APPLICATION OF KOTTER’S EIGHT STEP MODEL IN THE MANAGEMENT OF STRATEGIC CHANGE AT BRITISH AMERICAN TOBACCO KENYA

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OCTOBER, 2014
DECLARATION

This research project is my original work that has not been submitted for examination to any other University.

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D61/60420/2013

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

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I thank the Almighty God for giving me the opportunity to undertake this project. His grace has been sufficient for me throughout this project. All glory goes back to Him.

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I am also grateful to BAT Kenya for allowing me to collect data for the research.
DEDICATION

To my dear mother, Esther N. Kang’ethe, who has supported me from the first day, praying for me and cheering me on. To my dad in absentia (RIP), this is for you, I know you are proud of me. To my siblings Njambi and Schuiy, thank you so much for the understanding and support.

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Thank you all and may God bless you abundantly!
ABSTRACT

The business environment is very dynamic with various forces bombarding the organizations. It is hence imperative for the organizations to put in place strategies for adapting and adopting new practices that will enable the organizations successfully survive the tides. In doing this the organizations need not rely on experience and old ways of doing things. It is imperative for organizations to adopt tried processes that will enable them achieve their change objectives within the limited time and using the limited resources. Many models have been suggested to guide the change process. These models can be adopted by organizations in order to manage the change process successfully and in an efficient manner. This study mainly focused on Kotter’s eight step model. The study aimed at determining the change management process adopted by BAT Kenya. It also tried to determine to what extent does the change management process compare and relate to Kotter’s eight step model. The study also aimed at establishing the challenges encountered by BAT Kenya in the process of managing change. This research adopted a case study research design with focus on BAT Kenya. Data collection was done by use of interview guides. The interviewees were five key managers at BAT. Content analysis was then carried out on the collected data and generalizations drawn to achieve the objectives of study. The research study has shown that BAT is responsive to changes in the environment and has put functions in its structure to handle change as and when needed. Research study has also shown that BAT adopts Kotter’s eight step model in the management of change of the bigger projects in that it has followed the eight steps and has only skipped a few steps when it was handling smaller projects. The researcher recommends the firm focuses and invests more on human capital which is inimitable in order to remain competitive in the industry.
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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The business world is a dynamic sphere, with different forces bombarding the organizations and causing them to either adjust to the changes or be kicked out of business. Ability of the organizations to remain fluid in their systems and structure is key in ensuring they will adapt to new changes and easily adopt new best practices that enable them remain suave in the turbulent environment. Change is not easy to initiate and manage in an organization because majority of the people would rather maintain the status quo for fear of the unknown. There are various models that can be used to manage change in an organization. One such model that this study will focus on is the Kotter’s eight step model, Kotter (1995), which is an eight step process in the management of change in an organization.

This study was anchored on two theories; the resource base view theory and the dynamic capabilities theory. The resource based view theory as explained by Barney (1991) explains that an organization’s basis of competitive advantage lies in the application of resources at its disposal. For this resources to hold water in this theory they must be valuable, rare, inimitable and non substitutable. The dynamic capabilities theory, Teece (1997) was illustrated as the firm’s ability to integrate build and reconfigure internal and external competences to address rapidly changing environments. These two theories are linked in the sense that they both address the resources and the competences an organization needs in order to remain relevant in the ever changing business environment.
and have an upper hand against rivals. These theories will help in the understanding of the management of strategic change at BAT Kenya and the application of the Kotter’s eight step model.

The study focused on BAT Kenya’s change management system to check on the application of the Kotter’s eight step model in the management of change brought about by the enactment of the Tobacco Control Act, 2007. BAT Kenya is a good case study for this research because it has faced many threats and challenges that have forced the organization to rethink its strategy, structure and systems in the management of this change. As explained by Mbuthia (2012), BAT Kenya has set aside resources and empowered its management in handling the threat to ensure it is business as usual amid the tight regulations. It is imperative for organizations to have clear cut process of dealing with the change and use models that have been tried and tested by other successful organizations. There are various models used in the curbing of the changes that occur in the business environment. This study focused on the adoption of the Kotter’s eight step model as coiffed by (Kotter, 1995). Kotter’s model is the most comprehensive of the change models and the most common.

1.1.1 Management of Strategic Change

Companies with rigid structures, cultures and systems, risk being kicked out of business because only the organizations with dynamic systems get sifted through. Davis and Holland (2002) explained that change management is the use of systematic methods to ensure that an organizational change can be guided in the planned direction, conducted in
a cost effective manner and completed within the targeted time frame and with the desired results.

Recent research has shown that developing change management as a discipline will remove the past notion that change can be handled in an ad hoc basis, occasionally aided by experience. Change management tends to be problem or need based in that it seeks to get a solution to a mind boggling problem.

Change in the organization can be caused by forces internally or externally. The forces as observed by Kotter (1999) can be driven by political, economic, social or technological factors. These changes are normally beyond the control of the management and for this reason organizations need to face the looming threats and opportunities head on with strategies on how to reduce its effect on the organization or work around the eventuality for their own good. The reaction to these changes can either be reactive, where an organization aligns and realigns its systems and structures to accommodate a threat as is the case of a regulation in BAT Kenya or proactive where an organization places continuous measures to ensure their systems and structures are positioned in a fluid manner to adjust to any changes in the environment (Nutt, 2001).

1.1.2 Kotter’s Eight Step Model

There are different change management models that are used in the management of change in the organizations. This study focused on the Kotter’s eight step model. This is an eight step process that defines the manner of handling change in an organization
It offers a holistic approach to implement far-reaching organizational change.

The first step is establishing a sense of urgency. It is imperative for the management to convince the employees and staff of the urgency of taking new direction in the organization. Kotter advised that the management should help others feel a gut-level determination to move and win now (Kotter, 2011). The second step is the creation of a guiding coalition. A coalition of people to lead the change effort should be formed. The team should have enough power, credibility, expertise, excellent leadership skills and a shared objective to foresee the success of the change (Kotter, 2011).

Third step is the development of a change vision. Kotter (1995) observed that developing a vision for the future is crucial at this point because it serves as a basis for decision making, motivates people to take action in the right direction and help coordinate actions of different people in a fast and efficient way. The forth step is the communication of the vision for buy-in. To get a buy in with the employees on the vision it needs to be communicated throughout the organization. Kotter advised that under-communication and inconsistence is extremely common. Successful leaders, he says, use every communication channel possible to broadcast the vision daily. The fifth step is about empowering broad based action among the employees. Kotter (1995), once the employees accept the new vision, they need to be empowered to act upon it. The guiding coalition has the responsibility of removing any barriers and make sure people have the resources, tools and systems to bring about the change.
The sixth step is the generation of short-term wins. Research shows that organizations tend to lose the change momentum very quickly. To keep the sense of urgency and fire blazing, short term wins are essential. Kotter (2011) explained that companies that experience significant short-term wins are much more likely to complete a transformation process. The seventh step is consolidation of gains to produce more change. Kotter warned that organizations should not declare victory before the changes and business improvements have sunk deeply into a company’s culture as this may kill ongoing momentum allowing resistors to take over.

The final step is the incorporation of changes into the culture. This step is about incorporating and anchoring the new practices and approaches into the corporate culture in order to make it stick and not get lost as soon as the pressure of change subsides, (Kotter, 2011).

1.1.3 Tobacco Industry in Kenya

The tobacco industry was introduced in Kenya by the British traders in the early 20th century. British American Tobacco was the first tobacco manufacturer in Kenya and enjoyed monopoly advantages until 1990s when competition entered the market with companies like Mastermind Tobacco Kenya, Cut Tobacco, RJR Reynolds and Island Tobacco debuting their products and plants.

BAT faced a lot of competition and needed to place new strategies in its marketing, human resources, brands, and supply chain departments in order to remain the leading tobacco company and maintain its market share. Entry of new players also saw a
scramble for the tobacco farmers. This increased the bargaining power of these suppliers (Mbuthia, 2012).

The industry has experienced a lot of challenges over the years especially with the enactment of the Tobacco Control Act 2007 that banned smoking in public places, advertising and promotions and packaging and labeling. Other challenges faced by the industry include high taxes on products, product counterfeiting etc.

1.1.4 British American Tobacco Kenya Limited

British American Tobacco Kenya Limited (BAT Kenya Ltd) is a subsidiary of the London- based British American Tobacco, a global leader in tobacco processing and manufacturing with interests in over 180 markets. This empire was as a result of a merger between UK’s Imperial Tobacco Company and the American Tobacco Company founded by James ‘Buck’ Duke (British American Tobacco Corporate report, 2008).

BAT Kenya takes responsibility in the end to end tobacco process from provision of seedlings to farmers to harvesting, manufacturing, sales and marketing and distribution of the end products. BAT Kenya has faced various forces of change, specifically the regulations as spelled out by the Tobacco Control Act, 2007.

The Tobacco Control Act, 2007 is an act of parliament to control the production, manufacture, sale, labeling, advertising, promotion and sponsorship of tobacco products, to provide for the Tobacco Control Board, to regulate smoking in specified areas and for connected purposes. This act is the principle law governing the tobacco control in Kenya.
and has set strict regulations in the tobacco industry. Smoking has been prohibited in public places and workplaces except in specifically designated areas. Another key area that has been affected by the act is the inability to advertise, promote and sponsor tobacco products. The law also stipulates that the health warnings must cover 30 percent of the front and 50 percent of the back of the package and must be displayed in English and Kiswahili languages (www.kenyalaw.org).

As a company in a very volatile industry, BAT Kenya has managed to weather the storms of change by continuing to be a market leader and increase its market share over the years. This only means that their management team has embraced change management to ensure that the changes that face the organization have no dire consequences and instead have used these threats and weaknesses to affirm their position in the market and industry.

1.2 Research Problem

Nutt (2001) acknowledged that profound environmental change is occurring with greater frequency and organizations are learning to live with constant change. Organizations need to adapt to the change and acquire new practices of dealing with the dynamic environment. Research shows that these changes that occur internally and externally are well beyond the control of the organization’s management forcing the management to adjust its practices to curb the threats. While management of change is a usual phenomenon in most organizations, the details of the ‘how to’ has not been considered very keenly by many. The notion that change management can be handled in an ad hoc
manner and that it all boils down to experience of the managing team has led to many organizations failing in their strategies of managing change.

Mbuthia (2012) discussed that various internal and external factors have spurred the need for change management practices at BAT Kenya. Consequently, as he observed, the organization has targeted continuous improvements in its cost base that will provide resources to invest in its brands, helping the firm grow its market share and achieve higher returns for its shareholders. Seeing the magnitude and implications of the legal forces in the organizations as spelt out by the Tobacco Control Act 2007, BAT Kenya is a good case study to find out how they have applied Kotter’s Eight Step model to manage change.

A lot of studies have been carried out on the management of strategic change in different contexts in Kenya. There have been similar researches on the change management models in other industries like textile, motor vehicle and food but none for the tobacco industry. Most recently Mbuthia, (2012) studied the management of strategic change at BAT Kenya. Tobacco industry is a unique industry because it is manned with strict regulations and prohibitions tightening the belt on the need to have strategies that will win for the organizations. Moreover, there have been no studies on the change management models adapted by singular organizations in the tobacco industry in handling the opportunities and threats they face. This is the knowledge gap that this study closed. The research question addressed was; how does BAT (K) adopt the Kotter’s Eight Step Model in the management of strategic change?
1.3 Research Objectives

The general objective of this study was to determine the extent to which Kotter’s eight step is adopted by BAT Kenya in response to the changes in the environment as a result of the enactment of the Tobacco Control Act.

The specific objectives were:

i. To determine the process undertaken by BAT Kenya in managing change

ii. To establish the extent to which the process adopted by BAT in managing change relates with Kotter’s Eight Step Model

iii. To determine the challenges encountered by BAT in the management of change

1.4 Value of the Study

This study adds knowledge on the management of strategic change and the application of Kotter’s eight step model. The study provides insights to researchers on how BAT Kenya, a global multinational has dealt with the forces of change precisely the tobacco regulations as stipulated by Tobacco Control Act, 2007. Moreover this study probes on the change management model adopted by BAT management to successfully adapt new practices, structures and systems to maintain its market share and profitability.

The study also provides insights to stakeholders and other organizations on the success of the change model adopted by BAT Kenya that they could replicate in their own
businesses to manage the opportunities and threats they face to achieve strategic objectives and success.

BAT Kenya will also benefit from the findings of this study as it will highlight the areas in their change management system that need improvement; the weak systems and processes, and the human resources deficiencies that would require better training and development. It will also applaud the areas that were handled well that the company should uphold and institutionalize.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section describes the theoretical anchorage of the study. Describing how the theories are linked to each other and how they are relevant in this study. It also goes into the details of management of strategic change, various models used in the management of change and also the challenges faced by managers while managing and initiating change in the organization. The section also looks deeper into the Kotter’s eight step model, the action steps and the stakeholders that take part in its implementation.

2.2 Theoretical Foundation

The study was be anchored on two theories; Resource based view and Dynamic capability theory. Resource based view focuses on the employment of the organization’s resources to achieve the sustainable competitive advantage to tackle the threats in the environment (Barney, 1991). Dynamic capability theory on the other hand is defined as the firm’s ability to build and integrate internal and external competences to address rapidly changing environments (Teece, 1997).

These two theories are linked because dynamic capability theory was developed as an extension of the resource based view. While RBV focuses on the general resources of the firm, dynamic capability theory stems its tenet on the specific competencies and
capabilities that are unique only to the organization. These competences are as result of a couple of resources.

2.2.1 Resource Based View

Resource Based View (RBV) is based on the competitive advantage of a firm that relies on the application of tangible and intangible resources at the firm’s disposal (Mwailu & Mercer, 1983; Wernerfelt, 1984; Rumelt, 1984; Penrose, 1959). Aim is to transform short run competitive advantage into a sustained competitive advantage.

Barney (1991) further explained that for these resources to be relevant in the creation of competitive advantage they need to have certain distinct characteristics. The resources should be valuable in that it should enable an organization employ value creating strategy to defeat competitors and reduce its own weaknesses. The resources also need to be rare in that it is not at everyone else’s disposal. The resources must also be inimitable, when the resource is controlled by only one firm, it can be a source of competitive advantage (Conner, 1992). The competitive advantage is easily sustainable if it is not easily duplicated by the competitors. The other important characteristic of the resources is it should be non-substitutable.

Makadok (2001) differentiated capabilities and resources by defining capabilities as an organizationally embedded non-transferable firm specific resource whose purpose is to improve the productivity of the other resources possessed by the firm and resources as stocks of available factors owned by an organization. Barney (1991) explained that competitive advantage can be achieved when the current strategy is value creating and
not currently being implemented by present or possible future competitors. He went ahead to demonstrate that sustainable competitive advantage is not guaranteed and that it only becomes sustainable when all the efforts by the competition to dilute and disrupt a firm’s competitive advantage have ceased.

2.2.2 Dynamic Capabilities Theory

Teece (1997) defined Dynamic capability theory as the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments. He further defined capability as a set of learned processes and activities that enable a company to produce a particular outcome. These usually start in one or two organizations but eventually spread to the entire industry. Helfat (2007) defined dynamic capabilities as the capacity of an organization to purposefully create, extend, or modify its resource base. He explained that the basic assumption of the theory is that core competencies should be used to modify short term competitive positions that can be used to build longer-term competitive advantage. The dynamic capability theory was built on the resource based view theory of the firm and the evolution theory of the firm.

Teece (1997) argued that managers are compelled to engage with the complex task of dynamic capability building in order to facilitate competitive survival in the light of depreciating value of resources bases available within the firm. When the management is bombarded with the task of building dynamic capabilities, they need to consider that at times the environment changes drastically making it difficult for companies to fathom the
minimum requirements needed to remain in the industry as a key player. These drastic changes are mostly from the external environment (Helfat, 2007).

2.3 Kotter’s Eight Step Model and Change Management

Strategic change is defined as the transition from one state to another with the focus on being different. Davis (2002) explained change management as the use systemic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted time frame and with desired results. Organizational change can be strategic or operational. Strategic change involves fundamental changes in business of organization and its future while operational change is aimed at ensuring that the organizational activities are being performed in the best way possible.

Change cannot be a one off thing in the life of a corporation. Organizations that tend to keep rigid structures will be swept away. And those that adapt to changes by adopting new practices will survive the dynamic environment. Changes in the business environment are influenced by a number of forces including political, economical, social and technological. Organizations need to have strategies in place that create a room for changes in light of threats and opportunities in the environment.

First of all, organizations need to identify the causes of change by analyzing the environment. Some of the analyses employed by organizations include SWOT analysis, PEST analysis, and internal analysis. These analyses give organization an indication of the threats and opportunities expected and how other organizations are handling it.
Lewin (1951) proposed that changes result from the impact of a set of driving forces upon restraining forces. He explained that in any situation there are forces that push for change as well as forces that hinder change. When these forces offset one another completely, there is equilibrium and status quo. The driving forces may be the positive implications of the change for example increased sales, improved profitability etc. while the restraining forces are the existing people who are loyal to status quo and also existing strategies that have been successfully implemented.

Nicole (2010) noted that given the high percentage of failed change management efforts, it is essential for corporations to direct more attention to the specifics of change execution. Kotter’s eight step model offers a clear structure for large scale management of the change process. This model is more comprehensive than all the other change models making it the most commonly used. As described above this model gives a holistic approach in the ways of handling and managing changing in an organized step by step process.

Kotter pointed out that each of the steps need to be fully completed before continuing to the next step. Skipping steps creates only the illusion of speed and never produces a satisfying result. He also noted that the eight steps can be classified into three phases: Steps 1 to 3 are aimed at creating a climate for change. Steps 4 to 6 engage and enable the whole organization while Steps 7 & 8 for implementing and sustaining change.

Kotter (2011) also noted that more than three quarters of the managers must believe in the urgency of the change, communications must be multi-channeled to reach the lowest of the levels very efficiently, rewards and appraisals must match the new vision and
managers must endeavor to show connection between new approaches and improved performance. Most importantly, Kotter explained that majority of the organizations undertaking change fail in the first step of establishing a sense of urgency because it is very difficult to drive people out of their comfort zones to create new systems and practices.

The action steps of this model are handled by different stakeholders. The enhancement of action steps is handled by the leadership. Managers have the important role of foreseeing change in their departments is successfully implemented. They communicate the vision and, model new practices and support efforts of change. Cowley (2007) explained that for leaders to successfully carry out implementation of change, they need to have skills and competencies to enable the role. The employee is the other stakeholder that has a part to play for the change management to be seamless. Employees need to be committed and apply the vision relayed by the management.

2.3.1 Establishing a Sense of Urgency

It is imperative for the management to convince the employees and staff of the urgency of taking new direction in the organization. Kotter advised that the management should help others feel a gut-level determination to move and win now. He also observed that amid this, false urgency, anxiety, frustration and complacency could be an impeding block to change. To successfully create a sense of urgency among the staff, management should map out the opportunities and risks arising from the business environment (Kotter, 2011).
Kotter (2011) explained the organizations need to assess and analyze an environment for potential crises, threats and opportunities and convince the 75% of the management that the status quo is more dangerous than the unknown. This, as researched by Cowley (2007) can be achieved by a number of advances including communication of specifics regarding expected results, breaking down through language, old models and promotion of disengage from outdated commitments. Another approach suggested by Brower (2007) is the confrontation of the brutal facts about the impeding threat.

2.3.2 Creating a Guiding Coalition

A coalition of people to lead the change effort should be formed. The team should have enough power, credibility, expertise, excellent leadership skills and a shared objective to foresee the success of the change (Kotter, 2011)

Kotter (2011) advised that in this step, organizations need to assemble group with commitment and power to lead effort and encourage them to work as a team outside the hierarchy. This can be achieved by deploying resources through formal processes and building a linked arm between the senior managers.

2.3.3 Developing a Change Vision

Kotter (2011) observed that developing a vision for the future is crucial at this point because it serves as a basis for decision making, motivates people to take action in the right direction and help coordinate actions of different people in a fast and efficient way.
Kotter (2007) emphasized that a vision needs to be created that will guide transformation and to develop strategies that will turn the vision into a reality. Cowley advised that this is best achieved by motivating followers through empathy, envisioning and empowerment including establishing high standards for performance and creative strategies for goals. Affirmation of the vision, mission and inspiring energy towards this would also go a long way in ensuring the successful implementation of this step.

2.3.4 Communicating the Vision for Buy-In

To get a buy in with the employees on the vision it needs to be communicated throughout the organization. Kotter advised that undercommunication and inconsistence is extremely common. Successful leaders, he says, use every communication channel possible to broadcast the vision daily. A powerful way of communicating the vision is storytelling.

Communication of the new vision should be continuous and multi-channeled (Kotter 2007). Coalition managers should model out the new practices, behaviors and actions for the others to follow and adopt. The expected results should be communicated in advance and resources deployed early in advance to actualize this.

2.3.5 Empowering Broad-based Action

Kotter (1995), once the employees accept the new vision, they need to be empowered to act upon it. The guiding coalition has the responsibility of removing any barriers and make sure people have the resources, tools and systems to bring about the change.
The coalition managers should eliminate processes and factors that impede the transformation process. They should also encourage the employees to take risks and be innovative and take up action. Here, as explained by Cowley (2007), the organization needs to realize that employees will respond to the charismatic leader because of sense of trust. Cowley also advised that it is important for the organization to build high quality leader member exchange relationships through increased sharing of information, mutual trust and encouragement of employee participation.

2.3.6 Generating Short Term Wins

Research shows that organizations tend to lose the change momentum very quickly. To keep the sense of urgency and fire blazing, short term wins are essential. Kotter, (2011) explained that companies that experience significant short-term wins are much more likely to complete a transformation process.

Defining and proactively promoting visible improvement successes that have been implemented and recognizing and rewarding employees characterize this step (Kotter 2007). This can be achieved by ensuring senior management signals are communicated in order to create sustained employee accountability in seeing the projects and changes through (Cowley, 2007). The management can also allow improvisation which can provide new ways of completing tasks when the resources are in limited supply.
2.3.7 Consolidating Gains and Producing More Change

Kotter warned that organizations should not declare victory before the changes and business improvements have sunk deeply into a company’s culture as this may kill ongoing momentum allowing resistors to take over. Leaders should use the early wins to produce even more change.

Kotter encouraged the building on credibility from early successes to advance more implementation plans for example removing barriers and getting additional resources. Promotion and hiring of individuals who support and can enact the vision is another way of consolidating improvements this would eventually lead to job motivation.

2.3.8 Incorporating Changes into the Culture

This last step is about incorporating and anchoring the new practices and approaches into the corporate culture in order to make it stick and not get lost as soon as the pressure of change subsides, (Kotter, 2011).

The organization should endeavor to proactively explain connections between new approaches and transformation successes. Kotter also suggested that the organization create succession plans that identify individuals who can carry the vision forward in the long term and promote them to higher levels. This can be achieved by controlling management mobility to manifest benefits of organizational learning to ensure consistency in leadership style and prioritization and ensure manager accountability for long term outcomes.
Kotter’s eight step model generally follows the same process as other models suggested by other scholars. Kanter (1992), coined in Kanter’s 10 Commandments, that begin with creating an urgency for change and ends with institutionalizing the new practices into the organization. This is more or less the same model concept as Kotter’s as it begins and ends the same way with a chain of ten steps. Another model that follows the same process is by Bullock and Batten (1985). The model includes an exploration phase, a planning phase, an action phase and finally an integration phase. On the other hand there are other authors that criticized Kotter’s eight step model claiming that change is not predictable and hence one cannot follow a certain process to manage it. Senge (1990) explained that change is dynamic and the organization need to be open minded when tackling change. He further argued that an organization does not suddenly adopt strategic change but is perpetually seeking it.

2.4 Change Management Challenges

Machiavelli (1532) argued that there is nothing more difficult to take in hand, more perilous to conduct, or more uncertain of success than to take lead in the introduction of a new order of things, because the innovation has for enemies, all those who have done well under the old conditions and lukewarm defenders in those who may do well under new. Research has shown that strategic implementation does not automatically follow strategy formulation, there’s always some resistance from some parties. Resistance is not limited to the strategy planning and implementation it is manifested every time there’s a digression from the normal culture.
Paul (1969) showed that people resist change because of a number of reasons including; when the reason for change is unclear, when the proposed users have not been consulted about change, when change threatens to modify established ways of working, when communication about the change has not been sufficient, when benefits of the said change are not perceived as adequate and when change threatens jobs, power and status.

Paul (1969) explained some of the forms of resistance by the employees in the implementation of change. They included persistent reduction in output, increase in the number of ‘quits’ and requests for transfers, sullen hostility and expression of pseudological reasons why the change will not work.

This resistance to change by the employees particularly has been a major hurdle for the management in the management of strategic change. Paul explained that instead of forcing change down the throats of the employees it would be better to include them in the change management process, understand their true reason for resisting and explaining to them the importance and benefits of the change. Because of these challenges it is important for the organization to use a change management model that involves all the parties in the organization and compels them to work as a team.

The other challenge in change management is resources. More often than not, resources have to be incurred to achieve change objectives. These resources are almost always never enough. When faced with this challenge the management of any corporate needs to rethink the objectives and decide on the opportunity cost of project in terms of which objectives to forego. The organizational structure and systems can also be an impeding block in the change management. Some organizations have tall structures that require
long procedures and approvals before a project can kick off. This makes it difficult to implement change within the short timelines provided. The matrix structure may play a role in complicating the process.

In some cases leadership has been seen to be stumbling block in the sense that they may not make a collective decision to either go with or do away with. In such cases the projects are left hanging at the mercies of few individuals that do not agree on a way forward. It may also be because those who give in may be seen to have lost their grip on the management matters.

Time is also a constraint when it comes to the management of change. This is because at times the timelines are quite tight and the process needs to move fast before a threat curbs the organization and cause very dire consequences. This in turn may result in change management being handled very lightly so as to avoid the mechanisms of change that may take up all the time.

Beyond the change management challenges there are also challenges of Kotter’s eight step model. Many scholars have argued that Kotter’s model is under the notion that change can be managed in a systematic manner and that once the eights steps are followed everything will be perfect. Change is very dynamic and the forces that prompt change are not planned. Therefore it may not be possible for the organization to go back to the normal position just because the eight steps were implemented.

Rafferty (2009) argued that another disadvantage is the way the model is structured in a linear form with no room for deviations. This, according to him, is not practical as sometimes communicating change vision should be executed at every step. He further
explains that it is not practical to follow a strict process in effecting something as dynamic as change.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section described the methodology of how the research was conducted. The aim was to explain the methods and tools to be used to collect and analyze data related to the subject under study.

3.2 Research Design

This chapter sought to describe the methodology used to acquire data relevant in the study from the target population.

Research design is a systematic plan to study a scientific problem. This study adopted a case study design with focus on the BAT Kenya. Bell (1999) stated that a case study approach is particularly appropriate for individual researchers because it gives an opportunity for one aspect of a problem to be studied in some depth within a limited time scale.

Bryman and Bell (2003) defined case study as an in depth analysis of a single group or event to gather information that will help in answering the questions of ‘how’ and ‘why’. Bryman and Bell (2003) noted that the case study is mostly associated with qualitative research method to study organizations.
3.3 Data Collection

Data collection is a process of collecting and measuring information on the subject in a systematic manner in order to answer research questions, test hypotheses and evaluate outcomes. The aim of this is to gather as much information that will assist with the objectives of the research.

Interview guides were designed and used with key managers at the BAT Kenya Ltd. The key managers include; the human resources business partner, area head of business development, the marketing operations manager, the regional managers, and adult smoker development manager. Past research, Mugenda and Mugenda (1999) shows that open ended questions give detailed answers with more insight into the study. Satyanarayana (1983) explained that such interviews are appropriate as the questions can be tweaked to cover all possible dimensions in order to get the most information. The interview guide is a type of qualitative data collection method.

3.4 Data Analysis

Data analysis involves organizing, accounting for and explaining the data, to make sense of the data in terms of respondents’ definition of the situation noting patterns, themes, categories and regularities (Mbuthia, 2012). Kothari (1990) observes that content analysis is the systematic qualitative description of the composition of the materials of the study. Purpose is to analyze given information in order to determine factors that explain a given
phenomenon. The information received was organized into different categories then generalizations drawn and interpreted in line with the objective of the study.
CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter discussed the findings of the research conducted in relation to the objectives stipulated. The research objectives were to determine the process undertaken by BAT Kenya in managing change, to establish the extent to which the process adopted by BAT in managing change relates with Kotter’s Eight Step Model and to determine the challenges encountered by BAT in the management of change. A case research was conducted by the researcher using a 2 page interview guide as the research instrument. The guides were well filled.

4.2 Information on the Interviewees

Five managers were interviewed and they all specified their functional position which included Area Head of Development, Marketing Operations Manager, Regional Manager West of Nairobi, Regional Manager East of Nairobi and Human Resource Business Partner. The individuals worked for periods between 8 and 15 years in the firm. This is length of service was considered sufficient for purposes of understanding the scope and depth of strategic change management in BAT.

Duck (2001) explained that good change leaders realize that the success is not in a single transformation, but in helping the organization to continuously adapt to changing environment. All of the interviewees sat in the policy committee responsible for strategy
formulation. The interviewees also agreed that the Tobacco Control Act has greatly changed business practices in the tobacco industry as a whole. The Tobacco Control Act set restrictions on smoking in public places, heavy taxation of tobacco products, restrictions on marketing and branding, inclusion of health warnings on the packets etc.

The interviewees have been in the current functional position for periods between 1 and 3 years following recent reshuffling in the management team. They have however undertaken change management projects in their new capacity that have borne fruits. This has been considered sufficient in this study.

### 4.3 Change Management Process at BAT Kenya

Three interviewees replied that the change is an integral part of their functions, and that they have the responsibility of mitigating the challenges that face the organization to ensure minimum effects on the success of the firm. One interviewee explained that the changes that face BAT are either a government directive, internal plans or review process. And when either of this is lurking, it is the responsibility of the affected department to formulate a strategy of how to successfully administer the change required.

The interviewees explained that the persons responsible for the change depended on the main issue and the departments affected. For example, a change that affects the product packaging will involve members from various departments including finance, marketing, legal, sales etc but a change that only affects a department will be spearheaded by members from that department only.
All the interviewees explained that once the change agenda was born, a cascade of meetings is scheduled to present the proposal to the other members for an approval and a go ahead. Three of the interviewees said that in these meetings the proposal is presented to the business so that they can get an approval from the leaders to proceed and also get the leadership weight backing the project.

After they receive an approval from the leadership, the team under the leadership of a champion, formulates a communication plan for spiraling the change agenda to all employees in the organization. All interviewees said that this is an important exercise to ensure the change vision is borne by all in the organization so that the objective is achieved. A series of games, emails, posters and focused small group discussions are planned for in an attempt to inform all and sundry about the need for change and the objectives for it. The aim of this as explained by the interviewees is to have the whole organization rallying behind a vision for change for easy execution.

Two interviewees said that the need for a champion is dependent on the magnitude of the change. While a fairly small change can be led by just one person a big change may be led by a project team. One interviewee noted that the project team is composed of members that have a stake in the project. He explained that it is important to have a representative from every faction that might be affected directly or indirectly. He also noted that the interdepartmental project team needs to be good with projects and be development oriented.

One interviewee explained that a vision is set by the project team and the objectives clearly stated. He however said that they call it a business case and not necessarily a
vision. He also continued to explain that the business case can be rebranded to another name especially when it’s a sensitive project like a new product launch. Another interviewee said that while a vision is important as it gives the overall outline of the project, objectives are more deliberate and easier to explain to the rest of the staff.

All interviewees commented that there can never be enough communication when it comes to passing the change information to everyone in the organization. Various modes of communication are used to pass the message to the lowest level. Direct communication has been found to be very effective at BAT. This is done by small groups or on a one on one basis. This is a sure way of winning even those who are hesitant at first. Emails and follow up emails have also been used to cascade the information all over the organization.

One interviewee commented that BAT has a culture of recognizing and rewarding the employees that do well in the various projects. BAT human resources department works with the management in all other functions to ensure the employees that do an exemplary job are well rewarded and recognized. The recognition could be in terms of displaying the names of employee of the month, quarter, and even year at various points in the premises. The rewards include monetary awards, badges and trophies given to the outstanding employees. Such awards make the employees to put effort in the implementation and execution of the projects.

One interviewee noted that to empower broad based action among the employees the management and project team ensure that all resources required for the execution are availed. Most projects require resources. For example as a result of the Tobacco Control
Act that banned advertising, the marketing team had to think of how to create visibility of their products without necessarily branding. One way of doing this was to design Point of Sale units that could display BAT products to consumers. This requires a lot of resources. Besides the resources which can be in terms of budgets put in place to facilitate the execution of a project, the project also requires the backing of the leadership. This will give the employees a clean conscience and make them work harder.

All interviewees explained that short term gains and wins are a success factors in the execution of a change project. It is the earliest indication of success. The purpose of these short term wins is to act as the motivation factor for the entire team as they strive to meet the objectives. Kotter (1995) showed that it is important for the management to notice the short term gains in order to keep the change fire blazing as it is very easy to lose momentum of the change process. The interviewees explained that they recognize short term wins but have to ensure they are aligned with the objectives of the change project in order not to lose sight of the vision. The project team then consolidates the short term wins that have sustained the objective of the project. These various short term wins are then joined together to form one win for the project.

The interviewees said that once they have gotten the win for the project they make an effort to make it part of the BAT culture. Some of the ways in which this has been done is by continuous communication relating the problem that was prompting change, the objective of the change project and the win that has been institutionalized. This way the employees are able to see the essence of the project and how it is benefitting the organization. Another way is by breaking down the win for the employees to understand, for example how the organization is making profits or has saved so much resource just by
adopting the change. The management may also do a performance track on the employees as well as ensuring that the new practices are embedded in the duties and responsibilities of the staff.

4.4 Change Management Challenges at BAT Kenya

All the interviewees commented that they face challenges from the employees when they want to execute change. Not everyone is enthralled with change, most people prefer status quo and view change as a threat. They said that some employees do not warm up to the change idea very easily. The management uses various strategies to bring these employees on board and make them buy into the idea. Some of the strategies include peer influence. One interviewee argued that it is easy for one to listen to peers and get influenced by them. Another interviewee said that by recognizing and celebrating the people who are implementing change, those who are still opposed will start warming up to the idea.

Resource has been another challenge at BAT Kenya. The interviewees collectively agreed that this has been an impeding block for most change projects as some objectives have not been achieved because of the limited resources. In this case as explained by two respondents, the project team has to critically analyze its objectives and categorize in terms of priority. The most crucial projects are given top priority and most resources are dedicated to these projects. This has obviously led to a backlog of unattended projects that have been put aside due to lack of resources. In this case as one interviewee noted, the project team may see it fit to go back to leadership to request for more funding.
One interviewee voiced that sometimes stakeholders pose a challenge in the change process. This is by asking very patent questions that require addressing before the project can kick off. The government also as a stakeholder has put in place regulations that have shaped and transformed how things are conducted in the organization. The healthy awareness bodies like NEMA have also raised their concerns about pollution of the environment among other dangers posed by the organization. To mitigate this, the project teams ensure they communicate to the relevant stakeholders through meetings and press to ensure both sides of the divide are in sync.

The interviewees noted that mostly there are no challenges encountered from the leadership team. This is because efforts are put in place to ensure they are in the loop even before the project commences. At the initial stage during inception of the business case, the project team presents their vision to the leadership in order to get an approval and also get a go ahead on the resources to employ during the execution. Leadership is thus not a challenge at BAT Kenya. Moreover a member from the leadership sits in the project team and is aware of all the on goings of the project. The project champion makes an effort to give regular updates to the leaders. One interviewee commented that while the leadership as a group may agree to support a project one of the leaders may have pertinent questions about the project. One interviewee also said that the BAT structure may or may not pose challenges to the change project process. He explained that the business case is very well articulated and it is mostly need based. It is first presented to the leadership before cascaded down to the lower levels. This tends to make it easier for the project to swing through once it has been approved by the leadership.
Other challenges encountered by the project team include the fact that beyond the change project, each member has other duties and responsibilities which they must meet. This mainly means that one will tend to concentrate on one at the expense of the other. For example you may find a member who has succeeded in the change project and has achieved the set objectives but is lagging behind in their own duties and responsibilities. The other challenge is time constraint. Some of the change projects have very short timelines and before the team gets an approval from the leadership, there’s no much time left for execution. This has sometimes led to poor performance in the projects, under achievement of objectives and loss of credibility for the champions.

The other challenge is the fact that being a contradictory industry, there’s so much resistance and regulations. This has limited BAT in the extent to which it can maneuver itself in carrying out change to achieve the set objectives. For example, in the attempt to create visibility of the tobacco products in the outlets, the display units must also conform to the standards defined by the Tobacco Control Act. The unit must serve as a display as well as a dispense vessel.

All the interviewees said that the hardest step in the change management is the execution step. Selling the idea, vision and objectives to the other employees and empowering them for broad based action has approved to be very difficult. One interviewee added that another challenging task would be at the planning stage where the project team breaks down the process details. He explained that it is easy to draw everything and plan on paper but when it comes to putting down the details and place the pieces together, it is a hard task.
The interviewees also said that the procedure is not necessarily followed one after another as it all depends on the magnitude of the matter, the urgency and the champions spearheading the change. They expounded that for small matters, no much procedure and protocol is required but for major matters they do follow the procedure step by step. The urgent matters are dealt with in an urgent matter and there’s not much time to follow the procedure. The same applies to the champions leading the change project. Some champions follow the Kotter eight step process step by step while others follow another procedure as long as they achieve the set objective.

4.5 Discussions

Kotter (1995) pointed out that for the change management process to be successful, the eight steps need to be followed step after step without skipping any. The research showed that the management at BAT Kenya would at times skip some steps or execute a step before another that comes first in the model. For example while handling the small changes at times the business case which is the vision of the change was developed before the guiding coalition was set. This is a deviation from Kotter’s model but it still worked well for BAT Kenya.

Kotter’s eight step model emphasized a lot on the communication of the vision in the entire organization for a buy in. The model also emphasized generation of short term wins. The management at BAT demonstrated that the take the communication stage very critically. The interviewees actually said that they communicate the objective everyday in very different ways including games, emails, posters, word of mouth, in small groups etc.
The research also showed that management is in line with Kotter’s eight step model in generation of short term wins.

Kotter (1998) elaborated that a guiding coalition is important in the spearheading of the change management process. The research has showed that BAT has set up a leading team depending on the project. When it is a big change, a team of members from different departments are appointed to lead, but when the project is of a smaller magnitude, one champion is selected to carry the mantle. This is in line with Kotter’s model.

Past research has showed that leadership can be a challenge to the change management process (Kotter, 2007). He explained that at times the leadership team may not fully support the change and it will take a long time for the approvals to be given. This has not been the case as seen by this research. Management at BAT has ensured that the first step is to get the leadership in the loop. In doing this, the process begins and flows to the end with the approval and guidance from leadership team.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter summarizes the findings, draws conclusions relevant to the research and makes recommendation on the same

5.2 Summary

The study had three objectives namely to determine the process undertaken by BAT Kenya in managing change, to establish the extent to which the process adopted by BAT in managing change relates with Kotter’s Eight Step Model and to determine the challenges encountered by BAT in the management of change. With respect to establishing the process adopted by BAT in managing change, BAT showed a systematic process that they adopted whenever they wanted to introduce change.

Based on research carried out BAT has shown that it first off considers the challenges at hand, either by carrying out analyses of the current situation or even considering the issues as presented by the environment. Then the management comes up with a business case which is like a vision that guides the entire change. The sense of urgency is then passed to the employees by communications and explaining to them the importance of quick action.
A guiding coalition is then formed which could be just one champion or project team in case the project is bigger. The leading team is chosen based on credibility of the members, leadership skills, development oriented, a people person and knowledgeable in the matter in question. This team re-emphasizes the objective of the business case so that employees understand the aim of the entire change process and how it will benefit the organization.

BAT has also shown that they take time to communicate the agenda for change widely throughout the organization and that nothing is left to chance. Research has shown that the management employs all modes of communication and this is repeated daily every day until the last person understands the objectives. BAT puts effort in ensuring the the vision has been adopted by all in the organization for easy change process. Also in efforts to empower broad based action, the project teams ensures that resources are available and other impeding blocks are removed for a smooth sail to victory.

Based on the data collected it is also evident that BAT values the short term wins and gains it acquires as this is the earliest indication of success for the organization and that the change process is moving in the right direction. This short term wins are celebrated and those that achieve them are awarded to propel them to do even more for the good course. The organization has also put up strategies for incorporating the wins in to the culture for the ultimate win and success. Some of strategies adopted are further communication of the relevance of the success to the overall wellbeing of the organization. Another strategy is the incorporation of these new practices into the duties and responsibilities of all the employees to ensure it is embedded in the daily activities.
The research carried out shows that the process adopted for change management is not rigid. In that sometimes the change process uses another process depending on various considerations. In some projects especially the big ones it was demonstrated by a process that is quite similar to Kotter’s model. Here, the projects were carried out by following the Kotter’s model step wise without skipping a step. These projects also required ample time for transition and sufficient resources.

On the challenges encountered in the change management, the research has shown that while BAT has faced problems during execution of change, it has also put in place mitigating strategies to ensure these projects are not derailed.

5.3 Conclusion

From the findings of the study, BAT is very responsive to changes in business environment. BAT has set up departments that mainly deal with the threats and challenges from the organization and how best to mitigate them. The adaptation to change is reflected at the leadership and managerial levels. The firm has demonstrated clear procedures for handling change, availing resources to facilitate change process, encouraging and boosting the opposers, rewarding those who put effort and even institutionalizing the new practices into the culture.

The change process is characterized by a lot communication throughout the organization to ensure the message is far reaching. The objectives of the process are explained in details to all for a buy in. The organization then celebrates the short term wins and gains and in doing so encourage even those who were initially opposed to the idea to buy in to
it. This communication has been both feed-forward and feedback loops that have ensured transparency and improvements.

It is also seen from the findings that the organization faces a lot of challenges in the change management but it has demonstrated the strategies and measures it has also put in place to counter this and ensure continuity in the process.

### 5.4 Recommendations

The research showed that the management adopted a change management process similar to Kotter’s eight step model when the change in question is big such as the change the packet to include health warning but when the change is small the management did not necessarily adhere to Kotter’s steps as some steps like creation of a guiding coalition was skipped. The researcher recommended that the organization should follow Kotter’s eight step even while handling the small changes. This ensures there is uniformity and a standard way of handling change to achieve the objective.

The research showed that the management at BAT agreed that the hardest part in managing change is the execution. The researcher recommended that the management comes up with strategies to ensure the execution by the employees is a faster and easier process. This can be done by enticing the employees to quickly act on the change just as they have put efforts to acknowledge short term wins. The management should also invest in the human resources component that is knowledgeable, have leadership skills and are development oriented. This will also ensure that the organization stays ahead of competition and have competitive advantage.
5.5 Limitations of the Study

This study may not be a good representative of all the firms in the tobacco industry in Kenya. This is because in considering the effectiveness in response and practice, the organizations differ. This is because while BAT is a multinational corporation dictated by different ideologies, politics, management styles and tools and the structures, the other firms in comparison like Mastermind Tobacco Kenya are locally incorporated.

Another limitation arose as a consequence of challenges faced during data collection. This included misinterpretation of questions in some cases. Some of questions especially the question on whether the guiding coalition created a vision for change was misunderstood and the researcher had to expound further for the interviewees.

5.6 Suggestions for further research

As an opportunity for further research, more research can be carried out on the application of various other models used in the change management like the General Electric (GE)’s seven step change acceleration process model and Kanter’s Ten Commandments among others in the same context. Moreover the same research on application of Kotter’s eight step model can be carried out in different contexts within the tobacco industry in Kenya. To compare the change management process in a multi-corporation like BAT Kenya and a local company in the same industry.

This should give a clear picture of how a multinational corporation and local company employ their management tools. The adoption of the change management models can be
used to benchmark a firm’s position regarding change management processes and achievements. This can then be useful to the organizations as they will see what needs improvement and what they are doing right.
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APPENDICES

APPENDIX 1: Interview Guide

Part 1: Personal Information

1. Indicate your functional rank/position at B.A.T
2. How long have you worked at B.A.T?
3. How long have you held this position?

Part B: Process of Change Management at BAT

4. What prompts you to plan for a change in your department?
5. How do you create awareness about the need for change?
6. Do you create a guiding coalition to foresee the change management?
   a) At what stage of change management do you create a guiding coalition?
   b) How do you create the guiding coalition?
7. Do you come up with a changing vision?
   a) Who is tasked with developing a change vision?
   b) How do you communicate change vision to everyone in the organization?
8. How do you acknowledge efforts by employees who are embracing change?
9. What steps do you undertake to empower broad-based actions?
10. Do you generate short term wins?
    a) How do you ensure short term wins are generated towards the objective?
11. Do you put effort to consolidate these wins?
12. Which strategies have you put in place to institutionalize the wins into the culture?

Part C: Change Management Challenges

13. Do you face any resistance from employees during transition?
    a) How do you deal with this?
14. Do you face challenges of resources?
    b) How do you mitigate this to ensure it does not stand in the way?
15. Are there any problems received from stakeholders during change management?
16. Do you encounter any challenges from leadership when executing change?
17. Does the BAT structure impede on the implementation of change?
18. Which other challenges do you face during management of change?
19. Which is hardest stage in the process change management?

Thank You for Your Co-operation and Assistance
APPENDIX 2: Letter to the Interviewees

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Date ……………………………..

TO WHOM IT MAY CONCERN

The Bearer of this letter …………………………………………………………………………..
Registration Number ……………………………………………………………………………..

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 ADMINISTRATION
SCHOOL OF BUSINESS