient in communicating to all members of staff on all activities being carried out by the office. They have also introduced a quarterly magazine called OAG perspectives which summarizes all the current happenings of the office per quarter. Top management has ensured that the ICT department is fully equipped and the goal of one computer for one officer is almost being realized. There is also extensive training for ICT employees to equip them with necessary skills to support the organization. KENAO has also been employing personnel specifically with ICT skills to support the department.

Top leadership of the organization affect the strategic change implementation process through directing both human and material support towards the strategic change process. The study also found out that effective and supporting leadership is available to drive and sustain change. The organizations' leadership also liaises with other stakeholders outside the organization that affect the success of the strategies being undertaken. Leadership in KENAO is not a challenge to strategic changes since it is in the forefront in supporting it. challenges were identified in strategic change implementation key among them being funding. It was noted that KENAO depended on budgetary allocation from Ministry of Finance and enough resources were not given to KENAO making it perform dismally. The office experienced high staff

turnover due to poor remuneration, poor working conditions resulting in serious understaffing issues. Lack of physical resources such as office space, equipment and motor vehicles was also found to be a major impediment to strategic change. Another notable challenge is the fact that at KENAO there is no job rotation, this has led to cases of auditors being compromised and lack of independence when carrying out audit work. This is risky and may lead to poor reports.

Competing activities that distract attention was also noted as a challenge. Some activities that have distracted the attention of the staff include changes in constitution where the Kenya National Audit office was split into two offices such as Auditor General's office and the controller of the budget. Creation of the county government calls for fresh re-alignment and redrafting of the Public Audit Act (2003). KENAO partners with other state institutions for service delivery to Kenyans for example in January 2014 a memorandum of understanding was signed between KENAO and Transition Authority to help them in the transition process of government assets and liabilities. This has occasioned the borrowing of some staff by Transition Authority from KENAO. Other distracting activities are when the staff members are sponsored for Master Degree program and Certified Public Accountants (CPA) courses and then they start doing assignments during office hours thus compromising their output. The above findings are in line with the literature.

5.3 Conclusions

In conclusion it can be said that there is no certain magic formula for strategic change. However as pointed out by Naghibi and Baban (2011), for the change to be great and useful to the organization, it must be understood by all people in the organization. It also requires that all members of the organization are involved to reduce resistance

and enhance buy-ins in implementing change management at KENAO various challenges are faced like inadequate resources, low staffing level and resistance of the proposed changes among others. KENAO has really tried to comply with the provisions of the new constitution which is one of the key factor that necessitates change, in so doing it has employed more staff and new managers to boost staffing levels, lobbying for more funds from Ministry of Finance, buying laptops and computers to enhance access to information and ensuring internet connectivity in all the offices.

5.4 Recommendations for policy and practice

The researcher recommends for KENAO to be completely autonomous and be completely allowed to source for its own funding by charging audit fees to its clients, donor funding and released from any budgetary restrictions so that it can be able to source technological resources, financial resources, physical resources and human resources and design its own reward and motivational structures together with formulating its strategy supportive policies. Proper management of available resources and transparency and accountability among the leaders. Adherence to public financial regulations should also be enhanced.

Successful implementation of strategies also requires that the progress of strategic change be monitored. Therefore, it becomes imperative that a monitoring and evaluation officer be put in place to give a progressive report of change. This officer will be tasked with continuously monitoring and evaluating the progress of the change and if need be, a change of the implementation program will be necessitated to ensure that successful strategic change be made.

Procurement regulations should be hastened and unnecessary bureaucracy done away with. The management should lobby for faster procurement procedures and process to ensure that the operations of the organization do not stall.

Qualified staff should be employed in the procurement section and in-service training carried out to improve performance. Officers should also be encouraged to read and understand the public procurement oversight authority manual which clearly outlines guidelines to be followed for public procurement.

KENAO should also ensure job rotation for its officers to ensure quality audit reports are produced. Adequate multi-disciplinary staff like procurement officers, engineers, environmental auditors, accountants, accounts clerks, human resource officers, lawyers, record managers should also be employed to ensure officers perform duties which are in line with their academic and professional qualifications.

Human resource motivation is a major factor in output production. KENAO should have ways of motivating and rewarding their staff to encourage exemplary performance for example by offering car loans and mortgage. There should also be team bonding and team building activities to enhance teamwork and release stress and related frustrations.

Social and recreational activities should also be incorporated for example end of year parties, gym to reduce the growing chronic diseases. Day care centers should also be incorporated to ensure nursing mothers concentrate on their work and avoid cases of absenteeism due to lack of care givers at home. A drug and alcohol abuse management unit should also be introduced to support and where possible prevent alcohol abuse.

5.5 Limitations of the Study

This research was a case study and therefore the research was limited to Kenya National Audit Office thus the findings on strategic change management practices and challenges are limited only Kenya National Audit Office and as such they cannot be generalized as remedies to other firms.

The study focused on interviewing some of the very busy executive team members and scheduling appropriate interview timings was a challenge since they had to meet the constitutional set deadline of audit reports of 31st December and in some instances we had to keep rescheduling the interviews.

This study had time and resource limitations. The time available for the study was short hence the researcher could not involve many interviewees in the study. Only a few interviewees were interviewed for this study. The researcher had financial limitations hence could only be able to work with a limited budget that directed the scope of the study.

5.6 Suggestions for Further Research

Time brings about new ideas and changes. The environment is also dynamic and may bring about new strategic change management practices. This study can therefore be replicated after five years to confirm if there are any changes on the strategic change management practices at KENAO.

Not all strategic change management practices may be successful in implementing strategic change. Some may succeed whereas others fail. It will be prudent to carry out a study to establish the level of success in the adoption of the various strategic management practices. This will assist in determining the most successful practices in strategic change management.

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APPENDICES

Appendix I

Introduction Letter

Dear Interviewee,

**RESEARCH ON THE STRATEGIC CHANGE MANAGEMENT PRACTICES
AND CHALLENGES AT KENYA NATIONAL AUDIT OFFICE**

I am a post graduate student at the University of Nairobi currently pursuing Master of Business Administration specializing in Strategic Management. I am undertaking a management research project on the above subject and I have selected you to be part of this study.

This is to kindly request you to assist me in data collection by allowing me to interview you on issues relating to this study.

The findings of this study are purely for academic purposes and I will treat it with utmost confidence and your name will not appear in my report.

Your cooperation will be highly appreciated and thank you in advance.

Yours

Faithfully,

Faith M Nyamu

Appendix II
Interview guide
STRATEGIC CHANGE MANAGEMENT PRACTICES AND CHALLENGES
AT KENYA NATIONAL AUDIT OFFICE

Section A: strategic change management Practices

1. Are there any change management practices used in KENAO? If so, what are the some of the practices?
2. In your opinion, do you think there is effective leadership as pertains strategic change management in KENAO.? What role is played by leadership in managing change in KENAO?
3. How effective are the communication of systems in enhancing strategic change management at KENAO?
4. Does KENAO have the required resources for implementing the established change management practices?
5. In your own view what necessitated the changes? Explain
6. What are the major successes of the changes?
7. Does KENAO carry out management training and development programs before it embarks on a strategic change management program?
8. Do you have any uncontrollable factors in the external and internal environment that may affect strategic change implementation?

9. In your own opinion, what are the factors that accelerated the changes and what factors reduced the speed of change

Section B: Challenges of strategic change practices

10. What are the other challenges you face in strategic change implementation at Kenya National Audit Office?
11. What are the possible solutions to the challenges of strategic change implementation at Kenya National Audit Office?
12. Do you face any cultural issues that affect change management in your department?
If so which are they?
13. Was there any consideration of whether the changes will be accepted and the possible resistance?
14. What was done to ensure the acceptability of the change amongst its various stakeholders and to minimize the possible resistance