

**MANAGEMENT OF STRATEGIC CHANGE AT NATIONAL SOCIAL  
SECURITY FUND, KENYA**

**BY**

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**A Management Research Project Submitted in Partial Fulfillment of the Requirements for the Degree of  
Masters of Business Administration (MBA), School of Business, University of Nairobi.**

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## DECLARATION

I declare that this project is my original work and has never been presented for the award of a degree in any other University or Institution of Higher learning.

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This Management Research Project has been submitted for examination with my approval as the University Supervisor.

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## **DEDICATION**

To my husband Christopher and children Michelle and Chris Jnr, Mum and Dad and my supportive brothers and sisters.

## ACKNOWLEDGEMENTS

First and foremost, I would like to thank God Almighty for giving me the gift of life for me to be able to achieve all my dreams and inspirations.

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## LIST OF ABBREVIATIONS

BOT	-	Board of Trustees
COTU	-	Central Organization of Trade Unions
FKE	-	Federation of Kenya Employees
ICT	-	Information Communication Technology
KUCFAW	-	Kenya Union of Commercial Food and Allied Workers
MT	-	Managing Trustee
NSSF	-	National Social Security Fund
RBA	-	Retirements Benefits Authority

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## ABSTRACT

The study was meant to investigate the strategic change that has taken place in NSSF and how the process was being managed. Further there was need to establish the factors that were influencing the management of the strategic change. The most significant change under study is the Job Evaluation process. NSSF carried out a structure review vide performing a Job Evaluation in 2008. In August 2008, vide tender No 03/2008-2009 (RFP), the Fund granted a consultant to carry out a job evaluation process of the organization.

The study adopted case study as its research design. Both primary and secondary data was used to gather information on the change management process. The primary data included interview guide and observation. This was intended to allow for generation of in-depth and detailed information from the respondents. The secondary data included internal memos, reports and newsletters. The guide was administered directly by the interviewer. The interview was conducted with the Heads of the key departments namely, Finance, Administration, Human Resources, Research & Development, Public Relations, Information Technology, Internal Audit and Customer Services.

The research study has revealed and unearthed several issues regarding how NSSF has been managing change and how the change has lagged on for too long and finally what factors have affected the implementation of this strategic change. The overall results and findings indicate that when the process of job evaluation began in the organization, there was a plan in place. A team of senior managers was formed to spearhead the change. The management initially kept all informed of the progress. But somewhere down the line, communication was broken and this resulted in resistance to change as staff felt it would lead to loss of jobs, victimization and unfairness in the whole process.

In conclusion the process is still ongoing and therefore management can still save the situation. The management can deal with factors that have been identified that inhibit implementation of strategic change. These are resistance to change, poor leadership,



negative organizational culture, teamwork across all levels in the organization to spearhead change and seek stakeholder support before embarking on change in the organization.

# CHAPTER ONE: INTRODUCTION

## 1.1 Background to the Study

Johnson and Scholes (2003) notes that in an ever changing global economy, organizations must find ways for operating by developing new competencies as the old advantage and competencies gained is quickly eroded owing to environmental changes. Changes are a necessity in both private and public sector, hence every organization must change with the environment otherwise it will become irrelevant. The ever-changing environment continually presents opportunities and challenges. To ensure survival and success, organizations need to continually develop capability to manage threats and exploit emerging opportunities promptly. This requires formulation of strategies that constantly match capabilities to environmental requirements.

Change is important to organizations because it is through change that organizations are able to grow and mature. However many such change initiatives even those undertaken by organizations with the best of intentions, are often destined to fail at some point in their implementation. Studies have shown that approximately 70% of planned management change initiatives fail (Judge & Douglas, 2009; Okumus & Hemmington, 1998). Designing a structure and putting in place appropriate resources does not ensure people will make a strategy happen. The major problem managers' report in managing change is the tendency towards inertia and resistance to change, people will tend to hold on to existing ways of doing things (Johnson, Scholes & Whittington, 2008).

Failures are attributed to a number of factors including, inappropriate conceived future states, resistance by organization members, faulty implementation strategies during transition periods, lack of knowledge regarding important aspects of change management on the part of managers and executives, high cost of change and lack of skills and resources to mention a few. Managing strategic change therefore poses a major challenge for the change agent.

### 1.1.1 Strategic Change Management

Strategy is the direction and scope of an organization over the long term which achieves advantage in a changing environment through its configuration of resources and competencies with the aim of fulfilling stakeholder expectations (Johnson, Scholes & Whittington, 2008). Strategy can involve hard decisions about the scope of the business, its management and its organization structure. Managing strategy in action is concerned with issues of structuring, resourcing to enable future strategies and managing change.

Smith (2005), states that change in our societies, our profession and our organization, is rapid and constant. Change involves moving from a known state to an unknown one, of ending the way things are done and doing things in new ways, of letting go. The pressures and demands for change in organizations maybe external and internal or a mixture of both. Change may be planned or unplanned, fast or slow. Change is typically a crucial component of strategy. Change is often difficult because of the heritage of resources and because of organizational culture.

Handy (1994) defines strategic change management as actions, processes and decisions that are executed by an organization's members to realize their strategic intentions. This in turn helps organizations to achieve the highest impact and efficiency hence have least interruptions and negative consequences. Mitchell (2002) defines change management as a strategic activity aimed at getting the best outcomes from the change process. Mitchell recons that strategic management is about identifying, choosing and implementing activities that will enhance the long-term performance of an organization. Strategic Change Management is about managing the changes that are part of or a consequence of that strategy in such a way to suit the particular organization's context and the type of change required. Strategic Change Management is a sub-set of strategy making.

As the twenty first century unfolds, a large number of organizations are altering how they operate and how they relate to the environment (Cummings&Worley, 2008). Consequently as a result of change, many organizations are being forced to downsize or

become leaner, to rethink their business strategies, divest running non- profit making businesses or close the businesses all together if the change is unsuccessful. The change process that every organization undergoes is to either make the existing organization better or fine-tune the status quo (Cummings & Worley, 2008).

Change is not easy. However with a good strategy an organization can make it more receptive on both the organization and the employees. It is also important to consider the factors that would affect the success of a change management strategy. Nickols (2003) identifies various factors that influence change management strategies namely, degree of change, degree of resistance, attitude towards risk, time frame, expertise, dependency and the employees. The management should address these factors adequately to ensure successful implementation of the change management strategies.

### 1.1.2 Retirement Benefits Industry in Kenya

The retirement benefits industry in Kenya is composed of the civil service scheme, the National Social Security Fund (NSSF), occupational schemes and the individual pension schemes. The coverage of the pension schemes is currently estimated at less than 15% of the total labour force. The distribution of membership in the schemes as a proportion of the total membership in the retirement benefits schemes in the country is as shown in the table below. The NSSF has the highest proportion of membership at 67% with estimated membership of 800,000.

**Fig 1: Retirement Benefits Industry in Kenya - Membership**

SCHEME TYPE	PERCENTAGE
Occupational Retirements Benefits Scheme	10.4%
Individual Retirement Benefits Scheme	0.6%
Civil Service Pension Scheme	22.0%
National Social Security Fund	67.0%

**Source:** Retirements Benefits Authority, 2004

Prior to 1997, the retirement benefits industry was largely unregulated. The only regulations governing the sector was those inscribed in the Income Tax Act and Trust Laws and these tended to be broad regulations which did not encompass developmental objectives. Some of the problems that the pension industry faced before a clear regulatory framework was put in place include: mismanagement of schemes' funds, schemes were not adequately funded, arbitrary investment of funds without independent professional advice and records and books were not well kept.

The enactment of the Retirement Benefits Act in 1997 provided a regulatory framework for the retirement benefits industry. The Act created the Retirement Benefits Authority (RBA) to oversee the industry's management and development in a prudent and appropriate manner. The Authority's operations are vested in an independent Board of Directors with a majority private sector representation and the autonomy to run the industry without undue state interference. While there are challenges related to the overall macroeconomic growth, expectations remain high that the RBA regulations will give way to a healthy policy environment for the industry.

The pension reform in Kenya has resulted in a sea change in the operations of the retirement benefits schemes in the country. This has led to rapid growth of the industry coupled with enhanced member protection and security. Building on this success, the Government has introduced further reforms aimed at securing and consolidating these gains. The introduction of preservation of retirement benefits up to retirement age is in tandem with best international practice and is aimed at ensuring that the ultimate objective of retirement saving is indeed achieved. The remaining challenge is to address the issue of high unemployment and frequent redundancies and put in place measures to address these issues without compromising the retirement saving objective.

### **1.1.3 National Social Security Fund in Kenya (NSSF)**

The National Security Fund was enacted in 1965 by an act of Parliament under Cap. 258 of the laws of Kenya essentially to register members, collect contributions from members, prudently invest the contributions and pay specified benefits. It commenced its

operation as a section in the Ministry of Labour and was later upgraded to a department. NSSF currently operates as a provident fund by providing lump sum payment of benefits to its members on retirement. NSSF's mission is "To provide basic social security and welfare support to workers". NSSF's vision is "To be a world class centre of excellence on provision of social security".

In 1988, the Fund was converted into a parastatal under the management of the Board of Trustees (BOT). The BOT comprises of members drawn from the government representatives, Federation of Kenya Employees (FKE) and the Central Organization of Trade Unions (COTU) representing workers. The Managing Trustee (MT) is the chief executive. This composition of trustees is made to accommodate the views and aspirations of the three key social partners in policy formulations and the running of NSSF as an independent self-supporting entity. The Fund has a total of 1653 employees out of whom 671 are in the Management cadre and about 982 are in the Union (Kenya Union of Commercial Food and Allied Workers - KUCFAW). The employees of the Fund are spread all over the country where the Fund has forty-four (44) branches. There are 5 General Managers who report to the Managing Trustee and there are 17 departments in the Fund.

Since its inception in 1965, poor performance by NSSF has been a matter of public concern. There was a decline in service delivery in the Fund, this despite a number of measures taken to alleviate the situation. The various services affected were member contributions, registrations, benefit processing and compliance, cost management, suspense clearance and utilization of resources. Commendable initiatives have been implemented starting with decentralization of benefits processing and payment and embracing Information Communication Technology (ICT) to keep abreast with changes in the technological environment, but the reforms lacked important ingredients to improve quality of service delivery. These initiatives did not create a strong link between the organization mission and the individual work of employees and managers.

NSSF is committed to delivering efficient and effective services at all times and a friendly hand to its members. To achieve this, the BOT of NSSF have had to make major changes in the organization since May 2008. This started with competitive employment

of the MT post which was previously a political appointee post. The Fund then took a strategic direction to develop its human resources. Consequently the BOT recommended that the fund perform a job evaluation of its workforce with an aim to downsize to cut on operational costs, determine optimal staffing levels and rationalize staff requirements. Dessler (2008) defines job evaluation as a formal and systematic comparison of jobs to determine the worth of one job relative to another and eventually results in a wage or salary structure or hierarchy. In summary job evaluation is aimed at determining a job's relative worth.

NSSF carried out a structure review vide performing a Job Evaluation in 2008. In August 2008, vide tender No 03/2008-2009 (RFP), the Fund granted a consultant to carry out a job evaluation process of the organization. The strategic direction taken by the BOT and the consequent grant to the consultant to perform the job evaluation process set the background for the organization's restructuring and therefore the management of the strategic change in NSSF. The organization has undergone various changes since then to date which has caused great anxiety among employees and has in one way or the other affected performance of the organization. The objective of the change process has not been fully met hence the need to conduct this study on the management of strategic change in the Fund.

## **1.2 Research Problem**

Change is inevitable in the life of an organization. In today's business world, most of the organizations are facing a dynamic and changing business environment. They should either change or die, there is no third alternative. Organizations that learn and cope with change will thrive and flourish and others who fail to do so will be wiped out. The major forces which make the changes not only desirable but inevitable are technological, economic, political, social, legal, international and labour market environments. Managing change is a challenge as it involves fundamental changes in the business of the organization and its future direction. There is need therefore to have a strategy in place to

legitimize the change programme. Change is not easy and various factors are bound to influence its implementation in an organization.

The political culture and history of the Kenyan Public Sector in general and NSSF in particular has impacted on efforts to improve on effective service delivery and good governance. Analysis has shown patterns and trends of steady decline in the Public Service delivery in Kenya despite raft measures taken to improve this. NSSF being a public entity has been no exception. NSSF has not been performing to the expectations of its stakeholders. For instance in the performance ratings for ministries and parastatals released in May 2008, it emerged position 105 out of 166 parastatals reflecting a major drop from the previous year's rating where it had emerged position 66. Rampant government interference and protection of NSSF has lead to poor performance and service delivery. However with private entrants into the social security industry in the late 1990s, the Fund has had to undertake various change management strategies to keep it afloat and to change its poor image to its members and prospective members.

Various studies have been done on change management and strategic processes in different organizations and on different scope. Koske (2003) looked at strategy implementation and its challenges in the public corporations, Gichumbi (2007) did strategies by NSSF to changing environmental conditions in Kenya, Odie (2010) did Management of Strategic change at KIA, Ndungu (2010) looked at factors that influence change management strategies at Plan International, Kenya, among others. Most of these studies have concentrated on generic change management in these organizations. Factors that influence the change management process is core as it identifies why things happen or not as planned. This study therefore seeks to answer the following two questions, how has NSSF been managing strategic change? and what factors influence management of strategic change at NSSF?



### **1.3 Research Objectives**

The study has two objectives:

- i) To determine how NSSF has been managing strategic change
- ii) To establish factors influencing management of strategic change at NSSF

### **1.4 Value of the Study**

The impact of change has been deeply felt in the Fund. The success or failure of the change process is yet to be declared. Upon evaluating the findings of the study, management and staff of NSSF will be able to understand how to manage change and better align it with its internal resource capabilities and competencies. This will enable management to plan in advance for any change and put structures in place in order to guarantee successful implementation of the change.

Research shows that the success rate for implementing major organizational change is quite low for several reasons. Consequently the study will provide a platform for further research in the area of change management and in particular the practices that will contribute to successful strategic change management in Kenyan State corporations, parastatals and more specifically NSSF.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Concept of Strategic Change

Change can be simply defined as a transition from one state to another with focus on being different. Change is the only constant in today's life for individuals and organization. Some changes can be reversible while others are not hence the risk involved in managing change. There are both objective and subjective conditions in making the transition in organizations.

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 desired results. Here, the focus is on the process aspect of the change. Change Management is a structured and systematic approach to achieving a sustained change in human behavior within an organization. Here focus is on the people aspect of change which is very critical in every organization.

Organizational change is a form of social change. Change in organizations can be strategic or operational (Burnes, 2004). Strategic change is one that involves fundamental changes in the business of the organization and its future direction. Successful strategic change is built on an overall strategic management system of the organization. The strategy of the organization legitimizes the change programme. The organization has to transform so that it is aligned with the execution of a chosen corporate business strategy and to changes in their environment.

Strategic change often involves radical transitions within an organization and encompasses strategy, structure, systems, processes and culture (Strickland and Thompson, 2007). The purpose of strategic change is to ensure that the organization is heading in the right direction. The track record of success in bringing about strategic change within most organizations has been poor since many simply fail to grasp that they are performing an implementation which actually means turning plans into reality.

## 2.2 Managing Strategic Change

The global business environment is changing faster than ever. We are living in an era where businesses constantly need to reshape their ideas merely to survive. To achieve sustained success, it is not sufficient merely to manage existing operations better. Businesses need to do things radically differently to secure an advantage over their competitors. According to Johnson et al (2008), designing a structure and putting in place appropriate resources do not of themselves ensure that people will make a strategy happen. The major problem managers' report in managing change is the tendency towards inertia and resistance to change.

Nilakant and Ramnarayan (2009) have discussed three main ideas to influence people to actively participate in a change process. First, they argue that organizational change is most successful when people in the organization take charge of the change. Ideally participation, involvement and ownership are crucial for effective change. They further content that organizational change is both cultural and political; it involves influencing, inducing, negotiating, persuading and winning over people to the idea of change. Finally influencing and persuading people mainly involve communication. Hence effective communication strategies are crucial to mobilize support.

According to Johnson et al (2008), there are various styles identified to manage change and this will depend on the circumstances of the organization. The Coercion style involves imposing of change or issuing of edicts about change. It involves explicit use of power to enforce the strategic change. This style is necessary if the organization is facing crisis or rapid transformational change. According to Bowman and Asch (1987), power strategies are used in situations where the change must be implemented quickly and a few resources are available for programmes of education or negotiation. This style will be possible only where the implementers of the strategy possess some form of power.

Burnes (2004) states that coercive power is usually the prerogative of those in senior position, whilst junior members of an organization may, in particular circumstances,

control or possess information that enables them to exert knowledge power. The selective and biased use of information is shown to be effective in gaining willing compliance and cooperation from those it is directed. However, deployment of coercive power can be very damaging to change management.

Collaboration or participation is a style that is used to increase ownership of a decision and change process as well as commitment. In this case those who will be affected by the change are involved in identifying strategic issues, setting the strategic agenda, the strategic decision-making process or planning of the strategic change. This leads to better quality of decisions and avoids resistance to the change.

Education and communication style is used where management needs to explain the reasons for and means of strategic change to win the support of everyone in the organization. According to Bowman and Asch (1987), a change strategy of education and communication is based on the assumption that if people are given the rationale for change, they will see the need for it and therefore accept it. Nickols (2003) indicates that for the most part, people are reasonable and they can be reasoned with. This style is idle when resistance, based on inadequate or inaccurate information, is anticipated.

The direction style involves use of personal managerial authority to establish a clear future strategy on how change will occur. Direction is usually a top-down management of strategic change and may be associated with clear vision or strategic intent developed by someone recognized as the leader in the organization.

Intervention style of change management ensures that the change agent retains control of the change process but delegates certain tasks to teams or groups. These teams become involved in the change process and see their work building towards the change process. The advantage of this strategy is that members of the organization are involved in generation of ideas and in the implementation of solutions.



In his book *Terms of Engagement*, Axelrod (2000) discusses four historical approaches to change namely; Leader-driven approach, Process-driven approach, Team-driven approach and Change-Management approach. Leader-driven change is suitable for small and medium organizations where the leader has all the necessary information and knowledge. This approach tends to be directive and non-participative. Process-driven changes are led by experts or consultants and supported by the leader and are more common in large, bureaucratic organizations. This approach is also directive and non-participative and works well when the change requires technical or specialized expertise.

Team-driven approaches are most common in large, manufacturing enterprises that have skilled and educated employees. Change management strategies such as Total Quality Management (TQM) and Quality Circles (QC) exemplify this approach. These highly participative change efforts empower employees and provide them with involvement, participation and ownership of the change. According to Axelrod, the change management approach is a combination of expert-driven and team-driven approaches. Whereas the former provides a business and technical focus to change, the latter generates ownership, involvement and commitment. This is the approach to change that most organizations use today. However Axelrod contents that this approach has shortcomings in that instead of involvement and commitment, this approach breeds cynicism, bureaucracy and resistance.

To manage changes successfully, organizations need to be adept in managing transitions. Goodstein and Burk (1991) assert that the process of change management deals with aligning people, resources and cultures with a shift in organizational directions. During these transitions, many organizations usually encounter many problems that cause delays and additional costs therefore affecting implementation of the desired changes. One of the biggest challenges faced by organizations going through change is posed by resistance to change (Bovey & Hede, 2001).

## 2.3 Models of Change Management

There are a number of theoretical models of change. Each attempts to describe the process through which organizations successfully alter their business practices, their organizational structure or their organizational climate. Burnes (2004) argues that though most experts would claim some sort of universal applicability for their favoured approach or theory, the reality is that such approaches are developed in particular circumstances, at particular times often with particular types of organizations in mind.

Kurt Lewin's Model of Planned Change is one of the cornerstone models for understanding organizational change. This model was developed by Kurt Lewin in the 1950s. According to Kurt Lewin, resistance to change could be overcome on an enduring basis by systematically planning and implementing the process of change. Lewin introduced the three-step change model. The first step involves unfreezing the present level of behavior. It involves loosening of emotional link with the status quo including old work methods and practices. It leads to unlearning of old things to learn new ones. Unfreezing can be achieved by increasing the driving forces that direct behavior away from the existing situation or status quo and decreasing the restraining forces that negatively affect the movement from the existing equilibrium. Robbins (2003) gives some activities that can assist in the unfreezing step which include motivation in preparation for change, building trust and recognition for the need to change and actively participate in recognizing problems and brainstorming solutions within a group.

Lewin's second step is called movement and involves taking action to change the organization's social system from its original level of behavior or operation to a new level. In this step employees are persuaded to be receptive to change, the change is then introduced to them in a systematic manner and they are then guided and helped to learn new methods and techniques implicit in the proposed change. Through this, the individuals are able to internalize new patterns of behavior. In extreme cases force may be used for inducing the change.

Lewin's third and final step is namely refreezing. It takes place immediately after change has been implemented to ensure sustainability of change overtime. If this is not done, the individuals may revert to the old patterns after some time. Change becomes stabilized only if enough reinforcements (rewards) are provided for desired behavior. This step involves reinforcing new patterns and institutionalizing them through formal and informal mechanisms including policies and procedures, establishing feedback systems, ensure leadership support and provide support and training in anchoring and adapting to new change (Robbins, 2003).

Kotter (1996) outlines his 8 Step Change Model with suggestions to help organizations transform. These steps include establishing a sense of urgency, forming a powerful guiding coalition or team to lead the change, creating a vision that people can grasp easily and remember, communicating the vision, empowering others to act on the vision, planning for and creating short-term wins, consolidating improvements and producing still more change and finally institutionalizing new approaches through making any change stick.

Cummins & Worley (2008) emphasize the identification of key ingredients of successful change efforts and describe a five phase's model to effectively manage change. These phases include motivating change, creating a vision, developing political support, managing the transition and finally sustaining momentum. The authors consider the process of managing change as the continuous alignment of the organization with the market to be more effective than competitors.

Johnson and Scholes (1999) view strategic change management as a set of logical processes. This prescriptive approach involves resource planning, organizational structure and design and managing strategic change. The logic of implementation is designing structures with resources required which are appropriate to carry through the strategy and using them as mechanisms of managing strategic change.

The ADKAR change model was first published by Prosci in 1998. The ADKAR change model is founded on two basic ideas: it is people who change, not organizations and that successful change occurs when individual change matches the stages of organizational change. For successful change to occur at the individual level, people need to move through each of these stages: **A**wareness of the need for change, **D**esire to make the change happen, **K**nowledge about how to change, **A**bility to implement new skills and behaviors and **R**einforcement to retain the change once it has been made. For organizational change to be successful, these individual changes need to progress at or close to the same rate of progress through the business dimension of change.

Kubler-Ross described five stages of grief in her 1969 book "On Death and Dying" that are just as relevant to the normal range of feelings people have when they are dealing with change on an individual level or in the workplace. All change involves loss at some level. The "Five stages" model has been very usefully used to understand people's reactions to change for many decades. The five stages of grief Kubler-Ross wrote about are **D**enial which is the initial stage of numbness and shock, **A**nger when we realize that the change is real and will affect us, **B**argaining in order to put off the change, **D**epression sets in when we realize that bargaining is not going to work hence the reality of the change sets in and as people realize that fighting the change is not going to make it go away, they move into a stage of **A**ceptance of the change. Kubler-Ross said the stages can last for different periods of time and will replace each other or exist at times side by side.

Stephen Covey in his 1989 book "The Seven Habits of Highly Effective People" provides a model that applies to our personal and working lives. Applying the lessons of the seven habits will help an individual effectively deal with change. Covey's Seven Habits model is an inspiring sequential change management process that challenges an individual to examine their values and the way they react to change in their lives. The seven habits are not a quick and easy formula for success. But together they form a powerful model for personal change and for leading change in organizations. The seven habits are Be Proactive, Begin with the end in mind, Put first things first, Think win/win, Seek first to understand then to be understood, Synergize and Sharpen the saw.



Effective change requires 'buy-in' of the individuals in an organization. Rogers (1995) identified a five-stage process individuals go through as they adopt a change. The process includes gaining knowledge, persuasion, making a decision, implementation and confirmation. This process allows individuals to reduce certainty about the change. He points out that if the decision to adopt a change was made by the organization rather than the individual, the adoption process will be more complicated. He maintains that the process of implementation should aim for "dynamic equilibrium". This refers to change at a rate that allows the system to adjust also. Implementation of strategic change in an organization is therefore a fluid process that has to take account of the uncertainties due to change.

#### **2.4 Factors influencing Management of Change**

Strategy implementation does not automatically follow strategy formulation. There is always resistance to any change. Resistance, culture, leadership, teamwork and stakeholder politics have been identified as factors that can influence management of change in an organization.

According to Ansoff and McDonnell (1990), resistance to change is a multi-faceted phenomenon which introduces delays, additional costs and instability into the process of change. Resistance can be either systemic or behavioral. Systemic organizational resistance is caused by among other factors namely organizational design, culture, resource limitations, fixed investments and inter-organizational agreements. Systemic resistance originates from passive incompetence in managerial capacity to carry out the change. The capacity required to implement change is normally more than the existing capacity. Management requires planning and developing the required capability by integrating management development into the change process and stretching the implementation period as long as possible. Behavioral resistance is exhibited by individuals, managers or coalitions and power centers within the organization due to parochial self-interests, misunderstandings and lack of trust or low tolerance to change.

Leadership must drive the process of change to alter the employees' perception and bring about revised personal impacts.

Rowe et al (1994) defines organizational culture as the total sum shared values, attitudes, beliefs, norms, expectations and assumptions of people in the organization. Thompson J (1997) argues that organizational culture and values held by managers and other employees within the organization are key influences on strategies of change and therefore central driving consideration in strategy creation and change. Johnson and Scholes (1999) referring to culture as routines, note that such routines which give an organization a competitive advantage may act as bottlenecks when implementing changes. When planning change it is important to identify such routines and change them.

Johnson and Scholes (2003) contend that the management of change is often directly linked to the role of a strategic leader. Leadership is the process of influencing an organization in its effort towards achieving an aim or a goal. A leader does not have to be necessarily someone at the top of an organization; rather it can be someone who is in a position to influence others. In the change process, the change agents provide the leadership role. However the Institute of Management (1995) study established that while most managers supported the case for change, many were anxious not only about the change outcome but also the process of change. Aosa (1996) says that there is need to synchronise the management and implementation of change with the context which such a change is being carried out.

Oakland (1993) define a team as a group of people with the appropriate knowledge, skills and experience who are brought together specifically by management to tackle and solve a particular problem usually on a project basis. They are cross functional and multi-disciplinary. Rowe et al (1994) argue that team approach to change implementation removes artificial organizational barriers and encourages openness. Teams share common goals and help to focus energy by emphasizing self control on the participants. Teams that are cohesive, that interact co-operatively with members possessing compatible

personality characteristics and that are operating under mild to moderate pressure appear to be most effective.

Kanter et al (1992) argues that the first step to implementing change is coalition building, which involves those whose involvement really matters. Specifically, stakeholders must support any change programme for it to see the light of the day. This is because many stakeholders are individuals or groups with different interests and power in the organization hence in case of a change, stakeholders politics sets in. Hill and Jones (2001) term organizational politics as tactics that strategic managers and stakeholders engage in to obtain and use power to influence organizational goals and change strategy and structure for their own interests.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter provides a discussion of the research methodology that will be used in this study. It discusses the research design especially with respect to the choice of the design. It also discusses data collection methods as well as data analysis to be employed in the study.

### **3.2 Research Design**

The research was based on a case study approach. It sought to study the management of strategic change at National Social Security Fund, Kenya. All data gathered was therefore related to this organization. According to Young (1960), case study is “a comprehensive study of a social unit, be it that unit is a person, a group, a social institution, a district or a community”. It was essentially an intensive investigation of a particular unit under consideration. This research design would enable the researcher to carry out in-depth investigation and have a greater understanding of the management of strategic change at NSSF.

### **3.3 Data Collection**

Both primary and secondary data was used in this study. The primary data included interview guide and observation. This was intended to allow for generation of in-depth and detailed information from the respondents. The secondary data included internal memos, reports and newsletters.

The interview guide attached in Appendix I was used. The guide was administered directly by the researcher. The interview was conducted with the Heads of the key departments namely, Finance, Administration, Human Resources, Research & Development, Public Relations, Information Technology, Internal Audit and Customer Services.

### **3.4 Data Analysis**

The data collected was qualitative in nature and was analyzed using content analysis. Using this method, phrases and statements from the respondents were categorized to describe the logical structure and pattern of expression which helped to ascertain any association, connection, denotations and other interpretations. Mugenda (2003) notes that by using qualitative methods, researchers are able to collect data and explain phenomenon more deeply and exhaustively.

## **CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION OF FINDINGS**

### **4.1 Introduction**

The study intended to achieve two main objectives: to determine how NSSF has been managing strategic change and to establish factors influencing management of strategic change at NSSF. This chapter therefore presents the findings of this study with regards to the objectives and discussions of the same. To achieve these two objectives, a total of eight (8) departmental heads were interviewed by the use of interview guide (Appendix I).

### **4.2 General information on the respondents**

The study aimed to interview heads of key departments namely Finance, Administration, Human Resources, Research & Development, Public Relations, Information Technology, Internal Audit and Customer Services. The interviewer was able to achieve 100% response rate from the target respondents. Their feedback was therefore critical in analyzing the findings.

Respondents' length of service in an organization is an important factor as it reflects on the amount of experience such respondents have within the organization. The length of service in the Fund of the respondents ranged from between one year to fifteen years. The findings of the study will therefore be useful in gathering relevant information on the organization from those who have joined NSSF to assist in the management of the change and those that have seen the two sides of NSSF i.e. before and after the change.

Further it was observed that all of them have been in charge of the change management being part of the committee constituted to spearhead the change management process. They were therefore better placed to provide in depth and quality information about the change management process. In addition, respondents were drawn from different key department in the organization hence their view were representative of most employees of NSSF on the change process.

### **4.3 Management of Strategic Change at NSSF**

The interview guide sought responses on the strategic change that took place, how the change was embraced in the organization, whether its objectives were met or not and what needed to be done by the management to make the change a success. The response and analysis of the findings from the respondents are as below.

#### **4.3.1 Forces necessitating Strategic Change**

The respondents were asked to describe the major change that had occurred in the organization. All were in agreement that the Job Evaluation process was strategic and an important change that the organization has recently had to embrace to improve performance within the organization. Consequently other changes have occurred like an overhaul of the organization structure in which various positions and departments were dropped and others created.

The respondents were then asked what in their opinion necessitated the change. Various opinions were gathered. In general the respondents felt the organization was going through a restructuring and re-engineering of its processes to keep ahead of the competition within the pension industry. They felt that management had to realign the skills of staff to the appropriate jobs to enable proper utilization of skills and resources of the organization high performance per individual. This would eventually lead to provision of better and quality services to its stakeholders.

#### **4.3.2 Model of Strategic Change**

There are a number of theoretical models which attempt to describe the process through which organizations successfully alter their business practices, their organizational structure or their climate. The respondents were required to identify whether the change that was happening in the organization was planned or emergent. All were in agreement that the change was planned.

The respondents explained that the job evaluation process was approved by the BOT before it went through the procurement process to be competitively awarded to a

consultant. The management also kept the stakeholders especially the employees, who were directly involved in the change, informed of the change by frequent updates through memos, circulars and the organizational intranet 'GroupWise'. Further a committee of senior management staff was formed to spearhead the change and cascade any necessary information to staff under them.

In summary NSSF followed a model of planned change as advocated by Kurt Lewin's model of Planned Change. The management planned the change but it is worthy noting that the change did not systematically flow as the three-step change model of Lewin's.

#### **4.3.3 Channels of communicating change**

The respondents were asked to give the main channels that the organization used in communicating the change. The respondents unanimously agreed that the organizational intranet 'Groupwise' was the most effective means of communication used as it was able to reach staff both at the headquarters and the branches at the same time hence avoid rumors. Management staff was then encouraged to inform other lower cadre staff who may not have access to Groupwise.

Two of the respondents used departmental meetings as a form of communication to staff under them. In these meetings, they were able to give a progress report to their staff and answer any questions raised by staff. They then relayed any ideas on management of change to the top management. The respondents would then encourage their staff to relay the same information to other staff in the various departments. This helped though the respondents felt the channel was bound to raise rumors which were not sometimes constructive for the change process.

All the respondents were in agreement that circulars and internal memos were used to update staff on the management process. The frequency though was a concern of the respondents. They felt that circulars and memos were issued only when pressure was felt from the union or rumors within the organization were heard. This was not good for the successful management of the strategic change. According to Bowman and Asch (1987),



a change strategy of education and communication is based on the assumption that if people are given the rationale for change, they will see the need for it and therefore accept it.

#### **4.3.4 Strategies to manage and spearhead the Strategic Change**

To manage changes successfully, organizations need to be adept in managing transitions. Goodstein and Burk (1991) assert that the process of change management deals with aligning people, resources and cultures with a shift in organizational directions. During these transitions, many organizations usually encounter many problems that cause delays and additional costs therefore affecting implementation of the desired changes. Therefore management needs to put strategies in place to spearhead change

It emerged from the interviews that in preparation to change, NSSF management had a team constituted by managers across the management levels and incorporated all the functional departments. This showed that the change management process was highly inclusive and that every manager was equally engaged in the process. The respondents observed that these teams played a significant role in successful communication of the change both at the departmental levels and in the overall organization.

Further the respondents agreed that to initialize the process of Job Evaluation the consultant had to rework on the organization structure and this was done though the final result faced a lot of resistance from the employees. This was then followed by updating of the skills database by all staff which would help the consultant in mapping the skills to the available jobs. Finally all employees were required <sup>to</sup> reapply for their jobs in accordance with the new structure.

#### **4.4 Factors influencing management of Strategic Change**

The respondents gave the following as factors that were a major influence to the management of strategic change at NSSF.

#### 4.4.1 Resistance to Change

Resistance to change is a common phenomenon in change management process. According to Ansoff and McDonnell (1990), resistance to change is a multi-faceted phenomenon which introduces delays, additional costs and instability into the process of change. Resistance can be either systemic or behavioral. It emerged from the interviews that NSSF was no exception and was therefore widespread resistance was one of the factors that influenced management of strategic change in the organization.

Respondents' results indicated that there was resistance to the change in the form of behavioral resistance. Behavioral resistance is exhibited by individuals, managers or coalitions and power centers within the organization due to parochial self-interests, misunderstandings and lack of trust or low tolerance to change. Respondents indicated that resistance to change cut across all levels within NSSF structure. Notable sources of resistance were fear of job losses due to restructuring, low motivation, lack of communication by management especially when the change had dragged on for a while and lack of education and training on employees on the need for change.

Respondents had mixed feelings on the effects of resistance on the change process. Most of them noted that resistance had resulted into delays in implementation and this could have been the reason why the change process dragged on as the respondents indicated that the process was initially supposed to take one year. Most of the respondents felt that there was need to manage people side of change for it to be a success.

The respondents gave various opinions on how they felt management was dealing with resistance to change. Some felt that management was using cohesion and ignorance as a tool to enforce the change on the employees. Others felt that management gave frequent updates on the change through circulars, memos and through the organizational intranet 'Groupwise' though this was normally done when pressure was put on management to do so. Initially some levels of staff were trained on the change but this was not cascaded to the lower cadre as required.

#### **4.4.2 Organizational Culture**

The respondents were unanimous that organizational culture was a bottleneck in implementation of the change at NSSF. Some employees imagined that change came with loss of jobs, transfers and victimization which lead to resistance to change. Due to rigidity to change and politically connected individuals among the staff, implementation of change was harbored.

#### **4.4.3 Leadership**

The respondents felt that poor leadership played a negative role to the management of strategic change in NSSF. The MT did not take a strategic leadership role as the change sponsor. Lack of frequent communication of the change management process to staff and cohesion to enforce the change played negatively on management who were meant to spearhead the change process.

#### **4.4.4 Teamwork**

The respondents were in agreement that teamwork contributed positively to the change process. They were of the opinion that initially NSSF management had a team constituted by managers across the management levels and which incorporated all the functional departments to spearhead the change process. When the change process dragged on for too long, this team slowly disintegrated and eventually died out. A new team was left to finish the job and this did not go well with the employees. This eventually was a main contributor of resistance to the change process.

#### **4.4.5 Stakeholders support**

The respondents agreed that although the change was necessary for the organization, the management failed to get the support of the government and there was some resistance among some members of the BOT as regards the change. They also felt that staff were not given the necessary education and training to support the change process. One of the respondents felt that though the stakeholders may have supported the change, the management failed to manage it well.

#### **4.4.6 Other factors**

The respondents were then required to mention other factors they felt influenced the management of strategic change in NSSF. They mentioned the following factors, competition in the pension industry, minimal staff involvement in the change process, negative resentment to staff in the change management process, increased skills among staff and limitation of financial resources.

#### **4.5 Suggestions for successful change implementation**

The respondents felt that three years down the line the change has not been successful as the job evaluation report has not been implemented as yet. They gave various opinions on what should have been done to make the change a success in the short time possible. They felt that management should seek for stakeholder support before enforcing change in the fund, they should educate and communicate to all in the organization, sensitize staff on the change process, have a systematic implementation plan, involve and keep staff informed at all times and counsel staff in case the change impacts on them negatively.

## **CHAPTER FIVE: SUMMARY, CONCLUSION & RECOMMENDATIONS**

### **5.1 Introduction**

The main aim of this study was to determine how NSSF has been managing strategic change and to establish factors influencing management of strategic change at NSSF. The respondents interviewed were heads of key departments namely Finance, Administration, Human Resources, Research & Development, Public Relations, Information Technology, Internal Audit and Customer Services. Their responses have been a guide in making a summary, conclusion and recommendations in this chapter.

### **5.2 Summary**

In order to achieve the study objectives there was need to determine the strategic change that took place in the organization. It was observed that the Job Evaluation process was strategic and an important change that the organization had recently had to embrace to improve performance within the organization. Various factors necessitated the change and from the study it was observed that the organization was going through a restructuring and re-engineering of its processes to keep ahead of the competition within the pension industry. The management had to realign the skills of staff to the appropriate jobs to enable proper utilization of skills and resources of the organization and the end result would be provision of better and quality services to its stakeholders.

The study revealed that the job evaluation process was approved by the BOT before it went through the procurement process to be competitively awarded to a consultant. The management also kept the stakeholders especially the employees, who were directly involved in the change, informed of the change by frequent updates through memos, circulars, departmental meetings and the organizational intranet 'GroupWise'. Further a committee of senior management staff was formed to spearhead the change and cascade any necessary information to staff under them. This in essence reveals that NSSF followed a model of planned change as advocated by Kurt Lewin's model of Planned Change. It was further observed that management communicated to staff but the frequency was of concern as this was done only when pressure was felt from the union or

rumors within the organization were heard. This was not favorable for the successful management of the strategic change.

The study revealed that in preparation for change NSSF management had a team constituted by managers across the management levels and incorporated all the functional departments. This showed that the change management process was highly inclusive and that every manager was equally engaged in the process. These teams played a significant role in successful communication of the change both at the departmental levels and in the overall organization. It was observed that to initialize the process of Job Evaluation the consultant redesigned the organization structure and this was followed by updating of the skills database by all staff which would help the consultant in mapping the skills to the available jobs. Finally all employees were required <sup>to</sup> reapply for their jobs in accordance with the new structure. This in summary shows the way the management at NSSF had managed the strategic change.

The study identified various factors influencing management of Strategic Change at NSSF. The major factor was resistance to change in the form of behavioral resistance. The resistance to change cut across all levels within NSSF structure. Notable sources of resistance were fear of job losses due to restructuring, low motivation, lack of communication by management especially when the change had dragged on for a while and lack of education and training on employees on the need for change. It was noted that resistance had resulted into delays in implementation and this could have been the reason why the change process dragged. To deal with this, the management was using cohesion and ignorance as a tool to enforce the change on the employees which can be very damaging to change management.

Other factors like organizational culture were exhibited by rigidity to change and politically connected individuals among the staff which harbored <sup>?</sup> implementation of change. Poor leadership played a negative role to the management of strategic change in NSSF. There was lack of strategic leadership role from the management who were meant to spearhead the change process. Teamwork contributed positively to the change process.

This was evident from the formation of a team constituted by managers across the management levels and which incorporated all the functional departments to spearhead the change process. The study further observed that the management failed to get the support of the stakeholders' notable the Government, some members of the BOT and staff as regards the change. Other factors that influenced the management of strategic change in NSSF included competition in the pension industry, minimal staff involvement in the change process, negative resentment to staff in the change management process, increased skills among staff and limitation of financial resources.

### **5.3 Conclusion**

The research study has revealed and unearthed several issues regarding how NSSF has been managing change and how the change has lagged on for and finally what factors have affected the implementation of this strategic change. The overall results and findings indicate that when the process of job evaluation began in the organization, there was a plan in place. A team of senior managers was formed to spearhead the change. The management initially kept all informed of the progress. But somewhere down the line, communication was broken and this resulted in resistance to change as staff felt it would lead to loss of jobs, victimization and unfairness in the whole process.

The process is still ongoing and therefore management can still save the situation. The management can deal with factors that have been identified that inhibit implementation of strategic change. These are resistance to change, poor leadership, negative organizational culture, teamwork across all levels in the organization to spearhead change and seek stakeholder support before embarking on change in the organization.

### **5.4 Limitations of the Study**

This study faced a limitation of time. The study could have probably yielded even better results if more time was available. The interviews took more time than initially estimated due to the nature of the respondents. Being Heads of key departments in the organization, the respondents were frequently in meetings and the researcher had to bear with this delay.

This research was a case study of the management of strategic change at NSSF. The study was carried out within NSSF's working culture and environment. Other organizations may therefore have different cultures, structures, competencies and resource capabilities and hence display different reactions to manage change.

### **5.5 Suggestions for further study**

The study focus was on management of change at National Social Security Fund. Similar studies should be carried out to assess change management practices at other firms in the Pension Industry and other close related Parastatals and Government institutions. Further in depth study should be done on success factors that contribute to change management in organizations. The success factors would assist in the successful formulation and implementation of change management in NSSF in the future.

Change is continuous and ongoing and whatever changes are happening today could become irrelevant tomorrow. The change management process will continue to evolve as long as the changes occur in the environment. It is therefore imperative that continuous studies are done on the subject of change management process within organizations.



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## **APPENDIX I: INTERVIEW GUIDE**

This interview guide seeks information on management of strategic change at National Social Security Fund, Kenya for the period between 2008 to date. I would appreciate if you can respond to the questions as briefly as you can. Your answers will remain anonymous and strictly confidential and will be used mainly for academic purposes.

### **SECTION A: PERSONAL DETAILS OF RESPONDENT**

- a) Interview date .....
- b) Department .....
- c) Position in the organization .....
- d) Years of service at NSSF .....

### **SECTION B: HOW NSSF HAS BEEN MANAGING STRATEGIC CHANGE**

1. What major strategic change has occurred recently in NSSF?  
.....  
.....
2. What necessitated the change?  
.....  
.....
3. Was the change planned or emergent? Please explain.  
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.....
4. How was the change communicated within the organization?  
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.....
5. What strategies did the Fund put in place to manage and spearhead the change?  
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.....  
.....

6. Were structures modified to fit the change management process? Please explain.

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.....

7. Was there resistance to the change initiated? Yes/No.

.....  
.....

8. Was the resistance to change systemic or behavioral? Please explain.

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.....  
.....

9. How have management been dealing with this resistance to change?

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10. How long was the change management process supposed to take?

.....  
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11. Were there frequent updates from management on the change management process? If so, how often?

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.....  
.....

12. In your opinion how should the Fund manage change in the future in the organization for it to be successful?

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.....

13. What is your opinion on the implementation of the strategic change by the Fund? (Is it a success or a failure?)

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.....  
.....

14. In your opinion what should have been done to make the change a success?

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.....  
.....

**SECTION C: FACTORS INFLUENCING MANAGEMENT OF STRATEGIC CHANGE AT NSSF**

15. What challenges is the Fund encountering in managing the strategic changes?

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16. Was organizational culture a bottleneck when implementing the strategic change in the Fund? Please explain.

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17. Did leadership play a role in management of the strategic change? If so how?

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18. Did team work contribute to the management of strategic change? If so how?

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

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20. In your opinion what other factors influenced the management of strategic change in the Fund. Please state.

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**Thank you for your time, co-operation and contribution to this study.**