

**MANAGEMENT OF STRATEGIC CHANGE AND STAKEHOLDER
SATISFACTION AT KENYATTA NATIONAL HOSPITAL, KENYA**

BY

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DECLARATION

This research project is my original work and has not been submitted for any academic award to this or any other institution of learning.

Signed..... Date.....

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D61/64498/2013

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

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DEDICATION

To my late father Mr. Joseph Manyalla, mother Mrs. Rosalia Manyalla, sister Angella and brother Fred. The foundation you lay was strong and concrete.

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ACRONYMS AND ABBREVIATIONS

| | |
|-------|--|
| ADs | Assistant Directors |
| BOM | Board of Management |
| CEO | Chief Executive Officer |
| COYA | Company of the Year Award |
| CPC | Corruption Prevention Committee |
| DDs | Deputy Directors |
| EMC | Executive Management Committee |
| HMIS | Hospital Management Information Systems |
| ISO | International Organization for Standardization |
| KEMRI | Kenya Medical Research Centre |
| KMTC | Kenya Medical Training College |
| KNH | Kenyatta National Hospital |
| KPI | Key Performance Indicators |
| KPM | Key Performance Measures |
| MAC | Medical Advisory Committee |
| MoH | Ministry of Health |
| MoU | Memorandum of Understanding |
| NHIF | National Hospital Insurance Fund |
| SADs | Senior Assistant Directors |
| SOP | Standard of Performance |
| UoN | University of Nairobi |

ABSTRACT

The importance of managing strategic change is to harness people, processes and technology to the satisfaction of the stakeholders who are the backbone of every organization. Effective management of strategic change is therefore a fundamental requirement for the success and survival of any organization. This study seeks to establish how strategic change is managed in Kenyatta National Hospital, the challenges faced in managing strategic change in KNH and how management of strategic change affects stakeholder satisfaction in the hospital. The research design used was a case study and a combination of both primary and secondary data was used. The study established that KNH adopted Kotter's eight step model in managing the change process and despite encountering a number of pertinent challenges both of external and internal in nature, the stakeholders were satisfied with not only the change process but the succeeding years saw a remarkable rise in the satisfaction levels of the stakeholders. The study has made contribution to theory, policy and practice in relation in relation to managing strategic change and the effects it has on stakeholder satisfaction. The limitations of the study included limitations arising from the selection of the research variables, the accessibility of the interviewees and also the rigidity of the hospital policy on data collection within the hospital. The support of the government in ensuring that primary health-care institutions have sufficient medical supplies and appropriate equipment is a key recommendation by this study to ease off the influx of non referral patients to KNH. The research suggests for studies to be conducted on the challenges faced during the management of strategic change in the health sector and how these challenges can be overcome. It is the suggestion of the researcher that the same study be conducted in other industries to give the comparison and contradiction of the results. This would give a sufficient database of comparison between organizations in different sectors on management of strategic change and how it affects stakeholder satisfaction.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic management of the systematic analysis of the factors associated with the external environment and the internal environment of an organization to provide the basis for maintaining optimum management practices. The objective of strategic management is to achieve better alignment of corporate policies and strategic priorities. Today's environment renders it a quite dramatic but continuous process. Organizations find themselves in a state of transition and this affects all stakeholders of the organization.

Stakeholder theory is a strategic management theory that looks at the relationship between an organization and others in its internal and external environment. It also looks at how these relationships affect how the organization conducts its activities. Organizations are open systems comprising of subsystems whose interrelationships and interdependence sustain their survival. According to Freeman and Mvea (2001), the 'open systems' description. Open systems approach views the interaction of the organization with the external environment as vital to its survival and success. The success of a strategy depends the characteristics which make competitive advantage sustainable through the resource based view. Complex systems are characterized by a large number of interacting elements the system. According to Amagoh (2008) complexity of a system increases the ability to understand and use information to plan becomes more difficult. Due to complexity, the organization is able to learn from its environment and change in its internal structure and functioning over time, thus changing the behavior of individual elements (Smith and Humphreys, 2004).

Kenyatta National Hospital (KNH) is the National Teaching and Referral Hospital in Kenya with a Vision of being “A world class patient- centered specialized care hospital”, the Mission is “To optimize patient experience through innovative healthcare; facilitate Training & Research and participate in National Health Policy” while the current motto of the hospital is “We Listen, We care. Coupled with the rising demand of its services and the quest to deliver quality healthcare, the Hospital management continually seek for best ways possible of satisfying the stakeholders and has had to adopt management of strategic change in order to survive in the declining Kenyan economy. The Hospital has had to embark in undergoing disruptive change due to globalization and advancement in communication and information technology hence the introduction of electronic medical records, revenue collection, pharmaceutical procedures and procurement systems. These changes impact differently on the efficiency and effectiveness of service to the various stakeholders of the Hospital. Given the rapid changes in the hospital's operating environment and stakeholders, change and innovation have become strategic in managing hospitals, in fact, key to their survival. This study seeks to look at the strategic management of these changes and the impact this has on the satisfaction of the stakeholders.

1.1.1 Management of Strategic Change

Management of strategic change is a method, or process of facilitating change and development in the culture, structure, process, people and technology in use, leadership styles and even the physical aspects of work environment (Kotter, 1995). Strategic change management is the process of managing change in a structured thoughtful way in order to meet organizational goals, objectives, and missions.

According to Kanter (1983) change management is a structured and systematic approach to achieving a sustained change in human behavior within an organization. .It is an organizational process aimed at helping employees to understand, commit to, and accept and embrace changes in their current business environment. Cumming and Worley (2009) argue that strategic change management is the process, tools and techniques of managing the people side of business change to achieve the required business outcome. According to David (2000) change management is the effective management of a business change such that executive leaders, managers and front line employees work towards successfully implementing the needed process technology organizational changes. The strategic change process should aim at successful implementation of a strategy. Successful implementation of strategy involves putting the strategy into place and getting the individuals and organization sub units to go about executing their part of the strategic plan (Thompson and Strickland, 1989).

The importance of strategic change is to ensure that the organization is heading in the right direction. The organization must understand, assess and gauge the dynamics in its external environment in order to envisage and establish an appropriate relationship with various actors like government, customers and society. Management of change requires organizations to strategically align themselves to the same in their environments. Strategic management includes understanding the strategic position of an organization, strategic choices for the future and turning strategy into action (Johnson and Scholes, 2002).Organizational environments have become less benign, more complex, more interconnected, and more dynamic producing conditions that pose the need for fundamental change while making it difficult to learn and change (Burnes, 2004).

Cumming and Worley (2009) argue that strategic change management is the process, tools and techniques of managing the people side of business change to achieve the required business outcome. The strategic change process should aim at successful implementation of a strategy. Successful implementation of strategy involves putting the strategy into place and getting the individuals and organization sub units to go about executing their part of the strategic plan (Thompson and Strickland, 1989).

1.1.2 Organization Stakeholders

An Organization Stakeholder is a person, group or organization that has interest or concern in an organization and who can affect or be affected by the organization strategy, objectives, policies and practices. They have power to impact on the organization in one way or the other. (Freeman, 2010). According to Nuseibeh and Easterbrook (2000), stakeholders are individuals or organizations that stand to gain from the success or failure of a system and are impacted by or have an impact on the Organization.

Stakeholders serve a dual purpose. Feedback from stakeholders is helpful in creating design solutions that are appropriate to the business context. This is important for making sure that user experience design is aligned with the rest of the company. Stakeholder analysis helps gain greater acceptance of organizational systems. However, different stakeholders have different goals and this can bring about conflict with one another thereby affecting the organization's systems and performance.

The key organizational stakeholders include customers, employees, suppliers, directors, shareholders, trade unionists, government and the community from which the organization draws its business. All the named stakeholders harbor different expectations from the organization. For instance customers have a concern for quality goods and services,

employees expect good remuneration, safe working environment and security of employment, suppliers who require prompt and timely payment, directors who want to ensure for their supplies and shareholders concerned with the financial performance of the organization.

1.1.3 HealthCare Industry in Kenya

The Healthcare Industry in Kenya comprises of the public sector, whose major players include the Ministry of Health and parastatal organizations, and the private sector, which includes private for-profit and Non-Governmental Organizations. Health services are provided through a network of over 4,700 health facilities countrywide, with the public sector system accounting for about 51 percent of these facilities (MOH, 2014)

The public Health system consists of the national referral hospitals which are at the apex of the health care system, providing sophisticated diagnostic, therapeutic, and rehabilitative services. The second level is the, provincial general hospitals which act as referral hospitals to their district hospitals and also provide very specialized care. District hospitals concentrate on the delivery of health care services and generate their own expenditure plans and budget requirements based on guidelines from headquarters through the provinces. Health centre provides many of the ambulatory health services and Dispensaries which are meant to be the system's first line of contact with patients (MOH, 2014).

The National Hospital Insurance Fund (NHIF) is the primary provider of health insurance in Kenya with a mandate to enable all Kenyans to access quality and affordable health services. It is a State Parastatal that was established in 1966 as a department under the Ministry of Health. The original Act of Parliament that set up this Fund in 1966 has over

the years been reviewed to accommodate the changing healthcare needs of the Kenyan population, employment and restructuring in the health sector. Currently an NHIF Act No 9 of 1998 governs the Fund. The fund Serves patient clientele in both public and private health providers (NHIF, 2013).

1.1.4 Kenyatta National Hospital

It was founded in 1901 as The Native Civil Hospital and renamed as King George VI in 1952 and later as Kenyatta National Hospital whose main mandate is to provide specialized quality healthcare and facilitate training for postgraduate and undergraduate students. Currently, the Hospital has a capacity of 2000 beds with annual outpatient attendance of 600,000 visits and annual inpatient attendance of 89,000.

In the late 1980s Kenyatta National Hospital experienced several challenges including major resource constraints while the demands for its services were increasing. This presented a challenge to the hospital management in seeking for best ways possible of sustaining quality health services within the framework of decreasing revenue from the central government. As a result the hospital had to adopt strategic change in order to survive in the declining Kenyan economy.

The Hospital has had to embark in undergoing disruptive change due to globalization and advancement in communication and information technology hence the introduction of electronic medical records, revenue collection and pharmaceutical and procurement systems. These changes impact differently on the efficiency and effectiveness of service to the various stakeholders of the Hospital.

The hospital has a Vision of being “A world class patient- centered specialized care hospital”, the Mission is “To optimize patient experience through innovative healthcare; facilitate training and Research and participate in National Health Policy” while the current motto of the hospital is “We Listen, We care. Coupled with the rising demand of its services and the quest to deliver quality healthcare, the Hospital management continually seek for best ways possible of satisfying the stakeholders.

1.2 Research Problem

Stakeholder satisfaction is an important function of strategic management of change in organizations. The ability of organizations to identify their stakeholders and recognize their input in the survival of the organization ensures their support in managing strategic change in the organization. Identification of the power and influence of each stakeholder is key to the success of management of strategic change within the organization. Effective communication with the stakeholders is essential as this goes a long way to ensure that there is no competing or conflicting objectives in the process of strategic change management hence the satisfaction of the stakeholders (Jonassen, 2004).

Kenyatta National Hospital is a national teaching and referral hospital in Nairobi, the capital city of Kenya. It is currently the largest in that category in the country. It serves mainly the middle and lower social classes of patients and hosts the University of Nairobi’s Medical School and various other government agencies like the Kenya Medical Training Institute, The National Public Laboratories of Kenya, and The Kenya Medical Research Institute (KEMRI) among others. KNH has embarked on a number of strategic changes in the recent past which affected the hospital performance in one way or the other.

For instance in 2011 the hospital embarked to change the organization structure to a complex matrix, this brought a lot of confusion on reporting lines and accountability among the workers, the move to decentralize the support services faced the challenge of poor working relations and lack of coordination of services among departments whereas the transition from manual to digitization of systems slowed down service provision in totality. Despite its very noble role in the Kenyan economy, the hospital has had a continued anecdotal public outcry regarding poor service provision not only to patients but to the wider stakeholder group. Consequently, the image of this hospital in the face of the public has been a despicable one. Most previous efforts of effecting successful change and redeeming the public image of the Hospital registered very little success.

Contributions have been made on issues relating to the management of strategic change and stakeholder satisfaction in isolation in different contexts. Rajagopalan and Speitzer, (2004), studied the theory of strategic change and came up with a theoretical framework for strategic change, Kimaita, (2010); carried out a research on change management at the teachers' service commission, the findings revealed dissatisfaction among the customers. Munjua, (2010), studied change management practices in the NGO context and found out that change must be identified as absolutely fundamental for change the change process to be a success. Mwangi, (2013) studied the influence of re-branding on customer satisfaction in the communication industry and established that customer satisfaction was affected to a great level. Wachira (2009) looked at job satisfaction among secondary school heads in Mombasa and established dissatisfaction brought about by the unfair low level of reward for their efforts among others. There have been various studies in isolation on both management of strategic change at Kenyatta National Hospital and stakeholder satisfaction

by various scholars. Gatonga (2011), studied management training and management of strategic change at KNH and established that management of strategic change was negatively affected by the lack of management training. Okoth (2013) carried out a study on challenges of strategic change management at KNH and found out that resistance to change due to poor communication and lack of training was a major challenge. Lekolool (2013) looked at the factors influencing customer satisfaction at the accident and emergency unit of KNH and determined the major factors as poor management systems and organizational culture. Magoi (2013) undertook a case study on brain drain in at KNH and established that poor remuneration, overwhelming work load and lack of career growth and advancement, as the major causes of brain drain at the hospital.

Although the concepts of Management of strategic change as well as stakeholder satisfaction at Kenyatta National Hospital have been studied by various scholars, there has been no study known to the scholar that has linked the two concepts which presents a research gap. How is strategic change managed at KNH? And how does the management of strategic change impact on stakeholder satisfaction at KNH?

1.3 Research Objectives

The following were the objectives of the study;

- i. To determine how strategic change is managed at Kenyatta National Hospital.
- ii. To establish the challenges of management of strategic change
- iii. To establish how management of strategic change affects stakeholder satisfaction at Kenyatta National Hospital.

1.4 Value of the Study

In theory, this contributes to the existing body of knowledge in the area of strategic management of change in the health sector especially public hospitals. It sought to help them establish their points of weakness if any in managing change thus help them manage their change processes more strategically and effectively for improved performance and productivity.

The Management of Kenyatta National Hospital are key beneficiary of this study as it enables it to assess and gauge its change management process thereby be equipped with important information regarding a more strategic and competence approach to managing change. It is helpful to them in formulating more friendly managerial policies in terms of their stakeholders. This translates into improved stakeholder satisfaction, hence achievement of its goal in providing quality healthcare.

The study is of practical relevance to all stakeholders in public health sector. It provides the government and practicing Hospital management with useful insight that guides policy formulation in strategic change management in the public health sector in Kenya. In terms of industry, it provides players with useful insights of how best to effectively and strategically manage change and making more informed and interactive decisions that affect change for the improvement of service delivery in the health sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter seeks to look at what other scholars have who have carried out their research in the same field of study which are closely related to the theme and the objectives of the study. The specific areas covered here are concept of strategy; strategic management; and strategic change process.

2.2 Theoretical Foundation

This study heavily borrows from four different but related theories and these are the stakeholder theory, open systems theory, resource based theory and the complexity theory.

2.2.1 Stakeholder Theory

The stakeholder Theory looks at the relationships between an organization and others in its internal and external environment. It looks at how these relationships affect the activities of the organization. According to Friedman (2006) the organization should depict a grouping of stakeholders and the purpose of the organization should be to manage their interests and needs. Stakeholder analysis provides the organization with lenses through which to pay attention to the full range of interested parties (Wanyama, 2013). Freeman (1984) lists stakeholders as customers, suppliers, employees' stockholders, the local community and the government. Stakeholders' theory has grown since it was first founded in 1963 by R. Edward Freeman. The theory has been developed by various scholars over the years as evidenced in; (Brenner and Cochran, 1991; Donaldson and Preston, 1995; Hosseini and Brenner, 1992; Jones, 1995; Wood, 1991)

The stakeholder theory will be relevant to this study as the study seeks determine whether management of strategic change affects the stakeholder satisfaction in Kenyatta National Hospital. This borrows heavily from the core idea of stakeholder theory that organizations that manage their stakeholder relationships effectively survive longer and perform better than those that don't (Freeman, 1984).

2.2.2 Open Systems Theory

Organizations are open systems comprising of subsystems whose interrelationships and interdependence sustain their survival. According to Freeman and Mvea (2001), systems theory emphasizes the external links that are part of every organization hence the 'open systems' description. Open systems approach views the interaction of the organization with the external environment as vital to its survival and success. Organizational goals can only be achieved if there is a fit between the organization and its subsystems as well as the external environment. Open systems Theory was developed by a biologist Ludwig von Bertalanffy between 1930 and 1956. The Theory was applied to organizational structures in the early 1960s. It holds that any time organization uses resources from the environment, and then it adopts the definition of an open system. The inception of the new generation theories was based on open systems theory model that was dominant during the 1960s and through the 1970s.

The open systems theory will be relevant to this study due to the fact that the hospital exchanges resources with its environment cannot operate as a closed system. The Hospital just like any other organization views the interaction of the organization with the external environment as vital for its survival and success (Freeman & Mvea, 2001).

2.2.3 Resource Based View

The Resource based view addresses the fundamental question of why firms are different and how organizations achieve and sustain competitive advantage by deploying their resources. It is an internal appraisal of strengths and weaknesses that lead to the identification of distinctive competencies (Chandler, 1962). Resource based view approach of bundling the organizations resources was developed by Penrose in 1959. The Heterogeneity, not homogeneity of the productive services available from resources gives each firm a unique character (Penrose, 1959). The Resource based view has been developed over the years where various scholars including (Amit& Schoemaker, 1993; Mahoney & Pandian, 1992; Rumelt, 1984 & Peteraf, 1993). They all supported Barneys View that the needed characteristics of a firm's resources in order to generate sustainable competitive advantage are value, rareness, inimitability and non-substitutability (Barney, 1991).

The resource based view approach is relevant to this study because no change can be carried out in the hospital without the appropriate resources to support the change process. The success of a strategy depends the characteristics which make competitive advantage sustainable through the resource based view. If there is no fit among activities, there is no distinctive strategy and little sustainability (Porter, 1996).

2.2.4 Complexity Concept

Complexity of a system increases the ability to understand and use information to plan becomes more difficult. Due to complexity, the organization is able to learn from its environment and change in its internal structure and functioning over time, thus changing the behavior of individual elements (Smith & Humphreys, 2004).

Hoffman and Hegarty (1993) defined strategy as being concerned with top management behavior in developing organizational structure and in determining the efficacy of these strategies for coping with organizational environment. Complex systems are characterized by a large number of interacting elements the system. Over time the extensive interaction between the parts determines the behavior of the overall system within its environment, they learn from these interactions and restructure themselves to better adapt to the environment (Amagoh, 2008).

The complexity theory will be relevant to this study due to the interacting nature of the hospital with its environment. KNH is therefore forced to learn, adopt and adapt to the changes in the environment to enable it to succeed and achieve its objectives.

2.3 Management of Strategic Change

In today's turbulent environment of organizations, strategic change has become synonymous with standard business practices as long-term organizational ends have to be reformulated on an ongoing basis. This is necessary for the future of most organizations. Managing strategic change involves the introduction of tools and techniques used to manage the people totally with business change to achieve the required business outcomes as well as realizing that business change effectively within the social infrastructure of the workplace as is influenced by different internal or external factors positively or negatively (Burnes, 2004). Strategic change involves deciding what to change, how and when to change specific elements of the strategic orientation.

According to Kotter (1995), The first step of managing strategic change is to create a sense of urgency by both selling the value of a future state to organizational stakeholders, alerting the entire organization that change must occur and making them understand why it is not in their best interest for the organization to stay in its current state. The second step

involves establishing a powerful guiding coalition within the organization with enough organizational power and influence to lead the change effort and keep it on target through its various stages. The third stage is to form a strategic vision to assist in steering the change process. Fourthly, putting together a group of people who are ready and willing to drive the change followed by the fifth stage of removing barriers that pose a threat to the change process sixth is generating short term wins, sustaining acceleration and lastly instituting the change.

Thomson Jr, Strickland and Gamble (2004) emphasize that it is important for firms to track where an industry is in the life cycle. However, the ability of the organization to analytically identify factors that may be drivers of industry and competitive change is very important. Both the external and internal environment plays the important role of redefining the competitive landscape of the organization and the industry in totality. If the drivers are identified, accurately analyzed and the environment well scanned, the organization will be able to overcome the strategic change challenge in organizations.

Kotter (1995) defines strategic change management as a process that goes through a series of different phases which requires that changed behavior be reinforced both formally and informally in the organization. They require considerable length of time. These phases correspond with Lewin's 1952 three phase processes of unfreezing, which involve dismantling those things that support or maintain the previous behavior, moving or changing and freezing.

In the unfreezing phase it is important to create a state of urgency (Kotter, 1995) so that individuals are ready to change. The readiness of change is the organizational beliefs, attitudes and intentions regarding the extent to which changes are needed and the organizations capacity to successfully make those changes (Amenakis, Harris and Mossholdern, 1993).

According to Lewin (1952) the challenges of strategic change can be solved if organizations embraced the three phase process. By recognizing Lewin's three distinct stages of change, Management can solve the challenges and plan to implement the change required. It starts by creating the motivation to change and to prepare the organization successfully, managers need to dig deeper to the core of the organization and challenge the existing beliefs, values, attitudes, and behaviors that currently define it, unless this is done, the whole change process may fail. (unfreezing). Secondly the change stage is where people begin to resolve their uncertainty and look for new ways to do things. People start to believe and act in ways that support the new direction. They therefore move through the change process by promoting effective communication and empowering people to embrace new ways of working (change). Lastly returning the organization to a sense of stability when the changes are taking shape and people have embraced the new ways of working, the organization is ready to refreeze (refreezing), which is so necessary for creating the confidence from which to embark on the next, inevitable change. It saves the employees from getting caught in a transition trap where they are unsure how things should be done hence the challenge of doing things to full capacity.

According to Einsenbach, Pillai and Watson (1999) as cited in Kinuu et al.(2012), the importance of leadership in change management process is underscored by the fact that change by definition, requires creating a new system and then institutionalizing the new approaches. Successful change practices can only be carried out with proper change management which is usually a responsibility of the top management in any organization. To successfully plan and implement the change process, the chief executive officer becomes the change sponsor enabling smooth facilitation of the process while the other stakeholders support the process.

Burnes (2004) defines strategic management of change based in three schools of thought that form the pillar on which change management theory stand. The first one is the individual perspective school which assumes that individual behavior results from their interaction with environment. Human actions are conditioned by expected sequences and behavior rewarded to be repeated and vice versa. The second one is that of group dynamics school which argues that individual behavior is a function of group environment. Individuals behave in a way that conforms to group pressure, norms, role and values to about successful strategic change. The third one is the open systems school whose focus is on the entire organization. It sees organization as being composed of different subsystem which include; the goals, and values, the technical subsystems, the psychological subsystem and its managerial systems. A change in one part of the system has an impact on other parts of the system, hence change can be achieved by changing the subsystems but one needs to understand the interrelationship of the subsystem.

The analysis of strategic change management requires an understanding of the inter-relationship between the various elements that drive the process. The elements are diagnosis, change agents, levers of change and pitfalls of change as noted by Johnson, Scholes and Whittington (2009).

2.4 Organizational Stakeholders

Groups of stakeholders represent the driving forces for any organization. For any change plan to be successful, the support of the stakeholders is important to the organization. This should not be restricted to the owners but should include principle customers, suppliers, all staff and the community within which the organization operates and supports the business in its day to day or long term business activities. The support of stakeholders is necessary for long-term success of the organization. Management should therefore actively explore its relationships with all stakeholders to develop all business strategies (Freeman and McVea, 2001). Organizations should formulate strategies that integrate the interests of all stakeholders. Identification of stakeholders who are affected and can affect the change management process is very vital in order for an organization to determine who to engage in the process.

People should be involved according to the influence and power the stakeholders have in the decision making process. Stakeholders may have information that cannot be gained otherwise, or may participate to as influence the decision making process (Amenakis, Harris and Mossholdern, 1993).

Stakeholders are engaged to give an organization a competitive edge and their involvement ensures success of the change process which results in stakeholder satisfaction in change management gives the organization an opportunity to have new ideas in its strategy and allies during the change process which eventually ensures success of the effort. There is need to develop political support for change as organizations are composed of powerful individuals and groups that can block or promote change, managers therefore need their support to promote change (Bryson, 1995).

A stakeholder analysis or assessment helps in gathering and analyzing both quantitative and qualitative information to determine whose interest should be taken into account in the organization. It also helps to determine whose interests should be taken into account. It is important to keep in mind those who can support or undermine the organization and their level of influence. (Freeman, 2010).

According to Svendesen (1998), competitive edge is an outcome of effective stakeholder satisfaction and corporation is one way to succeed in a highly competitive globalized economy. Whether emergent or pre planned change, those three things need to be catered for to ensure that the process of change is successful. There needs to be a change team which is a coalition of all the stakeholders in the change process, the process of change therefore needs to be communicated throughout the organization and be needs to communicated as a sense of urgency to ensure that the change processes do not stagnate (Booz, 2011).

2.5 Stakeholder Satisfaction

Strategic management has been viewed as a macro strategic framework that includes more specific managerial approaches and techniques. It is the process by which organizations form visions, analyze their external and internal environment, and select one or more strategies to use to create value for customers and other stakeholders. The external environment is a set of conditions outside the firm that affects the firm's performance while the internal environment is a set of conditions such as strengths, resources and capabilities inside the firm affecting the choice and use strategies (Ansoff, 1965).

Organizations hope to gain stakeholder satisfaction and loyalty as stakeholders look for quality (Evans and Laskin, 1994). Morris and Baddache (2012), identified factors that influence stakeholders' satisfaction as; whether the stakeholders' contribution is valuable to the firm. His counsel, information and expertise can be helpful to the company. Legitimacy; whether the stakeholder has a legitimate claim to involvement. Willingness to engage; whether the stakeholder is willing to engage in the process or not. Influence; whether it has influence on the process. This goes hand in hand with wielding power. Lastly, necessity of involvement; is it necessary to involve the stakeholder in the process at all? Can the process be derailed or delegitimized if the stakeholder is not involved? According to them, these factors will determine whether the stakeholders should be involved in change process or not.

According to Mintzberg (1983) power is based on control of resources; control of technical skill; control of a body of knowledge; power from legal prerogative; and access to those who can rely on the previous source of power. Urgency in this context means time

sensitivity and critically (Mitchel, et al 1997). Organizations have to harmonize the requirements of the business to those of the stakeholders to ensure long term success of the organization. When it comes to important business decisions, it is necessary to know the expectations of the different stakeholders. (Yilmaz and Gunel, 2008).

Stakeholder satisfaction being a key management concern for business, it is prudent to involve the stakeholders in planning and executing long term strategic decisions for the overall success of the organization. Primary stakeholders are those without whose continuing participation, the organization cannot survive as a going concern this calls for attention to both normative and instrumental stakeholder influence on the performance of the organization. Whereas normative explications move firm relations into ethical real, instrumental orientation addresses the interest and hence the satisfaction of stakeholders who are perceived to have influence. (Wanyama, 2013).

According to Njoya (2010), Managers must formulate and implement processes that satisfy all the groups that have a stake in the organization in one way or the other. Satisfaction of the stakeholders is guided by the underlying principles that guide that ensure an organization meets its strategic objectives by interpreting and influencing the external and internal environments and by creating positive relationships with stakeholders through appropriate management of their expectations.

2.6 Management of Strategic Change and Stakeholder Satisfaction

Stakeholder satisfaction in change management is majorly influenced by the level of interest they have in the change initiative and level of power they hold. According to Murphy and Willmott (2010), business stakeholders with high power and high level of

interest such as employees and shareholders need to be closely managed in relation to change initiatives. Murphy and Willmott (2010) further suggested that high level of power and low level of interest stakeholders, such as customers, on the other hand, need to be kept satisfied the company management. Another stakeholder category that has low power but high level of interest, such as suppliers need to be informed about the progress of change initiatives through various communication channels. The type of stakeholders that have low level of power and low interest in changes, such as the general public need to be monitored with minimum efforts and resources.

According to Cecile (2008), for there to be a successful stakeholder satisfaction in change management process to a high extent, then five factors need to be addressed. They include; stakeholder early awareness of norms, awareness of diversity within and between different organizational units; manager availability; early role clarification; and constructive conflict. Effective change management requires change motivation which includes creating a readiness for change among organization members and helping them address resistance to change. Managers should therefore create an environment in which people accept the need for change and commit physical and psychological energy to it. Motivation is critical in starting the change management process because ample evidence show that organizations are comfortable to preserve the status quo and are willing to change only when there are compelling reasons to do so (Cole, 1995).

This chapter reviewed both the theoretical and empirical literature of the study. The theoretical literature focused on theories of strategic change and theories of stakeholders satisfaction.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the various stages that will be followed to complete the study. It brings out the design that was used in the research; the methods were used in collection and analysis of data.

3.2 Research Design

The study adopted a case study approach. This was because the study attempts to define a subject which is Kenyatta National Hospital; the problem in the study is management of strategic change based on a survey of the internal and external stakeholders to develop a definitive and descriptive resource and argument for evaluation. A case study allows for the qualitative analysis involving a complete observation of a social unit (Kothari, 2004). It defines a subject by creating a profile of group of problems, people and events through collection of data and tabulation of the frequencies on research variables or their interaction (Cooper & Schindler, 2005).

Case studies typically combine data collection from several sources such as archival records, interviews, questionnaires and observation. This approach was appropriate as the researcher was able to choose the respondents who are easily accessible to obtain the desired information. The researcher was able to easily describe the state of affairs. Yin (2003) suggests using multiple sources of data in a case study. Interviews are one of the most important sources of information in a case study. Secondary data was collected from archival records for According to Yin (2003) the advantage of using such data is that they are precise and quantitative and that they exist prior to the study.

According to Mugenda and Mugenda (2009), a case study is used when an in-depth investigation of an individual, group, institution or phenomenon is required. The researcher used interviews from representatives of the various groups of stakeholders and the management of KNH. Other sources of data such as archival records, reports and surveys were also used.

3.3 Data Collection

The study used qualitative primary data collected from both internal and external stakeholders and secondary data of both qualitative and quantitative in nature. The primary data was collected by use of convenient self-administered interviews. The respondents comprised of two management staff, two pre qualified suppliers, two MOH officials and two representatives of partners of KNH. The interviews were guided by an interview guide comprising of open ended questions so as to allow a greater depth of response (Mugenda & Mugenda, 1999). The Secondary data was collected from several other sources that included archival records, reports, surveys and observation. These were precise and quantitative (Yin, 2003).

3.4 Data Analysis

In analyzing the data of qualitative nature captured from interviews, the researcher organized the responses into emerging similar groups that arose from grouping of similar responses using content analysis. Content analysis refers to a set of procedures for collecting and organizing information in a standardized format that will allow the analyst to make inferences about the characteristics and meanings of written and other recorded material (Stemler, 2001).

The researcher will use content analysis because by the extraction of the themes and subthemes emerging from the views of the interviewees, the actual solution will be easily revealed. Content analysis also has the ability to help examine trends and patterns thereby providing an empirical basis for monitoring shifts in the interviewees' opinions.

The researcher will also use relevant secondary data from the various existing customer and employee satisfaction reports carried out in the hospital over the years before, during and after the strategic change both internally and externally. This will help give the study a broader and more picture of the trend of satisfaction levels of the two groups of stakeholders who are actually the main internal and external stakeholders of the hospital. This data will help the researcher to establish the satisfaction levels before the strategic change, during the strategic change process and the impact of the on the satisfaction levels after the strategic change process.

This chapter has described the research methodology adopted on the study. The chapter has explained the research design, data collection method and data analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and analysis of the study. The researcher sought to find out how strategic change was managed at Kenyatta National Hospital, the challenges faced and how the management of strategic change impacted on the stakeholders of the hospital based on Kotter's eight step strategic change model. This was done through primary data collected by interviews and secondary data from the customer and satisfaction survey reports conducted in the hospital. All the interviewees from each group were able to answer all the questions asked.

4.2 General Information

The researcher interviewed two management staff at Kenyatta National Hospital to establish how the strategic change process was managed. Two representatives of the government, two suppliers and two donor stakeholder groups were also interviewed to find out the impact of the management of strategic change. The data collected was grouped, evaluated and analyzed using content analysis. The researcher used secondary data from the customer and employee satisfaction survey reports for the past five years to get the true picture of the satisfaction levels of the customer and the employee at KNH before, during and the implementation of the strategic change. To enhance accuracy and comparability the researcher also used other relevant secondary data supporting the research topic. Kotter's eight step change model was adopted to guide the interviews.

Figure 4.1: Kotter's Eight Step Model



4.3 Management of Strategic Change at Kenyatta National Hospital

The interviewees were asked how the need for the strategic change established and the expected consequences for not effecting the change at that time. The response demonstrated the need for strategic change at KNH was a Board of Management (BOM) resolution in consultation with stakeholders after it was realized that services offered in the hospital were deteriorating due to inefficiencies in the systems as a result of an outdated organization structure which was plagued with bureaucracy and slow centralized decision making, poor customer care, revenue reduced such that the hospital could not operate independent of the exchequer, performance of the hospital was on a downward trend. The board therefore decided the need for change was urgent but needed new leadership to effect the change. A non clinician Chief Executive Officer (CEO) was recruited to steer

the change process. The expected consequences of not effecting the strategic change at that particular time would include low customer satisfaction, negative perception by the community and frustrated inefficient workforce. This would further impact negatively to the general performance of the hospital and the risk of becoming irrelevant in the health industry.

The interviewees were probed on how the formulation of the methodology of the change process was done and their response revealed that an Executive Management Committee (EMC) comprising of the Senior Assistant Directors (SADs) and the Deputy Directors (DDs) and assistant directors (Ads) of the hospital under the chairmanship of the CEO was formed to steer the change process. The committee consulted a lot with the Ministry of Health (MOH) and donors/partners of the hospital. The hospital also recruited new managers to bring in new ideas. The other stakeholders were excluded from the group.

The interviewees helped to establish that a meeting was convened to come up with a new vision and new strategic plan. There was a shift from long term planning to balanced scorecard and the new organizational structure was introduced to propel the change process. The hospital was under pressure to operate according to international standards and therefore special attention needed to be paid to standards in service delivery. KNH being the biggest teaching and referral hospital in Eastern and Central Africa necessitated the formulation of a vision to steer the hospital towards operating at world class standards. A circular was issued to the employees to come up with vision statements in a bid to help the committee formulate the vision.

The interviewees were asked if there was a vision driving the change process and they ascertained that the management communicated the vision of the strategic change to stakeholders through various forums such as dinners, luncheons and breakfast meetings organized for friends of KNH and consultative meetings organized for the purpose of seeking support for the intended change. There were several press conferences and wide media coverage about the vision and the changes that needed to be made and how they were to be carried out. The Management also ensured that the vision was well communicated to staff through the monthly departmental meetings, the weekly clinical and administrative meetings and the monthly CEOs open forum. The interviewees confirmed that the EMC took it upon them to ensure the vision was clear and comprehensible. There was a committee formed between the MOH and the hospital management but the other stakeholders were simply updated as need arose although it took time for some of the staff to accept a non-medic CEO.

The interviewees were probed on how management empowered the stakeholders for the change initiative and they affirmed that there were frequent publicized visits made to the hospital by stakeholders. The stakeholders were not directly invited to manage the workload of the change process. However ideas and financial support was sought from them. Several brainstorming meetings were held between management and stakeholders to achieve the desired goals. New policies were developed which incorporated annual operational plans, guidelines and development of SOPs in conformity with ISO standards. The interviewees were questioned of any short term wins during the change process and it emerged from the interviewees that among the short term wins that were achieved included the improvement of the hospital image. The perception of KNH to the local and

international community greatly improved such that many other organizations wanted to be associated with the hospital in order to assist in effecting the change process. Stakeholders such as The University of Nairobi (UoN) consultants and the Kenya Medical Training College (KMTC) joined in the change process. Charity organizations like the Chandaria Foundation were most willing to help in terms of donating machines and giving the hospital a new look.

The Hospital Management Information Systems (HMIS) was rolled out for effective management information systems and improved revenue collection. The hospital got ISO certification and this increased its chances of meeting the acceptable international standards.

Staff motivation went up as a result of the adoption of new and friendlier policies that saw mass promotions, improvement of the remuneration and better working conditions. New managers were also recruited from successful reputable organizations and they brought in a lot of new ideas. The feasibility of the hospital was improved.

The interviewees were asked whether the management kept the strategic change rolling and they affirmed that the management held frequent audits on newly installed management systems. Frequent audits on ISO, performance audits, Quality Management Standard (QMS) audits and other controls were put in place. The performance appraisal tool was improved for efficient appraisal of employee performance. The training vote was also increased to ensure employees acquired the required skills.

Unforeseen challenges were expected to come in the way of implementation of the change process since no costing had been done, staff remuneration was expected to go higher due to pay raises as a result of the changes in the organogram coupled with the mass promotions of the stagnated staff, budgeting was to be done by devolved units in accordance with the government circulars and awareness campaigns these involved a lot of financial considerations. The new organization structure demanded recruitment of some specialties as well as training of the existing staff to ensure the required skills were acquired.

The management made underestimations that included; the strength of corporate culture, the cost of implementing the new structure, the effect of the new structure on staff relations, the strength of the union and the capability to raise funds due to the limitations of the organogram, mission and the Act of Parliament.

The interviewees were probed on whether the management institutionalized the change and how it was done. They attested to the fact that the hospital received donations in terms of consumables, equipment and long term projects from stakeholders in order to incorporate the change in the organization culture. There was improved relationship between the hospital and its partners and the motivated workforce ensure the change was kept on course. By putting in place effective management systems, safety of staff was assured, ISO systems were adhered to and hence the attainment of certification

The interviews revealed that the hospital embarked on monitoring and evaluation practices to ensure that the institutionalization of the change. Customer satisfaction surveys were conducted regularly; Medical Advisory Committee (MAC) was put in place to ensure that medical ethics were adhered to, the Corruption Prevention Committee (CPC) was

enhanced, statutory committees such as OSHE and gender committees were also put in place. Teamwork was enhanced through joint departmental meetings and open forums and great emphasis put on Team building activities. There was increased employment empowerment through increased training and better salary schemes.

4.4 Challenges of Managing Strategic Change at Kenyatta National Hospital

The interviewees acknowledged that the biggest challenge encountered in the entire process of managing strategic change at Kenyatta National Hospital was the organization culture. The interviewee's responses and other supporting data collected revealed that the corporate culture was underestimated. The effect of the new structure on staff relations was underestimated. Most of the employees were deeply rooted in the favour mentality attitude. This attitude perceived service rendered to both administrative and clinical clients all over the hospital as favours rather than value for money. It was also fueled by the referral system of recruitment where the power of the employee lies on who referred them. The ultimate result is the client not getting value for their money.

The interviewees and the other supporting data collected revealed that as a parastatal, employees of KNH enjoy job security coupled with the strength of unionism. These fueled the resistance to change by most employees for fear of the unknown. The effect of the new structure on staff relations and the strength of the union were challenges that were underestimated. The recruitment system has not helped the scenario, since a number of hospital workers have been employed through referrals by the existing member of the staff. This denies the hospital the opportunity to recruit agents of change from external sources.

The interviewees sighted political interference as a major influence on management of strategic change at the hospital. This culminates from the fact that over the years, the CEO of the hospital has been a government appointee hence compromise on service delivery in a bid to stay loyal to the appointing authorities. In 2011, the competitive recruitment of a non- medic CEO brought a lot of infighting in the hospital.

The interviewees confirmed that there were unforeseen challenges were in the strategic change process. It was ascertained that the process faced under costing in various aspects. The cost of installing the new structure was generally underestimated. The inadequate financing of the hospital as a result of presidential directives such as free maternal health care in the country that saw the expenditure on consumables and drugs go up creating more financial pressure on a hospital that was already underfunded not to mention that Many of the patients admitted at the hospital cannot pay their costs. Staff remuneration went up due to pay raises that came as a result of harmonization of salaries, upgrading and promotion of staff, the frequent retreats for the EMC steering the change process was underestimated. Budgeting was done by devolved units in accordance with the government circulars and awareness campaigns took a lot of time and cost more. There was inadequate capability to raise funds due to the limitations of the organogram, mission and the Act of Parliament.

The interviewees cited lack of commitment by some members of the management in managing effectively the strategic change process due to conflict of interest. The main source of conflict of interest was seen in the infighting between the administrative and clinical sections of the hospital and even among the departments especially when it came to merging some departments and separating some. This resulted in the struggle to define the workload, workforce and even office space among the departments.

The interviewees ascertained that the hospital faced a major shortage of specialized human resources. The hospital therefore had to rely on medical interns, medical postgraduate students and consultants from the University of Nairobi for the delivery of most clinical duties. Managing the strategic change therefore became difficult as the hospital had no exclusive control on such workforce hindering the smooth flow of the change process.

The interviewees cited lack of adoption of modern automation as a big challenge in managing the strategic change as some of the hospital processes were still manual and automation of the hospital was quite slow. This hindered the pace of managing strategic change as KNH.

4.5 Management of Strategic Change and Stakeholder Satisfaction

The interviewees were asked how the urgency of the strategic change was cascaded to them. The responses revealed that they were informed of the need for change during a dinner organized for friends of KNH. However it was evident from the respondents that the formulation of the methodology of the change process was done in liaison with some of the stakeholders such as the MOH. Although brainstorming retreats were organized for staff (all HODs) to prepare them for the change, decisions made were approved by the EMC who originally drafted the methodology. This involvement gave the stakeholders a sense of ownership of the change process.

The interviewees were asked how the coalition to steer the change formed and whether they were part of it. They confirmed that the EMC was formed to steer the change process. The EMC partnered with the MOH and donors/partners of KNH. The interviewees confirmed that the other stakeholders were excluded from the group but were updated from

time to time on decisions of the EMC in the various forums and in the numerous elaborate media coverage that informed the public of most developments that took place in the hospital.

The interviewees were probed on the creation of the strategic change vision and they revealed that the stakeholders attended the friends of KNH dinner organized by the management where they were briefed on the objectives of the change and given a chance to brainstorm on the vision that was to drive the change process however most of the stakeholders did not at first comprehend the vision the way it was presented to them. Some suppliers were even comfortable with the way things were being done.

The interviewees were asked how the vision of the change was communicated to them and if they were empowered to act on the vision of the strategic change and they ascertained that the EMC sold the vision of the change to the rest of the organization by use of open staff forums, the CEO's monthly forums, stakeholder's consultative brainstorming meetings and various media to create awareness. Their responses revealed that bringing in of a non-medic CEO and the challenge of adapting to the new systems disrupted the flow of service as the staff took time to understand the new system and this brought a lot of confusion in terms of division of work and chain of command among the staff and even among management.

The interviewees were asked if any quick wins were created and they revealed that there was great positive improvement on the image and perception of the hospital both locally and internationally brought about by the wide media publicity. Most companies were willing to partner with KNH hence donations in terms of funding, equipment and giving

the hospital a face lift. The salaries of employees improved and there was availability of training and development opportunities for staff. The payment process for suppliers became faster and disciplinary procedure for staff also improved.

4.5.1 Building on the Change

The interviewees were probed on how the strategic change was build and they confirmed that the management kept the change rolling by holding frequent ISO Audits both internally and externally, performance audits based on performance appraisals and contracting and QMS audits to ensure that performance was up to the required standards. There was also a lot of training for staff to ensure the required skills were acquired. There was an emphasis on good customer care by the staff and this restored the faith that the customers once had in the hospital.

The interviewees revealed that there was notable improvement in service delivery mainly because more resources were availed by stakeholders because they were confident of the new management system. The stakeholders were satisfied with the improvement of services and the improved image of the hospital. The suppliers were happy that the open forums brought them together and shared issues that were common to them and even came up with solutions. Their payments schedules improved tremendously. The government though concerned about the wage bill which went up due to upgrading and promotions of staff were nevertheless satisfied with the changes that were being implemented.

4.5.2 Other Relevant Supporting Data

The researcher used secondary data from the annual employee and customer satisfaction survey reports conducted for the hospital by the use of various consultants for the past four

years to give a clear picture of the situation before the change, during the implementation of strategic change and after the implementation of the strategic change hence the trend of the satisfaction levels of the employee and the customer. The findings are as indicated in the table below;

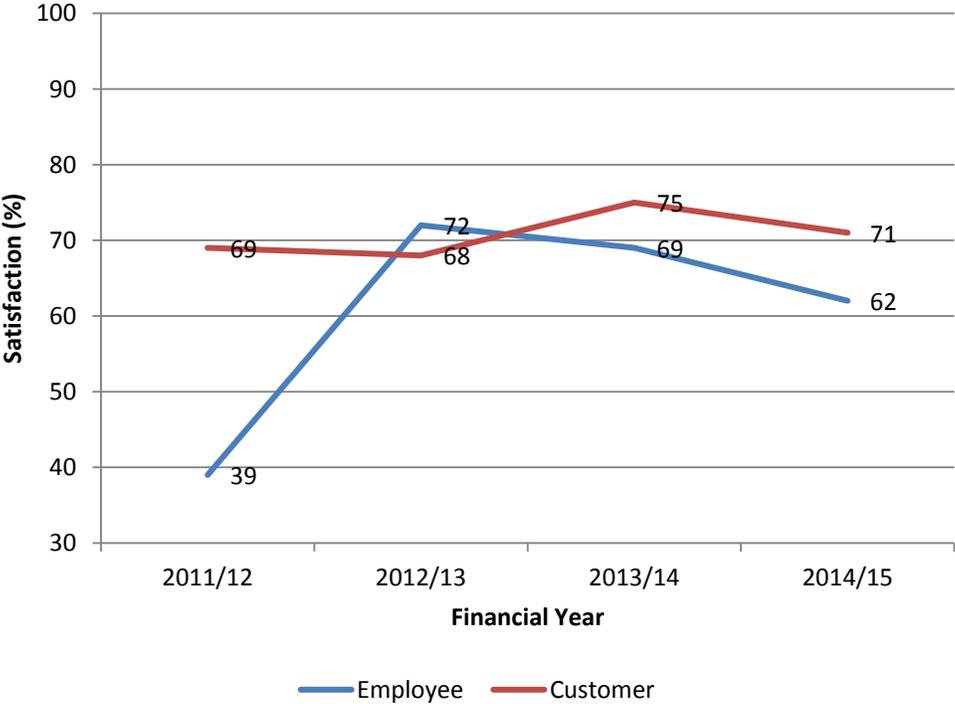
Table 4.1 The Employee and Customer Satisfaction Indices

| Stakeholder | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|-------------|---------|---------|---------|---------|
| Employee | 39% | 72% | 69% | 62% |
| Customer | 69% | 68% | 75% | 71% |

Source: KNH

The Employee and customer satisfaction trend as per the above data are shown in the figure below;

Figure 4.2: Employee and Customer Satisfaction Trend



Source: Author

Table 4.1 and Figure 4.2 shows that employees had a satisfaction index of 39% in the financial year 2011/12 compared to 72% in 2012/13, an improvement 33 percentage points. The improvement can be attributed to the great strides KNH made to improve employee satisfaction levels for its employees. However, the employee satisfaction index decreased by 3 percentage points to 69% in 2013/14 and by 7 percentage points to 62% in the financial year 2014/15. This can also be attributed to the change of leadership in the year 2013.

The customer satisfaction index was 69% in 2011/12 which decreased by 7 percentage points to 68% in the financial year 2012/13. There was an increase of 7 percentage points in 2013/14 and a decrease of 4 percentage points in 2014/15. Overall, the customers were more satisfied (71%) compared to the employees (61%) over the period under review.

4.6 Discussion

This section discusses the results in accordance with the objectives of the study. The first objective of the study was to determine how strategic change is managed at Kenyatta National Hospital. The study established that facilitating strategic change must be done in an orderly and systematic manner to succeed. This is in line with the arguments of Quinn (1980) that emphasized that management of strategic change is successful when managed slowly and in a logical way. It is evident from the findings of this study that KNH Management undertook the process carefully ensuring that all the eight steps of strategic change as drawn by Kotter were followed. Kotter (1995) emphasizes that strategic change management is a process that goes through a series of different phases which requires that changed behavior be reinforced both formally and informally in the organization. These phases are seen to correspond with Lewin's 1952 three phase process of unfreezing,

moving or changing and then freezing. The findings are also in line with the assertions of Goold (1991) that successful management of strategic change requires an effective two way communication system within and without the organization.

The second objective of this study addressed challenges of management of strategic change. From the study it was found out that the hospital faced major and minor challenges in managing strategic change. One of the major challenges is the relationship that exists between Kenyatta National Hospital and the University of Nairobi. Although a memorandum of understanding (MoU) was signed between the two institutions, control and coordination of service delivery still remains a challenge. The MoU requires KNH to provide learning and teaching environment to UoN students and consultants as these groups offer service to KNH customers (the patients). This contradicts the assertions of Lynch and Cross (1995) that spell three conditions that are necessary for effective coordination of performance management systems as the integration between financial and nonfinancial performance, focus on business activities on meeting customer requirements and providing strategic control systems.

The hospital also faces a major challenge of culture. If the culture is right, the organization will succeed in managing strategic change. The third major challenge faced by KNH was commitment of the top management team to the strategic change which is a major requirement in managing strategic change. The non medic CEO in KNH brought about lack of commitment among the members of the top management who were medics hence division among the top management team and this was quite unhealthy to the management of strategic change. The findings are in line with the sentiments of Boomer (2007) that cited one of the greatest challenges of strategic change management as top and middle management resistance due to perceived loss of power and or limited involvement in the

strategic change process. This is further supported by Madsen and Windlin (2006) who observed that together with the middle level management, top management identifies variables crucial to the success of the organization's objectives.

The third objective of the study was to establish how management of strategic change affects stakeholder satisfaction. The study confirmed that the way change is managed in any organization may impact negatively or positively to the stakeholders. The study revealed that in KNH, the management having adopted Kotter's eight step model, the effects on stakeholders was quite positive. The process being steered by the first non medic CEO won over most stakeholders who all wanted to give a hand to the success of the change process. The study establishes that most stakeholders were happy to be associated with KNH and many more wanted to be associated with KNH. They fully supported the leadership of the hospital to achieve the set objectives. It was ascertained that involvement and recognition greatly influenced the satisfaction of the stakeholders. The study established that the Key Performance Indicators (KPIs) and Key Performance Measures (KPMs) are developed and well explained to each staff. Goold (1991) asserted that successful management of strategic change requires sound mechanisms for directing activity and behaviour, especially including effective communication systems as well as appropriate strategic and management controls. The enablement of a sound two way communication within KNH is seen as fundamental to the effective management of strategic change (Alexander, 1985).

This chapter has looked at the general information concerning the variables, described management of strategic change at Kenyatta National Hospital, challenges of managing strategic change at KNH, management of strategic change and the effect on stakeholder satisfaction.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The objectives of this study were to determine how strategic change is managed at Kenyatta National Hospital and to establish how management of strategic change affects stakeholder satisfaction at Kenyatta National Hospital. This chapter provides a summary of the findings of the study, discussion on theory and practice, implications to policy, recommendations and conclusions. It also highlights the limitations of the study and outlines proposed areas of future research.

5.2 Summary of Findings

This study aimed at determining how strategic change is managed at KNH. The study found out that Kenyatta National Hospital adopted Kotter's eight step model of managing strategic change. The change in question saw the hospital move away from a government appointed medic for a CEO to a competitively recruited non medic CEO. This came along with the change in the organogram of the hospital from one with a focus on centralized services one with focus on devolved independent autonomous service units. The research however established that this has not been very successfully implemented because it involved merging of departments into divisions and employees are still struggling with the issues of chain of command, reporting lines and division of work. The result of this has been non accountability and duplication of work hence a negative impact on service delivery.

The study revealed that the recognition and involvement of the stakeholders the stakeholders in the strategic change process gave them a sense of ownership. They came in handy whenever required and their input was also highly significant to the management. They had a chance to meet during the various meetings that management organized for friends of KNH. This allowed them to discuss issues that affected them and had brainstorming sessions to generate ideas that would make KNH a better partner for all of them. It is evidenced that many organizations supported the management in the walk towards strategic change though the study revealed an element of dissatisfaction in the task identity. The effect of the management of strategic change was positive on the stakeholders and this helped elevate the performance of the KNH as seen in the various achievements for instance ISO Certification and COYA awards.

The study also established that the satisfaction level of the employees was as low as 39% before the initiation of the strategic change, and then moved to 72% during the change process registering an improvement of 33%. This can be attributed to the great strides KNH made to improve satisfaction levels for its employees through opportunities for growth, improved compensation, improved work environment, job security, involvement and recognition. However, the employee satisfaction index decreased by 3% to 69% and by 7% to 62% in the consecutive subsequent years after the strategic change process. This is attributed to the change of leadership in the year 2013 when the CEO who steered the change process exited the hospital leadership. Generally, the customers were more satisfied (71%) compared to the employees (61%) over the period under review.

From the study it was established that KNH faced major and minor challenges that slowed down the management of strategic change process. The major challenges included adherence to the MoU signed between KNH and UoN that affected control and

coordination of service delivery. The hospital also faced a major challenge of culture which posed an obstacle in managing strategic change. The third major challenge faced by KNH was lack of commitment of the top management team to the strategic change brought about by the fact that the CEO was a non medic. This brought about division among the top management team and this was quite unhealthy to the management of strategic change. Minor challenges included; political interference, specialized staff shortage, inadequate resources in terms of equipment and funding and underutilization of the health care information management system (HIMS).

5.3 Conclusion

The study examined how KNH managed strategic change and the challenges encountered in managing strategic change. It also examined the effects of managing strategic change on stakeholder satisfaction. The results indicated that the hospital adopted Kotter's eight step model in managing the change process. The Executive Management Committee (EMC) made up of the top management of the hospital comprising of SADs and ADs under the chairmanship of the CEO steered the process and all decisions were made with the approval of the committee. The Management of strategic change process involved all the stakeholders, whose ideas were continually sought and updates continually given at forums such as breakfast meetings, luncheons and dinner meetings organized for friends of KNH. This helped to improve the relationship between the KNH and its stakeholders. The employees were updated through monthly departmental meetings and monthly CEOs open forums. Clarity of the vision of the strategic change translates into tangible actions for each individual involved in the management of strategic change process.

Removal of bottlenecks in the management of strategic change process defines the success of management of the process. KNH faced several challenges that were seen to slow down the management process. This study found out that although the steering committee tried to address the challenges KNH still has to bare some of them even after the completion of the strategic change process. This was fueled by the change of leadership when the CEO who steered the change process exited the hospital. From this study, board and top management support and commitment was seen to be crucial for success in managing strategic change.

Satisfaction of stakeholders of the organization is a key element for the success of any strategic change process. The feeling of ownership of the strategic change kills resistance to the strategic change. KNH employed many strategies to ensure that the stakeholders were satisfied enough with the strategic change and to win their full support. However the rivalry between the medics who are the core employees of the hospital and the administrative staff who offer supportive service was underestimated. This negatively affected the success of the management of strategic change and has continued to ail the hospital hence a negative effect on service delivery as the situation silently continues to sour up and compromising on the general performance of the hospital.

5.4 Recommendations

This section of study generally highlights the contributions to theory development in pursuit of additional knowledge, recommendations for policy and lastly recommendations for practice in the study organization.

5.4.1 Theory Development Implications

This study found that the management of strategic change in KNH saw a considerable improvement in the satisfaction of the stakeholders. It also found out that the image of the hospital generally changed among the public and most institutions were willing to be associated with KNH. These findings are in line and support the Theories of Freeman and Mvea (2001) that views the interaction of the organization with the external environment as vital for its survival and success and Friedman (2006) that suggests depiction of stakeholder groups for the purpose of managing their interests and needs.

The study also found out that the change process faced under costing in various aspects. The cost of effecting the new organogram was generally underestimated and inadequate. The Heterogeneity of the productive services available from resource gives each firm unique character as seen in the Resource based view approach of bundling the organizations resources (Penrose, 1959). The findings contribute to the research interest in managing strategic change and add to the body of knowledge.

5.4.2 Policy Implications and Recommendations

From this study it is evident that the attitude is a major challenge in the public hospitals. The staff in the public hospitals view the service rendered to their clients as a favor and not a right. This is seen to hinder any change efforts in the hospitals that are geared toward improved performance in service provision and the satisfaction of the stakeholders.

The policy makers in the Health sector can use the results of this study to guide to draft and ensure enforcement of a recruitment policy that can bring on board staff that has certain personality characteristics through competitive recruitment other than recruitment by referrals. This will help change the attitude of employees in most public hospitals and ensure that their clients get value for their money.

5.4.3 Recommendation for Practice by Kenyatta National Hospital Management

Based on the findings the researcher recommends the is need for further sensitization of the staff to increase the understanding of the functionality of the new organogram focusing on decentralized and autonomous business divisions and the role that each staff plays in overall achievement of the strategic objectives.

The study also recommended that the KNH management invests more on teambuilding activities for their staff. This will help the KNH staff to understand that the activities that they are required to carry out within their departments are all geared towards helping the organization achieve its overall objectives. Failure by any of the staff to achieve their targets contributes to the overall shortfall in targets for the entire organization.

It is a recommendation by this study that KNH management emphasizes on formulation of a clear vision to steer the change and effectively communicate the change vision to all employees and other stakeholders explain how, why, when change is necessary and also let the consequences expected if the change is effected and the benefits to be derive from the change. This will help all stakeholders to walk together and sing the same song in the management of strategic change. It will also assist in dealing with the anxiety brought about by the fear of the unknown.

Stakeholder recognition and involvement in the change process is mandatory for the success of the management of strategic change in any organization. This gives the stakeholders a sense of ownership and the motivation of carrying this process to its success. It also instills a level of faith and confidence in the management that the change hence the promotion of assured of management support in terms of resources, time and effort in the change process thus the study recommends this to the KNH management.

The study recommends that the management of Kenyatta National Hospital should address the major challenges facing the management of strategic change and continuously evaluate the strategic change management initiatives being implemented in order to undertake the necessary correctional measures in the change process. This will help to avert any weakness of the strategic change management initiatives being implemented.

The study further recommends that the hospital management should fast track implementation of an integrated management information system that collects records, stores, processes and shares information in support of all operational functions. This will ensure that the Hospital has timely and reliable information for decision-making.

5.5 Limitations of the Study

The first limitation of the study was the choice of the study topic. The researcher realized that the study topic was quite wide and faced the challenge of where to draw the line. This was on both variables of the research namely ‘management of strategic change’ and ‘stakeholder satisfaction’. Secondly, the requirement by KNH that the research proposal be approved ethical and research unit of the hospital before collection of data caused a lot of delays and other costs to the data collection process. The third limitation was the non availability of the top management of KNH causing several rescheduling of the interview sessions thus causing a lot of delay in data collection.

Fourthly, the challenge of being unable to interview the customer who is the patient and the main external stakeholder of the hospital was also a limitation. The researcher therefore had to use secondary data on customer satisfaction. This data was not easily available hence delay in data collection.

The fifth limitation was the fact that the management of KNH did not grant permission to interview the employees who are the main internal stakeholders of the hospital and suggested the use of secondary data on employee satisfaction. This data was again not easily available and a mixture of internal reports and external reports had to be used. This may have compromised on accuracy and consistency.

5.6 Suggestion for Further Studies

This study investigated the management of strategic change and its effects on stakeholder satisfaction in KNH. The researcher suggests that further research is done on management of strategic change and stakeholder satisfaction in other organizations in the health care sector to comprehensively understand the models of change adopted by organizations in the same context and how they impacted on the satisfaction of the stakeholders.

The research also suggests for studies to be conducted on the challenges faced during the management of strategic change in the health sector and how these challenges can be overcome. It is the suggestion of the researcher that the same study be conducted in other industries to give the comparison and contradiction of the results. This would give a sufficient database of comparison between organizations in different sectors on management of strategic change and how it affects stakeholder satisfaction.

This chapter summarized the findings of the research, concluded the study and made recommendations. The researcher also cited the limitations of the study and made suggestion for further studies.

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APPENDICES

Appendix I: Management Interview Guide

1. How was the need for the strategic change established?
2. What were the expected consequences for not effecting the change at that time?
3. How was the formulation of the methodology of the change process done? How much close were the tasks monitored?
4. In your opinion were there underestimations or overestimations in terms of costs and effort?
5. Was there a vision driving the change process?
6. If so how clear and easy to perceive was it?
7. Was it comprehensible?
8. Did the organisation succeed in putting together a group willing to steer the change process?
9. How comfortably did the group sell the vision of the change to the rest of the organisation?
10. How did management empower the stakeholders for the change initiative?
11. How did the management of the hospital manage the workload of the change process?
12. a) Were there any short term goals to be achieved?
b) What were they?
13. Did the management analyse the short term goals?
14. Did they help to bring on board the reluctant stakeholders..?
15. How did the hospital manage to keep the rolling?
16. How was the change anchored into the organisation culture? What superior values or norms were planted during the process..? How did the management walk the talk..?

Appendix II: External Stakeholders Interview Guide (Suppliers)

1. How was the need for the strategic change established?
2. What were the expected consequences for not effecting the change at that time?
3. How was the formulation of the methodology of the change process done? Did you take part in the methodology formulation?
4. In your opinion were there underestimations or overestimations in terms of costs and effort?
5. Was there a vision driving the change process?
6. If so how clear and easy was it for the suppliers to perceive it?
7. Was it comprehensible? were you part of the group put together to steer the change process?
8. How comfortably did the group sell the vision of the change to the rest of the organisation?
9. Were you empowered empower the for the change initiative?
10. Were you invited to manage the workload of the change process? -
11. Were there any short term goals to be achieved?
12. What were they?
13. Were the short term goals analysed?
14. Did these short term goals help to bring on board the reluctant suppliers?
15. Do you think the hospital kept management of strategic change the rolling? --
16. How was the change anchored into the organisation culture? What superior values or norms were planted during the process..? How did the suppliers walk the talk..?

Appendix III: External Stakeholders Interview Guide (Donors/Partners)

1. How was the need for the strategic change established and communicated to you?
2. What were the expected consequences for not effecting the change at that time?
3. How was the formulation of the methodology of the change process done? Did you take part in the methodology formulation?
4. In your opinion were there underestimations or overestimations in terms of costs and effort?
5. Was there a vision driving the change process?
6. If so how clear and easy was it for the suppliers to perceive it?
7. Was it comprehensible? were you part of the group put together to steer the change process?
8. How comfortably did the group sell the vision of the change to the rest of the organisation?
9. Were you empowered empower the for the change initiative?
10. Were you invited to manage the workload of the change process?
11. Were there any short term goals to be achieved?
12. What were they?
13. Were the short term goals analysed?
14. Did these short term goals help to bring on board the reluctant suppliers?
15. Do you think the hospital kept management of strategic change rolling?
16. How was the change anchored into the organisation culture? What superior values or norms were planted during the process..?How did the suppliers walk the talk..?
17. What is the effect on service delivery and your ultimate satisfaction as a stakeholder of KNH during and after the change process?
18. On a scale of 1 to 5 how would you rate your satisfaction in dealing with KNH during and after the change process?