MANAGING ORGANIZATIONAL CHANGE AT EQUITY BANK LIMITED

BY

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DECLARATION

This management project report is my original work and has not been submitted for a degree in any university.

Signed

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This management project report has been submitted for examination with my approval as the university professor.

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DEDICATION

"I can do all things through Christ who strengthens me" (Philippians 4:13).

ABSTRACT

This study analyzed the process of managing organizational change at Equity Bank Limited. The objectives of the study were to establish how organizational change is managed at the bank as well as identifying the driving and resisting forces of change. In order to meet these objectives, primary data was collected through use of in-depth interviews. Secondary data was collected by reviewing the available change management literature and other related documents and reports at the bank. Content analysis was used to analyze the qualitative data collected from the study.

The study revealed that the bank has adopted different approaches to a variety of situations involving the bank's change process. Competition, changes in technology and customer demands are the major external driving forces of change in the bank. The internal driving forces include flawed Information Technology Systems, rigid work practices, less attractive products and need for a new organizational customer focused culture. The biggest challenge in management of organization change at the bank was identified as resistance to change.

The limitations of the study were limited time allocated by respondents to the interviews and considerable time spent in arranging for appointments. To allow generalization of the findings, the study recommends a cross sectional survey of organizational change management within the Kenyan banking industry.

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CHAPTER ONE: INTRODUCTION

1.1 Background

It can be argued that the successful management of change is crucial to any organization in order to survive and succeed in the present highly competitive and continuously evolving business environment. Change has always been a feature of organizational life. It involves fundamental changes in the business of the organization and its future direction. Its purpose is to ensure that the organization is heading in the right direction and is aligned with the execution of a chosen corporate business strategy (Burnes 2004).

Managing organizational change is becoming a highly required managerial skill. Graetz (2000) argues that the primary task for management today is the leadership of organizational change due to increasing globalization, deregulation and the rapid pace of technological innovation, a growing knowledge workforce and shifting social and demographic trends. Burnes (1996) also argues that it is important to show strong leadership and commitment to the change process and develop a change plan that ensures that changes will be fully effected.

The need for change may be unpredictable and often triggered by a situation of organizational crisis (Burnes, 2004; De Wit and Meyer, 2004; Luecke, 2003; Nelson, 2004). It is now argued that it is of vital importance to organizations that people are able to undergo continuous change as they are the real drivers of change and could also be the greatest impediment against achievement of the desired change if they resist the change process (Burnes, 2004; Rieley and Clarkson, 2001).

The study was set out in the context of the banking industry and analyses organizational change management process of a Kenyan bank namely Equity bank Limited. The study was carried out at the bank's Head Offices located in Equity Centre at Upper Hill.

1.1.1 Change Management

Change management is the process of continually renewing an organization's direction, structure and capabilities to serve the ever-changing needs of external and internal customers (Moran and Brightman 2001). It is the use of systematic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted time frame and with the desired results (Davis and Holland 2002). Change management is a structured and systematic approach to achieving a sustained change in human behaviour within an organization (Todd 1999). It is the process of continuous planning and realization of profound changes. Markets constantly change and product lines change to meet shifting market demands. It is essential that people also change as management shifts strategy in differential advantage.

Change management is often desired to bring a better future state than the current state. For anticipative or proactive change management, the goal is to more effectively implement new processes or systems in an organization such as restructurings, outsourcing and new systems. On the other hand, reactive change management is the response to change over which the organization has little or no control such as environmental changes, legislative changes, social/political upheaval, competitive actions and market/economic trends (Zoltners et al. 2001).

In support of the above view, Schalk and Anderson (1998) argue that change requires the deliberate introduction of new ways of thinking, acting and operating. Drucker (1980) on the other hand argues that the only way you can manage change is to create it and by the time you catch up to change, the competition is ahead of you. Change is therefore inevitable and a continuous process. Hardy (1995) argues that successful change management must align groups' expectations, communicate, integrate teams as well as manage the people dimension of change.

The change process must make use of metrics, such as leader's commitment, communication effectiveness and the perceived need for change to design accurate strategies, in order to avoid change failures or solve troubled change strategies. However, there exist different models of managing change and organizations face diverse challenges in the change management process. No single methodology fits every company but there is a set of practices, tools and techniques that can be adapted to a variety of situations. Situation analysis of the characteristics prevailing at a particular point in time dictates the best approach for change management due to increasing environmental instability and uncertainty (Burnes, 2004).

1.1.2 The Banking Industry in Kenya

The banking industry in Kenya is divided into three categories namely banks, micro-finance institutions, foreign exchange bureaus and non-banks financial institutions. There are forty-six banks and non-bank financial institutions, fifteen micro-finance institutions and forty-eight foreign exchange bureaus. Thirty-five of the banks, most of which are small to medium sized, are locally owned. A few large banks most of which are foreign-owned, though some are partially locally owned, dominate the industry. Six of the major banks are listed on the Nairobi Stock Exchange (Central Bank of Kenya, 2010).

The deregulation of financial services markets in the 1980s and in particular the growing focus of both consumers and producers on quality has created a process of structural change in the banking industry. Indeed, by the late 1990s, the mainstream banks started restructuring their services towards wealthier people and savings services became sufficiently expensive that even middle-income people sought cheaper alternatives. From the year 2002 there has been renewed interest from the banks in reaching the mass of middle-income salaried individuals such as teachers and civil servants and this market segment is quite competitive (Johnson, 2004).

In the recent years there has been increased competition from new entrants into the banking industry, forcing banks to cut costs and improve efficiency through automation and price rationalization (Paulson and McAndrews 1998). While the banks have been forced to cut costs and improve efficiency, there is increasing internal and political pressure on banks to expand their products and services to the un-banked and under-banked (Bitner, et al 2000). Due to the competitiveness of the banking industry many banks which were doing corporate banking changed partially or completely to retail banking. This is evident from a lot of advertisements made by banks using various forms and also by use of sales people, who have tried to convince many individuals to open accounts (Banking supervision Annual Report, 2005).

Banking in Kenya has been undergoing dramatic operational transformation in the recent years. Mergers and acquisitions, increased competition and new regulatory requirements have driven banks to rethink their operational strategies. It has become important for retail banks to leverage technology to optimize sales and fulfillment processes, manage distribution channels and streamline operations to acquire, satisfy and thereby retain customers (Chen, 1999). In order to succeed in such a dynamic market place, Bitner, et al (2000) argues that the skills required to be a successful banker are many and varied. These include ability to demonstrate a deep understanding of consumer needs and revenue generating methods, ability to develop new market entry and customer retention strategies, application of new business models and translating them into revenue generating projects and programmes.

Financial institutions that are interested in tapping underserved households need new strategies to segment the large under banked market. The rise in the number of financial institutions that are designing new initiatives to pursue the under banked consumer market illustrates the recent realization of untapped market of the middle and low income earners

(Ruding, 2002). Rapid technological advances have introduced significant changes in banking. Bank branches alone are no longer sufficient to provide banking services to cater for the needs of today's sophisticated and demanding customers. The provision of banking services through electronic channels (e-channels) namely Automated Teller Machines, personal computer banking and phone banking have provided an alternative means to acquire banking services more conveniently (Howcroft et al, 2002).

Other changes that have been used by the banks to penetrate into the market are the use of downscaling. Under the concept of downscaling the banks are trying to modify their services to meet the needs of the low- income earners. Low-income markets can be served on a "sustainable" basis, that is, with full cost recovery and a market return, without subsidy. As a result, in a growing number of countries including Kenya, the formal financial sector has begun to take notice and to service these traditionally marginalized sectors (Young et al 2005).

1.1.3 Equity Bank Limited

Equity Bank Limited was founded as Equity Building Society in October 1984 and was originally a provider of mortgage financing for the majority of Kenyans who fell into the low income population. The society's logo, a modest house with a brown roof, was meant to resonate with its target market and their determination to make small but steady gains toward a better life (Graham and David (2007). During the next decade, Equity Building Society went through significant turmoil. The firm's decline was primarily self-inflicted as it operated as an informal family business. The lack of standardization and controls increased the firm's lending risk. By 1993, non-performing loans made up 54 percent of its portfolio, accumulated losses totaled Ksh 33 million and the society's liquidity ratio stood at 5.8 percent well below the 20 percent required by law (Graham and David 2007).

Equity's turn around started with restructuring of the board to include four independent members from prominent Kenyan organizations. Equity Building Society also began recruiting externally for key senior management positions, in order to position the institution for long-term growth and this contributed to the company's turnaround efforts (African Alliance 2007). The leadership style involved motivating staff to make Equity Building Society the leader in its sector, providing systematic training to build technical skills and boost confidence and delegating responsibility, creating incremental challenges and rewarding performance. From 2004, Equity Building Society started the process of transformation from a mortgage financing provider to a savings and loan institution, a path completed on January 1, 2005. In August 2006, the bank was listed on the Nairobi Stock Exchange, with an initial valuation of Ksh 6.3 billion.

The bank's main income-generating products became micro-loans on the order of Kshs 16,000. Equity shifted to small loans since they offered a less competitive market than mortgages, while also representing an opportunity for growth and innovation. The company also underwent a company-wide vision and mission process that firmly committed staff and management to the micro-finance sector. All staff received self-awareness and management skills training that created a fresh appreciation for their ability to effect change within the microfinance market. From 2000 to 2006 the company's pretax profit grew at a compound annual growth rate of 79 percent, from Ksh 33.6 million in year 2000 to Ksh 1,103 million in year 2006 (Equity Bank Limited 2010).

Today, the bank is engaged in providing personal, business and corporate banking services and products. The bank's portfolio includes current accounts, online banking, cash back services, treasury solutions, as well as business and development loans, among others. It operates six wholly owned subsidiary companies: Equity Bank Limited Uganda Limited, Equity Consulting Group, Equity Investment Services Limited, Equity Nominees Limited, Fin serve Africa Limited and Equity Insurance Agency Limited.

1.2 Statement of the Problem

Change management is an essential tool in managing organizations today since organizations are facing both external and internal forces that make change inevitable. For organizations to remain in business, they have to change to align themselves to changes in their environments. Burnes (2004) argues that only organizations able to respond quickly and effectively to challenging conditions will be able to survive. Applying the appropriate type of change when required by the challenges of the environment is really the crux for the long term sustainability of organizations (Nadler et al 1990). Furthermore, for organizations to maintain their viability and competitive edge, managing change effectively needs to be a core competence in which managers are skilled (Young et al 2005).

Many financial institutions in Kenya including Equity Bank Limited have realized the need for change as they are faced by an increasingly complex, turbulent and uncertain environment. The nature, extent and rapidness of the changes currently faced by financial institutions require them to respond to the competitive pressures by instituting large scale and fundamental changes. According to Ngugi (2001), Kenyan banks have experienced banking problems since 1986 culminating in major bank failures (37 banks as at 1998) and that is why they have resulted to instituting change management to cope with these challenges. Although other factors such new regulations, effects of global financial crisis and declining interest calls for re-thinking of new ways of doing business, lack of effective change management is the major factor among all (Waweru and Kalani 2009).

Many studies have been done about how change management can be approached. For studies done on highly regulated contexts such as banking contexts, most have laid much emphasis on the effects of lack of effective change management such as mergers, takeovers and downsizing. However, little studies have been done that focus on local financial institutions that have made long range changes by instituting and implementing effective change management process. There are different approaches to managing organizational change but there is no one best approach that suits all organizations. This study therefore sought to make an in-depth analysis on the process of managing organizational change at Equity Bank. How is organizational change managed at Equity Bank Limited?

1.3 Research Objectives

- To establish how organizational change is managed at Equity Bank Limited.
- To identify driving and resisting forces for change at Equity Bank Limited

1.4 Value of the Study

This study contributes to change management by reinforcing existing literature on the practice and use of organizational change management concepts in the context of the banking industry. The study will also be beneficial to management of financial institutions by providing an in depth understanding of change management as a powerful management tool. To change management consultants who endeavor to provide assistance to financial institutions in the fields of change management, the study will help them get insight on how to improve the practice of facilitating change management process.

The study will also provide valuable insights to statutory and regulatory bodies on how they can help banks and other financial institutions to have more effective change management processes while still abiding to the legal and regulatory requirements. Leaders of all types of organizations will also get general insights into improving change management in Kenya and other similar context. The study will also be beneficial to policy makers in formulating sustainable policies and strategies on change management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature by various scholars on change management by looking at the concept of change, approaches to managing organization change, a theoretical perspective on organizational change management, resistance to change and leadership and change management..

2.2 Change Management

Change management is the use of systematic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted time frame and with the desired results. It is a structured and systematic approach to achieving a sustained change in human behavior within an organization (Jeff 2007). It is the process, tools and techniques to manage the people side of business change to achieve the required business outcomes and to effectively realize the business change within the social infrastructure of the workplace. Nickols (2006) argues that the overall process of change and change management remain pretty much the same. Thus it is this fundamental similarity of the change processes across organizations and industries that make change management a task, a process and an area of professional practice.

Senge (1999) describes change as the source of all human progress and all human pain. He sees change as having different meanings depending on the application. In business and organizations, the word refers to external change in terms of technology, customers, competitors, market structure, or social and political environment and to internal change, such as a program of reorganization or re-engineering. In social sciences and management studies, the nature of change has been discussed from different approaches such as survival, behavior, process and system. Darwin described change as "survival". He associates the idea of survival with the ability of responding to changes that have been taking place in the environment. From the survival perspective of change, organizations are seen as species in nature and the survival in business environment has been interpreted as the necessity to adopt or to die (Beer and Nohria 2002). Thus, organizations should adapt themselves to the business environment in order to increase their chances to survive on the market.

From the behavioral approach's point of view, the change in organizations is highly dependent on the members of the organization and their behavior. The behavioral approach focuses on change on the basis of individual behaviors and their effects on other individuals' behavior in order to reach the intended result. The failure or success of reaching the intended results should be analyzed in the behaviors of individuals and the conditions. According to behavioral approach, by creating suitable environment and functional intervention strategies, change can be managed and organizational development might be achieved. There is also a common tendency in the literature concerning change, which describes the nature of change as an ongoing process. In most of these texts, the change process is seen as a three step process containing: diagnosis of change drivers, strategy building and implementation and evaluation (Beer and Nohria 2002).

Beer and Nohria (2002) consider the liabilities of planned change to include a high probability of relapse, uneven diffusion among units, large short-term losses that are difficult to recover, less suitability for opportunity-driven than for threat-driven alterations, unanticipated consequences due to limited foresight, temptations toward hypocrisy (when people talk the talk of revolution, but walk the walk of resistance), adoption of best practices that work best elsewhere because of a different context, ignorance among top management regarding key contingencies and capabilities of the front line and lags in implementation that make the change outdated before it is even finished.

At the opposite, they state that emergent change is better and its advantages include its capability to include readiness for and receptiveness to planned change and to institutionalize whatever sticks from the planned change, sensitivity to local contingencies, suitability for on-line real-time for experimentation, learning and sense making, comprehensibility and manageability, likelihood of satisfying need for autonomy, control and expansion, proneness to swift implementation, resistance to unraveling, ability to exploit existing tacit knowledge and tightened and shortened feedback loops form result to action (Beer and Nohria,2002).

Fincham and Rhodes (2005) views change management as the leadership and direction of the process of organizational transformation especially with regard to human aspects and overcoming resistance to change. However, this definition refers only to managers and what they should do in a process of change, being more appropriate as a definition for change leadership. Thus, Hughes (2006) definition seems more suitable. He defines change management as attending to organizational change transition processes at organizational, group and individual levels. This definition states that all employees are involved in the change process, not only the change manager, although the amount of involvement varies considerably at different hierarchical levels. Cummings and Worley (2005) suggest that the main levels of analysis that are pertinent in change management, when organizations are thought as open systems, are organizational level which includes the design of the company's strategy, structure and processes, individual level which includes ways in which jobs are designed to elicit required task behavior.

Dawson (1996) defines organizational change as new ways of organizing and working. According to him, the concept of organizational change is related to organization-wide change. An organization-wide change can be a change in mission, restructuring operations, new technologies, mergers, major collaborations, "rightsizing", new programs, or re-engineering. Usually organizational change is provoked by some major outside driving force, such as substantial cuts in funding, need to address major new markets or clients and need for dramatic increase in productivity or services. Cummings and Worley (2005) suggested four categories of organizational change that is technology which is the use of new equipment or information processing software to accomplish work, administration which includes organizational structure, policies, work processes and control systems, products and services which involves the development and modification of the things the organization offers to its clients, customers or constituents and human resources which includes the members of the organization and how they are organized. Organization-wide change can be difficult to accomplish, since there are strong resistance to change. People are afraid of the unknown and often do not understand the need for change. Organization-wide change goes against the values held by members in the organization, so the change may go against how members believe things should be done.

Managing change is critical to the change process. Change needs to be managed in order to derive maximum benefit from new opportunities and to avoid reactive situations. The faster the speed of change the more difficult and stressful it is to manage. The transition phase is the point at which the problems of introducing change occur and can include resistance to change, low stability and high levels of stress, misdirected energy, conflict and loss of momentum. Thus, increasing environmental instability and uncertainty are forcing companies to change continuously (Burnes, 2004).

However, change itself is a risky and often haphazard and improvised, process reaching unsatisfactory results in many companies, sometimes even leaving them worse off than before (Katzenbach and Smith 1993). For example, reform change had considerable challenges in their implementation in countries like Argentine where the reforms had disagreements on the benchmarking and funding was inadequate. In the Philippines there were difficulties in customs software development and in Senegal there was a weak supervision which lacked a mechanism to detect problems. These facts have given management scholars and practitioners alike pause to solve the puzzle of how companies can ensure successful change without much distracting and distorting the intended change. One answer, proposed by several authors, in response to this puzzle revolves around what managers can do to ensure success in a change process flows smoothly (Senge 1990; Kotter 1996). The decisions managers make are critical to ensuring that their companies stay apace and aligned with changing demands (Child 1972).

2.3 Approaches to Managing Change

A number of renowned practitioners have contributed models on change management. The action research model advocates for a systematic collection of data and then selection of a change action based on what the analyzed data indicates. It aims at providing a scientific methodology for managing planned change. The process of action research consists of five steps which are diagnosis, analysis, feedback, action and evaluation (Lewin, 1951). The same approach seems to be supported by Dawson (1996) through the process or contextual perspective. It states that to understand the process of change, the past, present and future context in which the organization functions, including external and internal factors must be considered.

The substance of the change itself and its significance and timescale including the transition process, tasks, activities, decisions, timing, sequencing, political activity, both within and external to the organization and the interactions between these factors are also critical (Fopp and Schiessl 1999). Dawson (1994) identifies five specific aspects of the internal context which are human resources, administrative structures, technology, product or service and the organization's history and culture. He also identifies four key features of the substance of change which are the scale, its 'defining characteristics', its perceived centrality and the timeframe of change initiatives. The substance of change influences the scale of disruption to existing structures and jobs. The transition process may be slow and incremental, or rapid. In addition, managers can draw upon evidence from the context and substance of change to marshal support and to legitimate their own proposals through organizational political action. It's therefore the interaction between context, substance and political forces which shape the process of organizational change (Fruin, 1998).

Lewin (1951) also developed the three step model, which states that successful change in organizations should follow the steps of freezing the status quo, movement to a new state and refreezing the new change to make it permanent. The status quo can be considered to be an equilibrium state. To move from this equilibrium, there is need to overcome the pressure of both individual resistance and group conformity - unfreezing is necessary. It can be achieved in one of three ways where the driving forces, which direct behavior away from the status quo can be increased, the restraining forces, which hinder movement from existing equilibrium can be decreased or a combination of first two approaches (Robbins, 2003).

However, Huczynski and Buchanan (2003) state that refreezing no longer seems to be an option given constant transformation which is now the norm. Permanent thaw is perhaps a more appropriate metaphor. Many organizations now face a 'high velocity' environment. They continue to say that turbulent and rapidly changing external conditions are translated into a complex, multi-faceted, fluid and interlinked streams of initiatives affecting work and organization design, resource allocation and system procedures in continuous attempts to improve performance. The environment for most organizations is likely to remain volatile, or become even more turbulent (Genus, 1998). Current trends do not lead to predictions of continuity and stability in the near future.

Kotter (1996) came up with the eight-stage change process whose initial step is establishing a sense of urgency crucial in gaining needed cooperation. This is because when urgency is low, it is difficult to put together a group with enough power and credibility to guide the effort or to convince key individuals to spend the time necessary to create and communicate a change vision. The second step is creating the guiding coalition since a strong guiding coalition is always needed. The coalition must have the right composition, level of trust and shared objective. Building such a team is always an essential part of the early stages of any effort to restructure, reengineer, or retool a set of strategies. Four key characteristics seem to be essential to effective guiding coalitions these are position power, expertise, credibility and leadership.

The third step is developing a vision and strategy. Vision refers to a picture of the future with some implicit or explicit commentary on why people should strive to create that future. In a change process, a good vision serves in clarifying the general direction for change, it motivates people to take action in the right direction and it helps coordinate the actions of different people (Hardy, 1995). A strategy provides both logic and a first level of detail to show how a vision can be accomplished. The fourth step is communicating the change vision since the real power of a vision is unleashed only when most of those involved in an enterprise or activity have a common understanding of its goals and direction. That shared sense of a desirable future can help motivate and co-ordinate the kind of actions that create transformations. The fifth step is empowering broad-based action to empower a broad base of people to take action by removing as many barriers to the implementation of the change vision as possible at this point in the process. The biggest obstacles that often need to be attacked are structures, skills, systems and supervisors.

Generating short terms wins is the sixth step, which is necessary as major change usually take a lot of time. There is need to have convincing evidence that all the effort is paying off especially to non believers who require even higher standards of proof. They want to see clear data indicating that the changes are working and that the change process is not absorbing so many resources in the short term as to endanger the organization. Running a transformation effort without serious attention to short-term wins is extremely risky. Seventh step is consolidating gains and producing more change since the first major performance improvement will probably come well before the halfway point, the guiding coalition should use the credibility afforded by the short term win to push forward faster, tackling even more or bigger projects. The final step is anchoring new approaches to culture. According to Kotter (1996), culture changes only after successfully altering people's actions, after the new behavior produces some group benefit for a period of time and after people see the connection between the new actions and the performance improvement.

2.4 The Systemic View on Organizational Change

The systematic view on organizational change, developed by Senge (1994), is mainly concerned with the sustainability of change. Senge states that the reason why most change attempts have failed is not always because of managerial mistakes. The prevailing balance process of systems within an organization which the managers are not always able to recognize or manage also plays an important role in these failures. Thus the key to achieving and sustaining significant change is changing the basic ways of thinking within the organization. Change management therefore requires good leadership as it poses both personal and organizational stresses and challenges which must be managed well for success to take place.

The systematic organizational change thus refers to sustainable change, realized in a gradual manner. Change needs to be implemented over the long term, with careful attention to the disruptive aspects of change management. Periods of intense change need to be followed by periods of consolidation. Therefore, in order to increase the rate of success of a change, Senge suggests that managers should start with a small change instead of a whole system change and grow it regularly, plan the action also for small intended change initiatives and be ready for challenges.

2.5 Resistance to Change

According to Stickland (1998), the first essential step in the change process is for management to ensure that there is enough motivation and preparation for the upcoming change. In the context of organizational change, resistance is frequently presented and perceived as irrational and problematical, something that needs to be dealt with in any change management initiative and has many definitions. Randall (2004) believes that the problem of resistance lies at the heart of most change programs. Randal further makes a classification of the definitions of resistance in three main dimensions. In the first dimension, Randal included the definitions that see resistance as a behavior. According to Zander (1991) resistance is behavior which is intended to protect an individual from the effects of real or imagined change. Randall (2004) sees resistance as employee behavior that seeks to challenge, disrupt or invert prevailing assumptions, discourses and power relations. Similar to this, Ashforth and Mael (1998) define resistance as intentional acts of commission (deviance) or omission.

In the second dimension, Zander (1991) distinguishes the dimension in which emotional factors are the source of resistance. Coch and French (1984) define resistance as a response to frustration and aggression caused by the change initiative. In the third dimension, cognition which refers to beliefs and attitudes has been used to describe resistance which is reluctance of employees. Ashforth and Mael (1998) argue that participation plays a critical role in providing employees with the necessary motivation to adopt new ways of working. Managers should be aware that many employees perceive the change as difficult and that they need to learn new tasks, programs and routines, as well as unlearn what was previous viewed as normal.

2.5.1 Symptoms of Resistance

The approaches which explain the resistant behavior of employees varies substantially depending on the researchers' point of view. Nevertheless, issues such as organizational dynamics, relations between managers and employees and participation in the change process are some of the most common issues to identify the roots and symptoms of resistant behaviors. Petrini and Hultman (1995) point out the importance of distinguishing between symptoms of resistance and the causes behind them. Symptoms are the specific behavior people use to resist change and this is how resistance is visible to other people. On the other hand, causes are the reason for the appearance of the symptoms. Armentrout (1996) argues that it is not easy to overcome resistance to change but if management recognizes the most common symptoms, the process of change can move along.

According to Petrini and Hultman (1995), there are two categories of symptoms of resistance. Active resistance takes forms such as being critical, finding fault, blaming or accusing, distorting facts, blocking and starting rumors while passive resistance includes agreeing verbally but not following through, failing to implement change, standing by and allowing change to fail and withholding information, suggestions, help or support. Reasons behind employees' resistance to change are several and vary with every individual's personality. While one employee may react favorably to a suggested change, another employee may react angrily. Managers should therefore be aware that change efforts often meet some form of human resistance. They should take time before an organizational change to see who might resist the change initiative and for what reason in order to be able to remove resistance and increase the chances for the change process to be successful.

Coch and French (1984) claim that the level of resistance also depends on the level of participation in the process of change. Basically, they state that individuals and groups that are given the opportunity to participate in the creation and development of change activities are less likely to resist the implementation than those who are kept away from the process. However, Petrini and Hultman (1995) argue that the main reason for employees to perform poorly and to resist change is because of the loss of social status within the organization and the ignorance of their skills in the previous stetting. According to Zander (1991) there are six main reasons for resistance to change initiatives namely ambiguity about the nature of change in the minds of those who will be affected by it, different interpretations about the change and its impact, strong forces preventing individuals from changing, strong top-down imposition in individuals who will be influenced by the change (lack of participation), personal interests in directing change and ignorance of pre-established institutions in the group.

Caruth et al (1985) claim that employees resist change mainly because they fear the consequences the change might have or they feel threatened by the change. When a change initiative is introduced, employees usually experience different problems which are not completely understood by managers, such as clarity of the idea of change (unless employees grasp the meaning and the necessity of change they tend to resist it), rigidity for the way change is intended to be implemented, the change in the social status at the workplace and fear of the increase in workload. Kotter and Schlesinger (1979) on the other hand state that there are four common reasons for employees' resistance that is a desire not to lose something of value, a misunderstanding of the change and its implications, a belief that the change does not make sense for the organization and a low tolerance for change.

2.5.2 Dealing with Resistance to Change

Kotter and Schlesinger (1979) have suggested six approaches to deal with resistance to change. The first method is education and communication. This method is applicable where there is a lack of information or inaccurate information and analysis. One of the best ways to overcome resistance to change is to inform and educate people about the change effort beforehand. Preceding communication and education helps employees see the logic in the change effort. This reduces unfounded and incorrect rumors concerning the effects of change in the organization. The second method of dealing with change resistance is participation and involvement of all who are affected by the change initiative. This method is ideal where the initiators do not have all the necessary information to design the change and where others have considerable power to resist. When employees are involved in the change effort, they are more likely to want change rather than resist it. This approach is likely to decrease resistance of those who merely acquiesce in the change.

The third method of dealing with change resistance is facilitation and support .This method is ideal where people are resisting change because of adjustment problems. By being supportive of employees during difficult times, managers can prevent potential resistance. Managerial support helps employees to deal with their fear and anxiety during a transition period. The basis of resistance to change is likely to be the perception that there will be some form of detrimental effect occasioned by the change in the organization. Typical for this approach are special training and counseling outside normal office premises.

The fourth method is negotiation and agreement. This method is applicable where someone or some group may lose out because of a change and where that individual or group has considerable power to resist. Managers can combat resistance by offering incentives to employees not to resist change. This can be done by allowing people who are resisting the change to veto certain elements of change that are threatening. Or the people who are resisting the change can be offered incentives to leave the company through early buyouts or through retirements. This approach will be appropriate where those resisting change are in a position of power.

The other method of dealing with resistance to change is manipulation and cooptation. This method is ideal where other tactics will not work or are too expensive. Kotter and Schlesinger (1979) suggest that an effective manipulation technique is to co-opt with people who are resisting the change. Co-optation involves bringing a person into a change management planning group for the sake of appearances rather than their substantive contribution. This often involves selecting leaders of the people who are resisting the change to participate in the change effort. These leaders can be given a symbolic role in decision-making without threatening the change effort. The last method of dealing resistance to change is explicit and implicit coercion. This method is applicable where speed is essential and only used as the last resort. Managers can explicitly or implicitly force employees into accepting change by making clear that resistance to change can lead to job losses, dismissals, employee transfers, or failure to promote employees.

2.6 Change Management and Leadership

Buchanan and Boddy (1992) used diary transcripts from a group of change agents to identify fifteen competencies of change agents clustered under five units that is goals, roles, communication, negotiation and managing up. The image of the change agent that they present emphasizes interpersonal, social, organizational and political skills rather than technical project management skills. Carnall (2003) identified decision making, coalition building, achieving action and maintaining momentum and effort as four core competencies that are essential for the effective management of change.

As business environments become increasingly competitive and complex, organizations must be alert and flexible to remain competitive. Complacency within an organization can lead to inertia. Organizations that do not remain competitive will often begin a gradual downward trend in financial performance and must be revitalized for continued survival. When an organization is in need of a strategic turnaround, charismatic leaders are frequently put in charge. Effective charismatic leaders are often capable of communicating a vision and mobilizing the energy necessary for a turnaround. Many organizations are also creating teams of employees to accomplish work goals. These companies give increasing amounts of responsibility to these teams by allowing them to be self-managed or assigning them the authority to plan and implement strategic change. In some instances, entire plants have been built around work teams (Emery 1998).

There has historically been a belief in a universal manager who could adapt to any situation (Bullock and Batten 1985). Another stream of research has suggested that different leaders have different characteristics and the leader should be matched to the organization's needs. This approach is reflected in Fiedler's Contingency Theory of Leadership Effectiveness which proposes that effective leadership depends on the situation and that some match between the leader's behavior and the situational characteristics of the organization and followers is optimum. The focus in situational approaches to leadership is on observed behavior, not on any hypothetical inborn or acquired ability or potential for leadership. The emphasis is on the behavior of leaders and their group members and various situations.

Leadership especially top management is probably the most critical element in a major organizational change effort in whichever context. If the leader perceives the need for change, makes it a top priority and gives it a great deal of time and attention, the organization will change. When the leader is leading the change, everyone quickly picks up on it and any ambiguity regarding what is taking place is quickly removed. The results are multiplied when this leadership role is being exercised by the entire organization. (Thompson et al 1998)

Mintzberg (1990) argues that rejuvenating a mature organization is impossible without commitment from the top since initial moves are often made by a new chief executive. Building a top team dedicated to change provides continuity and reduces the risks that the process will falter if one person leaves. Johnson et al (2005) introduce the notion of outsiders. They argue that whilst existing managers have important roles to play, 'outsiders' are important in the change process. Outsiders may be a new chief executive or a consultant. He or she changes the context for change by bringing in a fresh perspective to the organization not bound by the constraints of the past, or the everyday routines and ways of doing things that can prevent strategic change. Burnes (2004) argues that the introduction or arrival of new management from outside the organization can also increase the diversity of ideas, views and assumptions which can help break down cultural barriers to change and they may help increase the experience and capability for change. Consultants are also often used in change processes as they help to formulate the strategy or to plan the change process.

De wit and Meyer (2004) view the top leadership as the central processing unit of organizational change and innovation. Strategic changes are formulated by top leaders and then implemented by lower levels. The role of top management is to facilitate change and innovation in organizations and therefore more evolutionary than revolutionary. The importance of leadership in the initiation and management of change has also been stressed (Kotter 1996; Carnall 2003), with an emphasis on establishing direction, aligning, motivating and inspiring people. While leadership has often been seen as primarily the province of executive managers, the reality in most organizations is that all managers need to develop leadership capacity and skills. While Carnall (2003) claims that change leaders tend to be executives or senior managers and change managers tend to be middle managers, he also suggests that in practice, the two roles may often be indistinguishable because the attributes required to lead and manage change are simply inseparable aspects of managerial work in organizations facing the ever increasing challenges of coping with constant change.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter examines research design adopted in the study and the data collection methods used to collect data for the study. The chapter concludes by presenting the data analysis methods used to bring meaning to the mass of data collected.

3.2 Research Design

This was a case study of Equity Bank Limited. It involved an in-depth and comprehensive investigation of organizational change management at the bank. Yin (1989) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. The researcher prepares a research design after formulating research problem in clear cut terms. This involves stating the conceptual structure within which research will be conducted. The preparation of such a design facilitates research to be as efficient as possible yielding maximal information. In other words, the function of research design is to provide for the collection of relevant evidence with minimal expenditure of effort, time and money.

Anderson (1993) sees case studies as being concerned with how and why things happen, allowing the investigation of contextual realities and the differences between what was planned and what actually occurred. It is an empirical inquiry that investigates a contemporary phenomenon within its real life context using multiple sources of evidence (Yin 1989).

The case study design was chosen as it provided qualitative data which is of interest to the achieving the objectives of the study. Patton and Appleman (2003) argue that wherever the case study research has been used, it has enhanced the understanding of a complex issue or object and can extend experience or add strength to what is already known through previous research. Case study designs have also been credited for allowing the researchers to use one or more of the several research methods depending on the circumstances. Such methods include in-depth interviews, documents and report study (Stake, 1995). Gummesson (1991) argues that case study enables the researcher to gain a holistic view of a certain phenomenon or series of events and even provide a round picture since many sources of evidence are used. Case study design was utilized despite it being criticized by some as lacking scientific rigour and reliability and failure to address issues of generalization (Johnson 2004).

3.3 Data Collection

According to Ngechu (2004) there are many methods of data collection. The choice of a tool and instrument depends mainly on the attributes of the subjects, research topic, problem statement, objectives, design, expected data and results. This is because each tool and instrument collects specific data. Mugenda and Mugenda (2003) identify two major sources of data used by respondents as primary and secondary data. Primary data is information gathered directly from respondents.

This research utilized both primary and secondary data. Primary data was collected using pre-planned and unstructured interview guide. Questions were open and unstructured to allow greater depth and breadth in the responses. The researcher made use of personal interviewing as a mode of communication to allow for flexibility of data collection. This allowed for a vast amount of data to be collected. The interviews took place within the respondent's place of work. These were conducted during less busy times of the day especially early in the morning and in the evenings after work. The researcher clarified questions prodded for deeper insight into issues and generally guided the discussion to focus on the objective of the study.

The respondents were drawn from the top level management. This is because the kind of information being sought required much insight into realities of organizational change management and these were the right respondents to provide the information. The researcher interviewed eight respondents who constituted the Directors of Human Resources and Customer experience, Operations, Finance, Corporate Strategy, Information Technology and Innovation Centre, Mobile Banking and Payment Innovation, Treasury, Trade Finance and Marketing and Chief Risk Officer.

Secondary data was collected by reviewing pertinent organizational documents such as strategy board committee meeting minutes, annual reports and publications. This information was used to supplement the information gathered directly from the respondents and was therefore helpful in putting the study in the right context.

3.4 Data Analysis

Marshall and Rossman (1990) describe data analysis as a process of bringing order, structure and meaning to the mass of collected data. It involves a search for general statements about relationships among categories of data. The data collected from the study was qualitative and as such content analysis was used to analyze the data. Content analysis attempts to summarize comments, issues and attitudes of respondents into meaningful categories or emerging themes. It is used to determine the presence of certain words, concepts, themes, phrases, characters, or sentences within texts or sets of texts and to quantify this presence in an objective manner (Marshall and Rossman 1990).

In this study, the data analysis focused on a conceptual and qualitative content of the data from the respondents. The main variables considered included the driving and resisting forces of organizational change and ways in which organizational change is managed at Equity Bank Limited. The interview guides were vetted and edited to check for the consistency, validity and reliability. The information gathered was then condensed, elucidated with relevant descriptive knowledge of the authors, analyzed and divided into logical groupings using qualitative analysis to facilitate interpretations.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter begins by looking at the profiles of the respondents who participated in the interviews. It then analyses the findings of two study objectives which are identifying the driving and resisting forces of change and how organizational change management is carried out at Equity bank. The chapter concludes by discussing the findings in relation to the theoretical framework and other studies in place.

4.2 The Respondents Profiles

The researcher collected primary data from eight respondents all of whom were available for the interview at varied times. The respondents are fully conversant with organizational change management at the bank having been involved in the transformation process of the Equity bank Limited at one stage or another. Most of them have been involved in the change management process from inception with five of them having worked for the bank for more than five years.

The researcher was able to interview heads of all key departments involved in change management process of the bank. This ensured that all representatives' views from different corporate and functional areas were received and thus the data could be said to represent the view of the entire organization. All the respondents exhibited a clear understanding of the organizational change management process at the bank. The respondents interviewed during data collection include Director of Human Resources and Customer Experience, Director of Operations, Director of Information Technology and Innovation Centre and Director of Finance. Others were Director of Treasury, Trade Finance and Marketing, Director of Corporate Strategy, Director of Mobile Banking and Payment Innovation and finally the Chief Risk Officer.

4.3 Organizational Change Management at Equity Bank

The management of Equity Bank Limited believes that the key to successful management of organization change lies in the people. The study therefore noted that a formal approach for managing change has been adopted at the bank which involves addressing the human aspect by reaching out to every individual in the value chain. It begins with the leadership team and then engaging key stakeholders and leaders as often as change moves through the bank. This is then followed by a lot of data collection and analysis, planning and implementation as well as redesign of strategy, systems and process. The results enable integration of the change management approach into the program design and decision making that is important in informing and enabling the bank's strategic direction.

It was also noted that to accomplish organization wide change, the senior management of the bank first agrees and settles on conflicting goals. The leaders then embrace the new approaches and speak as one voice and model the desired behaviours to the rest of the staff members. The respondents concurred that from experience, success has always been achieved when teams are committed to direction of change, understand the culture and behaviours the change intend to introduce and can model those changes themselves.

As the change cascades throughout the bank, employees from every area of the bank are always involved so that they feel they have contributed to the successful implementation of the efforts. Leaders are identified throughout the bank, trained and then responsibility for design and implementing the desired change pushed down. This way all the bank staff members feel aligned with the bank's vision and understand the need for change in the contexts of the markets, competition and other related aspects. Involvement of all employees has resulted to them becoming champions or change agents who can articulate the reasons and advantages of the change.

In order to create and compel leadership of the bank to team alignment, there has been continuous articulation of a formal case for change and creation of a written vision statement to various audiences. The meetings which are held regularly in all branches and departments often articulate a convincing need for change and a demonstration that the bank has a viable future and the leadership to get there. The meetings also provide a road map to guide behavior and decision making. This is necessary to clear doubts that may be on employees mind on whether the bank is headed to the right direction and on the extent of change.

It was noted that small teams of section and departmental heads are formed within the bank to create a critical mass among the work force in favor of change. By creating ownership of the change initiative, the leaders come to accept responsibility for making change happen in all of the areas they influence or control. Change ownership is created to the entire team by involving employees in identifying problems and crafting solutions.

To make sure that all employees understand the change process, it has been the bank's policy that all change programs must be seen to reinforce core messages through regular, timely advice that is both inspirational and practicable. To this end, communications often flow in from the bottom and out from the top and are targeted to provide employees the right information at the right time and to solicit their input and feedback. Regular feedback helps the bank's management in making modifications to change management rollout plan which is an effective way of making amends.

A review of the bank's bulletins revealed that change programs pick up speed and intensity as they cascade down and as such the bank's top management has the primary responsibility of assessing the culture and behaviours at each level of the organization. This helps them evaluate the level of organizational readiness to change, bring major problems to the surface, identify conflicts and define factors that can recognize and influence sources of leadership and resistance. Such practices have been important in identifying the core values, beliefs, behaviors and perceptions of various teams within the bank.

Over the years the bank has been in operation, culture has been addressed as a critical area of change. All employees regardless of their positions must live to the bank's vision and mission and the regularly revised critical success factors. Equally, the top management has been explicit about the culture and underlying behaviors that keep supporting the new ways of doing business. It was noted that all behaviours that support change have always been rewarded by creating new job opportunities.

Most of the respondents agreed that no change program ever introduced at the bank has gone completely according to plan. Bank employees have always reacted in unexpected ways resulting to resistance and external environment has always shifted. A special team has therefore been mandated to be effectively managing change by continual reassessment of its impact and the bank's willingness and ability to adopt the next wave of transformation. The team which relies on feedback from field data and supported by information and decision-making processes, make the adjustments necessary to maintain momentum and drive results.

To ensure that change programme is effective, the bank has always viewed organizational change from both institutional and personal perspective. Since bank employees spend up to six days a week at work, the bank management has always encouraged honest and explicit information sharing enabling employees to know how their work will change, what is expected of them during and after the change program, how they will be measured and what success or failure will mean for them and those around them. As reinforcement for embracing change, rewards, such as promotion, recognition and bonuses, are provided. On the other hand, sanction and removal of people standing in the way of change is done to reinforce the institution's commitment.

4.4 Driving and Resisting Forces for Change at Equity Bank Limited

4.4.1 External Driving Forces for Change

Driving forces are anything that increases the inclination of an organization and its people to implement a proposed change programme. They vary in intensity, ultimately creating the need for a change programme or energize its initiation (Robbins, 2003). Like many banks in the Kenya in the nineties, Equity bank Limited was hard hit by then economic crises that led to massive bank failures. This had an adverse effect on the bank's issue of survival in the ever competitive banking industry.

A number of respondents identified globalization as one of the driving forces of change in the bank. A review of the corporate bulletins revealed that the bank believed that this massive change brought about by globalization was unavoidable. The liberalization of the Kenyan economy became the second driving force in the general environment that led to Equity bank Limited converting from a building society to a fully-fledged bank. The opening of the regional markets and establishment of the trading blocs has seen the bank expand regionally due to improved trading conditions.

A further force driving the management of change of Equity bank Limited was the changing customer or market needs and lifestyles. Almost all respondents shared the same view that increasing customer complaints and customer demands for new products and services signaled a need for strategic action. There was therefore an urgent need for the bank to improve customer relationships and particularly to address numerous changing needs of customers. Customers expected efficient, innovative and value added financial products and service and thus there was a growing urgency for Equity bank Limited to skillfully manage knowledge centres and customer databases to ensure service excellence.

The introduction of sophisticated online banking products and services by foreign banks that often were equipped with advanced technology brought new meaning to Kenyan banking activities. The availability of one stop financial portals and the ease and convenience of electronic banking had enabled consumers to be connected online to manage their own transactions. Equity bank Limited therefore had to acquire 'finacle' a superior Information Technology platform that supports one stop financial portal so as to serve its ever growing customer base.

Stiff competition from foreign banks and new entrants was another driving force for change at Equity bank Limited. The rapid advancement of technology of rivals also strongly highlighted the inefficiency and poor integration of the historical Kenyan banking system that relied heavily on labour intensive work processes. Competition within the banking industry has brought with it competitive pricing and expanded delivery channels by the key players in the market. For instance, direct marketing, credit history, risk management, and segmentation based product pricing are today all being managed online.

A change in legislation and government policies has also bought about change at Equity bank Limited. The government intention to close some banks for failure to comply with regulatory requirements in 1998, led to among other things mergers, acquisitions and downsizing. However, the current government policies such as licensing of micro finance institutions to take deposits, the capping of interest rates, raising of the minimum capital outlay for banks and the mass entry of Western African banks in the country has resulted to Equity bank management adopting change programs aimed at sustaining the profitability of the bank while at the same time complying with the government legislations and policies.

4.4.2 Internal Driving Forces for Change

Besides the external driving forces, internal driving forces were also creating increasing tension at Equity bank Limited. Recognized among the internal driving forces for change were flawed information systems, hierarchical and rigid work practices, less attractive products and services and a call from within the organization for a new organizational customer focused culture. According to the respondents, Banker's Realm, the old core banking system of the bank did not have sufficient storage to accommodate its current and future needs. These limitations resulted to various non-value added activities such as maintenance of mass manual records, ineffective and inefficient processing and turnaround times given the proneness of the system to human error, irregularities and fraud. All these had led to loss of valuable customers thus resulting to a cause for change.

The rigidity of reporting structures and work process resulted to adjustment of reporting structures and organization of work to be in line with the new system adopted by the bank. The recognition by the bank's management of the importance of innovative products was another internal driving force for organizational development. Majority of respondent concurred that the old system limited product offering to conventional banking products and services and created unnecessary work processes that impeded the introduction of innovative products and services that were important for fostering a customer focused culture. Over the years however, the bank has come up with various innovations of product and service delivery at the most efficient means. In addition, with its rapid expansion, the bank has also had to hire world top notch professionals to head various departments.

4.4.3 Resisting Forces to Change

Organizational change can generate skepticisms and resistance in employees making it sometimes difficult or impossible to implement organizational improvements (Tampoe, 1993). The change programme at Equity bank was equally affected by people's resistance to change. This resistance arose from a number of reasons such as parochial self-interest of different political camps within the bank. Misunderstanding of change implications and lack of trust of those charged to spear head the change also contributed to people's resistance to change.

Many of the respondents concurred that a number of employees felt that accepting change would mean accepting past mistakes and thus the best remedy would be to resist. Different assessments from managers in terms of costs and benefits of the intended change were also pointed out as another reason for resistance. Other respondents felt that fear of not being able to develop skills and behaviours required resulting to low tolerance for change also contributed to resistance.

Whereas it was assumed that support would be imminent because the objectives of change were worthwhile, this did not happen. According to majority of the respondents, at the organizational level, change was seen a threat to established power relationships. The bank which originally started as a wholly private enterprise has established power relations that dictate the organization's politics. Many pioneers of the bank felt that change would invade their established power relations and were therefore rigid and non-receptive to change initiative. Other employees opposed change as they saw it as a threat to expertise of specialized groups. For instance, automation of major operational processes threatened the expertise of people who performed such processes. The introduction of internet and mobile banking for instance has put at stake the duties performed by bank tellers.

At the individual level, employees resisted change due to fear of unknown and their ability to adopt to change. Organizational change at the bank brought with it uncertainties that made employees fear losing their jobs after being declared redundant. The implementation of Finacle core banking system implied that a large number of employees who processed banking transactions through manual intervention became redundant while others were redistributed. Many employees at the bank also feared status inversion and as such opposed change due to economic considerations that would not be favorable to them.

Most of the respondents were in agreement that a large number of bank employees felt insecure about their future and found it difficult to adapt to the changes that were taking place in the system as a result of need for job security. Employee's personal habits and perceptions also inhibited organizational change at the bank. For instance, bank employees, who do not value personal development whether academic or otherwise, viewed organizational change taking place in a negative manner. Various frustrations also arose from the lack of clear guidelines, disappointment with new job designs as well as operational and system engineering problems.

4.5 Discussion

4.5.1 Comparison with Theory

A number of renowned practitioners have contributed models on organizational change management. It was noted that Equity bank uses different approaches to a variety of situations involving the bank's transformation process. To facilitate change to take place it was noted that a lot data is continuously collected and change action is based on the results of the data analyzed. This concurs with the action research change model consists of five steps which are diagnosis, analysis, feedback, action and evaluation (Lewin, 1951). This model also involves understanding of the entire change process including internal and external factors. The process of action research

It was also noted that before change is introduced, change agents must first agree and settle on conflicting goals. There is need to overcome any individual or group resistance which most respondents referred to us refreezing. Resistance to change is as result of the need for maintaining status quo and as such the research noted that the bank's change programme involves unlocking this equilibrium especially where change is swift and turbulent. These findings concur with Lewin (1951), three step model which involves freezing the status quo, movement to a new state and refreezing the new change to make it permanent. By addressing the culture of the bank as a critical area of change, the driving forces that direct behavior away from the status quo are increased and restraining forces crushed.

It was noted that the success of change programs in the bank has been as a result of creating and compelling leadership of the bank to team alignment through regular meetings. As Kotter (1996) puts it in his eight-stage process, establishing a sense of urgency is crucial in gaining needed cooperation. It was noted that at the initial stages of managing organizational change, small teams of section and departmental heads are created as a guiding coalition to champion the change and create ownership in the entire team.

Other tools and techniques adopted in the organizational change management process of the bank that fits in the Kotter (1996) eight stage change management process include employees living to the bank's vision and mission and the regularly revised critical success factors. This serves in clarifying the general direction for change and motivates people to take action in the right direction. It was noted that communication often flows in all direction to provide employees with the right information at the right time and solicit their input and feedback. Regular feedback is essential in making modifications in the change programme. According to Kotter (1996), the first four steps which have been adopted in management of organizational change at the bank form the defrosting process.

It was also noted that resistant elements of change in the bank are common as with any change process. This however is dealt with decisively at the initial stages as part of the new actions preceding the sticking of change process. Continuous articulation of the a formal case of change was noted to be highly upheld as it helps in creating evidence that all the effort is paying off especially to non believers who require even higher standards of proof. This is what Kotter (1996) referred to as generating short term wins which may take a lot of time to achieve.

To ensure that organizational change achieves its desired objectives, it was noted that the gains made by the change are consolidated and new approaches anchored to culture by addressing both individual and organizational needs. These tools can be traced to the last two steps of the Kotter (1996) eight steps model. From the content analysis of the findings, it can be noted that the bank has adopted a variety of approaches to organizational change. Both descriptive and prescriptive models of change management were noted to have been adopted at one time or another but there was no definite method chosen as the best one.

4.5.2 Comparison with Other Empirical Studies

The study noted that a key approach for managing change at Equity bank involves addressing the human aspect by reaching out to every individual in the value chain and addressing their concerns. This view is in line with Jeff (2007) who argues that for a successful management of organization change to take place, there must be a systematic approach to to managing the people side of business. Burnes (2000) also argues that people are the real drivers of change and could also be the greatest impediment against achievement and thus need to be fully involved in the change process.

It was also noted that the role of change agents in championing the desired change in the bank is well established. The change leaders first embrace the new approaches and speak as one voice before modeling the desired behaviours to the rest of the bank employees. This involves continuous articulation of a formal case for change to all employees who eventually become champions or change agents who can articulate the reasons and advantages of the change. The above findings are in line with the findings of Graetz (2000) who argues that change agents assist in achieving the desired change objectives while decreasing the strength of the restraining forces.

It was noted that all employees are made to understand the reasons for change, through regular communications that provide them with the right information at the right time and to solicit their input and feedback. This is what is advocated by (Lewin) 1951 that top management should involve key managerial employees to strive to create a state of dissatisfaction with the status quo. In order to create this state of dissatisfaction, it was essential for Equity bank to sensitize the organization to the forces for change particularly the external forces. The use of external standards of performance, such as foreign competitors' progress as benchmarks were also used to judge performance and reinforce the need for change among employees.

It was noted that some of the changes undertaken by the bank have been swift and complex. The severity and complexity of such changes compounded the challenges faced by managers who would initiate corrective actions that often affected patterns of work or values and consequently met with resistance. It was noted that preparedness of the unexpected has been factored in the bank's strategy as many change initiatives have not gone completely according to plan. This finding concurs with the Smith (2005) conclusion that unless members prepare themselves emotionally for change, the sheer speed with which change occurs can be overwhelming.

With rapid speed of change, the change efforts in the bank have always faced resistance. It was noted that some employees of the bank have tended to display grievances as a way of resistance to change. Despite the awareness towards the potential benefits of the change programmes, bank employees sometimes perceive change efforts to pose threats to routines in work practices and leadership styles. There are some employees who still feel comfortable doing familiar work. This finding is comparable to that of Fincham and Rhodes (2005) who argue that resistance to change is the greatest impediment to change. Randall (2004) reinforces the finding by arguing that the problem of resistance lies at the heart of most change programs. Stickland (1998) on the other hand argues the first essential step in the change process is for management to ensure that there is enough motivation and preparation for the upcoming change.

It was noted that just like in other change environments, organizational change at Equity Bank Limited adversely affects employee's competencies, worth and coping abilities. This view is supported by Graetz (2000) who argue that any proposed change would be more readily accepted if it promises to benefit those who are involved. In view of this, Equity bank has attempted to reduce the resistance to change by giving employees a higher comfort level about the feasibility of the new work design that affects them. However, the unsuccessful job enlargement and enrichment initiatives by the Human Resources department of the bank often dampened employee expectations. Kotter and Schlesinger (1979) provide a solution to this by arguing that the key to achieving positive effects of change is to communicate realistic, positive expectations about the organizational changes

It was also noted that there are well laid out structural mechanisms to disseminate and receive feedback at every stage of the change process at Equity bank Limited. Information concerning the change programme is always provided to all employees. The lack of reliable information always leads to rumours and uncertainty (Cummings and Worley 2005). Equity bank is likely to have benefited by creating a shared vision (driven from the top management) so as to provide a purpose for change and the desired future state to define the core activities in a planned change programme. Moreover, an interactive channel of communication to give and receive feedback on various change initiatives and emotions is likely to have accrued advantages. For instance, people may offer different perspectives and insightful ideas that can actually improve upon the original plan and employees involved in the change process will also be more likely to understand and hear important messages.

The banking industry is a highly regulated industry with set benchmarks that have to be met. Little studies have focused on management of organizational change in such regulated sectors of the economy. To comply with legal and regulatory requirements, various change programmes and efforts must be aligned at different management levels to suit the laws governing the operations of an organization. In the case of Equity Bank Limited, it was noted that at times various levels and functional departments do not cooperate fully and thus impede the vertical and horizontal integration of change efforts that must be aligned to statutory requirements set by the industry regulator.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the study by presenting the summary of findings of the research and the major conclusions derived from the findings. The chapter also makes recommendations on how Equity Bank can improve on its change management process and also suggests areas requiring further research.

5.2 Summary of the Findings

5.2.1 How Organizational Change is Managed at Equity Bank Limited

It was noted that Equity bank's management has adapted a set of practices, tools and techniques to a variety of situations involving the bank's transformation process since no single methodology fits every company. Firstly, management has systematically addressed the human side thus leading to an alignment of the bank's culture, values, people and behaviours to encourage the desired results. Secondly, organizational change at the bank starts at the top. By agreeing and settling on conflicting goals, the bank executives become aligned and committed to the direction of change. They also understand the culture and behaviors the changes intend to introduce and can model those changes themselves.

Management of organizational change at the bank also emphasizes inclusion of all employees regardless of their positions or departments. This way, all employees feel that they have contributed to the successful implementation of the efforts and thus become change agents. To compel leadership-team alignment, articulation of a formal case for change and the creation of a written vision statement are done to various audiences in regular meetings led by the team leaders. Another technique for managing organizational change at the bank is creating ownership of the change initiative. By owning the direction change is taking, the team leaders come to accept responsibility for making change happen in all of the areas they influence or control.

It was noted that regular and timely communication is often used to reinforce core change messages to all employees. Such communications often flow in from the bottom and out from the top and are targeted to provide employees the right information at the right time and to solicit their input and feedback. Organizational change management at Equity bank also involves assessing the bank's cultural landscape at each level of the organization. This is critical in important in identifying the core values, beliefs, behaviors and perceptions of various teams within the bank. At Equity bank, culture has always been addressed as a critical area of change. This involves an organization wide trend of developing a baseline, defining the desired culture and devising detailed plans that will best support the new way of doing business. It was noted that all behaviours that support change have always been rewarded by creating new job opportunities.

Equally, organizational change management programmes at the bank have always factored in the unexpected. This is mitigated by continual reassessment of change impact and the bank's willingness and ability to adopt the next wave of transformation adjustments necessary to maintain momentum and drive results. Finally, organizational change management at the bank also involves speaking to the people to get their personal touch on change. Individuals are made to know how their work will change, what is expected of them during and after the change program, how they will be measured and what success or failure will mean for them and those around them. There are also rewards for those who support the change programmes.

5.2.2 Driving and Resisting Forces for Change at Equity Bank Limited

The study identified globalization as one of the driving forces of change in Equity Bank Limited. As a result of liberalization of the Kenyan economy, the opening of the regional markets and establishment of the trading blocs, there was need for change so as to serve the extended market. Changing customer or market needs and lifestyles was identified as the second major driving force for change. This was prompted by the need for improved customer relationships and addressing numerous changing needs of customers.

Advancement in technology that brought about sophisticated online banking products and services by foreign banks was another driver of change. To be in line with this advancement, the bank had to acquire 'finacle' a superior Information Technology platform to create a one stop banking portal. Stiff competition from foreign banks and new entrants in the banking industry was another driving force for change at Equity bank Limited. This competition brought about competitive pricing and expanded delivery channels by the key players in the market. A change in legislation and government policies has also bought about change at Equity bank Limited. Internally, the driving forces for change include flawed information systems, hierarchical and rigid work practices, less attractive products and services and a call from within the organization for a new organizational customer focused culture.

People's resistance to change was the major predicament of the change process at Equity Bank Limited. This resistance was brought about by parochial self-interest of different political camps, misunderstanding of change implications and lack of trust of those charged to spear head the change programme. Different assessments from managers in terms of costs and benefits of the intended change and fear of not being able to develop skills and behaviours required, also contributed to resistance. It was found that at the organizational level, change was seen as a threat to established power relationships. Many employees felt that change would invade their established power relations while others were opposed to change as they saw it as a threat to expertise of specialized groups.

At the individual level, employees resisted change due to fear of unknown and their ability to adopt to change. Others resisted as a result of having made some economic considerations in which case they felt that change would result to status inversion. There are still some who felt insecure about their future and found it difficult to adapt to the changes that were taking place in the system as a result of need for job security. Finally, personal habits and perceptions also inhibited organizational change at the bank. Various frustrations arose from the lack of clear guidelines, disappointment with new job designs as well as operational and system engineering problems.

5.3 Conclusion

Organizations today face the dilemma of managing strategic change initiatives efficiently and effectively. Change is unavoidable in a rapidly expanding world that makes it challenging for any organizations not to respond for their survival and prosperity. This study analyzed the organizational change management and the driving and resisting forces at Equity bank. Driven by competition brought about by globalization, information technology and managerial innovation, Equity Bank Limited attempted to fit its operations and systems to a customer focused strategy.

When the changes are on a larger scale and involve many individuals and subunits such as the ones encountered by Equity bank, it is a challenge to manage change simultaneously across functional and managerial levels. One important implication is to understand and ensure that various change programmes and efforts exist at different parts of an organization. Various organizational levels and functional departments are encouraged to cooperate and carefully analyze the change programme in order to create both vertical and horizontal integration of change efforts. Therefore, organizational leaders must give careful attention to each activity and the necessary integration when planning and implementing organizational change.

Change requires time and consideration of cultural resistance. This is particularly relevant to the highly regulated banking industry, which had minimal changes in Kenya before the liberalization of the economy. In general, jobs in the banking industry were perceived by the local society as highly secure with a stable career progression. However, the rapid pace of change in the banking industry that was driven by various driving forces had a significant impact on banking operations.

Alignment between the role of the Human Resource department and implementation of a change programme is vital for the envisaged benefits to take place. For example, hiring of experienced staff is crucial and the Human Resource department might have rewarded those who demonstrated the ability to accept relocation and perform well in new roles and responsibilities. Additionally, incentives that closely reflect the rewarding of desirable behaviours that can contribute to the objectives of change programmes can influence employee behaviours to exert concerted efforts. These efforts can assist in decreasing the strength of the restraining forces, to encourage internalization of new job design, and work processes and training.

5.4 Recommendations

The recommendations of this study include both suggestions to the management of Equity bank limited as well as other financial institutions using change management as a tool for achieving their objectives. The study recommends that Equity bank should ensure that it strives to keep pace with the ever changing market dynamics and respond actively to increasing competition. The management should have more will power to facilitate organizational change process, remain flexible and ensure there is more participation and facilitation in the entire change process.

Since the study has identified competition, changes in customer needs and innovation as the greatest driving forces of organizational change, there is a growing urgency for continuous and accelerated innovation in Equity Bank Limited due to the rapid and continuous changes brought about by globalization. The dynamic nature of modern organizations, particularly those competing in global markets and the volatility of the Kenyan setting make it imperative that Equity bank Limited and its managers remain receptive to new ideas, approaches and attitudes. This receptiveness will enable managers to anticipate the new developments likely to have an impact on the Equity bank Limited and thus accommodate these developments into their strategic and operational plans so as to maintain a competitive edge.

The study found that innovation as a driver of change is necessary to find and fill unoccupied spaces in the market and to keep up with the soaring productivity of competitors. The study therefore recommends that Equity Bank continue fostering innovation as only organizations that maintain their flexibility, continually improve their quality and beat their competition to the marketplace with a constant stream of innovative products and services will remain relevant in this competitive market.

Changing organizations are proficient in developing an ability to scan the environment. They set objectives and monitor the general performance of the system in relation to these objectives. The study therefore recommends organizational learning in Equity bank Limited where employees continually expand their capacity to create the results they truly desire and where new and expansive patterns of thinking are nurtured. A favourable working environment that proactively creates, acquires and transfers knowledge should also be created within the bank. When such an environment exists, managers will notice things more quickly, spot patterns and make insightful inferences. Being able to continually generate new and better ways of doing things will in the long run give Equity bank limited sustainable competitive advantage over the competition.

5.5 Limitations of the Study

The study was carried out with limited time and resources. All the respondents being senior managers of the organization are very busy people and as such they could only allocate limited time to the interview. This constrained the scope as well as the depth of the study. Considerable time was also spent arranging for appointments with the respondents. Some of the respondents were not readily available forcing these interviews to be carried out on the phone. This had a great impact on the cost of the study.

Management of organizational change has become the norm in organizations of all kinds and dimensions today. This study was a case study focusing only on one organization, Equity Bank Limited. As such the findings arising from this research are case specific and may not be generalized to other organizations particularly local banks and financial institutions. Case studies are also said to be subjective in nature.

5.6 Suggestions for Further Research

In order to shed more light on managing organizational change and build on the findings of this study, the researcher recommends further research on managing of organizational change in other sectors of the economy such as manufacturing companies, state corporations, Non-Governmental Organizations, Small and Micro Enterprises and family owned businesses. To allow generalization of the research findings, a cross sectional survey can also be carried out to investigate management of organizational change within the banking industry. It may also be necessary to carry out another research to find out how to build capacity of the change agents to play their leadership role in change management more effectively.

Resistance to change remains the biggest challenge in management of organizational change. This study noted that this is the case even in Equity Bank Limited. It would therefore be important through research to establish on how best to deal with resistance to change in order for change to be implemented effectively with little or no hitches. Lastly a study that would help compare the various methodologies befitting organizational change management in different economic environments and the set of practices, tools and techniques adapted need to be carried out.

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APPENDICES

Appendix 1: Letter of introduction

Dear Respondent,

I am a post graduate student doing a research on Managing Organizational Change at Equity Bank Limited as part of the requirements for the award of the degree of Master in Business Administration. I kindly request your assistance in giving responses to the semi structured interview questions below to help me achieve my study objective. All responses made will strictly be used for academic purposes and I guarantee confidentiality. In advance, I thank you for sparing your time and your cooperation.

Thank you for your attention and assistance.

Yours sincerely,

KAMAU, MARTIN MUNIU

Appendix 2: Data Collection Checklist

Position held in the bank..

Department..

Years of experience in the bank..

SECTION B: SEMI STRUCTURED INTERVIEW QUESTIONS

1. What are some of the external and internal driving forces for introducing change management programme in your Bank?
2. How does your Bank introduce a change management programme?
   a) What are some of the initiatives in the change management programme?
   b) Would you describe how the initiatives were implemented?
   c) Were there any departments affected by the change management programme?
3. What are some of the resisting forces to change both at organizational and individual level in your Bank?
4. What are the initiatives that your Bank has taken to manage the forces resisting change and the affected persons or departments?
5. Would you describe the challenges faced in change initiatives of the change management programme? How were these challenges solved?
6. Could you observe resistance to change among those affected by the change management programme? How was this dealt with?