

**MANAGEMENT OF STRATEGIC CHANGE AT NAIROBI
AUTOMATED CLEARING HOUSE**

BY

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DECLARATION

This management research project is my original work and has not been presented for a degree in any other university.

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

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DEDICATION

I dedicate this project to the following people for their love and sacrifice: To my dear wife, Janet K. Wachira. To my prince and princess, Mitchel and Nicole.

ABSTRACT

The purpose of this research was to conduct an assessment of how Central Bank of Kenya (CBK) and the Kenya Bankers Association (KBA) managed change during the implementation of cheque truncation system. An interview guide was the major instrument used to gather primary data while past records from Banking, National Payments System and Risk Management Department in CBK were also used to supplement the major instrument. The interview guide was composed of written open and closed ended questions relating to the challenges experienced during the CTS implementation period and how they were overcome. The research found out that the approach used relied on Lewin 3 steps model but classified as genetic because it included aspects of different planned and emergent approaches to manage change. The research found out that the major challenge encountered was technical while the others were due to misunderstanding of the public caused by limited communication and lack of enthusiasm from the commercial banks. Based on the findings, it is recommended that future projects should be named using catchy or simple terminologies which can be understood by all the stakeholders. Further, enough resources should be allocated for communication which plays a pivot role in managing change. Bearing in mind the future's uncertainty, the difficulty of enforcing plans and that planned change approach seldom achieves the targeted objectives; change initiatives should have a room for incremental change implementations. It is recommended that further researches should be undertaken to explicitly understand other underlying causes of challenges that lead to delay of failures in implementing changes in organisations co-owned by different stakeholders.

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ACRONYMS AND ABBREVIATIONS

- A.C.H** – Automated Clearing House
- B.I.S** – Bank of International Standard
- C.B.K** – Central Bank of Kenya
- CTS** – Cheque Truncation System
- EFT** – Electronic Fund Transfer
- IMS** – Information Management Systems
- KBA** – Kenya Bankers Association
- N.A.C.H**- Nairobi Automated Clearing House
- N.P.S** – National Payment Systems
- T+2** – Trading day plus 2 working days

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

An organisation is a part of an open system where changes in the environment will directly or indirectly affect its operations and therefore needs to constantly notice the changes in the operating environment and adopt accordingly. Carnal (2007) pointed out that organisations are in constant interaction with the environment in the form of information, energy, or material transfers into the system and transforms them and finally releases them out of the system boundary to the customers or clients, depending on the industry. Further, Fermonte and Rosenzweig (1985) points out that those political, environmental, social, technological and economical environments are of turbulent nature and an organisation is required to learn how to manage change under such conditions while maintaining system integrity, stability and continuity. Cummings and Worley (2005) notes that this can be achieved through Organisational development where efforts are planned and organisation-wide managed from the top to increase effectiveness and viability. The recognition of the need for timely adjustment to external events has given rise the concept of the learning organisation. This is where an Organisation is capable of continuous adaptation to the changing external environment.

Senge et al (1999) points out that change can be triggered by various reasons but the major triggers among others are due to changes in the environment, to maintain or forge new business alliances, changes in technology and the need to restore equilibrium and maintain its purpose and optimum state. Other change triggers include the need to comply with conditions set by donors or political forces manipulations. However Croftz (1994) further points out that every organisation has

varied reasons for implementing changes but the major goal of change is to cope with a new, more challenging environment. Other objectives include increasing profitability while reducing operating costs, as a survival tactic, to grow or to offer efficient services to its clients. The means to achieve the intended change vary due to several factors including government regulations and technological progress.

Business environment dictates the changes that organisations do in order to survive and remain relevant. The technological environment is one of the dynamic external forces that have made many organisations irrelevant. To be able to serve the payment industry in Kenya and remain relevant in settlement of payment instructions, the Central Bank of Kenya in conjunction with Kenya Bankers Association initiated a cheque truncation project in the Nairobi Automated Clearing House. This project was to change the process of cheque clearing from the physical presentation of cheques at the clearing house to electronic image presentation of cheques. Apart from the success in advancement of technology used in the clearing processes, there were challenges faced by the team which caused a delay in implementing the whole change process. The change management team needed to plan how to approach the change process and manage the challenges encountered in the period in order to reduce or avert change resistance.

1.1.1 The Concept of Strategic Change

Strategic change is a difference in the form or state over time in organization's efforts to align with its external environment. Burnes (2004) refers to change as transformation, to undergo alteration, modification, substitution, innovation, revolution etc and in order to remain relevant in the rapid changing environment. Organisations need to implement changes in their structures, operational processes

and tools while acknowledging that the organisation has minimal or absolutely no control over the events that determine the need for change. Johnson and Scholes (2002) points out that if an organisation does not change, it will become extinct. In order to achieve the intended outcome, the process has to be managed effectively through change management. Croft (1994) defines change management as the art of bringing means and ends together; essentially it can be defined as a structured approach to shifting an organisation from its current state to a desired future state. It can further be defined as a systematic approach to dealing with change from the perspective of an organisation through three core aspects namely, the adoption to change, controlling the change and finally effecting the change. Kotter (2007) identifies that in order to manage change effectively, managers need to follow change management models namely kotter 8-step change process or Lewin 3 step change model.

Lynch (2009) points out that change is a continuous process in an organisation represented by two extremes namely slow organisation change which is introduced gradually and fast organisational change introduced suddenly usually as a part of a strategic initiative. Johnson and Scholes (2002) notes that strategic change is having a strategy to manage change which seeks to alter the organisations direction and scope over the long term while achieving advantage for the organisation through configuring of resources within a changing environment therefore it can be described as changing the organisational vision, mission, objectives and the adopted strategy to achieve those objectives. There are different types of strategic changes varying from incremental change which is reactive to transformational change which is proactive. As noted by Croft (1994), corporate planning by its nature demands that organisations should change and adapt to meet the challenges of the environment. There are various

forces in both the external and internal environment that are either opposing or supporting the change implementation processes thus creating a force field. Carnal (2007) further points out that how the restraining forces are handled will determine the success or failure of change implementation process. Management of change can be reactive where the management respond to the macro environment or proactive in order to achieve a desired goal. For an organisation to achieve its desired goals when implementing change, it has to manage change through strategic change management.

1.1.2 Management of Change

Change management is an approach to shifting or transitioning individuals, teams, and organisations from a current state to a desired future state (Kotter, 1995). Carnal (2007) defines change management as the utilization of basic structures and tools to control any organisational change effort. Kotter (2007) notes that it is an organisational process aimed at helping change stakeholders to accept and embrace changes in their business environment. Change management's goal is to minimize the change impacts on workers and avoid distractions. According to Cummings and Worley (2005), change management is a necessary component for any organisational performance improvement process to succeed, including programs like Six Sigma, Business Process Reengineering, Total Quality Management, Organisational Development, Restructuring and continuous process improvement. Hills and Jones (2001) points out that change management should not be understood to mean a process improvement method rather it is about managing change to realize business results.

Management of change according to Pearce and Robinson (2011) is the second phase in the change management process. They further define change management process

as the sequence of steps or activities that a change management team or project leader would follow to apply change management to a project or change. According to a research done by Prosci's, based on ADKAR model of change management, the most effective and commonly applied change management processes contain three phases. Lynch (2009) highlights the three phases as, Preparing for change phase where preparation, assessment and strategy development takes place. The second phase is managing the change where detailed planning and change management implementation is undertaken. Lastly is the reinforcement of change and data is gathered, corrective action and recognition performed.

1.1.3 Payment Industry in Kenya

A payment system is a set of instruments, procedures and rules for the transfer of funds among system participants (Bank of International Standards, 2011). According to NPS Act, 2011 a payment system means a system or arrangement that enables payments instructions between a payer and a beneficiary to be received, processed and settled on time, or facilitates the circulation of money, and includes any instruments and procedures that relate to the systems functionalities.

Kenya has a relatively well-developed payment industry in comparison to other African states. According to Bank of International Standards (2011) report, the payment industry refers to a set of participants in the economy who facilitate movement of money either physically or electronically. As pointed out by Roberto and Fernando (1994), Kenya payment industry has a stratified payment industry where the large value payments are done through Kenya Electronic Payment System, a real time gross payment system and the Automated Clearing House where else the low value payments are transacted through proprietary instruments. Instruments used

in low value transactions include automated teller machines, point of sale terminals, credit, debit, prepaid, electronic money cards, and the latest addition to the industry, the mobile payment.

1.1.4 The Nairobi Automated Clearing House

The Nairobi Automated Clearing House is a secure electronic payment and clearing system. It is owned by the Kenya Bankers Association and Central Bank of Kenya. The ownership structure ensures that the interests of Commercial banks and CBK are stake holders are catered for because they are the owners. All the forty three Commercial Banks in Kenya are direct participants of the clearing house. According to CBK/KBA (2011) publication, the clearing house clears Kenya shillings cheques and Electronic Funds Transfers while foreign currency denominated cheques are processed under the clearing house Domestic Foreign Currency Cheque Clearing arrangement.

Initially, commercial banks used manual clearing processes where cheques were physically transported to the clearing house located inside Marshall's house along Harambee Avenue in Nairobi. All the commercial banks participating would compile all cheque drawn against and for and at the end of the day each bank would write a cheque to the settle the amount it owes each bank and also receive a cheque for amount it is owed by each bank. After introduction of Magnetic Ink Character Recognition engraved cheques, the clearing house become automated and the process of manual clearing was substituted by automation however, all cancelled and unpaid cheques were manually sent back to the drawing bank. The cheque clearing period was ranging between 4 working days and 21 working days depending on the depositing Commercial bank location, upcountry cheques took longer to clear.

The Automated Clearing House has undergone two major modernization initiatives including value capping implemented in October 2009 and cheque truncation rolled out in August 2011, both of which have met the principal objectives of reducing the systemic importance and enhancing of efficiency and safety of the ACH respectively. Turana (2010) pointed out that Cheque Truncation System is a process where physical cheques presented to a bank for payment are converted to electronic form and the image transmitted to the clearing house for processing and then honoured eventually by the paying bank while maintaining stability and continuity in the cheque and EFT clearing processes. According to Central Bank of Kenya Annual Report (July 2009 – June 2010), cheque truncation requires new generation cheques to be functional and to work efficiently it is required that 96% of the cheques in circulation be new generation. It will reduce fraud, enhance liquidity in the banks and also reduce overheads hence increasing savings that might be passed on to the bank customers.

Cheque Truncation was initially slotted to go live in June 2011 but due to various challenges this extended to the 15th of August 2011 running concurrently with the old clearing system until January 16, 2012 when Cheque Truncation System was successfully implemented. Central Bank of Kenya and Kenya Bankers Association (2011, June 9) claimed that the new clearing cycle, (known as T+2 in banking terms) allowed the paying bank only two days to determine the fate of a cheque presented for payment at the Automated Clearing House. Previously the old clearing cycle gave the paying bank three days to determine the fate of a local cheque.

1.2 The Research Problem

Bringing change to an organisation with a set culture and business processes has its own set of challenges which contribute to failure of change projects. The failure rates are determined by the resistance and challenges faced during change implementation and how they are managed. There are several factors which can severely impede progress when trying to overcome resistance in change management. Roberto and Fernando (1994) concludes that change management is an important aspect of management that tries to ensure that a business responds to the environment in which it operates.

Payment Industry is the hub of the finance industry in Kenya, yet many commercial institutions are still reliant on old clearing and settlement systems. This has led to damage of operational efficiency, customer satisfaction and margin to the participants. Transaction clearing business environment is changing rapidly, institutions are facing increasing competition, and are still trying to update their technologies. The Nairobi Automated Clearing House underwent technological change during cheque truncation process in 2011 to replace the old process of clearing and settlement of cheques with a new system to use captured cheque images to clear. It encountered various challenges before being fully implemented in January 2012.

Several researches (Chelagat; 2011, Kiraithe; 2011, Langat; 2011, Moraa; 2011, Natia; 2011, Gichuki; 2010, Kathure; 2010, Ligare; 2010, Mwati; 2010, Wanjiru; 2010, Gathua; 2006, Nyalita; 2006; Nyororo; 2006, Rinje; 2006, among others.) have been done in the concept of change management. The researches have been in various sectors including government bodies and the private sector but none has been done for an organisation which is co-owned by various parties with different interests in the

entity. The studies concentrated on the concept of resistance to change, causes and some of the researchers have gone ahead to briefly describe how to overcome resistance.

In order to implement new procedures or any other change in the organisation, you need to understand change management. Change management involves more than managing resistance. Therefore, this study is designed to fill in the knowledge gap that might exist in identifying other issues relevant in change management. This will be addressed by answering the following question, what change management approaches and practices were applied by the management of the NACH to achieve a successful implementation of cheque truncation?.

1.3 Research Objective

The objectives of carrying out this research;

- i. Determine the change management approach adopted by Nairobi Automated Clearing House.
- ii. Establish the change management practices at Nairobi Automated Clearing House.

1.4 Value of Study

The findings from the study will be of value to scholars doing further research on change management practices during theory building. This paper has presented some highlights and insights into approaches and practices used by the Automated Clearing House in managing change in order to achieve the targeted objectives. The study findings form a premise to identify knowledge gaps in change management and also be a source of reference and guide.

Policy makers are mandated by their respective organisations to formulate policies that contribute to a positive change in the organisations. The research findings comprise of the change management practices employed to successfully achieve the change objectives. The policies in determining the best practises employed in the research findings will guide policy makers in formulating policies in their organisations.

The management of the Nairobi Automated Clearing House will benefit immensely from the findings. The finding of this research will be documented and when implementing other changes, the management will refer to the research findings from this study to identify the best approach and practice to manage change.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The literature review in this chapter is done on the concept of strategic change, approaches of change management and the change management practices that ensures a successful change process. Strategic change management puts into consideration various factors which include the stakeholders, objectives to be achieved and management of the various challenges encountered.

2.2 Strategic Change

Senge et al (1999) refers to change as the way an organisation adapts internally to the changes in the environment. Change occurs due to changes in the environment within which the organisation operates and when it happens it gives rise to the need to change to fit for the organisation in order to meet the challenges. Bateman and Zeithaml (1993) identified four major areas of organisational change namely, strategy, technology, structure, and people. All four areas are related, and companies often must institute changes in the other areas when they attempt to change one area. Change can be a continuous process as an on-going basis in pace with changes in the environment or as a process of punctuated equilibrium where periods of adaptive and convergent changes are interspersed by shorter periods of revolutionary change. Bateman and Zeithaml (1993) observed that moving an organisation to change begins with the establishment of a vision that can be achieved through structural, cultural and individual change.

Hills and Jones (2001) defines strategic change as changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and

synergy to facilitate its movement from the current state to a desired future state to achieve specific objectives in adoption to the changes in the environment. Generally, this is a proactive search for new ways of working which involves implementation of new strategies that involve substantive changes. Strategic change involves major shifts in an organisation's orientations. Cummings and Worley (2005) noted that changes need human interventions, techno structural interventions, human resources management interventions and more recently strategic interventions. At Corporate level, this occurs when a company shifts its resources into new business or more attractive markets and business' while at business level this is when an organisation competes more effectively and better serves the industry and market it already is in. The effects of strategic change are accompanied by a degree of risk and uncertainty and therefore to successfully implement a change, change management is necessary to facilitate execution of change and achieve the desired outcome.

According to Carnal (2007), a planned change places emphasis on process, deals with change over significant period of time, follows a holistic approach, encourages participation, ensures full support from top management and involves a facilitator that takes the role of a change agent. On the other end, emergent change is seen as a continuous process of learning and experimentation to adapt and align to the turbulent environment. Transformation, according to Fermonde and Rosenzweig (1985), is a step by step process of restructuring an existing organisation by removing what does not work, keeping that which does and implementing new systems, structures, or cultural values where appropriate.

According to Pearce and Robinson (2011), evolutionary change as a part of emergent change involves the constant attempt to incrementally improve, adapt and adjust strategy and structure to better match the changes in the business environment that are

taking place while revolutionary change involves a whole new way of doing things, new objectives, and new structures. Organisations can change by being proactive through recognising the need to pre-emptively change in relation to potential threats in the future or by being reactive in response to immediate needs or threats such as competition or technological changes.

2.3 Management of Strategic Change

As pointed out by Senge et al (1999), change management is a systematic approach to dealing with change, both from the perspective of an organisation and on the individual level. Carnal (2007) notes that change management has at least three different aspects, adapting to change, controlling change and effecting change. Many organisations view change management as a means of defining and implementing procedures and or technologies to deal with changes in the business environment and to profit from changing opportunities.

Kotter (2007) acknowledges that successful adaptation to change is as crucial within an organisation as it is in the natural world. Organisations and their employees inevitably encounter changing conditions that they are powerless to control. He further points out that the more effectively you deal with change, the more likely you are to thrive. Pearce and Robinson (2011) noted that the need to change is due to dynamism of the business environment. They advise organisations to establish a structured methodology or coping mechanisms to responding to changes in the environment. Change management, according to Johnson and Scholes (2002), is usually guided by a strong change management model, a framework people can use to understand the process and what is expected of them. However Croft (1994) points out that it is not enough to have a model without change management plans.

2.4 Approaches of Change Management

According to Carnal (2007), there are only two distinct approaches to change management, namely the planned and the emergent approaches. A planned change is a change management processes tightly linked to identifying and managing change which are internally focused while emergent change is linked to a process that unfolds due to the interplay of multiple variables within the organisation.

Cummings and Worley (2005) indicated that these processes attempt to provide to help the management to obtain a commitment to change and improve productivity with the least resistance. They also help to make the change results tangible while guiding in decision making and providing security around uncertainties during change process.

2.4.1 Planned Approach to Change Management

To remain relevant in today's business environment, many organisations have initiated and implemented changes. It should be noted that there are different dynamics in the environment which drive forces of change, both the general and industry specific, and organisations have struggled to remain relevant while preserving or enhancing their overall performance. During the change processes, Burnes (1996) points out that the top – down approach is dominant in the traditional approach. In this approach, the management has the sole right to make decisions about the change process right at the beginning of the process. Thereafter the decision is communicated and change processes starts to involve the other people within the organisation, convincing and cascading efforts then follow. However, Kotter (2007) noted that due to lack of involvement , the people who are affected by the change end up not having have much choice than either to agree, to build up resistance, to stay

indifferent or to start political gaming until the change really takes place. This lack of involvement therefore leads to indifference and resistance build up over time leading to many change projects to completely fail or ultimately fall short of expectations.

According to Kotter (2007), many of the traditional ideas about change management are built on Kurt Lewin's model of change, which points out that in order to change, you needed to 'unfreeze' the current state, go through a transition phase, and then 'refreeze' into the desired future state. Carnal (2007) points out that this model is inapplicable today due to the turbulent nature of the environment. There is rarely a chance to 'refreeze' before the next wave of change hits the organisation and therefore the organisation is left with a constant state of transition that never has a chance to stabilize. It is concluded therefore that the traditional change management approaches have not been adequate to help organisations navigate the changes because of a variety of limitations.

The traditional organisational development school of thought approaches change management as a consulting forum to provide tools to facilitate change. Burnes (1996) highlights organisation development as a deliberately planned effort to increase an organisation's relevance and viability. The idea was initially fronted by Kurt Lewin in early 20th Century but serious questioning have emerged about the relevance of organisational development to managing change in modern organisations. This is due to the use of new technologies combined with globalization which has shifted the field of organisation development leading to emergence of the learning organisation concept.

2.4.2 Emergent Approach to Change Management

Due to pressure from the turbulent environment and the recognition of postmodern organisations, many models of organisational development and planned change were developed. In contrast to traditional approach, as Senge et al (1999) points out, emergent change emphasizes on the need to be responsive and adaptive and notes that change is constantly around us. Integrated strategic approach is a contemporary development of the organisational development where participation of the stakeholders are encouraged from initial analysis, planning to the implementation process which improves integration of the subsystems and creates shared ownership and commitment during the change process.

Cummings and Worley (2005) points out that trans-organisational development emerged after realization that an organisation operates as an open system where everything is interdependent and organisations are part of a bigger system. They further noted that this form of planned change enables organisations to collaborate with each other in sharing resources and risks. Burnes (2004) observed that these emergent approaches to change management viewed change as a continued process of learning and experimentation in order to adapt and align to a turbulent environment. Senge et al (1999) concludes by noting that the new approaches to change management brings the freedom of less control and the result is a more organic, holistic and ecological organisation. This leads to a more flexible, creative and balanced organisation which is able to respond more effectively to the changes in the environment.

2.5 Theoretical Models of Change Management

A change management model can be defined as a model designed for the purpose of formulating and implementing the strategic management plan of a particular organisation. Johnson and Scholes (2002) points out that change management focuses on aligning environmental impacts with the vision statement of the organisation. In developing and implementing change strategy, managers need to consider how to manage the change process. There are various ways of implementing and managing change in organisations which can be planned in advance or handled on a case to case basis as they emerge. They are broadly classified as planned or emergent approaches to change management.

2.5.1 Planned Models of Change Management

Kotter (1995) observed that for leaders of organisations, managing change is an important strategic task mainly because between 60-80% of all change projects fail fully or partly because either the objectives of the project are not achieved or the projects cannot be completed in time or on budget. Different models have been advanced to manage planned changes, the most common being the John Kotter 8 step model, Lewin's 3-step model of change, Bullock and Battern 4 step model, Cumming and Worley model and others like the Lippit, Watson and Westley model. These models of planned approach have a shortcoming as noted by Goillart and Kelly (1995) because they assume that a common agreement is reached among the change parties and no challenges are expected. This ignores the universal reality of organisational conflict and politics.

Kotter (1995) points out that the John Kotter 8 step model was well suited when implementing planned changes. Each stage in this model acknowledges a key

principle identified by Kotter relating to people's response and approach to change, in which people see, feel and then change. The first step is creating a sense of urgency to change by inspiring people to move and ensuring the objectives are real and relevant. The second step is to create a guiding coalition consisting of both managers and leaders who work well together as a team and power position, expertise, credibility, and strong leadership capabilities are what will build a strong coalition. The third step is for the management to get the vision right by getting a team to establish a simple vision and strategy that focuses on emotional and creative aspects necessary to drive service and efficiency. The fourth step is to communicate the essentials, simply, and to appeal and respond to people's needs. As a fifth step, the management should empower the affected people by removing obstacles to enable constructive feedback and lots of support from leaders. As a sixth step, the management should create short-term wins by setting aims that are easy to achieve through manageable numbers of initiatives.

Kotter (2007) points out that feedback that boosts morale is needed and short-term wins have a way of building momentum that turns neutral people into supporters, and reluctant supporters into active helpers. Step seven encourages the management to look at the long-term goals, by adding more projects and bringing in new people to help create the change, empowering employees on projects, keeping a sense of high urgency feeling and showing that the new way is working. The eighth step is to make the changes implemented stick by reinforcing the value of successful change via recruitment, promotion, and new change leaders.

In the second theoretical model of change, Lynch (2009) highlights the Three Step Model of Change based on three important and critical steps that assures an easy

transition once changes occur. The main goal was to make the subordinates permanently adopt change while minimizing the possible negative effects brought by their strong resistance to change. Burnes (2004) highlights the three steps in Lewin's change model as unfreezing where business managers should convince their subordinates that the changes in the workplace are beneficial to all parties by pointing out the flaws and inefficiencies of the current situation thus making the changes more appealing and desirable. The second phase is transition when the subordinates start to accept the changes. Subordinates identify the practices, the policies and the overall norms brought by the changes in the workplace and lastly by refreezing the new change where subordinates start to fully accept the changes in the workplace. The final stage is where subordinates start to reconnect themselves with the workplace including the changes it parades.

As highlighted by Lynch (2009), Bullock and Batten analysed over 30 models of change management and arrived at their own 4-phase model of programmed change management which can be applied to almost any circumstance. The first phase is exploration which occurs when managers confirm the need for change and secure resources required to achieve it. The next step, planning, occurs when key decision-makers and experts create a change plan that they then review and approve. Next, action occurs with enactment of the plan. There should be opportunities for feedback during the action phase. Finally, integration begins when all actions in the change plan have taken place. Integration occurs when the changes have been aligned with the organization and there is some degree of formalization, such as through policies and procedures in the organization.

Despite the various models advanced for planned change, Cummings and Worley (2005) argued that for a change to be effective, the attitude and culture of the workers has to be aligned with the change objectives. They identified several steps that need to be taken when an organisation needs to make an adjustment. The management needs to formulate a clear strategic vision because without a clear idea of what change is needed, no organisation can move forward. This vision should include what the new values will be and what behaviours will be expected in the workplace.

Pearce and Robinson (2011) supported the display of executive commitment because it is needed to start the changes and noting that their support and excitement will carry through to the rest of the organisation. Further, the management should identify the required policies, procedures, operating rules and even company structure needed for smooth changes implementation. The change managers should select and socialise newcomers and terminate and finally develop ethical and legal sensitivity. While some pre-existing tensions may be relieved by the changes, new tensions may arise and will need to be addressed.

2.5.2 Emergent Models of Change Management

“Emergent change consists of on-going accommodations, adaptations, and alternations that produce fundamental change without a priori intention to do so. Emergent change occurs when people re-accomplish routines and when they deal with contingencies, breakdowns, and opportunities in everyday work.” (Burnes, 1996: P291). Senge et al (1999) notes that the complexity and dynamism nature of the environment and organisational processes has led to emergence of new models of change management. There is a need to address issues like the continuous need for structural adaptations and employee flexibility. This has led to emergent of new

models in change management notably the logic incremental model and organisation learning among others. The rationale of the emergent approach according to Johnson and Scholes (2002) stems from the belief that change should and cannot be solidified or seen as a series of linear events with a given period of time rather it is characterised by unforeseen events, disruptions and opportunities that emerge during that period.

According to Quinn (1980) logic incremental model is a method of implementing changes by adding to a project using many small and often unplanned incremental changes instead of a few and extensively planned large jumps. This can be further divided into smooth incremental where change is implemented in a slowly, systematic and predictable way, bumpy incremental which is characterised by periods of relative quiet interrupted by sudden bursts in the rate of change and lastly a discontinuous breakpoint which is change that involve crisis or in response to high turbulence. According to Burnes (1996) change in this approach is viewed as a continuous process of learning and experimentation to adapt and to align to the turbulent environment.

Senge et al (1999) notes that in organizational development, learning is a characteristic of an adaptive organization, that is, an organization that is able to sense changes in signals from its environment both internal and external and adapt accordingly. To cope with the complexity and uncertainty of the environment Burnes (1996) suggested that organisations need to become open learning systems where strategy development and change emerges from the way an organization as a whole acquires, interprets and processes information about the environment. Proponents of organisational learning argue that employees learn from experience on an on-going basis and incorporate the learning as feedback into the planning process.

Bamford and Forrester (2003) argued that the emergent approach to change is relatively new compared to the planned approach and it still lacks coherence and a diversity of techniques. However, according to Burnes (1996) the general applicability and validity of the emergent approach to organizational change depends on whether or not one believes that all organisations operate in dynamic and unpredictable environments to which they constantly have to adapt.

2.6 Change Management Practices

Gouillart and Kelly (1995) pointed out that in order to succeed in a change effort; an organisation must adhere to several critical practices. Pearce and Robinson (2011) highlights that there are four key principles underlying organisational change best practices. The first principle dictates that business processes must support business needs. The second principle requires the management to staff an organisation with people who can successfully support and execute the business change processes. The third principle requires the management to plan change efforts to maximize returns on investment and minimize risk.

The last principle expects the management to measure process and product quality to determine rate and success of change. The change management practices are divided into three primary groups namely, those that help to establish a change effort, those that affect the execution of a change effort and those that assist in monitoring the change effort.

2.6.1 Establishment Practices

Critical to successful change management is good planning. According to Gouillart and Kelly (1995), planning ensures that organisations are aware of the implications of the intended change and are prepared for all reasonable eventualities. Burnes (2004) points out that the first and critical part in a change process is the alignment of the goals of a change effort with the organisational strategy. An organisation's strategic plan identifies the core business and key supporting processes that help deliver these products and services. He noted that if the goals of the change effort do not support the organisational strategy then the change effort will not yield significant value to the organisation and this reduces the possibilities of receiving commitment from the management level. Another step in change management practice as highlighted by Quinn (1980) is to acquire and maintain executive commitment. He noted that great leadership is required for change to occur, especially if the change requires significant cultural changes. To accomplish this, the organisation must clearly define its structures, management systems, and guiding principles, policies, and procedures to be used as a guide during the change process.

The organisation must also create a change team that controls the goals which should be measurable and meaningful according to Lynch (2009). To enact change, the change team members should be experts, analytical, creative, insightful, and open-minded. Gouillart and Kelly (1995) points out that the change team must effectively create a plan for change, identify processes to change and acquire support for the change effort from an organisation, at all levels. Burnes (2004) notes that evaluating the willingness of the organisation to change is also important and is dependent on several variables, including the strength of the corporate culture and the number of

prior change efforts. He points out that a change plan must rigorously identify the objectives and milestones of the change, the impact of change on the workforce, the cultural climate, the barriers to change, methods for overcoming them, the probability of overcoming them, the communications approach and the required training needs.

The change teams created must include the management because as Carnal (2007) points out, management commitment initiates a successful change effort. The full representation of the various business functions by members of the change team helps sustain it. To obtain a commitment to change within an organisation, a proposed change should be consistent with past changes and people must see that the management is committed to the change. Johnson and Scholes (2002) advise that the management should also plan for continuous improvement where an organisation must use good performance measures which they monitor and respond to.

2.6.2 Implementation Practices

The inability for organisations to effectively execute change implementation strategies is a major factor limiting the success of change initiatives. To achieve such feat, Cummings and Worley (2005) suggest that an organisation needs to articulate an extremely compelling need for change by assessing its current state and clearly identifying its desired state. The greater the gap between the two, the more important the identification of a compelling need. While implementing change, according to Gouillart and Kelly (1995), the management needs to select areas to change based on those having the greatest expected return on investment and the lowest expected risk. The most important type of process is an identity process, which defines the basic purpose of an organisation. The next most important kind of process is a priority process, which directly and significantly affects everyday performance.

During change implementation, an organisation is advised to only change at most three processes during a single change effort. Pearce and Robinson (2011) points out that when an organisation attempts to change more than three processes, the change team often becomes confused about the goals and objectives of the effort. The change team should document the processes it proposes to change in a change plan. Carnal (2007) further encourages organisations to create a vision for each process to be changed. He notes that by creating a vision for each process undergoing change, the change team can provide the members of an organisation with a sense of how they will perform work in the future. This will lower resistance to change by allaying fears that arise when people are uncertain about their futures.

Burnes (2004) notes that a change team must also understand existing processes and identify areas of improvement, estimate how much an organisation can improve, and be able to measure improvement. This understanding helps the change team create a migration plan and a performance baseline. Adhering to this practice increases the probability of success by lowering risk. Further, he points out that the management needs to understand the risks and develop contingency plans. Regardless, the greatest risk to a successful change effort is a cultural reaction against the change as highlighted by Carnal (2007). To reduce resistance against change, the change team should thoroughly, effectively, and truthfully communicate the change effort to the members of the organisation. Retraining is another way of preparing the organisation for such a change, as well as to help to align its infrastructure. After change implementation, Pearce and Robinson (2011) advises organisations to do project postmortems with planned process improvement programs that eliminate or minimize noted problems.

2.6.3 Monitoring Practices

After implementation of change, monitoring is equally important to ensure continued improvements and relevance of change. Ansoff (1990) points out that the monitoring, evaluating, reporting, verifying, and certifying guidelines are needed for the change projects in order to accurately determine their impact on the desired outcome and other attributes. Further, Burnes (2004) explains that the guidelines should be standardized in order to increase the reliability of data or information collected for estimating the change benefits by the change supervisors and to enhance the credibility of the project with stakeholders.

Lynch (2009) notes that the management should select and use appropriate metrics to measure the desired characteristics of a change effort. The benefit of using appropriate metrics is that they will measure how the performance of an organisation compares to the desired state. Pearce and Robinson (2011) advocates for organisations to perform annual process assessments and benchmarks. Each assessment and benchmark provides a snapshot of an organisation's capabilities, which should be the basis for determining whether it needs to change and the value of such change.

Ansoff (1990) points out that communication is the most effective tool an organisation can use to obtain acceptance of a change. The management should listen to stakeholders in a way that encourages them to understand the benefits of a change effort. Kotter (2007) suggests that the person given the responsibility of communicating the change effort to an organisation should be the leader of a large business unit, if not the entire organisation. Communication facilitates proper feedback from the stakeholders. Ansoff (1990) noted that feed-back is the most important element of a systematic and integrated approach towards project appraisal,

monitoring and evaluation. This is because the evaluation exercise provides lessons for the feed-back, whose main objective is to compare the actual outcome of the project with the projections made. The examination of essential positive and negative effects of the project, provide important lessons for the future. Successful change requires that an organisation align its human resources, information, financial, organisational, and other support systems around the core business processes.

Pearce and Robinson (2011) notes that it is vital for the management to identify the workflow between business units and also identify whether the organisation's infrastructure matches it and finally whether personnel within those business units have the skills to effectively and efficiently perform their work. Burnes (2004) recommends that the top-level management should stay actively involved in the transformation of ideas and alternatives into useful applications that lead to change and improvement. He further points out that, to be able to adapt to change, the management must be able to accept, test and validate these ideas as well as give recognition to both the successful and unsuccessful ones.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology applied in executing the study. The research design was addressed first followed by data collection methods and statistical data analysis methodology.

3.2 Research Design

The research design was a case study. Kothari (2004) pointed out that a case study method is a form of qualitative analysis where a careful and complete observation of an individual, a situation or an institution is done; efforts are made to study each and every aspect concerning a unit in minute details and then from case data, generalisation and inferences are drawn. A case study will enable the researcher to undertake a modest scale research project based on their workplace or the comparison of a limited number of organisations.

The use of a case study approach was appropriate because it supports deeper and more detailed investigation of the type that is normally necessary to answer how and why questions. Case study research is also good for contemporary events when the relevant behaviour cannot be manipulated. Typically case study research uses a variety of evidence from different sources, such as documents, interviews and observation, and this goes beyond the range of sources of evidence that might be available in historical study.

3.3 Data Collection

Primary data was collected through interviews where open-ended questions were used because ambiguities could be clarified and incomplete answers followed up. According to Cooper and Schindler (2006), Open – ended questions measuring sensitivity or disapproval behaviour and encourages natural modes of expression because some interviewees are less self-conscious in a one-to-one situation.

The interviewees were heads of departments and selected staff members who were the champions of change during the change implementation. The Interviewees were employees of either Central Bank of Kenya or Kenya Bankers Association and were directly involved in the cheque truncation process either through management of resources like hardware and software procurement, issuing directives or in implementation of the process.

3.4 Data Analysis

Data collected was checked for consistency and relevance to the subject under study and thereafter analysed using conceptual content analysis. Cooper and Schindler (2006) pointed out that content analysis measures the semantic content or the ‘What’ aspect of the message. He further stated that content analysis guides against selective perception of the content, provides for rigorous application of reliability and validity criteria. Content analysis goes beyond merely counting words or extracting objective content from texts to examine meanings, themes and patterns that may be manifest or latent in a particular text. It allows researchers to understand social reality in a subjective but scientific manner.

Development of the analysis instrument is highly dependent on the content to be analysed. Thus, it was guided by variables such as approaches, models of change management and recommended practices for successful change management which were selected as the coding units. The data collected was reviewed to determine if the information available met the objectives of the analysis. Data collected was later unitized to provide the basic unit of text to be classified during content analysis before it was coded. The reason is because the differences in unit definitions can affect coding decisions as well as the comparability of primary data with secondary data

Thereafter, coding categories were developed to ensure issues related to the objectives of the analysis are captured and codes for different reactions to the issues which meet the above requirements were developed too. The coded data was summarized, reviewed for patterns and relationships, and data obtained via secondary means related with the primary findings.

CHAPTER FOUR:

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

The interviewees who participated were heads of departments and selected staff members who were the champions of change during the change implementation. The Interviewees were employees of either Central Bank Kenya or Kenya Bankers Association at the time of implementing cheque truncation system.

Data was collected using an interview guide with open –ended questionnaire and analysed using content analysis. The findings were compiled and discussed to identify the approach used in implementing cheque truncation system. Further, the findings were analysed to identify the challenges encountered during the change process and how they were handled to facilitate a successful implementation of cheque truncation.

4.2 Strategic Change at Nairobi Automated Clearing House

The Central Bank as the regulator of the payment industry has a vision of ‘being a World Class Modern Central Bank’ while the Kenya Bankers vision is to ‘represent the 43 commercial banks as one industry and transform Kenya’. According to Habil Olaka, the Chief Executive Officer of Kenya Bankers Association, all commercial banks operating in Kenya are active members.

The Kenya’s banking sector has continually raised the bar in terms of innovation and technology use. Serving a client base that not only spans the country geographically, but also runs the gamut from social and economic status, banks in Kenya continue to reinvent their service offering in order to stay relevant to their clients’ dynamic needs.

The Kenya Bankers Association and Central Bank of Kenya also employs cutting edge technology and streamlined processes to ensure clearing and payment of instructions is done on a timely, efficient and cost effective manner. Mr Kimalael Titus, the supervisor of Automated Clearing House, pointed out that with implementation of Cheque Truncation System; Kenya has the latest technology in cheque clearing.

4.3 Change Management Approach at Nairobi Automated Clearing House

Sometimes changes are a direct result of other organizational changes while other changes are due to external environment. The head of IMS division in Central Bank of Kenya, confirmed that the change was necessitated by technological changes worldwide and locally it involved changing the clearing house technology by altering its equipment engineering processes and clearing methods.

To implement changes in organisations, teams are formed to basically facilitate the change process. They are comprised of individuals who have the skills and knowledge to implement a new method or process within an organisation either across single or multiple locations. In general, implementation teams have to integrate the specifications developed by the functional experts into a process or facility. The implementation team was comprised of Kenya Bankers Association executive council, cheque truncation steering committee, Project Manager, legal, technical, operations, public relations or communications and implementation sub committees. The group that oversaw implementation of the system had terms of reference showing how the scope will be defined, developed, and verified. This was confirmed by the project manager from PricewaterHouse Coopers.

The Kenya Bankers Advisor and logistics coordinator confirmed that the cheque truncation process was a planned change. A planned change has a systematic approach and has desired outcomes. This was further supported by terms of references, the representative from the operations provided together with the implementation schedule. According to the chairman of the committee, the terms of reference were created during the earlier stages of the project management, immediately after the approval of a project business case. They were documented by the project manager and presented to project sponsor or sponsors for approval. Once the terms were approved, the members of the project team were given a copy for reference.

The clearing house applications manager who was part of the operations committee highlighted that there were technical and administrative challenges which forced the implementation committee to review the schedule. Further, the vendor project manager confirmed that the initial system software had to be upgraded time and again and therefore the schedule was overlapped with over time changes to handle the different technical challenges.

4.4 Change Management Practices at Nairobi Automated Clearing House

Considering the short time between team formation and project implementation meant that there wasn't really an opportunity to get to know each other's strengths and weaknesses, but from the start, however, there was a mutual and absolute commitment to success. This was pointed out by the project manager from PricewaterHouse Coopers. According to the representative from the communications committee, besides the challenge brought about by the timing, communicating and

dealing with a vast number of people also posed a challenge. Technology and systems implementations are full of risks. But being aware of the potential hazards can help you avoid them and increase the chances for a successful system implementation. The chairman said that the obvious operation risks associated with implementation of cheque truncation systems had to be evaluated and this was handled by the legal and technical committee.

In the Nairobi Automated Clearing House, the clearing house manager said that cheque truncation system was the invention of a technology or a cheque clearing process through a continuous process of improving the existing technology and its diffusion throughout the banking industry or society. During the implementation of the technological change, both proactive and reactive responses are needed to successfully achieve the objective. According to the representative of the technical committee, the system vendor continuously upgraded the software to cater for the challenges the earlier version had. This constituted to incrementalism approach to change management which distorted the schedule but ensured the projects objective s are achieved.

Provision of terms of reference sets out the parameters within which the authority is delegated to sub committees, standing groups, advisory panels and specifies how the group is accountable. The project manager and the representative from the communications committee confirmed that terms of references used during the project specified the roles of various committees and sub-committees whose responsibilities were to manage and facilitate the change process in the Nairobi Automated Clearing House. They were responsible not only for the structural and procedural changes that were to be implemented, but also for managing emotions and resistance to change that could stem from the process. The Kenya Bankers Association executive council was

tasked with the responsibilities of awarding tenders, approving the project budget and giving directions on the project deliverables. The cheque truncation steering committee's role was to ensure that the cheque truncation process was implemented successfully as per the agreed duration. The Project Manager from PricewaterhouseCoopers was responsible for advisory and general oversight of the change implementation while the legal sub-committee was charged with advising on regulations and legal matters arising from the change implementation.

Change management is a style of management that aims at encouraging organisations and individuals to deal effectively with the changes taking place in their work. The communications and operations committee representatives pointed out that the main reason in managing change is to minimize resistance to change being implemented by involving the key players and stakeholders. They went further and explained the various practices they used separately to ensure the successful implementation of the cheque truncation system in the Nairobi Automated Clearing House.

The program chairman and project manager explained that meaningful change cannot occur without the cooperation of the affected stakeholders. Therefore it was necessary to task the communications sub-committee with the responsibility of creating a sense of urgency. The representative of the communications committee said that this was done by alerting the banking industry that change must occur and they should begin the preparation for change. The communications committee representative pointed out that they involved the Kenya Bankers Association executive council members to create a sense of urgency. The Kenya Bankers Association advisor confirmed that this was done by both selling the value of the future state of cheque clearing to commercial banks by making the status quo an inconveniencing state to remain.

The communications committee representative clarified that this was done through frank discussions about the current market and competitive realities, sharing relevant financial and customer data, and discussing opportunities and crises facing the clearing house. Honest communication was a critical aspect in ensuring that change was implemented successfully. The period of clearing non-compliant cheques was extended to 21 days to try and discourage status quo advocacy and encourage a quicker acquisition of the new generation cheques by the public.

Effective communication is important for both managerial and organisational success. The chairman pointed out that the public relations or communications sub-committee in liaison with the Cheque truncation steering committee ensured that communication within the payments industry was done frequently and powerfully through various channels at their disposal. However, the representative of commercial banks who was in the implementation committee contradicted this by saying that there was a communication breakdown during the process. He was quick to point out that this was resolved through various channels where grievances were addressed accordingly.

According to the chairman of the project steering committee, many commercial banks questioned the rationale of system changes because to them it translated into additional sunk cost in terms of hardware and software purchases. However, there was a positive reaction from the public due to the anticipated decrease in cheque clearance time as pointed out by the commercial banks representative in the committee. The Kenya Bankers Association executive council members, the project manager and the legal sub-committee held consultative meetings and identified power-coercive approach as the best way to deal with the non-conforming banks and the public. The communications sub-committee placed adverts in the dailies informing the public on the deadlines of acquiring the new cheques and the consequences of not conforming.

To ensure change implementation is a success, change managers need to set a target that can be achieved easily in the short term to create a sense of success and encourage the implementers. The project manager said that the initial target was to ensure the commercial banks had computer hardware and cheque images could be captured and relayed to the Automated clearing House. The Commercial bank representative confirmed that this was done through the commercial banks confirmation that they purchased or upgraded their systems and they were able to send cheque images to clearing house.

Monitoring is the systematic gathering and analysing of information that will help measure progress on an aspect of a project. Ongoing checks against progress over time may include monitoring monetary expenditure against the project budget, achieved objectives against set objectives and other factors. In order to successfully monitor cheque truncation system, the chairman said that the Central Bank of Kenya aligned its internal human resources and other support systems in the clearing house around the core business processes of clearing cheques and Electronic Fund Transfers during the period. In addition, Kenya Bankers Association helped commercial banks to establish and develop the necessary competencies by providing appropriate training. The commercial bank representative confirmed that the steering committee over saw training of staff in the various sections in the commercial banks to ensure the new cheque truncation will function efficiently and effectively. The trained staffs were further requested by the implementation sub-committee to do on-the job training, mentoring and classroom based training strategies for the remaining staff in order to improve competency and encourage professional development.

The KBA advisor and logistics coordinator concurred with the clearing house manager in that to anchor the changes in the banking fraternity and the public culture, the Kenya Bankers Association executive council and cheque truncation steering committee had agreed with Central Bank of Kenya to impose a punitive clearing period for non-compliant cheques while projecting a faster clearing period of 1 working day for the new generation cheques. This helped to give the cheque truncation system a solid place in payment industry and change the existing culture in the clearing house.

The top management support is needed during change implementation to ensure all stakeholders and employees get a positive perception. The cheque truncation process monitoring got a boost when the Governor of Central Bank and the Chief Executive Officer of Kenya Bankers Association jointly signed a press release in support of the cheque truncation system. The communications committee representative said that in order to ensure long term sustainability, the commercial banks through the Kenya Bankers Association executive council were advised to include the change ideals and values when hiring and training new staff.

4.5 Discussion

As pointed out by Carnal (2007), critical to change management success is a structured and coherent program that includes strong leadership from senior management, painting a clear picture of the reason for change and creating a sense of urgency. The CTS project was well planned however due to challenges; it led to diversion to use both planned and emergent approaches. Further, the implementation committee structure was that the top leadership was involved in the project both directly or indirectly. The Governor of CBK and the Chief Executive office of KBA

were kept informed on progress of the CTS implementation and in some occasions they signed joint press releases. A study done in the Kenya Police by Eric Kiraithe in 2011 identified that management support changed the stakeholders' perception to accommodate the changes.

When management communicates to employees and other stakeholders not only the benefits of the change but also the negative consequences of remaining static, the response is positive to change (Pearce and Robinson, 2011). Through various committees and sub-committees, communication to the stakeholders and participants in the change project was done both verbally and non-verbally. In 2010, Mwati Wilson did a research in DT Dobie and one of the findings was that when communicating, careful messaging and a clear strategic context, added a fear concept can help motivate change. KBA and CBK jointly signed a press release whose message was directed to stakeholders elaborating the consequences of not playing their role and this hastened the process of CTS implementation.

Kotter (2007) pointed out that a source of change failure is when Organisations use technological terminology to describe projects and therefore other stakeholders put the responsibility on technical personnel. CTS sounded very technical and it took time for stakeholders to associate cheque clearing with the system. In such cases, as pointed out by Gathua Jeneffer in her findings of a research done in UNGA Feeds Company during 2006, this is even more problematic where staffs do not understand the new technology and associated working practices, which leads to increased anxiety and fear. In ACH, this did affect CTS implementation, however, it is imperative to help the staff make the transition and to feel they are part of the decision process, not just a victim of the end result.

CHAPTER FIVE:

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the data findings, conclusions drawn from findings, highlights and recommendations made there-to. The conclusions and recommendations were drawn to facilitate full closure to the research objectives of determining the change management approach adopted by Nairobi Automated Clearing House and establishing the change management practices at Nairobi Automated Clearing House.

5.2 Summary of Findings

Change management in the Clearing House during cheque truncation implementation was a complex process consisting of analyzing the internal and external environment and formulation of a change plan. The complexity of the process coupled with the diversity and sheer number of individuals involved generally posed a serious challenge to the change management attempts.

The approach adopted by Nairobi Automated Clearing House during the implementation of cheque truncation system was a genetic model. It combined aspects of both planned and emergent change approaches. Most of the change initiatives relied on step models of change like the Lewin 3 steps, Kotters 8 steps model, logical incrementalism and organizational learning models to provide appropriate structure to manage change at the Automated Clearing House.

The three model frames assisted in aligning the Automated Clearing House staff, systems and structures to building technical and business relationships both internal and external to achieve the successful implementation of the cheque truncation system. Through the alignment, resistance from the implementers was reduced significantly and this contributed to the successful change implementation.

Irrespective of where the change originates, change management is the process of taking a planned and structured approach to help align an organisation with the change. People affected by the change can resist for a number of reasons but if you understand the root cause, then you can often plan for it before it becomes a significant obstacle. Clear communication of the change vision is important to overcome the fears and concerns aroused by change, to explain why the change is happening and its impact in the long run. This should be clear, compelling, able to be described in simple terms and capable of acting as a guide for change decisions and outcomes. Further, the message being relayed by the leaders need not just be about the progress of the change but more about showing that the organisation and its leaders remain committed to the change. The personal and visible involvement of the organisation's leaders in communicating the change sends a powerful message to stakeholders about how serious the organisation is in implementing the change.

People also need multiple opportunities to hear and question information and this can be done by holding stakeholders forums and meetings. Providing opportunities to discuss and directly respond to stakeholders helps to promote a sense of ownership and tells stakeholders that their opinions are important and their comments and suggestions are valued. Repetition of clear and compelling change messages via multiple channels greatly increases the probability that it will get through to those who need to hear it.

Organisations that successfully manage change typically develop a workforce plan specifically designed to steer their organisation toward achieving its change vision. It is essential to identify the human capital impacts of a change effort on the workforce and therefore planning ensures the organisation has an adequately skilled workforce to support its post-change needs performance management. Further, to reinforce and sustain the change, performance management is needed to assist the organisation to develop workers with skills that align with the change goals and to determine employee skills deficits that require development and strengthening. Some organisation's implement on the job training, mentoring and classroom or computer based training strategies to improve competencies, and encourage professional development by setting aside part of the budget for training.

5.3 Conclusion

Successful change management involves a properly planned change initiative which provides the organisation with a roadmap to be followed by all. During the cheque truncation system, the Central Bank of Kenya and the Kenya Bankers Association provided the change team with an implementation schedule and terms of reference for the various committees and sub-committees involved in the process.

During change implementation and bearing in mind the future's uncertainty and the difficulty of enforcing plans, incremental steps should be incorporated in the planning process. The cheque truncation steering committee did not have provisions for uncertainties during the implementation. This was a critical aspect of a project to enable testing the feasibility of a plan and adjusting it as they go. During the change implementation, the scheduled was disregarded due to unexpected changes in the software and this led to a genetic approach.

Communication is important to overcome the fears and concerns aroused by change. Communication is an ongoing process and it's clearly necessary to communicate to people at the beginning of a change project, to answer their initial fears and concerns, and throughout the intermediate states of the change process. Through the communications sub-committee, this was done extensively and reduced some of the resistance that could have been faced from the public and commercial banks.

Monitoring should be executed by all individuals and institutions with interest in the project. The implementers and planners have to agree on monitoring indicators both quantitative and qualitative for assessing the achievement of project activities and objectives. The operations sub-committee and the CTS steering committee ensured that the implementation was monitored from the input points and the processing points and reports submitted to the KBA Executive Council Members

The primary purpose of the post-implementation review is to review the success of the change and to enable the team, and future teams, to learn from the experience. The review team facilitates the development of specific training and action plans required to enact the lessons learned and engross the new changes into normal operations and culture.

5.4 Implications on Policy and Practice

The study findings show that unplanned software upgrades led to delays. I recommend to Central Bank of Kenya and Kenya Bankers Association to ensure that future project plans are realistic and uncertainties are catered for. Technological change has many challenges which arise during implementation; time allowance enables the project managers to address the challenge without undue pressure.

Effective communication to stakeholders should be a priority during all stages of the change projects but this was not the case. I recommend that all channels available should be used to keep the participants up-to-date with the status. This facilitates effective monitoring and evaluation of the change project while preparing the stakeholders to embrace the change. Communication will also enable the stakeholders to give feed-back about the project which will fast track implementation of changes and reduce resistance from the stakeholders.

The study findings imply that ACH change management was successful albeit facing challenges and it should be used as a bench mark for future changes. To do this, all processes, challenges encountered during the cheque truncation system and solutions to the challenges should be documented for future reference and guidance.

5.5 Limitations of the Study

This research had limitations because most of the data used for analysis was primary data collected from interview. The interview guide allowed the interviewees to phrase the answers on their own word. The answers were often difficult to evaluate and varied in clarity and depth depending on the interviewees understanding of the question. The challenge was to identify and code the key words in an answer for analysis.

The case study relied on multiple sources of evidence and multiple key participants. The interviewees have different backgrounds and understood the questions differently. The answers provided were of diverse nature and the main challenge was to ensure the data collected from the answers was relevant to the study, valid and reliable.

5.6 Suggestions for Further Research

The study recommends further research to be done in the payment industry notably the retail payment section to get conclusive information on how change is managed across the section. The dynamic nature of technology currently overrides the payment systems being used and to remain relevant, organisations constantly change technology. Therefore, further research is needed to ascertain how change is managed in the payment industry to facilitate continuous future changes.

Changes in payment systems have far reaching implications and the approach used in implementing such change determines its success or failure. Therefore, further research is needed in the retail payment section to ascertain the best approach to implement a successful change of big magnitude with long term effect in the industry.

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Appendix 1: INTERVIEW GUIDE

N.B. The information obtained from the interview will be treated as confidential and will be used for no other purpose than academic.

A: To be answered by Head of Departments

1. What is your department's vision? And who was involved in creating it?
2. Have there been any changes in your department to expedite attainment of the vision?
3. Were the changes planned or emergent? Kindly explain
4. Who were involved and their roles?
5. How did the changes affect the Departments structures, systems, process services or employee behaviors?
6. Was the change implementation scheduled? Explain
7. How did you communicate the changes to the stakeholders and were they involved in the process? What role did they play?
8. Did you have change leaders during the change process?
9. Did you allocate resources specifically for the change process?
10. Were there any challenges or unplanned incidences during the change process?
11. How were they responded to in order for the change process to continue?
12. During the change process, were there any risks and how were they mitigated?
13. Did you have a success rate set to achieve during the change process? What steps did you take to achieve the target?
14. Did you achieve the objectives intended when implementing the changes?
15. What was done to sustain the gains made and monitor the changes?
16. Is the management involved in the change process after implementation?
17. What lessons have you learned during the change process?

B. To be answered by change champions in the departments.

1. Has the department instituted any changes?
2. If yes, what was the change about?
3. When and how did you learn about the changes?
4. What was your reaction when you learned of the proposed change?
5. How were you affected by the change?
6. At what level were you involved in the process?
7. Did you have a schedule to follow or not?
8. Were the changes implemented as per schedule? If not, Why?
9. How were they responded to by the management?
10. Are there any challenges that have not addressed and if any, how do you feel about it?
11. Were adequate resources at your disposal during the change process?
12. Have you achieved the target objectives for the change?
13. Has any valuation been done so far in regard to the achievements
14. Is the management involved in the change process and how do you feel about it?
15. What lessons have you learned so far?

Appendix 2: LETTER REQUESTING FOR PERMISSION

Pers/3350

6th September, 2012

Director,
Human Resources

Thro'

Assistant Director
Human Resources Development

Dear Madam,

REQUEST FOR PERMISSION TO DO A CASE STUDY RESEARCH IN THE BANK-

I am a bona fide continuing student in the Master of Business Administration (MBA) degree program in the University of Nairobi. I have successfully completed the course work which is a mandatory requirement before one can advance to the second part (project phase).

As per the university's requirements and to enable me complete my studies and to qualify for the award of the degree, I am required to identify and undertake a research project report on a management problem.

MBA students are required to undertake projects on real problems affecting firms in Kenya. My approved research concentration is thus on Strategic Management and the broad objective of the study is on "**Management of Strategic Change in the Automated Clearing House**".

It is in light of this that I seek permission to be allowed to collect data and my sample frame will be composed of; Director of Finance Department, Head - SIMBA Project, Assistant Director in the Risk Management-BCP, Assistant Director of IT and Security, Director of Banking, Risk Management and NPS, the change Manager, and other staff members involved in the implementation of cheque truncation.

The results of the report will be used solely for academic Purposes and a copy of the same will be availed to the Bank.

Attached please find the interview guide for ease of reference.

Kindly consider granting my request to enable me proceed to finalise my project at the University, which is due by 19th October, 2012.

Yours faithfully,

Stephen M. Wambua

S/No. 3350

Appendix 3: LETTER OF INTRODUCTION



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 15/10/2012

TO WHOM IT MAY CONCERN

The bearer of this letter ... STEPHEN NUTUKU WAMBUA

Registration No. ... DG1/61695/2010

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.


IMMACULATE OMANO
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

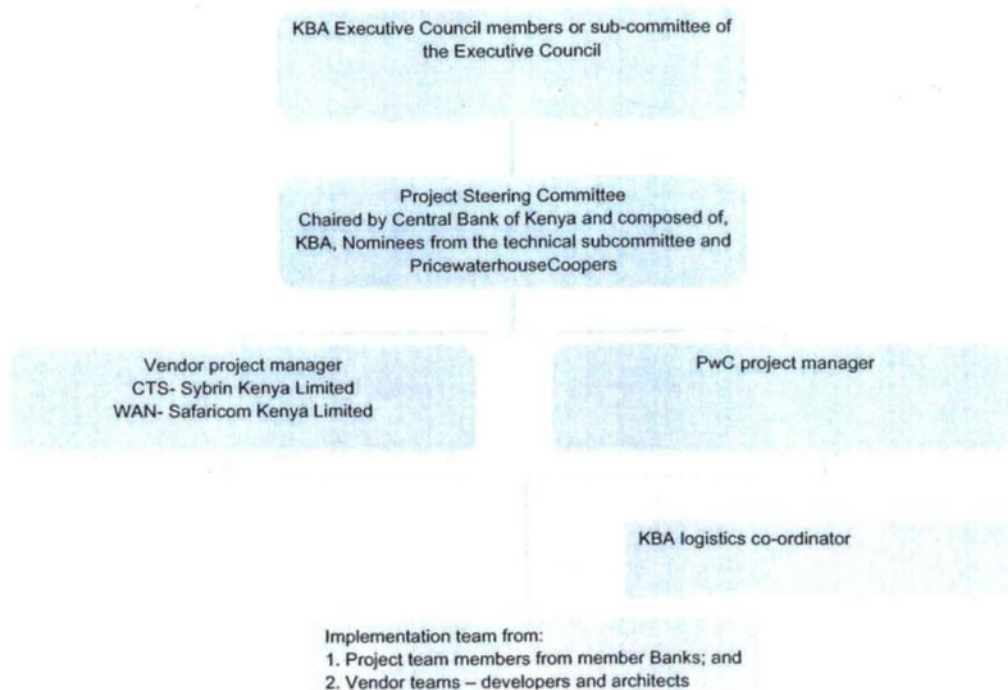


Appendix 4: Project Organisation and governance structure

3 Project organisation and governance

To ensure successful delivery of the project, a clear project structure, roles and responsibilities is necessary. Further, success of the project requires a participatory process and multidisciplinary project team drawing membership from key stakeholders.

The KBA cheque truncation project will be undertaken through the joint effort of the application vendor (Sybrin Kenya Limited), Wide Area Network service providers (Safaricom Kenya Limited) KBA secretariat and member banks and PricewaterhouseCoopers. To ensure effective interaction, co-ordination of activities and escalation of project issues, the following project governance and management structure has been proposed in the diagram below.



Appendix 5: Terms of Reference for Sub-committees

3.5 KBA sub-committees

KBA will nominate members from various member banks to the four KBA sub-committees that are required to deliver on the project.

Sub-committee	Role
Technical sub-committee	Ensure that all the project's technical requirements are considered, selected and implemented. This includes the Cheque truncation software, hardware and infrastructure. The team will also prepare the technical operational standards including file formats, operational reason codes and penalties.
Operations sub-committee	The team will develop the operational standards of the project including the cheque formats, clearing house operational rules, KBA operational standards and agreements.
Legal sub-committee	The team deals with all the legal issues and interprets for the committee the regulations that has an impact on the project.
Communications sub-committee	The team ensures that all stakeholders are accurately informed on the project in a timely manner.
Implementation subcommittee	The team will be comprised of the members from the above four subcommittees. They will ensure deliverables during implementation are carried out and new clearing standards are met by the systems vendors and ensure that the deliverables meet the specifications agreed on.

Each sub-committee will be led by a chairperson who will take overall responsibility for the team and will represent the sub-committee at the steering committee. Non performance of the sub-committee members will be escalated to the Project Sponsor, respective bank Chief Executive Officers and the Executive Council.

Appendix 6: NATION NEWSPAPER COVERAGE OF C.T.S

place copy and place
in CTS file January 29/07/2010

Digital Business



INNOVATION

Technology experts find new ways to keep phones safe.
Page 16»

TECHNOLOGY, SYSTEMS, INNOVATIONS, INFORMATION & GADGET REVIEWS



GADGET REVIEW

Sony TV model picture quality pales against competition.
Page 18»

BUSINESS DAILY

Thursday, July 8, 2010

BANKING

BY JOHNSTONE OLETURANA

Scanning device to ease cheque payment process

New technology hopes to reduce the time spent clearing cheques between banks

The days of long cheque settlement processes are numbered as commercial banks eye a new technology system that aims at improving efficiency in the banking system.

Banks will now be able to scan digital images of cheques, which they can then forward electronically for clearance, reducing time previously spent moving cheques physically between branches.

The drive to use digitally scanned cheque images is expected to lower the settlement days from the current four, eliminate the tedious physical movement of cheques to the clearing house and lower the overall cost of transaction.

"We are in the process of rolling out cheque truncation and clearing service that will allow the use of scanned cheque images hence stopping the current system where cheques are physically taken to the central clearing house for settlement," said Shauqi Mumford, general manager of Electronic Financial Technologies (EFT).

The new technology system hopes to cut down the time spent clearing cheques between banks from the current three days, down to just hours, depending on the bank's processes.

The implementation of the new cheque payment system—which was recently given the green light by the Central Bank of Kenya (CBK) and the Kenya Bankers Association (KBA)—is expected to ease cheque payments, especially for values below Sh1 million.

Last year, CBK introduced the Kenya Electronic Payments and Settlement System (KEPSS) which is part of the bank's Real Time Gross Settlement

(RTGS) a process that allows for easy and more secure settlement.

The KEPSS system allows cheque value capping with cheques of Sh1 million and above being cleared elec-

The current system of cheque payments is tedious, insecure and costly as it involves physical movement

tronically. This has enhanced the transactional process, enabling faster and more secure payment.

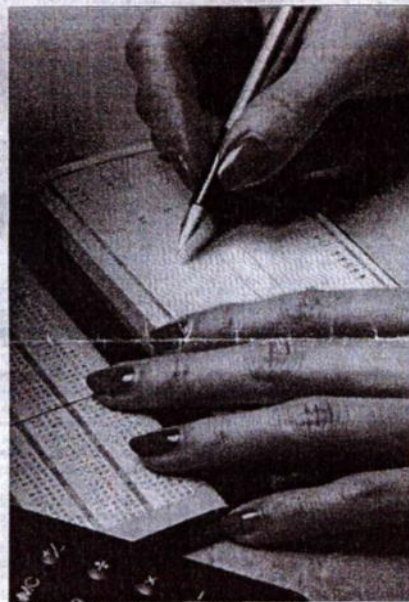
According to the latest CBK Monthly Economic Review, the introduction of value capping has increased the volume and value of settlement.

"KEPSS moved a volume of 77,058 transaction messages worth Sh1, 694 billion in March, 2010 compared with a volume of 65,010 transaction messages valued at Sh1, 458 billion moved in February, 2010, representing 16.2 per cent and 18.5 per cent increase in value and volume, respectively," says the MER March report.

According to CBK, the rise is attributed to increased KEPSS usage arising from value capping policy implementation and growing awareness of KEPSS system as a faster, secure and convenient mode of payment.

Mr Mumford reckons that the introduction of the cheque truncation and clearing is expected to further enhance settlement as the recipient banks would receive the scanned image of the cheque and process payment.

"The current system of cheque pay-



Banks can now scan digital images of cheques and forward them electronically for clearance, reducing time previously spent moving them physically.

ments is tedious, insecure and costly as it involves the physical movement of the cheque from banking hall to the clearing house where banks swap the cheques," said Mr Mumford.

Rapid adoption

Whereas commercial banks have scanners that are used to image the cheques, the new device will allow for the sharing of the images between banks.

The rapid adoption of technology by commercial banks is expected to ease various settlement processes and subsequently enhance commerce.

"With new technological advances, banks have been able to roll out more diverse products over and above the

traditional intermediation financial services of deposit taking and loan provisions," said Mr Joseph Kairigo, General Manager, Dimension Data, in an earlier interview with *Business Daily*.

The increased usage of IT in day to day transactions fuels the need to provide as much services from the same terminal. From shopping to payment of utility bills such as water, electricity, fuel and school fees, commercial banks have realised that their customers are moving far ahead of them and services offered are inadequate or are not meeting their changing lifestyles.

"Banks are turning to technology to reduce the cost of operation and at the

5 Facts about

Scanning system

- 1 Cheque clearance times will shorten from five days to same day, or even hours.
- 2 Banks have increasingly turned to technology over the last two years in response to customer needs.
- 3 The move was approved by the Central Bank of Kenya (CBK) and the Kenya Bankers Association (KBA).
- 4 It will utilise scanning technology and limit physical movement of cheques.
- 5 CBK introduced the Kenya Electronic Payments and Settlement System (KEPSS) which is part of the bank's Real Time Gross Settlement (RTGS) a process that allows for easy and more secure settlement.

same time reach customers who are increasingly asking for services at their doorstep," says Mr Richard Etemesi, the Chief Executive Officer, Standard Chartered Bank.

On its part, CBK has been proactively pushing financial institutions to adopt new technology to enhance financial access.

CBK governor Njuguna Ndung'u strongly believes technological changes should determine the type of control mechanism required to regulate the industry.

Over the last two years, radical shifts in the way banks conduct business have been driven by new technologies such as the internet and the mobile phone.

Recently, the country's first mobile savings account was launched. Dubbed M-kesho, it allows users to transfer money from mobile money accounts to a savings account that earns interest.

Appendix 7: PRE C.T.S NEWSPAPER COVERAGE

cheque to

Sunday Nation/December 4, 2005 19

THE SUNDAY NATION

Business Sunday

Having chronically failed to provide services to long-suffering Nairobi residents, City Hall has crafted a new way of strangling business.



OPINION Pg20

As Kenyan tourism continues in ascendant mode, investors are rushing in to meet a biting accommodation crunch.



TOURISM Pg23

Our writer looks at how small businesses can harness the power and conveniences of information technology (IT).



TECHNOLOGY Pg24

Cash for cheques...anyone?

By WASHINGTON AKUMU

Kenyan banks pride themselves on being some of the fastest in the world when it comes to translating a cheque into cash.

But a local company has crafted an ingenious business proposition whose entire basis is the time lapse between depositing the document in one's account and collecting the cash.

Crossmer Credit Limited's pitch is built on a simple proposition: surrender your cheque to us and we will deliver cash on the spot.

It is melodious music to the ears of those who routinely undertake jobs for firms and are paid by cheque. Ditto company employees who get their pay through a regular cheque.

A cheque, despite all the laudable achievements in shortening its processing time in Kenya, still takes about three days before it can be cashed in Kenya.

For those who need their money immediately (and by definition therefore require credit), the benefits of the new service are immediately recognisable.

Even then, sales staff at CCL say there are conditions that have to be met before one can qualify to walk away from its International Life House offices with the cash in their wallets.

Naturally, the cheque must have been drawn by a company and the more reputable or recognisable the name is, the better for the bearer of the cheque. Cheques drawn by individuals are not part of the deal.

Also the cheque has to be payable to the individual presenting it, never to his company or organisation.

The logic here is simple: it is easier to transfer the cheque to a new payee if it is for an individual than if it were for an organisation, whose accounts normally have several signatories.

Convenience is a key component of this business and nobody wants to be burdened by the bureaucracy of hunting around for so many signatures.

Also, it is important that the bearer produces proof of identification and an original national Identity Card is preferred.

So how do the principals at CCL make their money? This writer was told that a cheque of say Sh20,000 would be charged at Sh1,000, which translates into a rate of five per cent.

Even then, this quotation was only given after the sales-person was assured that the said cheque was from a prominent city oil vendor.

The amount quoted on the cheque is normally handed out to the bearer minus the charge. Which means CCL gets paid in advance for services rendered.

At face value, it is a perfectly fair deal. Look at it this way. CCL is taking up several risk factors on behalf of the cheque bearer, and some quantum of compensation is perfectly in order.

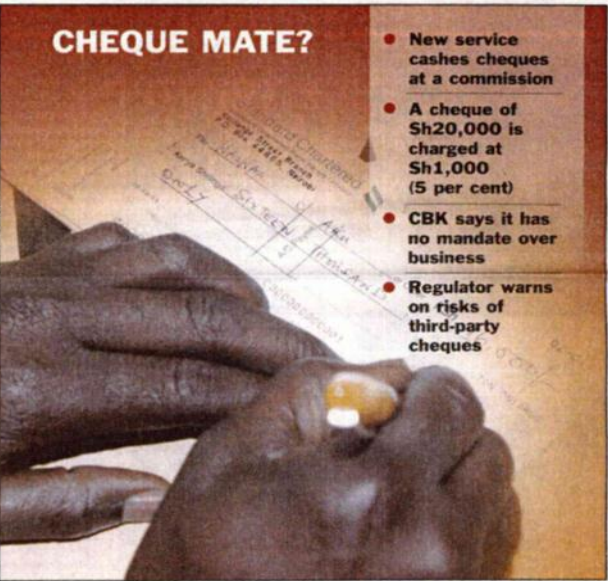
There is the ever-present risk of the cheque being of the dud variety, perhaps having been signed by the wrong company official. Or maybe some all-important authorisation is missing.

Secondly, and more importantly, is the interest that the money in question would attract in the three or four days it will take to have the cheque cleared. This also has to be thrown into the bargain as part of the firm's compensation.

Says Kenya Bankers Association Chief Executive Mr John Wanyenze: "Whoever is offering this kind of service is basically taking over the risk previously due to the bearer."

They have to create money from depositors and must have cash in advance to pay out to

CHEQUE MATE?



- **New service cashes cheques at a commission**
- **A cheque of Sh20,000 is charged at Sh1,000 (5 per cent)**
- **CBK says it has no mandate over business**
- **Regulator warns on risks of third-party cheques**

those on the cheque.

For all these, they have to take the necessary precautions. There must be a catch.

Even then, and interestingly, the KBA boss and many banks' officials, were not aware of the existence of such a service in the country.

It is testament to the low levels of market intelligence in the industry. So much can go on unnoticed until something goes bang.

Reached for comment, CBK Director for Financial Institutions Supervision, Mr Gerald Nyamira said there was no scope within the existing Banking Act for the regulation of this type of business.

"It would appear that the organisation is dealing in third party cheques for commission."

"CBK has no mandate over any such entity," he told this writer.

He warned of "obvious risks" associated with third party cheques, such as handling of stolen cheques.

"The onus is on commercial banks to exercise due diligence in transacting with entities that deal with this type of cheques," he warned.

Efforts to get a comment from CCL's Managing Director were fruitless. Calls to Mr Njuguna Kinibi's office went unanswered for three weeks.

True, CCL must be compensated for taking

on several risks on behalf of cheque bearers.

But as to whether five per cent is a fair quantum of interest on Sh20,000 for that most four days...well, the jury is out on that one. And the principle of caveat emptor (buyer beware) is very much at play here.

What is clear is that banks charge an average lending rate of at least 12.85 per cent, according to the latest Central Bank of Kenya figures. But that is for a month, a whole 30 days.

Even then, most business ideas are premised on customer desperation and for those in dire need of cash, yet saddled with a temporarily useless document called a cheque, the overriding rationale may be just the fact that the service is available, at all.

Hence the underlying demand that must fuel the proliferation of services such as the one CCL is providing and has recently been aggressively advertising on city streets.

Even then, it must be said that compared to other members of the tribe in other parts of the world, Kenyan cheque wielders have never had it so good.

If they are impatient with the typical lead time before a cheque is processed in Kenya, then it is the normal consumer penchant for dissonance rather than a protest against inti-

Continued on PAGE 28

AT A GLANCE

Barclays is garlanded for schools project

A project initiated by Barclays Bank to improve education of girls in Kenya has won a continental award.

The bank won the Corporate Social Responsibility category of the Africa Investor Award, which pits local and transnational firms operating in Africa. Head of Corporate Affairs Kathleen Openda-Mvizi said the win was a recognition of the bank's work with a government to expand education opportunities for girls. "We have now raised Sh60 million since we started in 1993. Barclays Group has raised a further Sh130 million," she said.

Started last year, the pan-African awards celebrate firms working towards the achievement of the UN Millennium Development Goals.

Actuary's latest product targets pensioners

Local actuarial and financial services provider Alexander Forbes Financial Services (East Africa) Limited has unveiled a new retirement product.

The new Alexander Forbes Retirement Fund (AFRF) launched this week, will be administered by a board of trustees comprising leading financial sector personalities.

It is to offer innovative and practical solutions based on members' specific needs. The critical needs of participating employees and employees had been incorporated in the design of the product making it the first of its kind.

KCB assists schools

Kenya Commercial Bank (KCB) has set aside Sh30 million to be spent over the next three years in financing learning institutions for the disabled.

The bank will spend Sh10 million raised from each of its annual Community Week for the next three years, helping communities to construct classroom blocks, libraries, dormitories and other facilities in needy areas.

The initiative kicks off this week (December 3-10) with a countryside tour during which it will donate learning materials.

Airline soars higher

Kenya Airways has reported a 24 per cent growth in capacity for the second quarter this year.

The growth has been achieved following the deployment of bigger aircraft on key routes. Capacity on European routes grew by 30 per cent arising from 10 weekly flights to London and seven to Amsterdam, all operated on the larger B777 aircraft.

Middle East and Asia regions grew by 14 per cent over prior year as a result of increased B767 operations to Bombay and Dubai.

—Compiled By NIMATHI NDIKA

BARRING RARE DEVIATIONS, THE SO-CALLED 3+1 SYSTEM HAS LARGELY BECOME AN INDUSTRY STANDARD

Appendix 8: C.T.S TEST RESULTS

THE TABLE BELOW SHOWS THE STATUS OF BANKS CTS TEST FILES AS AT 29-06-2011

- 13 **Participating** – all relevant files for the day's clearing have been received and are valid
 9 **Incomplete** - Some files have been received
 20 **Not Participating** - No files received
 42

Bank code	Bank Name	File status at the ACH (KES only)
01	Kenya Commercial Bank Ltd	Not Participating
02	Standard Chartered Bank	Incomplete
03	Barclays Bank of Kenya	Incomplete
05	Bank of India	Not Participating
06	Bank of Baroda	Not Participating
07	Commercial Bank of Africa Ltd	Participating
08	Habib Bank	Participating
09	Central Bank of Kenya	Participating
10	Prime Bank Ltd	Participating
11	Co-operative Bank of Kenya Ltd	Incomplete
12	National Bank of Kenya Ltd	Participating
14	Oriental Bank	Incomplete
16	Citibank N.A.	Not Participating
17	Habib A.G. Zurich	Not Participating
18	Middle East Bank Kenya Ltd	Not Participating
19	Bank of Africa	Participating
20	Dubai Bank	Not Participating
23	Consolidated Bank of Kenya	Participating
25	Credit Bank Ltd.	Not Participating
26	Trans-National Bank of Kenya	Incomplete
30	Chase Bank Ltd	Not Participating
31	CFC Stanbic Bank	Not Participating
35	African Banking Corporation	Not Participating
39	Imperial Bank Ltd.	Participating
41	National Industrial Credit Bank	Not Participating
42	Giro Bank Ltd	Not Participating
43	ECO Bank	Not Participating
49	Equitorial Commercial Bank	Not Participating
50	Paramount Universal Bank Ltd	Participating
53	Fina Bank Ltd	Not Participating
54	Victorial Commercial Bank	Not Participating
55	Guardian BanK Ltd	Incomplete
57	Investments & Mortgage Bank	Not Participating
58	Southern Credit Banking Corp.	Not Participating
59	Development Bank of Kenya Ltd	Participating
60	Fidelity Commercial Bank	Incomplete

Appendix 9: PROJECT SCHEDULE

Task Name	Duration	Start	Finish	Predecessors
2 + RBA activities - Selection, RBA standards and contracting	239 days	Mon 08 06 09	Fri 23 03 10	
61 + Implementation of Waki Safalcom	169 days	Mon 04 10 10	Wed 16 02 11	60
64 + Change management	510 days	Fri 19 06 09	Tue 31 05 11	
67 - Operations - RBA	161 days	Wed 22 09 10	Mon 02 05 11	
68 Meet cheque printers printers	1 day	Wed 22 09 10	Wed 22 09 10	
69 Start printing of cheques	93 days	Tue 20 09 10	Tue 01 02 11	68
70 New design cheques in circulation	1 day	Wed 02 02 11	Wed 02 02 11	69
71 Pressing out of old cheques	64 days	Wed 02 02 11	Mon 02 05 11	69
72 Old and new system running in parallel	64 days	Wed 02 02 11	Mon 02 05 11	69
73 - Implementation of CTS- Symbi	591 days?	Tue 09 06 09	Fri 06 05 11	
74 + Define CTS	118 days	Tue 09 06 09	Thu 19 11 09	
77 + Design CTS	4 days	Mon 30 08 10	Thu 02 09 10	
80 + CTS Unit structure set up	68 days	Tue 07 09 10	Thu 25 11 10	
84 + CTS Software installation	21 days	Thu 04 11 10	Tue 30 11 10	
87 + Configure	19 days?	Mon 06 12 10	Thu 30 12 10	
100 + Testing	57 days	Fri 17 12 10	Mon 07 03 11	
105 + Train users and sign off operational manual	12 days	Tue 08 03 11	Wed 23 03 11	
108 + Transition planning	7 days	Tue 08 03 11	Wed 16 03 11	
111 + Go-live readiness assessment	5 days	Thu 17 03 11	Wed 23 03 11	
117 + Go-live decision	45 days	Wed 02 03 11	Tue 03 05 11	
120 - Go-live	1 day	Wed 02 03 11	Wed 02 03 11	
121 Symbi system ready	44 days	Wed 02 03 11	Mon 02 05 11	
122 Parallel run	44 days	Wed 02 03 11	Mon 02 05 11	
123 Parallel run issue management	44 days	Wed 02 03 11	Mon 02 05 11	
124 Go Live	1 day	Tue 03 05 11	Tue 03 05 11	71, 122
125 Project closure	4 days	Tue 03 05 11	Fri 06 05 11	123

PricewaterhouseCoopers Kenya Bankers' Association
Project charter for the Cheque Truncation project

Appendix 10: PRESS RELEASE BY C.B.K AND K.B.A

DAILY NATION
Thursday June 9, 2011



PRESS RELEASE

PUBLIC UPDATE ON CHEQUE TRUNCATION SYSTEM

As communicated in our Press Release dated March 31st 2011, the **Cheque Truncation System (CTS)** was set to go live in June 2011. Cheque truncation refers to the process in which physical cheques presented for payments in a bank by individuals or corporate bodies are converted into electronic form and the image is transmitted electronically to the Clearing House for processing and eventual payment by the paying bank.

Feedback from the industry indicates that some members of the public are already using the new CTS compliant cheques whose benefits include:

- Efficient and streamlined clearing process for cheque payment
- Reduced costs associated with handling physical cheques
- Shorter clearing cycle facilitating earlier access to funds by cheque beneficiaries who can then finance other economic activities
- Reduction of risks associated with manual and longer cheque clearing cycle.
- On the go live date, the whole country will be on one clearing zone at three cheque clearing days (T+3) and this is expected to gradually reduce towards one day cheque clearing (T+1).

As at 31st May, 2011, **25% of cheques** going through the Clearing House were CTS compliant. However, the complete changeover to the new system and phasing out of the old cheques and clearing processes, was pegged at 90% compliance. The low compliance rate is attributed to cheque printing constraints in the industry which has made it difficult for commercial banks to meet customers demand for the new generation cheque books.

Following consultation between the Central Bank of Kenya, the Kenya Bankers Association and the printing industry, it has been agreed that adequate stock of CTS compliant cheques will be available by mid July 2011. Consequently, the go live date for Cheque Truncation has been pushed to **15th August, 2011**.

Members of the public are requested to obtain their new cheque books and to start using them **immediately**. We wish to thank those who have already ordered and are using their new cheque books to carry out their financial transactions. We look forward to your cooperation as we implement this safe and efficient payments system.

For more information on cheque truncation, kindly contact your bankers or visit the Central Bank website on www.centralbank.go.ke or email us at info@centralbank.go.ke. You may also contact the Kenya Bankers Association on Telephone no. 2211704/22217757 or email ceo@kba.co.ke.

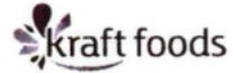
PROF. NJUGUNA NDUNG'U
GOVERNOR, CENTRAL
BANK OF KENYA

MR. HABIL OLAKA
CEO, KENYA
BANKERS ASSOCIATION

6th June, 2011

54

35



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Of Kalou Road, Industrial Area
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Nairobi
KENYA
t: +254 (0)20 35 41 450
f: +254 (0)20 35 47 213

TENDER INVITATION NOTICE

Cadbury Kenya & East Africa is a dynamic, diverse and growing business that participates in four core categories, namely Food Beverages, Chocolate, Candy and Gum confectionery. We are proud market leaders in Chocolate and Food Beverages and continue to innovate and excite our consumers. At Cadbury we work together to create brands people love.

Cadbury Kenya Limited is currently in the process of upgrading its manufacturing plant in Nairobi. This will include the automation of its Food Drinks manufacturing line and establishment of a new distribution centre. The investment will position Kenya as a centre of excellence for the manufacture of Food Beverages and Dry Powders.

Towards this goal we at Cadbury Kenya Limited are seeking qualified Contractors/ Firms Registered with the Ministry of Public Works and Ministry of Roads in category D and above to provide construction services in Civil, Structural, Mechanical and Electrical Engineering disciplines for various projects at our Nairobi plant. The Contractor must have over five years experience in engineering construction work, handling projects of substantial value. They must also demonstrate experience in handling Asbestos to approved NEMA Standards in the case of Tender No CKL/BILL01/2011. The services are to be provided between July 2011 and November 2011.

The company hereby invites sealed bids from eligible firms to undertake the listed activities.

Tender No.	Description of Works
CKL/BILL01/2011	Asbestos Sheets Disposal to NEMA Standards and Requirements and New Car Park Construction
CKL/BILL02/2011	Renovation of Food Drinks Finished Goods Warehouse
CKL/BILL03/2011	Renovation of Food Drinks Packing Area

NOTE: Each separate Tender Work includes related Mechanical and Electrical Works.

Contractors interested in offering the construction services must meet the following criteria:

1. A bid bond fee 2% of the tender sum in form of a Bank Guarantee from a reputable bank or approved Insurance Company.
2. A list of adequate equipment and key personnel for the specified types of works.
3. A proof of sound financial standing and adequate access to Bank Credit Line.
4. Certified copies of VAT and PIN certificates.
5. Proof of Legal existence.

Successful applications must demonstrate technical competence, experience and capacity to carry out the work.

Contractors interested in offering the listed services are invited to submit their applications to the Tender Committee of Cadbury Kenya Limited.

Bids are also invited for the following:

1. Purchase of excess Factory Equipment and Machinery details of which are available in the tender documents.
2. Purchase of excess dealer maintained Company motor vehicles details of which are available in the tender documents.

Tender documents are obtainable from Cadbury Kenya Ltd Offices during normal working hours. As from Monday 13th June to Friday 17th June, 2011 8.00 a.m. to 5.00 p.m. upon payment of a non refundable fee of Kshs. 5,000.00 in banker's cheque payable to Cadbury Kenya Ltd (for each tender).

Complete Tender Documents are to be enclosed in plain sealed envelopes marked with Tender Name and Reference No. and should be addressed to:

The Tender Committee,
Cadbury Kenya Ltd,
Of Kalou Road, Industrial Area,
P. O. Box 45466 - 00100, Nairobi Kenya
Tel: 6530001-9 / 020 3541450-5
Fax: 6530630

and deposited in the Tender box at Cadbury Kenya Limited reception, Of kalou Road, Industrial area so as to be received not later than 30th June, 2011 at 14.00 hrs. Local time.

The tender documents will be opened at the Cadbury Kenya Training room immediately thereafter in the presence of bidders or representatives who choose to attend. Late submissions will not be accepted.

Cadbury Kenya Ltd reserves the right to accept OR reject any tender without giving reasons for rejection and does not bind itself to accept the lowest or any tender.

Any Clarifications or request for additional information should be addressed to the undersigned

CADBURY KENYA LIMITED
Bernard M. Kacco
PROCUREMENT MANAGER

Tel: 6530001-9 / 020 3541450-5
Fax: 6530630
E-mail: bernard.kacco@kenya.cadbury.com