# MANAGEMENT OF STRATEGIC CHANGE AT SHELTER AFRIQUE, KENYA

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# DECLARATION

I declare that this is my original work and has not been presented for a degree in any other university.

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**D61/P/8071/02**

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

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# DEDICATION

I dedicate this project to my dear son, who had to endure precious hours in the evenings without Mummy. Thank you for your patience and endless calls while I was in the library just to check if I am working hard. Do not worry; it is part of the efforts to ensure your future.

To my friend, Vipya Harawa, who consistently encouraged and supported me during this project proposal. Thank you.

To my Dad and Mam, thank you for the support and the teachings of diligence and hardwork which has seen me this far.

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I thank the Almighty God for granting me this opportunity and favor and enabled me to achieve this milestone. This I could not achieve without his unfailing Grace, May glory and honor be unto the Lord.

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To all, May God richly bless you!

# TABLE OF CONTENTS

## LIST OF ABBREVIATIONS

| | |
|---|---|
| **MIS** | Management Information Systems |
| **ICT** | Information Communication Technology |
| **IT** | Information Technology |

# ABSTRACT

This research looks at the management of strategic change in Shelter Afrique, Kenya, who are key financiers in the Housing Industry. The goal is to demonstrate the transformation of the organization from the laissez faire kind of style to a profit oriented business approach. The organization has had so much influence in terms of operation from the Government in terms of policy and governance and this influenced their way of operation for more than two decades. The aim of the research was to spell out the challenges experienced by the organization during the change process and the approach they used to manage the change. A questionnaire and interview approach was used to collect data from the senior managers and the middle level managers. The results of the research has outlined the challenges faced by Shelter Afrique during the change process, the step by step approach in the change management in which it adopted Kotter's Eight Step Model of Managing Change. The conclusion can be drawn that the change process was successfully implemented and the organization was able to adapt to the new change as was anticipated.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the study

Change is inevitable in a rapidly expanding world. These landscapes of many external forces make it most difficult for organizational survival and prosperity. Indeed, the major dilemma faced by businesses today is managing strategic change initiatives efficiently and effectively (Graetz, Rimmer, Lawrence & Smith 2002). According to Ulrich (1997), a primary difference between organizations that succeed and those that fail is the ability to respond to the pace of change. In other words, organizations need to monitor and scan their external environments, anticipate, and adapt timely to continual change (Marquardt 1996). A salient contention by Pettigrew, Woodman and Cameron (2001), is the relative lateness of anticipation and adaptation ability of firms and their inability to recognize the change in bases of competition that may have changed in their business environment can be a key attribute explaining a loss of competitive performance. In addition to the inability to recognize change, it is no longer sufficient to adjust one change to compensate another. Arguably, organizations will have to handle all the challenges of change simultaneously (Brown & Harvey 2006). These challenges of changes, at the organizational level, have elevated the importance of managing change and in particular, the managing of employees' change experiences. This research project will seek to explore how Shelter Afrique, Kenya initiated and implemented the changes that are envisaged to steer the company to new performance levels in Kenya and all the regions they have their presence in.

### 1.1.1 Strategic Change

Strategic change is defined as "changes in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages, and synergy" (Hofer and Schendel 1978). It involves not only deciding what to change but how and when to change specific elements of one's strategic orientation (Worley, Hitchin, & Ross, 1996). Other very important consideration is the fit between firms and their external environments, thus firms would change their strategy in response to the environmental changes. Other change initiatives come about by the need for organizations to reposition themselves in the face of changing competitive conditions.

Change is given the opportunity to occur when three elements are in place simultaneously, dissatisfaction with the present situation, a compelling vision of how the change will create a better future and first steps for reaching the vision. If any of these elements is missing or collectively they are less powerful than the resistance to the change, then change will not take place. Thus the first part of an intervention focuses on creating a common database and the foundation for the dissatisfaction. Following that, the intervention moves to creating a future that is far more desirable than that which caused the dissatisfaction. It ends with participants ferreting out the steps that are necessary for moving the organization and themselves forward.

### 1.1.2 Managing Strategic Change

There is a difference between the rational handling of a messy organizational situation in an uncertain environmental context and the building of a strategy. The notion of strategy is to do with the long term direction of the organization and not just the response to difficulties. If some discernible patterns of strategic direction emerge in an organization then it must be because there is some guidance to that strategy. (Gerry Johnson, 1992). The 'guidance' that gives rise to strategy is, then, most likely to be to do with the taken for granted assumptions, beliefs and values that are encapsulated within the idea of managerial experience and organizational culture. John Kotter said "that the change process goes through phases that in total require a considerable length of time. According to him, skipping steps only creates an illusion of speed and never produces satisfactory results." And making critical mistakes in any of the phases, can have devastating impact slowing momentum and negating hard-won gains. However, an important implication of this emerging cognitive perspective is that the success of strategic change will depend not only on an organization's ability to implement new structures and processes, but also on the organization's ability to convey the new mission and priorities to its many stakeholders (Smirich, 1983). Since an organization's survival over time often depends on its conforming to normative expectations rather than simply operating with greater efficiency (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991), the importance of ensuring both understanding and acceptance of new strategies among key constituents is a central element of the legitimacy imperative for organizations.

### 1.1.3 Development Financial Institution Framework in Kenya

Development Financial Institutions (DFIs) in Kenya were set up to provide long term finance to prioritized sectors as part of the industrialization strategy. Despite the existence of DFIs since the 1960s and 1970s, there is still a glaring development financing gap in Kenya, thus raising concern as to how the private sector is going to expand and grow without appropriate finance to ensure long-term investment.

Industrial growth cannot be achieved without long-term investment growth. The stock market as an alternative source of long-term capital is shallow and thin while the corporate bonds market is at a youthful stage of development. Deliberate efforts are therefore required to develop institutions for mobilizing long-term capital in Kenya. Various constraints have made DFIs unable to contribute significantly in meeting their responsibility in the development process. The constraints include their ownership structure, which has made the institutions susceptible to political interference in both management and investment decisions; regulatory issues, which have led to too many controls and bureaucracy; inadequate funding, especially with the withdrawal of government guarantee on loans obtained; and the downturn of the economy and unfavorable business environment, which have impacted negatively on financed projects. A number of options are suggested as a way of tackling these issues. The study proposes alternatives such as reducing government ownership to curb political interference. Various methods through which these institutions can be able to support themselves through efficient investment allocations and other ways of raising funds for their sustainability and the purpose for which they came into existence for. All this requires development of an appropriate policy framework and sustainable strategies to strengthen

Development Financial Institutions and enhance their efficiency. Shelter Afrique operates as a Development Financial Institution in the housing sector.

### 1.1.4 Shelter Afrique, Kenya

Shelter Afrique derives its legal status from the Constituent Charter agreed to by its shareholders at inception while in Kenya. The company operates under the Shelter Afrique Act of 1982, an Act of the Parliament of the Republic of Kenya. The Company came into existence against the background of the acute housing shortages prevalent in most African countries and the urgent need for African governments therefore to pool resources to tackle the problem. The headquarters of the office is in Kenya, which is the host country, its operations are under the umbrella of the Ministry of Housing. Its operations are also widespread to the forty four (44) African member countries thus referred to as a Pan-African Housing Finance Institution that has practical advice and assistance to developers and housing finance institutions in efforts to promote development of both residential and commercial housing development in Africa.

Shelter Afrique's main activity is to offer construction finance directly to developers and also open lines of credit with local banks and credible financial institutions to enable them support housing developments. In Kenya, their main focus has been to finance private housing developers directly due to their local presence in the market, financing up to 60% of the total amount of the project. They have also have had to gain the confidence of the developers in the market, same market that the rest of the big players in the same industry like Housing Finance Company of Kenya and the big banks have had to operate. Over the last five years, Shelter Afrique has gradually tried to reduce its over-reliance on its main donors and establishing a means of generating own revenue and streamlining its operations to operate as other giants in the Housing Financial Institution sector. This means for its survival, it had to re-align its strategies to the environment in which it operates.

## 1.2 Research Problem

When an organization decides to change, it has to know what to change and it can be just as frustrating as the actual change. The process of strategic change management involves developing an innovative vision for where the company needs to be, and then developing and equally innovative path for achieving the goal. So the process may involve the organization evolving to suit the needs of the operating environment, changing by adapting to the evolved status of the environment and lastly, changing by excelling in the changed environment status. In this way the organization survives and becomes fit for the current situation and if it does it in time, then it's a winning situation for the organization.

From 2005, when the real housing boom started being experienced, the comfortable environment that the old guards like Shelter Afrique was operating in had to change to accommodate , the big boom, and most of the financial institutions had to come in and evaluate the needs of the market, the changing environment and respond to it. The different governing policies that govern the Development financial institutions have also been changing making them more independent in terms of sourcing for own funds for sustainability. Shelter Afrique's net income had taken a down ward trend, due to lack of funding and this compared to other Development Financial Institutions was negative. Most of the institutions would shy away from having dealings with Shelter Afrique owing to poor financial credibility as assessed by the International and African accrediting organization and for the market, it was a sinking ship which no institution wanted to have financial or business dealing with. This was mainly due to lack of funds and fewer projects that they were being supported locally and in most of the active member countries. The staff turnover to other Development financial institution was high, as threats of closing down the organization was looming heavily. There was need for the organization to re-evaluate its strategy of operation, to be in line with the changing environment not only in the Kenyan market but with all other shifts being experienced in other African countries in which they have the mandate to operate.

Studies have been done on Management of Strategic change by Ndonga (2010), Mutua (2009), Kibisu (2010) on the processes of managing the implementation of strategic changes. They have highlighted the main drivers and challenges of managing the strategic changes. Ndonga and Mutua have researched on the management of strategic changes in financial institutions and the commercial banks. Studies have been done on Development Financial Institutions by Njega et al (2006) on Issues and policy options that govern the Development financial Institutions (KIPPRA) and Choro (2008) on the Role of the Development Financial Institutions. Others have studies on the performance of the Institutions and how much they have impacted the communities they operate in. This leaves the knowledge gap on the strategic operations of the development financial institutions and how they operate in the ever changing business environment. Do these organizations change their strategies of operation and how do they manage these changes?

## 1.3 Research Objectives

This study addresses the following two (2) research objectives:

(i) To determine the challenges of managing strategic change at Shelter Afrique

(ii) To establish how Shelter Afrique is managing strategic change.

## 1.4 Value of the Study

This research project will be of value to organizations facing similar challenges as Shelter Afrique to know how to apply the strategies necessary in turning around their organizations. Not all strategies applicable in one organization can work to the other but the approach and the various techniques used can be borrowed by another to assist in averting a difficult situation or have a long term impact to attain the goals of an organization.

This study will also assist the Development Financial Institutions sector to form a guideline in amending the restrictive policies that guide them but be able to think outside the box in order to have more vibrant and active Institutions that make a bigger contribution to the market especially in the housing sector, in this reference and in the environments they operate by embracing a more strategic approach to their operations.

This study will assist the institutions to operate in more systematic business oriented environment. When the Development Financial Institutions are formed, squarely they rely on donors and financial assistance from other well established Institutions. This study can act as guide for the institutions to implement the strategies necessary to empower them to be self dependent and continuously seek the change they need to operate in the ever changing world.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This chapter will review the relevant literature to this project. It will discuss the management of strategic change in terms of the styles of management used to manage change and the means they might employ for managing change. The following terms and processes will be defined and discussed in the chapter; why strategic change the challenges of introducing change and management of strategic change.

## 2.2 Managing Strategic Change

Strategic change is defined as a difference in the form, quality, or state over time in organization's alignment with its external environment (Rajagopalan & Spreitzer, 1997; Van de Ven & Pool, 1995). Considering the definition of strategic change, strategic change could be affected by the states of firms and their external environments. The performance of firms might be dependent on the fit between firms and their external environments, the appearances of novel opportunities and threats in the external environments. In other words, the change of external environments, require firms to adapt to the external environments again, as a result, firms would change their strategy in response to the environmental changes. The states of firms will also affect the occurrence of strategic change. For example, firms tend to adopt new strategies in the face of financial distress for the purpose of breaking the critical situations. If change is to be successful, it has to link the strategic and the operation and everyday aspects of the organization. This emphasizes the importance not only of translating strategic change into detailed resource plans, key tasks and the way the organization is managed through control processes, but also of how change is communicated through the everyday aspects of the organization. (Scholes, 2005). Strategic change is about ensuring that the organization is consistently relevant in its market arenas.

Strategic management is about managers looking ahead at what needs to be achieved in the future, it is visionary management i.e. focusing on creating and conceptualizing ideas of where the organization should be going. Strategic management is also empirical management as it decides how in practice it is going to get there (Armstrong and Stephenson, 2005). Macmillan and Tampoe (2000) formulate their definition slightly differently; according to them the essence of strategic management includes three things; it is concerned with a particular organization at a particular time, there needs to be a concept of what the future will be like, and finally there is a need for action. Change, if it is to be effectively managed, requires a vision of the future – where the organization wants to go, as well as ways for creating and reaching the wanted future(Macmillan and Tampoe, 2000; Thomson and Martin, 2005).

If the very essence of strategy involves exploiting change before competitors do, why then are many organizations still wanting. (Rumelt, 2009) comments that organizations, like human beings, tend to crave stability and certainty but in order to exploit or respond to competitive market conditions, strategists need to enable their organizations to adapt.

This is an extremely difficult task for large global organizations. Irrespective of the size of the strategic change, it is difficult, emotional, and time-consuming for all involved. The strategist has to ensure that the organization has the capacity to reconfigure strategy, structure, and processes, and to develop a supportive corporate culture. Organizations such as Total, Zain Kenya, Kenya Shell have struggled to adapt to change, while retaining focus and ensuring an alignment between strategy, structure and the environmental forces. The one ability an organization may have with which to accrue advantage, is its capabilities to exploit change faster than its competitors (Howard, 1993).

## 2.3 Drivers of Change

If one could understand organizational elements that drive change, one could come closer to systematically forecasting how competitiveness will be affected by trends. There are many reasons that change occurs in organizations. According to Burke-Litwin (2004), he believes that the environmental factors are the most important driver for change. Important elements of organizational success, such as mission and strategy, leadership and organizational culture, are often impacted by changes that originate outside the organization. Tichy (1982), argues that change is caused by external pressures which fall into three categories – technical (which include economic and technological change), political and cultural pressures. Examples of technical pressures are changes in the economic productivity of a country, intense world competition, uncertainty because of inflation or deflation, fluctuating interest rates and technology changes, e.g. in communications and computer technology. Political pressures may include problems arising from the uneven distribution of wealth worldwide, conflicts arising from government policy and regulation and democratization of the workplace. Cultural pressures are for example poor work ethic, demographic changes and gender issues in the work place.

According to Dwyer et al (2000), pressures to change can also come from within. They note that at Avay Company in Ireland, strategic change initially was introduced in the form of downsizing and subsequently focusing on learning and adaptation for excellence was induced by the sense of crisis and imminent bankruptcy of the organization. Change can result from an ignored steady decline in performance, which ultimately demands a turnaround or a sudden radical shift in a base technology that requires a reconceptualisation of everything the organization does. Change can also result from the gradual shift on the next stage of an organization's life cycle from the appearance of a new chief executive who wished to put his or her particular stamp on the organization. Cameron and Green (2004), maintain that the strategic change process begins with an internal or external trigger for change which typically leads institutions to adjust their structures, commercial approach, culture and/or process.

## 2.4 Types of Changes

The nature of change in an organization can be incremental or big bang one. (Burke 2004). Incremental change is built on skills, routines and beliefs for bringing in efficiency. While the big-bang approach to change might be needed on occasions, for example if the organization is facing crisis or needs to change its direction. The scope of the change means whether change can occur within the current paradigm that is, current organizational beliefs and assumptions, and can be classified further as realignment of strategy rather than a fundamental change of strategic direction. Or change requires a paradigm change, that is, transformational change. Combining these two axes we have four types of strategic change, as shown below.

***Types of Changes***

| ***Nature of change*** ⇩ | Re-alignment | Transformation |
|---|---|---|
| Incremental | Evolution | Adaptation |
| Big-Bang | Revolution | Revolution |

***Scope of Change***

*Source: Adapted from J. Balogun and V. Hope Hailey, Exploring Strategic Change, Prentice Hall, 1999*

According to Johnson and Scholes (1999), Incremental change is where organizations continually adjust their strategies (tune their current ways of operating) as their environment changes. Organizations are here conceived as 'learning systems'. Both proactive tuning and reactive adaption may take form in incremental change. Proactive tuning requires that organizations keep in touch with their environment and anticipate needs for change. Reactive adaptation is where organizations react to external competitive and environmental pressures by adapting to the existing paradigm and current ways of operating within the existing paradigm. The transformational change is that which cannot be handled in the existing paradigm and organization routines. It entails a change in the taken-for-granted assumptions and 'the way of doing things around here'. If strategic drift has occurred and has led to deteriorating performance or an uncompetitive position in its markets, or if external stakeholders (e.g. major shareholders) are not happy with the current strategy, management may be forced to a transformational position. It may however be that managers anticipate the needs for transformational change, perhaps through analyzing the operating environment and internal capacities. However, implementing such change may be difficult to achieve if other s in the organizations are resistant to it.

## 2.5 Theoretical Models to Change Management

According to Thomas (2001) there are eight elements of managing change: leadership, work process, structure, group learning, technology, communication, interrelationships, and rewards. Another view is presented by Rogers et al (2005) who argue there are nine characteristics of successful change programs, which can be broken up into three main headings. The main headings are leadership, management and communication. Perhaps, best known models to manage strategic change are namely, the Lewins Mechanism, the McKinsey 7-S Model and the Kotter's model as briefly introduced below:

### 2.5.1 Lewin's Mechanisms for Change Management

First step is unfreezing, that is altering the present stable equilibrium. This first stage of change involves preparing the organization to accept that change is necessary, which involves breaking down the existing status quo before you can build up a new way of operating. Key to this is developing a compelling message showing why the existing way of doing things cannot continue. This is easiest to frame when you can point to declining sales figures, poor financial results, worrying international rating as financial institution. This shows that things have to change in a way that everyone can understand. Second step is changing, which is where people begin to resolve their uncertainty and look for new ways to do things. The transition from unfreeze to change does not happen overnight: People take time to embrace the new direction and participate proactively in the change. When the changes are taking shape and people have embraced the new ways of working, the organization is ready to refreeze. The outward signs of the refreeze are a stable organization chart, consistent job descriptions, and so on. The refreeze stage also needs to help people and the organization internalize or institutionalize the changes. This model provides a simplistic framework for understanding what a successful change project comprises; it is closely identified with organizational development. For example, Lewin's model has been used to explain how information technologies can be implemented more effectively (Armstrong and Stephenson, 2005; Cummings and Worley, 2005 ; Burnes, 2004).

### 2.5.2 The McKinsey 7-S Model

There are seven different factors that are a part of the model: shared values, strategy, structure, systems, style, staff, and skills, which all work collectively to form the model. Shared values are the center of the model because it is what the organization believes in and stands for, such as the mission of the company. Strategy represents what the company plans to do to react to any changes of its external surroundings (Recklies, 2007). The structure refers to the organizational structure of the company, from top management to the lowest of the cadre and their interrelations. Systems are the portion of the model that represents "the procedures, processes and routines that characterize how the work should be done. Staff is quite obvious in the fact that it is a proper representation of who is employed by the organization and what they do within the organization. Style signifies the organizational culture and management styles that are utilized within the organization. Skills indicate the abilities and competencies of either the employees or the organization holistically.

The McKinsey 7-S Model is an effective way to diagnose and understand the organization. It is a guide for organizational change, it is a combination of both rational and emotional constituents, and all parts are interrelated. So all portions must be addressed and focused on. One major setback with it is that when one of the parts is changed, all parts change because they are all interrelated, thus the need to retrace to all elements and change all the rest of the other elements.

### 2.5.3 Kotters' Model

The third model is the Kotter's Eight Step Change Model. There are eight steps in this model, as demonstrated in Kotter's book, Leading Change (1945). The first step is to create urgency for change. This means that we have to convince the employees that this change is necessary for the company to survive. This also means that we must communicate that the change is achievable without any detrimental effects on their jobs. The next step is to build a team for the change, which has to be of some respected employees within the company. The third step is to construct the vision, which will show clear direction to how the change will better the future of the company and their jobs. The fourth step is to communicate this vision. In order for the vision to work it must be fully understood by the employees, which means that it is necessary for the leaders of the change group to follow this vision. The fifth step it to empower the employees to execute the change. It is still important that the management follow the same guidelines as the employees are too. By creating short term goals, we assist the employees to accept the change by showing them progress. Rewards are very important at this step for the short wins gained and the positive attitude shown in embracing the changes introduced. The seventh step is about persistence because we should influence more change even after the short term goals are met or the original plan for change will cease and die. The final step is to make the change permanent by fitting it into the company's culture and practices, (Chapman, 2006).

Kotter's model is a step by step model, which is easy to follow and does not focus on the change itself, but rather the acceptance and preparedness for this change, which makes it an easier transition.

## 2.6 Challenges of Change Management

There is no certain magic formula to do the job and of course it is not always leading to success. Challenges that occur during the implementation process of a strategy are an important area of research because even the best strategy would be ineffective if not implemented successfully. Despite the fact that challenges to successful strategy implementation have not been widely investigated, there are some issues that have surfaced in many studies.

Before any strategy can be implemented, it must be clearly understood. Clear understanding of a strategy gives purpose to the activities of each employee and allows them to link whatever task is at hand to the overall organization direction (Byars et al, 1996). Lack of understanding of a strategy is one of the obstacles of strategy implementation. (Aaltonen and Ikavalko, 2001), point out that many organizational members typically recognize strategic issues as important and also understand their context in generic terms. However, the problem in understanding arises when it comes to applying strategic issue in the day to day decision making. Al-Ghamdi (1998) identified barriers to change management as competing activities that distract attention from implementing the decision: changes in responsibilities of key employees not clearly defined: key formulators of the strategic decision not playing an active role in implementation among many.

Cultural impact underestimation is yet another challenge to management of strategic change. Organizational culture refers to the set of assumptions often unstated) that members of an organization share in common (Pearce and Robinson, 2002). As defined by Robins and Coulter (2002) culture is a system of shared meaning and beliefs held by organizational members that determine, in large degree on how they act. An organization culture provides the social context in which an organization performs its work. Culture affects not only the way managers behave within the organization but also the decision they make about the organization's relationships and its environment and its strategy (McCarthy et al., 1996). As a weakness, culture may obstruct the smooth implementation of a strategy by creating resistance to change. Aosa (1992) stated that it is important that the culture of an organization be compatible with the strategy being implemented because where there is incompatibility it can lead to resistance and de-motivation which in turn can frustrate the strategy implementation effort. However, when culture influences the actions of the employees to support current strategy, implementation is well managed.

Resource insufficiency is another common strategy management challenge. Organizations have at least four types of resources that can be used to achieve desired objectives, namely: financial resources, physical resources, human and technological resources, (David, 2003). Resource (budgetary) allocation is the process of ensuring that all necessary time, financial skills and knowledge are made available. Once a strategic option has been settled and needs to be implemented, management attention turns to evaluating the resource implications of the strategy Campbell et al., 2002). The operating level should have adequate resources to carry through the strategic change from the start to the end. There are a number of factors that inhibit adequate resource allocation: which are overprotection of resources, too great emphasis on short-run financial criteria, organization policies, vague strategy targets.

Organizational politics remains another key challenge in strategy implementation. Organization politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interests (Hill and Jones, 1999). Wang (2000), states that it is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power. Top-level managers constantly come into conflict over what correct policy decisions would be and power struggles and coalition building is a major part of strategic decision making. According to them, the challenge organizations face is that the internal structure of power always lags behind changes in environment because in general, the environment changes faster than the organizations can respond.

The process of matching the structure to strategy is complex. (Byars et al, 1996). Organizations implement their strategies through their organizational structures. For a successful change program to be effective, a supporting organization structure is equally important as it sets more focus on key functions whose performance is critical to the success of the business strategy and institutionalizes the decisions making of the heads of the functions. The structure that well served at a certain size may no longer be appropriate for its new or planned size. The existing structures and process support the current ways of doing things and introducing a change on the same structure may distort and dilute the intended strategy to the point where no discernible change takes place. According to Mcarthy et al (1996), creating that structure and the attendance behavior changes is a formidable challenge. The fundamental challenge for managers is the selection of the organization structure and controls that will implement the chosen strategies effectively.

Communication is also a key challenge in management of strategic change. According to Wang (2000), communication should be two-way so that it can provide information to improve understanding and responsibility and to motivate staff. Aaltonen and Ikavalko (2001) state that the amount of strategic communication in most of the organizations is large, both written and oral communication is used in form of top down communications. However a great amount of information does not guarantee understanding, there is still much to be done in the field of communicating strategies. They also argue that communication should not be seen as a once-off activity focusing on announcing the strategy but an on-going activity throughout the implementation process.

Resistance to change will always be present in change situations which can arise from a number of sources including middle and senior managers and for a number of reasons ranging from different perspectives (Hayes, 2002: Huczynski and Buchanan, 2001). Some writers argue that people are inherently resistant to change. To cope effectively, if the managers do not have or cannot develop a range of interpersonal skills that enable them to deal with individuals and groups who seek to block or manipulate change for their own benefit, it is going to be a daunting task. (Boddy and Buchanan, 1992: Kotter, 1996). It will be essential for top management to promote openness, reduce uncertainties, and encourage experimentation. Carnall (2003) also contends that 'resistance to change' can be lessened if people understand what is to be achieved, why, how, by whom and what impact wit will have on them.

## 2.7 Successful Change Management

Success in managing change depends on a variety of factors. Change programs often have fragmented plans and people are given bits of information without the knowledge of how these bits fit in together. This causes frustration and gives people the impression that there is no reason for all the change activity, and people cannot see the important trade-offs. When people are shown how everything fits together into a one complete picture makes the change programs appear less complicated and can be very liberating to the people involved. Sufficient resources need to be allocated to change programs, not only financial but human resources as well. Also choosing the right people to act as change agents is crucial for successful implementation, as is the support from top management. Change programs are likely to achieve the set objectives if they are subject to precise project management disciplines, and have focus and rigor; however remaining sufficiently flexible to respond to unexpected threats and opportunities. Anticipating problems is important, as is dealing with them, especially resistance to change (Rogers et al., 2003; Armstrong and Stephenson, 2005).

The change process can be made easier for the employees by organization's can encouraging a learning environment and treating change as a positive thing, this will help with the attitudes and beliefs of the employees when implementing change. Al major change programs need human input, and cannot succeed without a sense of urgency. (Rogers et al, 2003). Research has that the one of the greatest obstacles to successful change is the organization's culture. Change is an emotional experience, and people need help getting through it. The top management must be ultimately accountable and keep the people going. Employees need control over what is going on around them, and the more control people have over their own change related areas, the more committed they will become to the change programs. Empowering and motivating the key people in the change programs is one of the most efficient ways to achieve the objectives of the change programs (Rogers et al. 2003).

Smillie (2005) builds on these theories and claims that change management success depends on six organizational capabilities which are leadership and management, communication, measurement and accountability, motivation and incentives, skills and capability development, organization and people. These capabilities are influenced by a methodology that includes the same planning steps that are used in strategies for successful change management. The steps include evaluating the resistance that is likely to arise, envisioning the solution, planning for change which means engaging the employees and stakeholders, implementing the plan, and improving upon success (Smillie, 2005). Smillie (2005) suggests that successful change management needs to link change to business strategy, create quantifiable benefits, engage key stakeholders early, integrate required behavior changes, lead clearly, unequivocally and consistently, invest to implement and sustain change, communicate continuously and personally, and finally sell commitment to the change, not communication about the change (Smillie2005). Barriers to change need to be assessed so that they can be predicted, to enable methods of dealing with them determined beforehand. The responsibility for managing change could be left in the hands of one manager. The project team can consist of many people, but ultimately there should be one change agent who is accountable for the change. Project planning includes all the important steps in preparing for the project, such as identifying activities, estimating time, cost, available resources, schedules etc. and determines the flexibility available for the activities and which activities are critical. Finally, monitoring and evaluating progress needs to be done against the plan and objectives. After the change has been implemented it has to be measured to ensure it is delivering the expected benefits (Lynch, 2003; Martin, 2005; Armstrong and Stephenson, 2005).

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This research study is about Shelter Afrique, Kenya. The objective of the study was to establish how the organization managed to identify the weak gaps that were affecting the performance of the organization, the kind of strategic changes they opted to undertake and how they managed the process of change. The reason for choosing the organization as a case study is how it managed to gradually manage to bring in positive changes that have improved the performance of the organization.

## 3.2 Research Design

The research adopted a case study approach aimed at conducting an in-depth research at Shelter Afrique. Case studies have various advantages, in that they present data of real-life situations and they provide better insights into the detailed behaviors of the subjects. Musa (2005) indicates that one can use interviews, questionnaires and observations to get study behavior patterns and obtain raw data.

## 3.3 Data Collection

The data was collected through a semi-structured questionnaire as an interview guide. The data was collected face to face with personal interview of 10 respondents. The interview guide contained both structured and open ended questions. The interview guide had two (2 ) parts, Part A collected the respondents profile and Part B collected data on the reasons of strategic change, the management of the proposed changes and the challenges experienced in managing the changes being implemented.

The interview guide provided a structure for the personal interview. As observed by Parasuraman (1986) personal interviews have potential of yielding highest quality data as compared to other modes and are flexible. The respondents of the interviews were Directors in charge of the departments and their direct reports, equivalent of middle level managers.

### 3.4 Data Analysis

Data collected was qualitative data hence content analysis was used. Content analysis enables researchers to sift through large volumes of data with relative ease in a systematic fashion (GAO, 1996). The researcher analyzed the data obtained to identify the gaps in the organization that necessitated changes, the strategy adopted by the company and how they managed the strategic changes to facilitate a smooth transition. The information gathered was analyzed and divided into logical groupings using qualitative analysis to facilitate interpretations.

# CHAPTER FOUR

# RESEARCH FINDINGS AND METHODOLOGY

## 4.1 Introduction

Shelter Afrique was established in 1983, as an act of parliament in Kenya, as resolved by East African Presidents in the 80's, to counter the problem of housing to the lower income sector. They then recruited other African Countries, to the present member countries through membership drives up to the current numbers, 44.

This paper focuses on Strategic Change in Shelter Afrique as it relates to its endeavors to to live to its mission statement and remain relevant with the changing environment. This section details the findings of the case study which has two main objectives namely, (i) to determine the challenges of managing strategic change at Shelter Afrique and (ii) to establish how Shelter Afrique is managing strategic change.

The study involved conducting in-depth interviews using an interview guide. A total of 8 respondents were interviewed out of the intended 10. The findings here are presented along the key questions in the interview guide. There were broadly structured along Kotter's (1996) model on "Eight-Steps to Successful Change.

## 4.2 The Key Drivers of Change

According to the respondents, there were several factors that led to the transformation at Shelter Afrique. Most of the factors were external to the institution. First there was need to bring in enough business to the institution for its sustainability, most important reduce the over-reliance to the donors and have its own separate source of funding for the company. Many other development financial institutions were coming up with more luring products to the markets, and the donors would also divert the kind of funding to such institutions or reduce the amount that was being pumped into the company.

Secondly, there were the shifting demands by the clients in the market. More of the modern middle and low income earners wanted to own their own houses both in the towns and in the rural areas. The houses were still unaffordable to them, thus the need to have other special products that could accommodate this lower cadre in the society who are the majority and encompass the bigger share of the market. This would also translate to achieving its mission in offering affordable housing in Africa. Thirdly, there was need to move to next level in growth by establishing other services and products for diversification and also add value to their clientele. For example, they would also offer expatriate consultative services in civil build, legal advisory in reference to land tenures and housing in the various countries from which the borrowers were originating, obviously from the member countries. Fourth, there was need to re-align to the changing environment in order to remain competitive and relevant. The whole market was changing with increased competition and more innovative and relevant ways to serve the market.

From the above discussions, it is clear that majority of the drivers for the transformational changes were largely external and further emphasize the proactive nature of the change.

## 4.3 Challenges of Managing Strategic Change

The study requested the respondents to indicate the challenges of managing strategic change faced by Shelter Afrique. They explained that the organizational culture, the need for longer preparation time, resistance to change and lack of equitable distribution of resources were among the key challenges experienced.

### 4.3.1 Organizational Culture

Organization's culture is the company's way of doing things. It constitutes norms, values and beliefs that are held over time in the course of doing business. The match between the strategy and culture is crucial for the change management process. In Shelter Afrique there was a mix of value and beliefs that had been propagated over time by people who have had senior management positions for a considerably long period of time. This has been defined as 'the way we do things here' hence the organization culture. For example, big ideas come from the big bosses, any ideas being floated and campaigned for from the lower quotas would be shut down. This would have been a show of trying to outdo the already existing management and their professional status that they are not able to perform as is expected of them. There was also the influence from the long serving staff to do things the way they have been used to despite too many changes. At the beginning of the change, they were the majority, thus the laxity to move from the usual tendencies to the new established ways of doing things. This slowed down the change prompting more meetings and campaigns for the changes being introduced.

### 4.3.2 Preparation Time

Change can be speedy and dynamic, normally when it is forced by powerful external influences and it requires that the process begins gradually and on a limited scale and then spreads over time. The respondents expressed the dissatisfaction of the management to introduce change in a gradual way. When the new Managing Director reported, he took the entire organization by storm. They agree that the change management program was put in place and efforts to communicate the same were also put in place, but they felt rushed, which on the positive outlook created a sense of urgency but on the other hand, negatively injured their sense of humanity and that made them feel like work horses.

One of the respondent commented that the change management program was too short. The respondents also felt that the consultants should have stayed on as back up to the senior executives who were also too engrossed with the change process and could not address the emotional aspects that impacted on the staff. The consultants were only hired for one week, to impact the knowledge of the change process, but it would have been prudent to have them stay on up to the mature stages of the change program as a guide to the entire organization.

### 4.3.3 Resistance to Change

Some staff did not support the change and opted to resign or not contribute as expected in the change program. This is due to the fear that the changes being implemented would render them irrelevant. For example, the introduction of the new operating systems and the change in the business culture which they already have no clue of its operation and how they would fit in the new culture that was being introduced. Fear also sparked from the fact that they would lose power and influence, the kind they used to enjoy before the introduction of a new operating environment in the organization. They was also fear that with the new executives and high caliber staff as they were referred to would mean a reduction in their salaries, as the already long serving staff would be rendered not so relevant and that would being salary reductions.

The resignation of the executive staff and the others also sparked fear that caused resistance, as the mystery of top executives who were highly placed in the organization would also mean exit for the rest of the remaining staff, which had an impact on the change process. One of the senior respondents commented on the need for the individual staff to have acknowledged the impact the change would have on them on personal levels before rushing into the change program and loosing valuable members of staff.

### 4.3.4 Lack of Adequate Resources

Early in the change process, the management needs to determine what resources will be needed and then consider whether the current budgets of departmental units are suitable. Change comes with adequate allocation of resources in terms of human resources: skills, capacity and finances. For example implementation of an operating system to be used by the entire organization requires adequate finances, skills and human resources. At the start of the change program, there were only two IT technicians, who were qualified but could not perform miracles in the shortest time dictated by the program thus requiring hiring of additional consultants. The purchase of the system itself is costly and enough buffers are required in terms of capital, since the same has implications on the server memory and operations. A lot of capital was required at the middle of the implementation of the financial system. The installation stalled for some 4 weeks, awaiting purchase of additional server and memory for the existing one, where in Shelter Afrique such hurdles had not been planned for. The budgets for product campaigns and marketing had not been adequately budgeted for. Shelter Afrique, with its laissez faire kind of style had not been doing much of marketing and road shows, and this caused a big dent into the company's budget. This meant frequent visits to member countries and arranging for campaigns and road shows that could market their products.

### 4.3.5 Lack of Commitment to Team Work

In the midst of the change program, new employees had to be recruited and absorbed in the already established teams in the various departments. Some of the respondents, who were new recruits at the time of the change expressed lack of team work from the longer serving staff. They viewed them as enemies, rather than their fellow change agents. They viewed themselves as the professionals having worked in the organization for a longer period, and viewed the management move to recruit new managers as an abuse to the already existing work force who instead should have been promoted to those new levels.

Ideally, the new recruits were brought in with idea of injecting new skills and ideas to support the already existing staff. They were to work as equals with one goal of steering the organization into the already existing vision. The urgency of the change necessitated that staff shelve away a bigger percentage of the self and propel the organization to a stable position. According to the new C.E.O, the organization was ailing. One of the respondent commented that the organization should have organized bonding sessions, outside the work environment in order to bring down the self made barriers of feeling good. This, according to the respondent should have forged a better team attitude, because it goes beyond work but establishing other common grounds on which that staff can work.

## 4.4 The Eight Steps to Managing Strategic Change

### 4.4.1 Establishing a Sense of Urgency

Establishing a sense of urgency seeks to address the problem of complacency-contentment with the current workings of the organization. A sense of urgency is critical to gaining the needed cooperation to succeed in transformation. Without it, transformations normally do not get far because few people are event interested in working on the change problem. At Shelter Afrique there were efforts to address the potential problem that would undermine the change process.

Respondents reckoned that though no much communication was done at this stage, very deliberate governance and management changes. In 2008, the Board of Directors brought in a new Managing Director whose mandate was to take the institution to the next level in its lifecycle. Notably, the Managing Director was drawn from one of the donor organizations who had a key interest in the developmental issues in Africa and most importantly was a qualified investment professional. At the time of this recruitment, 2 senior directors and four investment officers opted to resign. These, according to some respondents were people who were uncomfortable with the change to come and were uncomfortable. One senior director who has served to this date, stayed on and was very supportive to the new Managing Director. Those who left began to be replaced with a team that was clearly of a different culture, more business oriented, a team that could indeed take the organization to the next level in its growth curve. This is consistent with Bullock's and Batten's (1985) first step in the four step change process that talks of the need to acquire specific resources, such as expertise, necessary for the change to go ahead.

A major effort to create the urgency was an implementation of a change management program. In its efforts to be proactive, in 2008, Shelter Afrique opted to take all of its then 30 staff through a change management program. It began with top management, then middle management and to the rest of the staff. It also took the entire staff through an interactive session having gone through the specific sessions to establish its readiness and acceptance. The first was to emphasize the mission of the company in its effort to offer ' affordable housing solutions to Africa'. This was geared to ensure that staff have their main goals in mind since it was not a diversion to a different sector. The program also entailed taking the staff through the change journey. This was more of a therapeutic session, since staffs were freely able to express their fears which were addressed. The change program was carried out by an external consultant with the Managing Director giving key contributions towards the direction and the anticipated new changes and how their effect on the organization. this was a positive move, to ensure understanding the purpose of the change, give a picture of how this new organization will look and feel, a step by step plan to get there and a part to play in the outcome. The senior and middle level managers were encouraged to have frequent meetings with their juniors, at least once a week to ensure sensitization of the changes and follow up on each one's role to the new changes being implemented. This also introduced the open door policy, where staff could walk in and make inquiries, chat way forward with their seniors and give ideas on how they think certain issues should be approached and dealt with.

From the above discussions, there were significant efforts to create a sense of urgency with the strategies leaning more towards curbing the potential problem of complacency. Just like Kanter et al (1992) argue that a sense of urgency is critical to rallying an organization behind change. This was evident in Shelter Afrique.

### 4.4.2 Creating the Guiding Coalition

The strength that determines the effectiveness of the coalition is the designation, expertise, credibility and capacity of the leadership. This involves creating a group with enough power to lead the change and getting the group to work together as a team. The team also needs to have a level of trust, and shared objectives.

Towards the end of 2008, a transition team was created in Shelter Afrique that consisted of the Managing Director and the members of the Senior Management team i.e the direct reports to the Managing Directors. Change Champions were appointed in every department who served as the guide and main consultant for the changes in the various departments. The Change Champions further appointed change agents in the various units in the departments to drive the changes. In the initial stages. the team held several meetings as a whole, to establish tasks specific to the various teams and units in the departments. The main teams were the change management team that was involved in organizing for the change management program, the market research team that was involved in research to refine existing products and develop other products that would act as support to the existing and gear towards diversification and the information and communications technology project team that worked in establishing the kind of operating systems that would be in line with the operations of the organization and eliminate manual processes.

### 4.4.3 Developing a Vision and Strategy

According to Kotter (1996), a good vision serves three important purposes in a change process: first, clarifying the general direction of change, second, it motivates people to take action in the right direction and third, it helps co-ordinate large numbers of different people in a fast and efficient way. The vision here is geared towards directing the change effort and developing strategies for achieving that vision. According to the respondents, they felt that the goal of transformation was embedded in the overall corporate vision and mission. There was no creation of a specific and distinct vision for the transformation process. It was decided to maintain the old vision and mission of the organization and they are outlined as follows. The vision of the Institution is: 'to be the leading player in strategic partnership among key stakeholders for the efficient delivery of real estate and other related services in Africa'. The mission of the Institution is: Shelter Afrique uses its distinct presence and competitive advantage to create value added products to enhance the development of the real estate sector with a view to improving the living environment and facilitating the achievement of the goal of housing for all.

The respondents also expressed the fact that the strategies used for the change program were those outlined in the Corporate Strategy plan (2007-2011). They were (i) Growth of the Institution (ii) Operational and diversification strategies (iii) Creation of strategic partnerships (iv) Formulate channels of resource mobilization and (v) Organization Development. For example new Financial and HR systems were installed to enhance organizational development. New products and marketing programs were rolled out to contribute to the operational and diversification strategy for the organization. A bond was launched into the market as a source of increasing the revenue and capital base of the company; this is in reference to the growth strategies in order to reach the wider markets in Africa.

The corporate plan was posted onto the company's intranet for reference by all the staff members. This was to act a point of reference to the direction of the future. However, there was need to articulate a distinct vision and strategy for any change effort which Shelter Afrique should have done.

### 4.4.4 Communicating the Change

The power of a vision achieved is only when most people in the organization have a common understanding of its goals and direction. The shared sense of a desirable future can help motivate and coordinate the kinds of actions that create transformations achieved through effective communication. Communication does not stop at words only but also through desirable behavior being displayed by the guiding coalition and the change champions.

Comprehensive communication on transformation was first made during the change management program where the interactive sessions were held. Later staff in their different units discussed internally and raised questions on transformation and its impact on the day to day activities. The open door policy that was introduced also encouraged interaction between staff and their seniors in reference to the anticipated changes. The questions arose in the various departments and units were also communicated to the senior management for further consultations and solutions. The frequent meetings that were held at corporate levels and departmental levels also helped to share the kind of difficulties experienced or ideas floated by other departments to shade light to unaddressed areas.

The marketing department was tasked in ensuring that staff understood the new products being introduced by ensuring that information is shared through the intra-net and e-mails. They were also encouraged to have short sessions to introduce staff to the new products and make them understand them as sell agents to the company to, to enhance the sense of ownership. This also applied to the information and technology group which had to ensure that all systems installed are relevant and staff are trained to ensure consistency. There were frequent e-mails from the Management Director reminding the staff on the vision and mission of the company and milestones achieved through the change journey.

Information gathered from the respondents showed that although communication was rife in the first stages of the journey, it become absurd and disorganized later on in the stage. Each and every department would announce its little joys and glories out of the blues. The problem was there was no one or office clearly designated with the responsibility of communication. It was felt that this was a small organization and there was freedom to communicate as and when is necessary by anyone. The management of information has not yet been managed but there are plans to ensure regulations in this area.

Through role modeling, the new senior management team that was recruited was to bring a new culture of thinking towards business orientation. This was to be demonstrated from the new systems being introduced into the organization and the market products being brought in as a means to diversify the already existing product portfolio. This was meant to place Shelter Afrique on the same level as the rest of the players in the industry in order to win the confidence of the borrowers and to lure the market. The senior managers were encouraged to have interactive sessions with the staff to sell these new ideas and make them understand the rationale behind the new resources being introduced in line with the organization's strategy. These assisted in reducing the resistance and provide motivation and encouragement.

From the above, it is evident that Shelter Afrique did make efforts in communicating the vision for the change effort, particularly in the initial stages despite the initial hurdle of haphazard communication. Kanter et al (1992) emphasize the need to communicate through the entire change process; from before the change is formally decided upon to after the change is in effect.

### 4.4.5 Empowering Broad-based Action

This means having a broad base of people with more power to implement the change vision. Empowerment involves getting rid of obstacles that undermine the change vision and encouraging risk taking and non-traditional ideas, activities and actions. At Shelter Afrique, this revolved around structures, skills and systems to facilitate achievement of the change vision.

Shelter Afrique worked with consultant to review the organizational structure and create one that was both current and futuristic. The structure was changed significantly to facilitate better management of the organization's business. New roles were introduced, positions were re-profiled and reporting lines adjusted.

One new department was introduced in the layer of management the top structure consisted of (i) Finance (ii) Corporate Affairs and Administrations (iii) Business Development and Operations (iii) Risk. There was a bit of shuffling with the reporting units to the various departmental heads, namely directors. ICT and Risk units were moved from Finance to the new Risk Department. Administration unit was moved from Finance to the Corporate Affairs and Administration. Audit department which was previously reporting to the head of finance was now to report directly to the Managing director.

New units and heads were also formed to ensure division of responsibilities and quicker decision making in reference to pertinent issues. Human Resources was separated from Administration and acquired a unit section reporting to the Corporate Affairs and Administration Director. Two more units were created in the Business development and Operations department and units head recruited. The two units were Trade Finance, in line with the diversification strategy and Special products unit in line with bringing in new products into the company.

A new Operating system was acquired to cope with the challenges of manual operations especially when it came to financial, HR and loan administration. This was significant to facilitate achievement of the change vision. Human Resources processes such as payroll management, recruitment, training was enhanced making them more structured and professional. Recruitment could now be done through interviews to assess capabilities and attitude. Also a more structured performance management system was introduced and the balance scored card entrenched. The financial system was introduced to ensure proper tracking of payments and assist with more modern modes of payment to the contractors and suppliers and the borrowers. An important tool for monitoring and controls.

According to the one respondent, the nature of change required people that had capacity to deliver on the change. As noted earlier some of the senior management team were hired towards the end of 2006, which signaled the beginning of change. This required a review of the human resources capacity with the assistance of external consultants. The review recommended new skills and enhancing of existing skills. As a result, the operations manager was head hunted from a reputable firm in Nigeria to steer the department into greater heights. The corporate affairs director was recruited from a banking institution in Egypt and had a reputable background of managing people and change in a robust environment.

It is clear from the above, that substantial efforts were made to facilitate achievement of the change vision. Indeed if the structures, systems and skills remained the same, it would have been difficult to realize the change vision. Such changes facilitate the change process and allow for efforts to be visible to promote awareness and commitment (Bellafiore, 1996)

### 4.4.6 Generating Short-Term Wins

Generating short-term wins and celebrating them by visibly recognizing and rewarding those who made wins possible is essential in achieving a change vision. It helps in building the credibility needed to sustain change efforts over the long haul, helps in fine-tuning vision and strategies and builds morale to sustain the change momentum.

There was the launch of the new operating system in early 2010 which was a great achievement to the IT and the finance department. This motivated them to begin working on the HR oracle module and plan for other modules required by the various units in the company. This signified a great move towards the achievement of the corporate strategies outlined.

There was also the successful launch of the new pilot project of re-reorganization of the office designs from the office based to the open plan office layout which encouraged more interaction amidst staff and their supervisors. This plan was to be replicated to the rest of the organization which had the old style closed office style similar to the 'Government style'

Other short term wins were introduced in Shelter Afrique. The wins were pegged on individual efforts and contributions in terms of ideas, positivity and efforts towards the change management as assessed by the supervisors. Shopping and dinner vouchers were introduced to recognize the efforts of the staff who were making all efforts towards achievement of the changes. Certificates were awarded to recognize efforts made by teams through special internal ceremonies hosted by the Managing Directors. This also served as interactive sessions to the staff of different departments to share the achievements and challenges and share ideas.

### 4.4.7 Consolidating Gains and Producing More Changes

The credibility built from the short-term wins makes it easier to tackle additional and bigger change projects in the process towards achieving the transformation vision. This can be more change in the systems, structures and polices that do not fit together and do not fit the transformation vision: hiring, promoting, and developing people who can implement the change vision and reinvigorating the process with new projects, themes and change agents.

At shelter Afrique, most of the organizational restructuring and the hiring of new staff happened from around mid-2008 when it became clear there was need to build capacity to achieve the change vision. The change agents and senior managers were trained on change, the new MIS and banking duties. Their role was to enhance implementation of the change process.

### 4.4.8 Anchoring New Approaches in the Culture

Organizational transformation often leads to change in the corporate culture-the norms of behaviour and shared values within the organization. The culture change often occurs after people's actions have been altered significantly, after the new behavior produces some benefit for a period of time and after people see the connection between the new actions and the performance improvement. Anchoring new approaches into the culture involves altering people's behavior, articulating the connections between the new behaviors and organizational success and developing a way of ensuring leadership development and succession.

Shelter Afrique initially was a typically laissez-faire style, where life was generally slow with an unstructured and unstandardized way of doing things. According to the respondents, the culture change has been gradual since but well embraced. It was notable that there was greater commitment to work with people going the extra mile to work until late hours in the evening and weekends to achieve their goals. It is also more business-profit oriented. Life is fast, with decisions being made fast and action taken swiftly on decisions being made.

With more staff being recruited, there is a break from the family orientation kind of approach in the office. Initially, staff would relate freely and interact freely even on social levels, but with introduction of new staff from all over Africa, there is a tendency to re-grouping in terms of social levels which may affect the professional interactions if not well addressed.

These last three steps in Kotter's (1996) model relate to Kanter et al's (1992) tenth commandment of executing change of 'reinforcing and institutionalizing change'. This commandment reckons that reinforcement through recognition and reward help in fostering commitment and generating enthusiasm for the change effort. Reinforcement and institutionalization are said to be key in ensuring that the change 'sticks' and that people do not fall back to their old ways of doing things. In Shelter Afrique, there were no deliberate plans to reinforce the changes, and this would be a major area of consideration.

## 4.5 Discussions of the Findings

The results reveal a consistency in the previous studies done in reference to the management of strategic change. The empirical evidence articulated in the findings are among the common challenges experienced in most of the organizations in the time of introducing change or implementing change. Most predominant challenges experienced during management of strategic change are resistant to change, lack of adequate resources and lack of clear communication of the vision of the change. This is supported by previous studies done as well as theoretical framework of managing strategic change. The above findings form a basis on which indicative solutions could be crafted out in anticipation of the above challenges and any other as may be experienced. Challenges like resistance from the staff, lack of adequate resources during implementation stage and inconsistencies in communication are experienced by many firms. The findings also confirm that there is a relationship between personal development and the development of the organization. The introduction of change in an organization should factor in the development of the staff, which they should go hand in hand. The executors of the change is the staff and if the change does not impact on them positively especially on the key aspects of their lives, in reference to career and fringe benefits, the same expected results will not be experienced by the organization since the staff are not motivated.

The findings have also shown that the management process has to be planned and phased out for a certain period of time. There are those phases in the change process that cannot be ignored. All the phases are critical, but there are stages in the process that are most critical, for example creating awareness of the forecasted change and ensuring that the vision and the drive behind the change is well understood and that everyone is aware of the role they play in each and every stage. This ensures a sense of inclusivity and a sense of ownership of all wins that will emanate from the change. Despite mentioning the most critical stages, it is evident that all stages are important and should be incorporated into the change process. There are different theoretical models on the change management, but it is noted that they emphasize that all stages are critical and have to be followed to the end to achieve results.

Change should not be seen as an animal that has come to scourge the comfort of an environment but to make it better and ensure continuity both for the organization and the players. Today's organization should be able to continually and consistently inform staff and key stake holders of the changing environments and its impact on the organization, as a way making change more a friend than an enemy. The organizations should also make change as a compliance strategy and involve all in the organization from the lowest to the highest in the cadre to minimize hitches and attain the results it is envisaged to attain.

# CHAPTER 5: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

## 5.1 Introduction

This study was on strategic change management at Shelter Afrique, Kenya with a focus on its transformation to a business-profit oriented development financial institution. The objectives of the study were (i) to determine the challenges of managing strategic change at Shelter Afrique and (ii) establish how Shelter Afrique is managing strategic change.

The study found that the nature of strategic was transformational, in that it led to a total change in the way of doing business at Shelter Afrique with one respondent aptly describing it as a complete paradigm shift. There was introduction of a business oriented approach, change in the organizational structure, systems, policies and as such a result a considerable change in the culture of the organization. The transformation was duly planned for with a key preliminary activity involving a market and institutional review that informed the strategic plan in which the plans for transformation were embedded.

## 5.2 Summary of Findings

In examining the challenges faced during the change process, the respondents expressed a number of factors. The organization already had an established way of how things are done in the and that had a major impact whilst introducing the changes. A new way of doing things being introduced, sent some panic and resistance. There was also dissatisfaction expressed by the respondents on how the change was introduced in a hurry without giving them time to absorb the anticipated changes. They have a feeling that this would have been handled in a more gradual way other than assuming them to be 'work machines' to transform the company. Change affects people, their jobs and responsibilities and their existing behavior patterns, and by this, people can be wary and even hostile. It is important that a lot of consideration in reference to time is given for such transformations.

Shelter Afrique also experienced resistance to the changes being introduced. The older servicing staff felt they were being undermined by new and junior staff bring brought in as the 'brain tanks' and change agents to the company. They felt that they were in a position to drive the changes given time. There was also fear of them being rendered irrelevant with the introduction of the new operating systems which they were not familiar with. They also feared that they were being rendered less irrelevant and this will culminate to pay cuts.

The respondents also felt that the organization should have made better plans in terms of resource allocation especially financial and human resource to adequately ensure smooth running of the change program. Constraints were experienced during the implementation of the financial and human resource oracle modules, which caused much strain to the existing staff and finances, making the program delay. Proper planning and budgetary allocation is required to be put in place to enhance efficiency and effectiveness. Lack of team work was also experienced. The long serving staff felt undermined and did not contribute as much as they were expected, them being valuable with the information of the company.

In examining the process of implementing the strategic change, the study used Kotter's (1996) 'Eight-Steps to Successful Change' model as a basis. The study found that though not deliberately planned against any model, the process of implementing strategic change at Shelter Afrique did to a large extent integrate key aspects of Kotter's model. The first step, in Kotter's model was the efforts to address the potential problem of complacency that would undermine the change process. This was mainly done through an institution-wide change management program. It constituted around Shelter Afrique's mission to transform lives, people's feelings and emotions regarding change and requirement of the business orientation.

The second step is creating guiding coalitions. Shelter Afrique created a transition team led by the Managing Director. This team led the strategic change process and took overall responsibility for the change activities. The third step is developing a vision and strategy. There was no creation of a specific vision and strategy for the transformation; however they were embedded in the corporate vision, mission and strategy. Each strategic goals in the five-year (2007-2011) strategic plan reflected as aspect of the transformation. Communicating the change is the fourth step. Despite the fact that a specific and distinct transformation vision was not articulated, the reason, benefits, requirements, expectations and activities relating to transformation were communicated through various avenues. The communication channels included the change management program, meetings with supervisors and the senior management at large, the products launch communication by the senior managers. The communication was well organized at initial stages but later uncoordinated.

The fifth step is empowering broad-based action. Efforts were made to address potential obstacles and facilitate implementation of change. The organization structure was changed and new units introduced creating new roles. A new MIS and ICT infrastructure were installed to increase capacity, efficiency and provide a platform for innovation. New operational processes were introduced and other realigned to the new operational structures and systems. The human resources systems and practices were change and made more structured and professional. Generating Short term wins is the sixth step which revealed that there were a number of short-term quick wins and associated with rewards through achievement of IT and market projects. There was also recognition of staff in their efforts to drive the change.

The seventh step is consolidating gains and producing more change. As change progressed there was more restructuring and acquisition of new skills particularly in the business orientation practices as a way of building capacity to achieve the change vision. There was also appointment of change agents to enhance implementation of the change process in the departments. The eighth step as the last step in Kotter's model is anchoring new approaches. A business orientation and greater professionalism are the most key positive aspects that have come into the corporate culture. However, past positive aspects of family orientation have being negatively affected due to recruitment of new members of staff.

## 5.3 Conclusion of the Study

Shelter Afrique needs to improve a couple of aspects regarding its ability to manage changes. The management needs to be more consistent with its communication channels and spread the information about the change to all employees at an earlier stage and in a better manner in order to facilitate an understanding of and acceptance for the change within the organization. The company also has to have a clear reward system for its hard working employees that ties up with their career growth and ultimately their fringe benefits. This is clearly the best morale booster for any human resource in an organization. Resource allocation can also be improved by better planning through proper budgeting and analysis of available resources vis a vis the program requirements.

The transformational change in Shelter Afrique, worked positively for the organization which according to the respondents did not just see an upsurge on the performance of the organization in the housing sector but has also seen the organization revise its procedures on how change should be managed. The change program has also made the organization understand that it needs to develop as a company if it has will be a competitive company within many other financial institutions.

## 5.4 Implication of the Study

The management of strategic change at Shelter Afrique is no doubt commendable. It can be considered a success having led to Shelter Afrique operating as a business-profit oriented institution from the laissez faire style and launching a bond into the market. The success also goes to confirm what has been discussed by various writers such as Kotter (1996), Kanter et al (1992), Pettigrew and Whipp (1993) and Cameron and Green (2004) ingredient to successful change. Issues such as creating a sense of urgency, having a guiding team, empowerment, highlighted by these writers formed part of the strategic changed process at Shelter Afrique.

Areas to look at that Shelter Afrique needs to consider for future strategic programs is one, to develop vision and strategy for change programs. This is in consideration that strategic change may not always coincide with the time of period for writing the corporate strategic plan. It also helps in motivating and coordinating staff in one clear direction and in a fast and efficient way. There is also need to have a clear guideline of communication channels and the same maintained throughout the change program. Such inconsistencies in communication may be misinterpreted and give the wrong signals that may make staff loose morale or deviate from the right direction.

## 5.5 Limitations of the Study

The main limitation of this study is that it is a case study focusing on only one development financial institution. The findings and conclusions are limited to this one institution thus not giving a full picture of the outlook of strategic change process that can be compared across board.

The study has also collected data from senior management only, and left out the rest of the staff, who were largely involved in the change management process. This would have given a wider range of information to be analyzed, invaluable to the proposal.

## 5.6 Suggestion for Further Research

This study focused on a few aspects of strategic change and left out other areas, like the role of different stake holders in the change process, and the impact of the strategic change on employees at Shelter Afrique.

Similar studies could be carried out in other Development Financial Institutions undergoing transformation in order to draw lessons for the sector at country and global levels. The same could also be compared with similar studies of managing change in other sectors for comparative reasons.

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## APPENDIX I: INTERVIEW GUIDE

### PART A: BACK GROUND INFORMATION

***Respondents Details***

Name: ______________________________

Designation: ______________________________

Date: ______________________________

Venue: ______________________________

### SECTION B: CORE RESEARCH QUESTIONS

1. Why strategic change at Shelter Afrique: there are many factors both internal and external that can lead to an organization to implement strategic changes. Which are these forces that led the organization to change its strategies?

2. What type of strategic change was used at Shelter Afrique: The main types of strategic change are Incremental and transformational. Incremental is where organizations continually tune their current ways of operating as their environment, and transformation is that which calls for change 'in the way of doing things'.

   2.1 Which one of the two types of strategic change did Shelter Afrique opt for in respect to its operations and intentions to raise the standards of the organization?

   2.2 Was there a laid out process/sequence of programs that the organization had put in place to manage/implement the intended changes.

3. Please describe the onset of strategic change at Shelter Afrique?

3.1 Were there any preliminary analysis done to inform the need for change? If yes, how was it done? By whom?

3.2 What were the findings/outcomes that led to the change? What necessitated the strategic change?

3.3 When did the strategic change process begin?

4. Were there any efforts to create a sense of urgency (or address complacency) to help achieve the change vision? If yes, how was that done?

5. Was there a vision and a strategy created for the change?

6. How were the vision and strategy communicated?
   6.1 What channels were used to communicate the vision and strategy
   6.2 How often was the communication done?
   6.3 Were there any different behavioral patterns among staff? If yes what were they? And how did you guide them out of the new behavioral patterns?

7. Was there a change champion team created to lead the organization in the change program? Who was in team?

8. What were the obstacles that were forecast in achievement of the change vision? If there were any how were they addressed before hand?

9. What were the changes to the systems (e.g. Information, human resources systems) or structures so as to facilitate achievement of the change vision? If yes, how were they managed?

10. What were the key areas in the organization that needed the strategic changes?

    10.1 Which are these changes that the organization undertook?

11. Were there any efforts to directly encourage staff to achieve the change vision e.g. encouraging risk taking and non-traditional ideas, activities and actions? If yes, how was this done?

12. Were there any efforts to create a reward system for the change team and the rest of the staff who should positive behavior towards change?

    12.1 How/what was the reward system?

## APPENDIX II: INTERVIEW REQUEST TO MANAGING DIRECTOR

**SHELTER AFRIQUE**

<u>Inter – Office Memo</u>

| | |
|---|---|
| To: | Managing Director |
| From: | Assistant Officer- Administration |
| Date: | $20^{th}$ September 2012 |
| Re: | MBA PROJECT IN STRATEGIC MANAGEMENT |

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I would kindly request your approval to interview the senior management team and their direct reports in reference to the above subject.

My topic of research is based on the recent changes that have taken place in the organization under your leadership. I am at the stage where I need to collect date in reference to the proposal already presented to the panel of lecturers and was approved.

To facilitate my data collection, I will need to interview the following personnel:

(i) Director of Operations
(ii) Director –Risk
(iii) Director-Corporate Affairs & Secretariat
(iv) Director –Finance
(v) Team Leader – Budgets
(vi) Team Leader – Loans Administration
(vii) Team Leader – Legal Services
(viii) Team Leader – Special Products
(ix) Team Leader – Trade Finance
(x) Team Leader-Portfolio Management

I will meet the above personnel at their time of convenience within the next two weeks. I assure that this will not interfere with the normal business operations.

Leah Kilu

# APPENDIX III: KOTTER'S EIGHT STAGE PROCESS OF CREATING CHANGE

1. **Establishing a Sense of Urgency**
    - Examining the market and competitive realities
    - Identifying and discussing crises, potential crises, or major opportunities

2. **Creating the Guiding Coalition**
    - Putting together a group with enough power to lead the change
    - Getting the group to work together like a team

3. **Developing a Vision and Strategy**
    - Creating a vision to develop the change effort
    - Developing strategies for achieving that vision

4. **Communicating the Change Vision**
    - Using every vehicle possible to constantly communicate the new vision and strategies
    - Having the guiding coalition role model the behavior expected of employees

5. **Empowering Broad-Based Action**
    - Getting Rid of Obstacles
    - Changing systems or structures that undermine the change vision
    - Encouraging risk taking and nontraditional ideas, activities, and actions

6. **Generating Short-Term Wins**
    - Planning for visible improvements in performance, or "wins"
    - Creating those wins
    - Visible recognizing and rewarding people who made the wins possible

7. **Consolidating Gains and Producing More Change**
    - Using increased credibility to change a systems, structures, and policies that don't fit together and don't fit the transformation vision
    - Hiring, promoting, and developing people who can implement the change vision
    - Reinvigorating the process with new projects, themes, and change agents

8. **Anchoring New Approaches in the Culture**
    - Creating better performances through the customer-and productivity-oriented behavior, more and better leadership, and more effective management
    - Articulating the connections between new behaviors and organizational success
    - Developing means to ensure leadership development and succession

**Taken from: (1996)** Kotter, J. P. *Leading Change*. Boston: Harvard Business School, p. 21.