STRATEGIC CHANGE MANAGEMENT PRACTICES AT THE MALAWI ENTERPRISE DEVELOPMENT FUND

BY

ALICK KANGWANDA KALIMA

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

OCTOBER, 2015
DECLARATION

I, Alick Kangwanda Kalima hereby declare that this research project entitled **Strategic Change Management Practices at the Malawi Enterprise Development Fund** is my original work and has not been submitted in any other University or institution of higher learning for any academic award such as Certificate, Diploma or Degree.

Signature: ……………………………….. Date:……………………………

ALICK KANGWANDA KALIMA

REG. No.: D61/76940/2012

MBA PROGRAMME

SUPERVISOR’S APPROVAL

This research project prepared by Alick Kangwanda Kalima has been submitted to the School of Business with my approval as the university supervisor.

Signature………………………………….. Date…………………………

DR. JAMES GATHUNGU PhD, CPS (K)

DEPARTMENT OF BUSINESS ADMINISTRATION,

UNIVERSITY OF NAIROBI, SCHOOL OF BUSINESS.
DEDICATION

This MBA Project is dedicated to my mother Mrs Rita Kalima, my father Mr. Lufeyo Kalima my wife, Litness Kalima and children, Yankho, Wongani and Aubrey Kalima.
ACKNOWLEDGEMENTS

I sincerely thank God for the wisdom and good health throughout my study period at the University of Nairobi. Secondly, I am highly indebted to my supervisor; Dr. James Gathungu for his professional guidance without which this research project could not be a success. He played a crucial role in guiding me, tirelessly providing positive criticism and expert knowledge throughout the research project.

I also acknowledge with appreciation the support rendered by other lecturers and classmates throughout my study period at the University of Nairobi. It was an exciting moment in the journey of my life.

Lastly I am grateful to my Malawian friends in Kenya who rendered technical, moral and financial support during my stay in Kenya. Among others I have to mention Richard Manjanja, Leonard Ziodetsa, Justice Msopera, William Harawa, Rex Mlotha, Steve Makatchaya, Lindah Kabwila and the staff of the Malawi Embassy in Kenya.
# TABLE OF CONTENTS

DECLARATION........................................................................................................................................... ii

DEDICATION............................................................................................................................................... iii

ACKNOWLEDGEMENTS.................................................................................................................................. iv

TABLE OF CONTENTS................................................................................................................................. v

LIST OF TABLE............................................................................................................................................... viii

LIST OF ABBREVIATIONS AND ACRONYMS .......................................................................................... ix

ABSTRACT .................................................................................................................................................... x

CHAPTER ONE............................................................................................................................................... 1

INTRODUCTION............................................................................................................................................. 1

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

1.1.1 Strategic Change Management ........................................................................................................ 3

1.1.2 Microfinance Sector in Malawi ......................................................................................................... 4

1.1.3 The Malawi Enterprise Development Fund (MEDF) Limited ....................................................... 5

1.2 Research Problem ................................................................................................................................... 6

1.3 Objectives of the Study .......................................................................................................................... 8

1.4 Value of the Study ................................................................................................................................... 8

CHAPTER TWO............................................................................................................................................ 10

LITERATURE REVIEW .............................................................................................................................. 10

2.1 Introduction ............................................................................................................................................ 10

2.2 Theoretical Foundation of the Study .................................................................................................... 10

2.2.1 Environmental Dependence Theory ............................................................................................... 10

2.2.2 Competitive Advantage Theory ..................................................................................................... 11

2.3 Strategic Change Management Models ............................................................................................... 12

2.4 Strategic Change Management Practices ............................................................................................ 15

2.5 Challenges of Strategic Change Management ..................................................................................... 17
2.6 Summary of Knowledge Gaps ................................................................. 19

CHAPTER THREE ......................................................................................... 22

RESEARCH METHODOLOGY ......................................................................... 22

3.1 Introduction .................................................................................................. 22
3.2 Research Design ............................................................................................ 22
3.3 Data Collection .............................................................................................. 23
3.4 Data Analysis .................................................................................................. 23

CHAPTER FOUR .............................................................................................. 24

DATA ANALYSIS, FINDINGS AND DISCUSSION ........................................ 24

4.1 Introduction .................................................................................................. 24
4.2 Major Strategic Change Management Practices Adopted at MEDF .......... 24
4.3 Strategic Change Communication within MEDF ....................................... 25
4.4 Strategies put in Place to Manage and Spearhead the Change ............... 26
4.5 Celebrating/Rewarding Strategic Change Success at MEDF Ltd ...... 26
4.6 Change Adoption Methods at MEDF ............................................................ 27
4.7 Challenges of Managing Strategic Change at MEDF Ltd ....................... 27
4.8 Influences of Strategic Change Management ............................................. 28
4.9 Threats and Opportunities ........................................................................ 29
4.10 Discussion of Results ................................................................................... 30
4.11 Comparison with Theory ........................................................................... 32

CHAPTER FIVE ................................................................................................. 33

SUMMARY, CONCLUSION AND RECOMMENDATIONS ............................ 33

5.1 Introduction .................................................................................................. 33
5.2 Summary of the Study Findings ................................................................. 33
5.3 Conclusion of the Study ............................................................................... 34
5.4 Recommendations of the Study ................................................................. 35
5.6 Limitations of the Study .................................................................................................................. 37
5.7 Suggestions for Further Research ................................................................................................. 38

REFERENCES ........................................................................................................................................ 39

APPENDICES .......................................................................................................................................... i

Appendix i: Letter of Introduction .................................................................................................... i
Appendix ii: Interview Guide............................................................................................................... ii
Appendix iii: University of Nairobi Letter of Authorization to collect data.............................. iv
Appendix iv: Organisation Chart of Malawi Enterprise Development Fund............................... v
Appendix v: Map of Malawi Showing Location of MEDF Offices ............................................... vi
LIST OF TABLE

Table 1.1: Summary of Knowledge Gaps

19
# LIST OF ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ADKAR</td>
<td>Awareness Desire Knowledge Ability Reinforcement</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>GoM</td>
<td>Government of Malawi</td>
</tr>
<tr>
<td>MARDEF</td>
<td>Malawi Rural Development Fund</td>
</tr>
<tr>
<td>MEDF</td>
<td>Malawi Enterprise Development Fund</td>
</tr>
<tr>
<td>MK</td>
<td>Malawi Kwacha</td>
</tr>
<tr>
<td>MSB</td>
<td>Malawi Savings Bank</td>
</tr>
<tr>
<td>OD</td>
<td>Organizational Development</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
</tr>
</tbody>
</table>
ABSTRACT

Strategic Change Management demands that a firm responds to the ever-changing and turbulent external business environment in order to win competitive advantage over its competitors. This entails doing business unusual by introducing various changes in the organization. The aim of this research project was to establish strategic change management practices adopted at the Malawi Enterprise Development Fund (MEDF) and the challenges faced during the implementation of the change. The study employed case study approach and eight top and middle level managers were interviewed using a comprehensive interview guide. Data collected was qualitative in nature hence content analysis was used to analyze it and draw conclusions. The study established that MEDF used both planned and emergent approaches to change management. It was revealed that the organization changed its legal status and mandate by obtaining a license to operate as a non-deposit-taking or cooperative bank and computerized all its operating systems. The organization structure also changed at MEDF by introducing new positions such as that of Deputy Chief Executive Officer/Chief of Operations that never existed before. The study established that continuous effective communication, training of staff and top management support led to successful change at the institution. Stakeholders also rendered tremendous support throughout the entire change process and that change success is rewarded through promotions of concerned staff members. The study further revealed that major challenges encountered in managing change at MEDF include inadequate resources and resistance to change by various stakeholders including national treasury and some staff members. Political interference also emerged as one of the major impediments to smooth implementation of the change management process. The research concluded and recommended that during change management, there needs to be stakeholder involvement to ensure ownership and the change should be unique to the organization by building core competencies so that it wins competitive advantage over its competitors. MEDF should also strive to be a learning organization by continuously equipping its employees with requisite skills through training so that they are able to handle any obstacles as they emerge during the change management process. The study further recommends to MEDF to be aggressive in resource mobilization by submitting proposals to potential funders such as the World Bank in order to bankroll its operations as it embarks on a new path of doing business.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Any human organization is best understood as an open system. An organization is open because of its dependency on and continual interaction with the environment in which it resides (Van De Ven and Poole, 1995). There has been increased uncertainty of the future. The pace and scale of the change demanded of organizations have been enormous (Carnall, 2007). Demand for change remains high. Managers continue to strive for perfect change management practices, as many continue to report alarming failure rates. Firms, like organisms, must be “adept at adapting” or they will not survive (Carnall, 2007). Despite the difference in strategy framework all strategies have one thing in common which is that they all aim at maximizing the performance of a firm and by improving its position in relation to other organizations operating in the same competitive environment.

Thompson (1997) argues that strategic change arises out of the need for organizations to exploit existing or emerging opportunities and deal with threats in the market. Strategic management decisions have complex implications in the operations of the firm; as a result micro financial institutions are putting more emphasis and resources in coming up with strategic change decisions which are aimed at taking advantage of opportunities in the industry while at the same time remaining competitive. However, despite the best efforts of the firms in developing strategic change plans aimed at improving their competitiveness it is increasingly becoming clear that some of the change management practices and strategies adopted by the firms are contributing towards failure of the firms to quickly take advantage of the opportunities that arise thus rendering the firms uncompetitive. French and Bell (1978) view change as a long-range effort to improve an organization’s problem solving and renewal
processes, particularly through a more effective and collaborative management of organization culture, with emphasis on the culture of formal work-teams. Some of the theories that form the foundation of strategic change management include Environmental Dependence Theory and Porter’s Competitive Advantage Theory.

According to Kondalkar (2010), “Organizations must carefully observe the environment and incorporate suitable changes the situation demands”. The external environment is literally the big wide world in which the organizations operate. Whatever the nature of their business, firms or organizations do not and cannot exist in isolation from the other organizations or individuals around them - be they customers, competitors, employees or suppliers. On the other hand, Porter (1980) points out that the key aspect of the firm’s environment is the industry or industries in which it operates. He argues that the intensity of competition in an industry is neither a matter of coincidence or bad luck, but more a question of how that industry is structured. He then proceeds to analyze the structure of an industry in terms of five basic forces, which are threat of new entrants, threat of substitutes, bargaining power of the buyers and that of the suppliers and rivalry among current competitors.

The Malawian business environment has been undergoing a number of changes that have affected the manner in which organizations operate. These environmental factors are legal, social, economic and political in nature. The micro finance sector has not been spared. For instance the Malawi Parliament just passed the Microfinance and Financial Cooperatives Bill into law creating an enabling environment in the finance sector and microfinance industry in particular. As a result of this positive development, a lot of microfinance institutions have sprouted on the money market creating competition.
1.1.1 Strategic Change Management

According to Thompson et al. (2006), strategy is defined as an organization’s management game plan for growing the business, staking out a market position, attracting and pleasing customers, competing successfully, conducting operations, and achieving its targeted objectives. Johnson and Scholes (2002) concur that, strategic decisions are normally about trying to achieve some advantage for the organization over competition. Strategic management is all about identifying and embedding in the organization those changes that will ensure the long-term survival in the organization. Globalization of the world economies has resulted in high environmental unpredictability. Environmental changes such as advancement in information technological innovations, political, social and consumer behavior have affected many organizations and they are being forced to enhance their business processes in order to survive in an environment which has become very competitive. All these coupled with the general ability to replicate both ‘hard’ and ‘soft’ innovations within ever diminishing time scales, places the creative and effective management of change well towards the top of the core competences required by any organization (Paton & McLaughlin, 2008).

Organizations are undertaking strategic changes in order to align their business strategies to the environment and match the resources and activities of an organization to that of the environment. According to Davis & Holland (2002), Strategic Change Management exists in two basic forms: planned strategic change management and emergent strategic change management. While planned change is proactive and consciously planned by management, emergent strategic change management is concerned with the ever-changing, unpredictable business environment. It is open ended and constantly keeps on aligning the firm with its turbulent external environment. This type of strategic change management basically matches
its internal capabilities with its environment. It is also very important to recognize that fundamental to the success of organizational change is the acceptance of the change by employees. Strategy implementation does not automatically follow strategy formulation as there is almost always resistance to any change.

1.1.2 Microfinance Sector in Malawi

Microfinance institutions provide a bridge between formal and informal financial markets in most developing economies by using innovative ways of delivering financial services to the poor. The innovations in the credit market introduced by the microfinance institutions include simpler delivery mechanisms and forms of collateral or non-collateral, the concept of peer group lending and joint liability, the promise of ongoing and increasing access to credit for borrowers who repay in time (repeat loans). Most institutions offer credit at highly subsidized interest rates, although in exceptional cases they match those of the informal markets (Chirwa, 2002).

The objective of micro credit programs basically is to ease the credit constraints of households or to provide them with capital to invest in an activity thereby increasing their income and consumption. Microfinance has become an important instrument for poverty alleviation in developing countries including Malawi. According to Khandker, 1998 as quoted by Chirwa, 2002, in many developing economies, lack of savings and capital make it difficult for many poor people to engage in self-employment and undertake productive employment-generating activities. The widely held argument in the development economics literature is that formal credit markets tend to fail the poor due to the collateral requirements that the poor cannot satisfy and due to the belief that the incentives to repay for the poor are limited given the associated asymmetric information and high monitoring costs of micro individual borrowers (Hulme and Mosley, 1996, Ray 1998).
Often the poor rely on informal financial markets such as moneylenders and rotating savings and credit associations that have simpler terms of credit. However, the high cost of credit from the informal sector implies that the poor cannot gainfully invest in productive income-increasing activities. Interest charged by moneylenders in developing countries is several times higher than those in the formal financial market. For instance, Chipeta and Mkandawire (1991) observe that interest rates in the informal financial market in Malawi range from 300 to 1200 percent per annum, much higher than interest rates in the formal financial sector. In Malawi, the Parliament recently passed Microfinance and Financial Cooperatives Bills into laws. These Acts are the major legislative instruments that will regulate the microfinance and financial cooperatives industry. In addition to passing the Bills, the Government has initiated the Malawi National Strategy for Financial Inclusion (2010-2014). The National Strategy is a long-term plan designed to facilitate the development of financial inclusion in Malawi.

1.1.3 The Malawi Enterprise Development Fund (MEDF) Limited

The Malawi Enterprise Development Fund (MEDF) Limited, formerly known as Malawi Rural Development Fund (MARDEF) was established by the Government of the Republic of Malawi with the approval of Parliament. It was launched by His Excellency the President, Ngwazi Prof. Bingu wa Mutharika on 29th January, 2005. After some strategic change processes at MARDEF, MEDF was established on February 5, 2014 under the Companies Act (Cap.46:03) (MARDEF Draft Strategic Plan 2009/10-2011/12). The objective of the Fund is to assist those Malawians who wish to set up small businesses in the country by providing them with financial resources as start-up capital or for expanding old businesses. The principal business of the Fund is thus the provision of access to loan capital to the rural poor Malawians who wish to set up or expand small businesses.
The Fund, which is of a revolving nature, particularly targets women, the youth and the disabled as the main potential beneficiaries. The Fund was designed to achieve wide outreach in all the three regions of Malawi to ensure equitable distribution of resources across all the 193 constituencies in the country based on population. The Fund’s authorized operating capital was put at Five Billion Malawi Kwacha (One Billion Kenyan Shillings) and Malawi Savings Bank (MSB) was appointed as the Fund Manager and banker. It has a Board of Directors and a Secretariat with four Regional or Divisional Offices across the country.

1.2 Research Problem

There are different types of change which can be applied to different organizations with respect to the situation and problem that they are facing at the time. Cummings & Worley (2009) indicate that change can vary in complexity, from the introduction of relatively simple process into a small work group to transforming the strategies and design features of the whole organization, and implementing organizational change generally requires additional financial and human resources; particularly if the organization continues day to day operations while trying to change itself. Academicians and practitioners agree that change is a constant feature in organizations that would like to survive in their respective industry. It is adaptive in the way it occurs, with only occasional more transformational changes. It is beneficial for change to be incremental since such change should build on the skills, routines and beliefs of those in the organizations. The members of staff, just like management, are also likely to understand the change and be committed to it (Johnson, Scholes, Whittington, 2008).

The aim of Malawi government is to help its people improve their living standards. To this end, MEDF was established on February 5, 2014 under the Companies Act (Cap.46:03). MEDF which was formerly known as Malawi Rural Development Fund (MARDEF) has largely managed to achieve that through credit provision to its clientele. However, there have
been challenges that have faced the program since its inception especially loan defaulting which may make the program unable to run smoothly. There is need, therefore to understand the underlying factors affecting the loan beneficiaries including business performance, socio-economic factors, political interference, repayment infrastructure and follow-up measures as well as disbursement levels, and find ways in which the management systems can be changed so as to achieve the intended objectives of MEDF Limited.

Previous studies by Chipeta (1991) and Chirwa (2002) focused much on the macroeconomic and informal sector and were published before important legislation was enacted by the Malawi Parliament. The Malawi Parliament recently passed Microfinance and Financial Cooperatives Bills into laws. These Acts are the major legislative instruments that will regulate the microfinance and financial cooperatives industry. In addition, to passing the Bills, the Government has initiated the Malawi National Strategy for Financial Inclusion (2010 – 2014). The national strategy is a long-term plan designed to facilitate the development of financial inclusion in Malawi. In Kenya and elsewhere, Bita, (2011) studied strategic change management practices in and performance at national Bank of Kenya Limited. Moseti (2013) studied strategic change management in the Youth Enterprise Development Fund of Kenya. Makau (2013) studied management of strategic change in international organizations in Kenya. Muema (2013) studied the challenges of change management at Safaricom Limited. Moseti, (2013) conducted a study on strategic change management and service delivery at the Cooperative Bank of Kenya. Msenya (2012) studied management of strategic change at Kenya Institute of Education. None of the above studies seem to have undertaken a similar case as my study and hence the research gap. The study, therefore sought to answer the following question: what strategic change management practices have been adopted by MEDF to respond to the changing environment?
1.3 Objectives of the Study

The study had two objectives, as follows:

i. To establish strategic change management practices adopted by the Malawi Enterprise Development Fund (MEDF)

ii. To determine the challenges faced by the Malawi Enterprise Development Fund in managing the strategic change.

1.4 Value of the Study

The study will form a basis for other researchers and academicians for further research and generate knowledge in the area of strategic change management. An organization as an open system interacts with the environment and is composed of a number of interconnected subsystems (Scott, 1987). This study seeks to show that any change to one part of the system will have an impact on other parts of the system and in turn on its overall performance. It also forms a basis for other related studies in that, other similar studies can be carried out be in different institutions operating within the business sector in Malawi or elsewhere.

The findings of this study will help the Government of Malawi (GoM) and policy makers ensure that the set objectives of MEDF are effectively and efficiently met. MEDF is funded by taxpayers’ money and therefore the resources should be put to good use for the benefit of all Malawian citizenry. As the fund strives to become a limited company, policy makers ought to know how to transform it so that it competes favorably in the money market. Furthermore, the Malawi Government has embarked on Civil Service Reforms Program with an aim of transforming the whole system so that it is more effective and efficient, hence the Civil Service Reforms Commission (CSRC) can borrow a leaf or two on best practices at MEDF Limited.
To the management of MEDF and other practitioners, this study has made necessary recommendations on how to manage the change and challenges that the institution faces so as to deliver effective and efficient services to the people of Malawi. The recommendations made in this study will assist MEDF management make informed choices over which strategies they should adopt and therefore ensure sustainable and relevant fund that is focused on the development needs of Malawi.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter presents the theoretical foundation of the study, thus the information and arguments from other researchers and scholars who have carried out their studies in the field of strategic change management. It takes us through the Environmental Dependence Theory, Porter’s Competitive Advantage Theory, various Models of Strategic Change Management, Strategic Change Management Practices and Challenges faced in managing Strategic Change in organizations.

2.2 Theoretical Foundation of the Study

This study is mainly founded on two theories, thus Environmental Dependence Theory and Porter’s Competitive Advantage Theory. These two theories are preferred to others because strategic change generally implies responding to the turbulent business environment hence winning competitive advantage over competitors.

2.2.1 Environmental Dependence Theory

It seems hard to find a lesser used motto for saying that there is nothing constant except change. The notion that change is ambiguous and something to prepare for stands in sharp contrast to our abilities to observe, understand and manage change in organizations. Daft (2010) suggests that managers can focus on four types of change within organizations to achieve strategic advantage, which include technology, products and services, strategy and structure and culture. To succeed in dynamic and active circumstances, organizations need realignment and increasing of technical, political and cultural systems. Managers have three basic tools with which to achieve these tasks as indicated by Tichy (1983); mission and strategy, organizational structure and human resources management. When an organization
defines its purpose and goal and also has the main setting goal rising action strategies and everything that refer to managerial processing require mission and strategy tools. Organization structure refers to the way in which tasks are centralized and the way that employees are in step to overcome tasks and process that utilize the structure of work. All the program of training employees, performance assessment and setting prize and financial rewards for them are passing on to human resources management tools (O’shea & Connolly, 2004).

Kondalkar (2010) indicates that an organization is an open system that has to interact with environment and is solely dependent on it, as any change in the environment makes it necessary for the organization to incorporate change in internal systems, sub-systems and processes. He continues to suggest that change can be brought about by external forces such as political, economic and social cultural and internal factors that involve change of processes to align themselves with the external forces. This study will look at the social, economic and legal factors that necessitated strategic change at MEDF.

2.2.2 Competitive Advantage Theory

In practice all organizations are in competition in one form or another. Porter (1980) points out that the key aspect of the firm’s environment is the industry or industries in which it operates. He argues that the intensity of competition in an industry is neither a matter of coincidence or bad luck, but more a question of how that industry is structured. He then proceeds to analyze the structure of an industry in terms of five basic forces, which are threat of new entrants, threat of substitutes, bargaining power of the buyers and that of the suppliers and rivalry among current competitors. Porter’s Model is now used by many organizations in their strategy formulation and especially in their assessment of strengths and weaknesses. Most organizations compete through price where goods and services of a comparable quality
are offered at a lower price. Firms also compete by means of lower costs, where comparable goods or services are produced with lower unit costs, thus offering the competitor the prospect of higher margins on competitive prices, and putting them in the position of being able to lower prices. Porter (1985) insists that satisfying buyer needs may be prerequisite for industry profitability, but in itself it is insufficient. This study strived to establish which forces played a role in the choice of strategic changes adopted by MEDF Limited.

2.3 Strategic Change Management Models

There are two main approaches to strategic management development. These are the prescriptive approach and the emergent approach. A prescriptive strategy is one whose objective has been defined in advance and whose main elements have been developed before the strategy commences. It views organizational change as a process of moving from one fixed state to another through a series of preplanned steps. The emergent approach on the other hand, has been argued to be one in which strategic change management emerges, adapts to human needs and continues to develop over time. It views change as a continuous, open ended and unpredictable process of aligning and realigning the organization to its changing environment. It recognizes the need for organizations to align their internal practices to the external conditions. An emergent strategy is the one whose final objective is unclear and whose elements are developed during the course of its life, as the strategy proceeds. Todnem (2005) suggests that this approach is more focused on “change readiness and facilitating for change” than for proving specific pre-planned steps for each change project and initiative. The various models of managing strategic change fronted by various theories all aim at describing the process through which organizations successfully alter their business practices, their organizational structure, or their organizational climate.
Burnes (2004) argues that though most experts would claim some sort of universal applicability for their favored approach or theory, the reality is that such approaches are developed in particular circumstances, at particular times, often with particular types of organizations in mind. Kurt Lewin’s model of planned change is one of the cornerstone models for understanding organizational change. According to him, resistance to change could be overcome on an enduring basis by systematically planning and implementing the process of change. The three step model was adopted for many years as the dominant framework for understanding the process of organizational change (Todnem, 2005). The first step of the model involves unfreezing the present level of behavior. It involves the loosening of emotional links with the status quo, including old work methods and practices. It leads to unlearning of old things to learning new ones. Unfreezing is achieved by increasing the driving forces that direct behavior away from the existing equilibrium.

Robins (2003) purports that activities like motivation in preparation for change, building trust and recognition for the need to change and actively participating in recognizing problems and brainstorming solutions within a group can assist in unfreezing. The second step in Lewin’s model is taking action to change the organization’s social system from its original level of behavior or operation to a new level. Employees will be persuaded to be receptive to change, change will then be introduced to them in a systematic manner and are guided and helped to learn new techniques in the proposed change. Through this, individuals are able to internalize new patterns of behavior, though force may be used in extreme cases. The final step involves refreezing and takes place immediately change has been implemented to ensure change sustainability over a long time. Individuals may revert to old ways if this is not done. Change is stabilized if rewards and reinforcements are provided for desired behavior. Refreezing involves reinforcing new patterns and institutionalizing them through formal and informal
mechanisms including policies and procedures, establishing feedback systems, ensure leadership support and provide support and training in anchoring and adapting to new changes (Robbins 2003).

Kotter (1996) outlines his eight step change model with suggestions to help organizations transform. These steps include increasing urgency to inspire people to move and make objectives real and relevant, building the guiding team, getting the vision right, communicating for buy-in, empowering action, creating short-term wins, never letting through fostering and encouraging determination and persistence, and finally institutionalizing new approaches through making any changes stick. This study sought to establish if any of these steps or actions were employed or adopted at MEDF Limited.

Perhaps one cannot successfully carry out a research study on strategic change management without referring to the ADKAR model by Prosci (1998) which is founded on the idea that it is people who change and not organizations. Successful change occurs when individual change matches the stages of organizational change. According to the ADKAR model, for successful change to occur at the individual level, people need to move through each of these stages; Awareness of the need for change, Desire to make the change happen, Knowledge about how to change, Ability to implement new skills and behaviors and Reinforcement to keep the changes once they have been put in place. For organizational change to be successful, these individual changes need to progress at or close to the same rate of progress through the business dimension of change. This study sought to establish if there was any buy in or consultation with employees in managing changes at MEDF Limited.
2.4 Strategic Change Management Practices

The strategic change management process means defining the organization’s strategy. It is also defined as the process by which managers make a choice of a set of strategies for the organization that will enable it to achieve better performance. Strategic management is a continuous process that appraises the business and industries in which the organization is involved; appraises its competitors; and fixes goals to meet the entire present and future competitors and then reassesses each strategy. To keep up with the fast-changing global business environment, organizations have to reshape their ideas. Johnson et al (2008) argue that designing a structure and putting in place resources will not ensure that people will make a strategy happen. Managers have reported that the problem in managing change is inertia and resistance to the said change. Nilakant and Ramnarayan (2009) discussed three ideas that will influence individuals to participate in the change process. They argue that organizational change is most successful when most people in the organization take charge of the change process. Participation, involvement and ownership are critical to effective change. Similarly, organizational change is both cultural and political and will involve influencing, inducing, negotiating, persuading and winning people over to the change idea. Effective communication strategies are also critical to mobilizing support towards the change idea.

According to Johnson et al (2008), there are various styles to change management, depending on an individual organization. Coercion style involves imposing of change ideas or issuing of edicts about change. It involves the explicit use of power to enforce the strategic change. This style is necessary if the organization is facing a crisis or is in dire need of rapid transformational change. According to Bowman and Asch (1987), power strategies are used where change must be implemented quickly and few resources are available. This style of organizational change is possible where the implementers of the change strategy possess some
form of power over other players in the organization. Burnes (2004), states that coercive power is the prerogative of those in power. Junior members may control or hold back information that enables them exert knowledge power. Selective and biased use of information is effective in gaining willing compliance and cooperation from those it is directed at. However, it should be noted that coercive power can be detrimental to management of strategic change. Collaboration or participation is a style employed to increase ownership of a decision and change process, as well as commitment. Those affected by change are involved in identifying strategic issues, setting the strategic agenda, the strategic decision making process or planning of the strategic change. This style leads to better quality of decisions and consequently avoids resistance to the change.

Axelrod (2000) designed four approaches to strategic change management. These are the leader driven, process driven, team driven and management driven approaches to strategic change. The leader driven approach will apply to small and medium sized organizations, where the leader posses all the knowledge and information about the organization in its entirety. It is usually directive and non-participative. The team driven approach to change is applicable to large firms with skilled and educated employees. This approach has highly participative change efforts that seek to empower employees and provide them with involvement, participation and ownership of the change. According to Axelrod, the change management approach is a combination of expert driven and team driven approaches. The former provides a business and technical focus to change, while the latter generates ownership, involvement and commitment. This is the approach to change that most organizations use today. Axelrod’s shortcoming to this is that instead of involvement and commitment, this approach breeds pessimism, bureaucracy and resistance.
To manage change successfully, organizations need to be skillful in managing transitions. Goodstein and Burke (1991) assert that the process of change management deals with aligning people, resources and cultures, with a shift in organizational direction. During these transitions, many organizations usually encounter many problems that cause delays and additional costs, therefore affecting implementation of the desired changes. One of the biggest challenges faced by firms going through changes is posed by resistance to change (Bovey and Hede, 2001). Strategy implementation is the translation of chosen strategy into organizational action so as to achieve strategic goals and objectives. Strategy implementation is also defined as the manner in which an organization should develop, utilize and amalgamate organizational structure, control systems and culture to follow strategies that lead to competitive advantage and better performance. According to Porter (1980), organizational structure allocates special value developing tasks and roles to the employees and states how these tasks and roles can be correlated so as to maximize efficiency, quality and customer satisfaction—the pillars of competitive advantage.

2.5 Challenges of Strategic Change Management

Fundamental to the success of organizational change is the acceptance of the change by employees. Strategy implementation does not automatically follow strategy formulation as there is almost always resistance to any change. Resistance to culture, leadership, teamwork and stakeholder politics have been identified as factors influencing management of change in an organization. Ansoff (1990) argues that resistance to change is a multi-faceted phenomenon that introduces delays, additional costs and instability into the change process. Resistance may be systemic or behavioral where systemic resistance is caused by among other factors, organizational design, culture, resource limitations, fixed investments and inter-organizational agreements. Systemic resistance originates from passive incompetence in managerial capacity to carry out the change. The capacity required to implement change is
normally more than the existing capacity. Management requires planning and should develop the required capability by integrating management development into the change process and stretching the implementation period as long as possible. Behavioral resistance is exhibited by individuals, managers or coalitions and power centers within the organization due to parochial self-interests, misunderstandings and lack of trust or low tolerance to change. According to Johnson et al. (2008), leadership must drive the process of change to alter the employees’ perception and bring about revised personal impacts.

Kotter and Schlesinger (1979) proposed a more emergent view to tackling employee resistance, stating that the circumstances of the change and the content of the change itself will vary largely between organizations and that this should determine the appropriate response. Rowe et al (1994) argue that team approach to change implementation removes artificial organizational barriers and encourages openness. Teams that are cohesive, those that interact cooperatively with members possessing compatible personality characteristics and that are operating under mild to moderate pressure, are most effective. Kanter et al (1992) argue that the first step to implementing change is coalition building which involves those whose involvement really matters. Stakeholders must support any change program for it to see the light of day. This is because many stakeholders are individuals or groups with different interests and power in the organization, hence in case of a change, stakeholders politics sets in. This study sought to establish the role of management and the extent to which employees were consulted in the adoption and management of change at MEDF.
2.6 Summary of Knowledge Gaps

The following table shows a summary of similar studies that were carried out by various scholars in Malawi, Kenya and elsewhere in the field of strategic change management. It presents the type of study, its focus, the methodology used to collect data, study findings and knowledge gaps in relation to the current study.

**Table 2.1: Summary of Knowledge Gaps**

<table>
<thead>
<tr>
<th>Study</th>
<th>Objective/Focus</th>
<th>Methodology</th>
<th>Findings</th>
<th>Knowledge Gaps</th>
<th>Current Study Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nyachi</td>
<td>Effect of Strategic Change Management on Performance at the National Bank of Kenya (Limited)</td>
<td>Case Study</td>
<td>Planned change and strong leadership lead to successful change in an organization</td>
<td>Focused on the banking industry which is highly competitive in Kenya</td>
<td>Microfinance industry and based in Malawi</td>
</tr>
<tr>
<td>Kariuki</td>
<td>Strategic Change Management Practices and Service Delivery at Co-operative Bank of Kenya</td>
<td>Case Study</td>
<td>Establishment of Key Stakeholder Wide Groups (Teams) is key in managing change.</td>
<td>Focused on the banking industry which is highly competitive in Kenya</td>
<td>Study focuses on one microfinance institution and its management practices</td>
</tr>
<tr>
<td>Moseti</td>
<td>Strategic Change Management Practices and challenges at the Youth Enterprise Development Fund of Kenya</td>
<td>Case Study</td>
<td>Team work and rigorous consultation s with members of staff is key to successful change management. Poor leadership can lead to unsuccessful change.</td>
<td>Limited study to a non-profit making organization.</td>
<td>Deals with the microfinance institution which is profit making in nature.</td>
</tr>
<tr>
<td>Makau</td>
<td>Strategic Change Management Practices in International</td>
<td>Cross Sectional Survey</td>
<td>Planned change is easier to manage that</td>
<td>Restricted study to international NGOs</td>
<td>Focus on microfinance and profit making</td>
</tr>
<tr>
<td>Author (Year)</td>
<td>Title</td>
<td>Method</td>
<td>Summary</td>
<td>Institution/Study Focus</td>
<td></td>
</tr>
<tr>
<td>--------------------</td>
<td>------------------------------------------------------------------------</td>
<td>--------------</td>
<td>-------------------------------------------------------------------------</td>
<td>-----------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Chirwa (2002)</td>
<td>Microfinance and Poverty Reduction in Malawi</td>
<td>Cross Sectional Survey</td>
<td>Microfinance institutions have a major role in poverty reduction more especially among vulnerable</td>
<td>Studied the whole microfinance industry</td>
<td></td>
</tr>
<tr>
<td>Muema (2013)</td>
<td>Strategic Change Management Practices at Safaricom Limited</td>
<td>Case Study</td>
<td>Excellent communication is vital before, during and after change is introduced in an organization. Celebrating change also encourages the members of staff to adopt change fast.</td>
<td>Study focused on one microfinance institution and its management practices and challenges</td>
<td></td>
</tr>
<tr>
<td>Msenya (2012)</td>
<td>Strategic Change Management Practices challenges at Kenya Institute of Institute of Education</td>
<td>Case Study</td>
<td>Digitization of the curriculum encourages e-learning. Despite planned approach to change, management should also anticipate emergent or unplanned change in organization</td>
<td>Study restricted to one government organization which is non-profit making</td>
<td></td>
</tr>
</tbody>
</table>
groups such as women, the youth and ultra poor.

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Methodology</th>
<th>Focus</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chipeta (1991)</td>
<td>Informal Finance Sector and Macroeconomic Adjustment in Malawi</td>
<td>Cross Sectional Survey</td>
<td>The informal sector has a crucial role to play in the overall economy of a country</td>
<td>Study focuses on the informal sector and its effect on the entire economy</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Study focuses on one microfinance institution and its management practices and challenges</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher 2015
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, which is the type of research that was conducted; data collection that explains the nature of data that was collected; data collection instruments and procedures of administering them and how the data was analyzed in order to generate research findings for reporting.

3.2 Research Design

This research was based on a case study as it sought to study the strategic change management practices adopted by the Malawi Enterprise Development Fund as the organization responds to the changes in the socio-economic and political environments in Malawi. All data gathered was therefore related to this organization. A case study is a qualitative study that has been narrowed down to a specific unit but is comprehensive enough to give representative information for similar units operating in the same environment. Young (1960) defined a case study as a comprehensive study of a social unit, be it that unit is a person, group, social institution, district or a community. Mugenda and Mugenda (1999) argue that a case study is an in-depth examination of an institution. It is a method of study that drills down, rather than casts wide; it emphasizes on depth rather than breadth.

The use of a case study in research is of particular importance taking into account the advantages that come along with it. It is the easiest form of research, free from material bias, therefore enabling the researcher to intensively study a particular unit. Owing to its focus on detail, this research design was considered the most appropriate for the study in question as it had the ability to reveal the aspects through which change management practices could enable
Malawi Enterprise Development Fund be relevant to the people of Malawi as a government institution while at the same time competitive in the micro finance sector.

3.3 Data Collection

The case study approach typically combines data collection methods such as archives, interviews, questionnaires, and observation (Yin 1989). This triangulated methodology provides stronger substantiation of constructs and hypotheses. However, the choice of data collection methods is also subject to constraints in time, financial resources and access. The study relied heavily on both primary and secondary data. Primary data was collected by use of an interview guide (appendix ii).

The interview guide was administered to the three senior managers who were sampled from the MEDF employees at different levels. The said managers were; Chief Executive Officer (CEO), Operations Manager, Finance and Administration Manager and Regional Manager for the Centre. On the other hand, secondary data will comprised of information from the institution’s internal memos and circulars, strategic plan, credit policy, reports, newsletters and workshop presentations.

3.4 Data Analysis

Data collected was qualitative in nature, and therefore content analysis was employed as its preferred method of data analysis. Content analysis makes general statements on how categories of themes of data are relayed. Content method of data analysis categorized phrases and statements from respondents and used them to describe the logical structure and pattern of expression which consequently helped ascertain any association, correction, denotations and other interpretations. Mugenda and Mugenda (1999) argue that using qualitative methods, researchers are able to collect data and explain phenomenon deeply and exhaustively.
CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the results, interpretation and discussion of the study findings as established from the face-to-face interviews with top and middle level employees at the Malawi Enterprise Development Fund Ltd. In total, eight respondents were interviewed including the Chief Executive Officer, Finance and Administration Officer, Operations Manager and Regional Managers. Both primary and secondary data were collected by the researcher. The qualitative data was subjected to content analysis and the researcher made inferences from the views of the respondents in order to come up with this report. This chapter also explains the findings in comparison with relevant literature as established by other authors in the same field of study.

4.2 Major Strategic Change Management Practices Adopted at MEDF

The first objective of this study was to establish the strategic change management practices that were adopted by the Malawi Enterprise Development Fund Limited. When the interviewees were asked what major strategic change occurred and what informed the need for organizational change at the fund, it was revealed that the fund was experiencing a decline in performance due to various internal and external factors such as rigid operational guidelines, fixed interest rates, lack of formal legal status and rapid developments in the environment, among which are socio-economic, political and technological changes. Another driver of change at MEDF is the fact that Malawi Government has embarked on Civil Service Reforms with an overall objective of reviving the civil service so as to deliver quality public services in an effective and efficient way. As such, MEDF wanted to be in tandem with recent trends in Malawi by embarking on reforms. The interviewees revealed that the prevailing scenario prompted the top management to check on the business areas that needed to be
changed and also on how to embark on the journey to recovery and sustainability. Following this development, in February 2014, the then Malawi Rural Development Fund (MARDEF) was registered as a company limited by guarantee and the name of the institution was changed to Malawi Enterprise Development Fund (MEDF) Limited.

Change in the name was a major leap towards independence; a move towards privatization, adopting a co-operative or strategic partnership model enabling MEDF to acquire a status or license as a non-deposit-taking Micro Finance Institution with new product lines and flexible interest rates. Among others, the new products that were introduced included youth loans, individual SME loans, agriculture or farm input loans, civil servants economic empowerment loans and motorcycle loans. This also allowed the institution to put in place more strict assessment criteria and security requirements for potential loan beneficiaries. Another major change was the computerization and digitalization of all the departments to facilitate speedy operations. Management also facilitated the formulation of a new five-year strategic plan in which a new vision and mission are stipulated reflecting the new focus from the rural poor to cover the whole country with very little if any dependence on government funding to ensure sustainability of its services. Also defined in the strategic plan are the operations, sources of funds, new targets and sustainability mechanisms.

4.3 Strategic Change Communication within MEDF

The study sought how the strategic change was communicated within the organization and all respondents unanimously agreed that excellent communication is crucial and should be upheld before, during and after introducing any change. In support of this the respondents indicated that there was communication through staff meetings, regional workshops, internal memos, newsletters, stakeholder meetings, board meetings and announcements. Through these forums major issues were communicated and feedback was provided to management.
This in turn has helped to eliminate suspicion, different versions, and mistrust which are common during change. Asked about the role of communication, the respondents mentioned the following: it enables early awareness of change, it enables early preparations-resourcing, structure change, relocations, acquisition of requisite infrastructure, collaboration between the stakeholders as well as eliminating resistance to change, making the employees part of the change from the very beginning.

### 4.4 Strategies put in Place to Manage and Spearhead the Change

The respondents were asked what strategies were put in place to manage and sustain the change and if any structures were modified to fit the change management process. In response it was established that staff at both middle and senior levels were exposed to local and internationally acclaimed microfinance trainings at reputable institutions such as Harvard Business School, Boulder in Italy and African School of Microfinance.

It was also learnt that in a bid to increase efficiency and effectiveness, all offices are computerized and systems digitalized. For instance, a loan tracking system is in place, the accounting and human resource management systems are fully computerized and operational support structures for delivery of loan services have been instituted in all districts in the country. In addition a functional review was conducted with a help of a consultant and as a result a job evaluation necessitated creation of new positions such as that of Deputy Chief Executive Officer or Chief of Operations.

### 4.5 Celebrating/Rewarding Strategic Change Success at MEDF Ltd

Individual and group recognition is a necessary component of change management in order to cement and reinforce the change in the organization. The respondents were therefore asked whether strategic change success is celebrated and rewarded at MEDF and how this is done. They agreed that strategic change management is recognized and celebrated to some extent in
MEDF. This is done through good recommendations, promotions and renewal of contracts. Those that do not conform to change have their contracts terminated. For instance it was learnt that one regional manager and senior loans manager had their contracts terminated because of their mediocre performance. However some departments were of the opinion that only senior managers take the credit and therefore the rewards.

4.6 Change Adoption Methods at MEDF

The respondents were further asked to state the methods that are used to ensure change is adopted by all in MEDF Ltd. From the findings, restructuring, demotions, further trainings, periodic evaluations with a view to find need to increase momentum, comparisons with other better similar establishments, change in reward systems to tie rewards with performance were cited as the change adoption methods.

It was learnt that a consultant was engaged to facilitate the formulation of relevant documents such as Credit Policy and Strategic Plan which clearly stipulate each staff member’s job description. Periodic regional meetings are also conducted to ensure that each member of staff understands and accepts the new way of doing business.

4.7 Challenges of Managing Strategic Change at MEDF Ltd.

The respondents were also asked to point out the challenges faced in the process of the strategic change management. Inadequate financial and human resources for operations, time allocated for the change, restrictive operational guidelines, low interest rates, high demand due to new products, low loan recovery rate, resistance to change and political interference were amongst the challenges mentioned. In addition the respondents said that some changes heavily rely on external consultants who fail to understand the intended change, others get it right but deliver late, others leave change midway. Mostly changes are anchored on corporate strategy which, in this case was still under formulation. In some cases there was a degree of
fear and anxiety during change due to mistrust and this delayed buy in of the proposed change. On political interference, it was learnt that in the first place some products in the fund such as the much touted Youth Enterprise Development Fund (YEDF) was launched on a political podium and politicians in the ruling party had an upper hand in identifying potential beneficiaries and in which geographical area to concentrate the operations of the fund. It was also noted that influential politicians were threatening professional workers at the secretariat, regional and district offices of dismissal if they do not take instructions from ‘above’.

The study found out that just like in any other organization, resistance to change is an issue at MEDF. Asked on how the resistance to change was handled, the respondents said that timely communication and training was the answer. The members would know quite long in advance about an emergent issue and so no one was taken by surprise when the change came. This was made possible through regional seminars or workshops which were attended by every member of staff before any major change took place especially to those directly involved. Several training sessions were organized and consultants invited to pass necessary information in preparation for the change.

4.8 Influences of Strategic Change Management

Asked who influences change at MEDF Ltd and the kind of change it is, the respondents said that change is mostly influenced by top leadership (management and the board), but has other times been influenced by market demands, competition, and industry or government regulators, such as the Reserve Bank of Malawi in its capacity as the Registrar of Financial Institutions. Global trends have also influenced change in MEDF Ltd. Other stake holders like Parliamentary Committee on Budget and Finance, Ministry of Finance and Ministry of Youth Development and Sports who shape top management have influenced change because they have to approve and drive major proposals.
In the same vein it was revealed that management at MEDF received tremendous support from stakeholders in the introduction and management of the strategic change. Some of the key stakeholders mentioned by the interviewees include Parliamentary Committee on Budget and Finance, Ministry of Finance, the Reserve Bank of Malawi, Ministry of Youth Development and Sports and Bankers Association of Malawi, and Beneficiary Groups. The support came in different ways, for instance National Assembly had to pass the Microfinance and Financial Cooperatives Bill into law thereby creating a conducive environment for change in MEDF’s legal status, the Reserve Bank of Malawi provided regulatory support in the microfinance industry in its capacity as the registrar of all financial institutions in the country and the Ministries of Finance, Education and Youth Development and Sports had to approve key proposals in their capacity as mother ministries who also sit on the MEDF Board.

There is a possibility that cultural diversity in the organization may be an impediment to the implementation of change. The researcher wanted to know from the interviewees whether cultural diversity has had any impact on the implementation of change in the organization. It is evident from the findings that MEDF is identified as an organization with several cultural diversities from its employees. The respondents indicated that in order to reduce the chances of multiversity becoming an impediment, the style of leadership and the culture of respect for differences has enabled the organization to overcome this challenge. However, it was evident from the responses that cultural diversity had very little if any influence on the strategic change process.

4.9 Threats and Opportunities

In order to establish strategic fit and competitive advantage of MEDF in the external environment the study asked the respondents to list threats and opportunities that exist at MEDF Ltd. In response the interviewees mentioned the following as threats; low financial
literacy levels of beneficiaries, HIV and AIDS pandemic, shareholder interest, multiple borrowing, poor road infrastructures in some areas, bad credit culture, unstable macro-economic environment, and stiff competition in the microfinance industry.

The following were mentioned as opportunities that exist in the external environment; wide catchment area (national coverage), high demand on the market for their products, liberalized economy, political good will, Malawi Savings Bank countrywide branch network for loan repayments, existence of a stable political environment, increasing demand for loans more especially for the youth and women (special interest groups), Public Service Reform Agenda by Government of Malawi, availability of potential funders and improved technology in the telecommunications and banking sectors.

4.10 Discussion of Results

It was evident from the study that strategic change management at the Malawi Enterprise Development Fund Ltd was driven by a number of factors such as internal weaknesses, legislation, competition and technological changes. It is noted from the study that turbulence in the environment led the fund to embark on strategic change. The fund was responding to external factors hence the need to adjust its strategy in order to win competitive advantage in the microfinance industry. As per the information provided by the respondents, MEDF used the two approaches of managing strategic change that is planned approach and emergent approach. It had been planned that the organization would eventually become a bank or cooperative in the future projections. This information was retrieved from the organization’s draft strategic plan. During the implementation of the strategy, however, some issues emerged that needed to be addressed for example new products such as farm input, youth and women loans were introduced and the fund had to adjust accordingly. The need for change was
continuously communicated to all employees through staff meetings, workshops, consultant briefs, internal memos and board meetings. The employees were trained to equip them with the right skills to work efficiently and accept change. Management continuously provided leadership throughout the change process which is in accordance with Axelrod’s (2000) assertion that some change in an organization is leader or management driven.

It was also established that resistance to change was a major challenge that was experienced during the implementation of the change agenda. This finding is in agreement with Jones, (2010) who says that resistance to change occurs at all levels of an organization. He also suggests ways of handling the resistance depending on the cause of resistance. Resistance to change at MEDF was attributed to fear of job loss due to lack of the necessary skills and unwillingness to leave the comfort zone. Most of the employees lacked the necessary microfinance skills; others did not feel comfortable parting with their friends who were earmarked to be transferred to the new branches established across the country. The study also observed that resistance to change caused delays in implementation, resulted in additional costs and reduction in performance. To address this challenge, just as Kanter et al (1992) argue, management at MEDF strived to build coalition with various stakeholders. The employees at MEDF were also equipped with various skills through training at both local and international level so that they could understand and embrace change.

The other constraint observed in the study was lack of adequate financial resources. A lot of money was required for new operations; pay the trainers and external consultants especially those who were facilitating the strategic plan and credit policy formulation. There was also very high demand of the organization’s services due to new products on the market; thus youth, women and farm input loans. A comparison between threats and opportunities showed that MEDF is strategically poised to succeed in winning the competitive advantage because of the stable and favorable political climate and high demand for its services. However, its new strategy should be cognizant of the high competition and unstable macroeconomic
environment in which it operates. High illiteracy levels of its clientele and bad borrowing culture of loan beneficiaries should also be considered seriously when crafting the new strategy.

### 4.11 Comparison with Theory

Fred (1997) stated that external environment scanning is crucial to identify and evaluate trends and events beyond the control of the organization. MEDF is an open system that relies on other institutions for its inputs and need the other institutions to consume its goods and services. The organization needs the legislature to pass laws to create an enabling environment, major banks to administer huge loans for its clients and customers to buy its products. MEDF has competitors who influence lending rates, the central bank which regulates the financial market and donors who attach strings to their funding. The Environmental Dependence Theory is therefore applicable in managing strategic change in this organization. On the other hand, Porter (2004) sees the competition as the core to the firm’s success or failure and highlights the importance of having a competitive strategy to successfully position against the forces that determine industry competition.

Johnson and Scholes (2004) noted that communication was very important during strategic change management process. They further noted that stakeholders needed to be regularly briefed on the developments when planning and implementing a strategy to ensure successful uptake of developed strategies. The findings of this research were consistent with the literature as it highlighted the fact that as a result of effective communication within MEDF and other stakeholders such as Parliamentary Committee of Budget and Finance, the Reserve Bank of Malawi and Ministry of Finance, change was easily understood and accepted by all except a few who were later trained to accept it.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the findings, draws a conclusion and recommendations based on the research objectives and research question. The chapter concludes by highlighting limitations, implications of the study and suggesting areas for further study.

5.2 Summary of the Study Findings

The study revealed that it was necessary for MEDF to undertake a strategic change. This change was driven by external factors including the change in microfinance laws, competition by other microfinance actors, and technological changes. There was, therefore, a need to change the name from Malawi Rural Development Fund (MARDEF) to Malawi Enterprise Development Fund (MEDF) Limited to reflect its new vision and mission. The results indicate that competitive change strategies by MEDF are derived from an understanding of the industry analysis as outlined in Porter’s five forces framework; intensity of competitive rivalry, threat from new entrants, threat from substitutes, bargaining power of buyers and bargaining power of suppliers. The ultimate goal of competitive strategy is to manipulate these factors in favor of MEDF.

Results also indicate that the top management supported the changes. They played the role of crafting the objectives of the change, communicated the urgency of change and provided the necessary financial and human resources. The employees were fully engaged in the whole process which resulted in them supporting the change and implementing it successfully. Employees positively embraced the change due to the good communication and the requisite skills which the organization offered through training.
MEDF introduced many products and services to fulfill its new mandate. These included the Youth Enterprise Development Fund, Farm Input Subsidy Program and Civil Servants Empowerment Loans. Digitization or computerization of the systems also facilitated ease in operations and structures were also altered by introducing new positions such as that of Chief of Operations or Deputy CEO. External consultants were contracted to offer adequate training to change champions and other employees on microfinance processes and procedures including the use of the new information system. The organization also scanned its external environment by analyzing threats and opportunities presented by its immediate and remote environment. This is in line with the Environmental Dependency Theory as supported by Daft (2010) who suggests that managers can focus on technology, products and services, structure and culture in order to achieve competitive advantage. MEDF also faced a number of challenges including resistance to change and inadequate resources to finance the operations. Also notable among the challenges were internal politics which led to a slow down of the change process.

5.3 Conclusion of the Study

The study sought to determine the strategic change management practices adopted and challenges faced at Malawi Enterprise Development Fund. The study established that MEDF followed both the planned and emergent approaches to manage the strategic change. This supports Mintzberg et al.’s (2003) notion of strategy where they say that to manage strategy is to manage change. In the process of managing change at MEDF emergent issues of farm input subsidy and youth loans arose which had not been incorporated in the planned change. The study also revealed that MEDF is faced with challenges that delay successful implementation of strategic change practices. Chief among them being financial constraints to cater for additional costs required to mainstream the new products and services introduced.
Effective leadership, continuous communication and training led to successful change management at MEDF. The Strategic change management has enabled the fund to enter into new territories and play the game by the new rules. This includes the re-arrangement of jobs, roles, systems and structures. According to Porter (1985) these phenomena have necessitated strategic changes in the way business is carried out by firms. A paradigm shift then and whether welcomed or resisted needs to be managed and managers have to determine the actual causes of resistance to change and remain flexible enough in their approaches to overcome them in an appropriate manner.

5.4 Recommendations of the Study

Managers and executives should always strive on effective communication and awareness of strategic change and focus on building core competencies in the organization during change management so as to increase the chances of successful implementation, credibility and sustainability. There is need to actively involve all stakeholders at all stages during planning and implementation to bring a sense of ownership by all partners so that they should not feel that the change has been imposed on them. Market research should also be conducted prior to developing strategies to be adopted by the organization. The market research should objectively identify challenges faced by the organization which will help planners in developing the strategies which will help to respond to the challenges.

It has been established that resistance to change can cause major setbacks in strategic change implementation. However, the study has confirmed that with proper practices in place, it is possible to overcome the resistance that originates from employees and other stakeholders. It therefore, implies that organizations need to put in place strategic change management practices that can enable them reduce the chances of facing stakeholder resistance. In this case, with proper communication and rapport, Ministry of Finance and the Reserve Bank of
Malawi as major stakeholders, should understand the strategic change that is taking place at MEDF and should allow it to operate as a cooperative or non-deposit-taking bank without problems.

Managers and executives should ensure sufficient allocation of time and resources towards change management as well as proper planning to avoid failure to meet desired goals. Changes that heavily rely on external contractors who fail to fully understand the intended change, others get it right but deliver late, and others leave it midway, should also be reviewed and redefined. In the light of the foregoing, MEDF should embark on a robust resource mobilization campaign in order to solicit adequate resources with which to bankroll the change agenda. They should submit proposals to potential funders such the African Development Bank, the World Bank and the Government of Malawi through Ministry of Trade and Industry. These institutions exit for that purpose and therefore, MEDF should not shy away from approaching them as this is the route other leading microfinance institutions have taken to finance their major projects. As for political interference, MEDF should continue to act in a professional and non-partisan way by engaging the politicians and justifying why political influence should be avoided as it jeopardizes the operations of the fund through low loan repayment rates. Another way of reducing or avoiding political influence is for MEDF Ltd to operate as a commercial entity geared at maximizing shareholder value with an independent board of governors.

In a nutshell, the implementation of strategic change management at MEDF is progressing on well. However, the fund should strive to adopt a learning organization model whereby members of staff will need to be continuously learning new skills as emergent changes will always be expected to take place. The capability of the employees to change and adapt whenever necessary enables the organization to win a competitive advantage over its rivalry
in the microfinance industry in Malawi. Above all, MEDF should strive to share notes with the Malawi Civil Service Reforms Commission in order to learn and adopt best practices.

5.5 Implications of the Study

Financial resources seem to be the major challenge in managing strategic change at MEDF since government through the Ministry of Finance used to be the sole financier of the institution. The organization should strive to work for long term sustainability of its operations. In other words, MEDF should wean itself from the armpits of government by soliciting its own funding from other sources. The findings confirmed that financial resources can be a major impediment in the successful implementation of strategic change in organizations. This implies that if they are to succeed, organizations need to come up with a resource mobilization strategy that can assist to overcome such crises.

It is also believed that resistance to change and political influence can pose major setbacks in the smooth adoption and implementation of strategic change. However, the study has demonstrated that with proper practices such as timely and effective communication and leadership support can tremendously reduce these barriers. It therefore implies that managers and executives should always strive to put in place strategic change management practices that will reduce or minimize stakeholder resistance.

5.6 Limitations of the Study

This research was a case study and therefore the research was limited to Malawi Enterprise Development Fund Ltd. Thus the findings on strategic change management practices and challenges are limited only to MEDF Ltd and as such they cannot be generalized as remedies to other firms.
The study focused on interviewing some of the very busy executive team members and scheduling appropriate interview timings was a challenge, in some instances we had to keep rescheduling the interviews. The researcher however, eventually managed to interview and obtains information from the key decision makers of the company. It’s also important to note that the data collected from the respondents may have suffered from personal biases and may therefore not fully represent the opinion of Malawi Enterprise Development Fund in some cases. Some very important data necessary for this study may have been left out. The interviewees also suspected that some of their secrets might be leaked to the competitors and therefore chose not to disclose them. They also feared giving negative data about their institution as this would lead to a reputational risk and loss of employment.

5.7 Suggestions for Further Research

This study sought to establish strategic management practices adopted by Malawi Enterprise Development Fund Ltd and to establish any challenges encountered in managing strategic change at the fund. Further research is recommended based on the strategic management practices and the challenges in other institutions in microfinance industry in Malawi as well as Central Africa. This will allow for generalization of the results.

Time brings about emerging ideas and changes. The environment is also dynamic and may bring about new strategic change management practices. This is due to the ever-changing political, socio-economic, legal, technological and cultural landscape in any given setting. This study can therefore be replicated after five or ten years to confirm if there are any new changes on the strategic change management practices at MEDF Ltd.
REFERENCES


Lewin, K. (1951) *Field Theory in Social Sciences*, in Huczynski, A and Buchanan, D


Stickland, F.(1998). The Dynamics of Change: insights into Organizational Transition
from the Natural World. London: Routledge.


APPENDICES

Appendix i: Letter of Introduction

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH INFORMATION.

I am a student at the University of Nairobi pursuing a Masters degree in Business Administration (MBA). I am undertaking a research project on Strategic Change Management Practices at Malawi Enterprise Development Fund (MEDF) as part of the academic requirements for the award of the aforesaid degree. I would be grateful if you could spare a moment of your time and allow me to interview you using the attached interview guide, to help me gather the necessary information. The information you give shall be treated with utmost confidentiality and be used solely for this research study. A copy of the final report shall be made available to you. Any additional information you might consider necessary for this study will be highly appreciated.

In case of any queries pertaining to this research project, do not hesitate to call me on Tel: +254715994934; E-mail: alickkalima2012@gmail.com

Thank you in advance.

Yours Sincerely,

Alick Kangwanda Kalima
Appendix ii: Interview Guide

This guide seeks information on Strategic Change Management Practices at the Malawi Enterprise Development Fund (MEDF) since it was established in 2005 to date. I would highly appreciate if you can respond to the questions below as briefly and accurately as you can. Your answers will remain anonymous and strictly confidential, and will be used solely for academic purposes. The final report of the research study will be made available to you.

SECTION A; PERSONAL DETAILS OF RESPONDENT
a) Interview Date…………………………………………………………

b) Department…………………………………………………………

c) Your Position in MEDF………………………………………………

d) No. of Years of service at MEDF……………………………………

SECTION B: HOW MEDF HAS BEEN MANAGING STRATEGIC CHANGE
1. What major Strategic Change has occurred at MEDF?
2. What necessitated the change?
3. How was the change communicated within the organization?
4. What is the role of communication in the strategic change management process?
5. What strategies did the Fund put in place to manage and spearhead the change?
6. Were structures modified to fit the change management process? Please explain
7. Was there resistance to change? Yes { } No {    }
8. If YES, how has management been dealing with this resistance to change
9. Is strategic change success celebrated in MEDF? If so how is it celebrated?
10. What methods are used to ensure change is adopted by all in MEDF?

SECTION C: CHALLENGES OF MANAGING STRATEGIC CHANGE AT MEDF
11 What challenges is the Fund encountering in managing the strategic changes?
12 Is competition from other loaning institutions the most significant factor that poses a threat to the survival of MEDF? If YES, please explain.
13 What are some of the threats that MEDF faces
14 What opportunities are there in the external environment for MEDF to exploit?
15 Do you always get the needed support of all other concerned departments/divisions during change in your department?
16 Do you face any cultural issues that affect change management in your department? If so which are they?

17 Who influences change in MEDF? If any is it positively or negatively?

18 In your opinion do you think the management of MEDF had the support of the stakeholders in the management of the strategic change?

19 In your opinion what other factors influenced strategic changes in the Fund?

Thank you for your time, cooperation and contribution to this study.

God bless.
Appendix iii: University of Nairobi  Letter of Authorization to collect data

TO WHOM IT MAY CONCERN

The bearer of this letter

ALICK K. KALIMA

Registration No...

Is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

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

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

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS
Appendix iv: Organisation Chart of Malawi Enterprise Development Fund

Board of Directors

Chief Executive Officer

Deputy Chief Executive Officer / Chief of Operations

Finance & Administration Officer

Operations Manager (Youth Enterprise Development Fund)

Regional Manager
South

Regional Manager
Centre

Regional Manager
East

Regional Manager
North

District Managers
South (9)

District Manager
Centre (10)

District Manager
East (6)

District Manager
North (7)

Credit Officers
(96)
Appendix v: Map of Malawi Showing Location of MEDF Offices