

**STRATEGIC CHANGE MANAGEMENT PRACTICES AND ORGANIZATION
PERFORMANCE AT THE KENYA COMMERCIAL BANK**

SANDRA CHEPNG'ETICH NG'ENO

1 LIBRARY

**A Research Project submitted in partial fulfillment of the requirement for the award of the
degree of Master in Business Administration, School of Business, University of Nairobi**

August, 2012

DECLARATION

This project is my original work and has not been presented for examination in any other university

Signature Date

Sandra Chepng'etich Ng'eno

D61/60111/2010

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

Signature **Mk** Date

Mrs. Mary Kinoti

Lecturer, Department of Business Administration

School of Business

University of Nairobi

DEDICATION

To my family: Father, Mr. Daniel Ng'eno, Mother, Mrs. Sarah Ng'eno , Sister, Delyth Ng' and Brother, Kelvin Kirui for their prayers and motivation.

ACKNOWLEDGEMENT

Special thanks to Almighty God who enabled me to undertake this course to completion.

Many thanks to my supervisor, Mrs. Mary Kinoti, for the guidance, encouragement, patience, moral support and understanding while working on my project.

Special thanks to my loving family members: Father, Mr. Daniel Ng'eno, Mother, Mrs. Sarah Ng'eno , Sister, Delyth Ng'eno and Brother, Kelvin Kirui for their prayers, moral support, financial support and for their love and concern for me. Thanks to all friends and colleagues for their encouragement, assistance and prayers.

I would like to extend my thanks to Kenya Commercial Bank Limited respondents for the useful information provided while carrying out this research project.

May God you

LIST OF TABLES

Table 4.1: KCB Profit Before Tax Growth Kshs (B) and Cost to Income Ratio (%)

Table 4.2: KCB Earnings Per Share (Kshs)

Table 4.3: Net Loans & Advances and Customer Deposits (Kshs B)

ABSTRACT

Change management is the use of systematic methods to ensure that organizational change is guided in the planned direction, conducted in cost effective and efficient manner as well as completed within the targeted time frame and with the desired results. Strategic change management aims at aligning structures, systems, processes and behavior to the new strategy (Ansoff and McDonnel, 1990). The purpose of this study was to establish the strategic change management practices adopted by Kenya Commercial Bank (KCB) and the relationship between the strategic change management practices and organizational performance. The study adopted a case study design so as to give in depth information on strategic change management practices and organizational performance at KCB. Both primary and secondary data were used as data sources in the study. Primary data was collected through in depth interviews, and was administered to both managers and heads of departments. Secondary data was collected from the KCB annual reports and financial statements. The study revealed that KCB adopted various strategic change management practices which improved the performance of the bank. The adoption of the practices led to reduction in cost hence increase in profits, better services to customers hence increase in deposits and also training and giving incentives to employees hence improving their productivity. The study recommended that organizations should undertake a strategic change management since the study has shown that it has an effect on the organizational performance. It also recommended that further research be done in other banks to ascertain if there are similarities or differences in respect to Strategic Change Management Practices and Organizational Performance in the banking sector. The limitation of the study was failure of respondent to turn up for interviews due to tight and busy schedules. The study suggests similar study should be carried out within other banking institutions.

TABLE OF CONTENT

DECLARATION.....	1
DEDICATION.....	ii
ACKNOWLEDGEMENT.....	iii
LIST OF TABLES.....	iv
ABSTRACT.....	v
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the study.....	1
1.1.1 Concept of Strategic Change.....	2
1.1.2 Strategic Change Management Practices.....	4
1.1.3 Organizational Performance.....	4
1.1.4 Banking Sector in Kenya.....	6
1.1.5 Kenya Commercial Bank.....	7
1.2 Research Problem.....	8
1.3 Research Objective.....	9
1.4 Value of the study.....	9
CHAPTER TWO: LITERATURE RIVIEW.....	10
2.1 Introduction.....	10
2.2 Strategic Change Management.....	10
2.3 Strategic Change Management practices.....	12
2.4 Organizational Performance.....	13
CHAPTER THREE: RESEARCH METHODOLOGY.....	18
3.1 Introduction.....	18

3 2	Research Design	18
3 3	Data Collection	18
3 4	Data Analysis.....	18
 CHAPTER FOUR: DATA ANALYSIS.....		19
4.1	Introduction.....	19
4.2	Environmental changes the bank is experiencing.....	19
4.2.1	Politically.....	19
4.2.2	Economically.....	20
4.2.3	Socially.....	20
4.2.4	Technological.....	21
4.2.5	Legal.....	21
4.2.6	Globally.....	21
4.3	Strategic Change Management Practices.....	22
4.4	Relationship between Strategic Change Management Practices and Organizational Performance.....	24
 CHAPTER FIVE: SUMMARY, DISCUSSION AND CONCLUSION.....		28
5.1	Introduction.....	28
5.2	Summary and Discussion.....	28
5.3	Conclusion.....	29
5.4	Recommendation from the study.....	30

5.5 Limitations of the study.....30

5.6 Recommendation for further study.....30

REFERENCES.....31

APPENDICES.....34

Appendix I.....34

Appendix II.....35

CHAPTER ONE: INTRODUCTION

1.1 Background of study

Organizational change is pervasive today, as organizations struggle to adapt or face decline in the unstable environments of a global, economic and political world. The many strong forces in these environments: competition, technological innovations, professionalism, and demographics shape the process of organizational adaptation. As a result, organizations may shift focus, modify goals, restructure roles and responsibilities, and develop new forms. This kind of change is important to the organization since it helps the business maintain its competitive advantage and to meet the customers' needs, employees, shareholders, suppliers and the government needs. Organizations must also change not only to survive, but also to retain its relevance in a world of intense competition, constant scientific progress, and rapid communication.

Organizations exist as open systems and that is why they are always in continuous interaction with the environment in which they operate. Change has taken place over the world and this has affected the way organizations conduct their business. In order to succeed organizations should be able to align their operations to the constantly changing environment. This will entail designing a strategy that legitimizes change programme in order to survive and remain relevant (Johnson & Scholes, 1999).

The need for strategic change is driven by the desire to exploit already existing or new opportunities while at the same time dealing with threats in the external environment. Once an organization is conscious about the need for strategic change it becomes easier to create a competitive advantage. This implies the readiness to change within the organization and the ability to implement the proposed change (Pearce and Robinson, 1991).

Over the last few years, the Banking sector in Kenya has continued to grow in assets, deposits, profitability and product offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African community region, and automation of a large number of services. There is increased competition over the last few years resulting from increased innovations such as mobile banking and Internet banking that has

espoused high caliber technology (Tiwari, 2008). KCB is facing many challenges such as competition from other banks, competition from Non-Banks (Mobile network due to transfer of funds through phone and also Saccos), insecurity due to fraudsters, fast changing rate of technology, political challenges, and economic challenges. KCB would also like to increase its profitability and be the most preferred bank. To attain all these, KCB Group therefore instituted a transformation programme to take the business to the next level. It is to move the bank from being a good business to becoming a great business. The bank expects the project to result in operational changes that will lead to efficiency and cost reduction while also enabling us increase our market share and employee productivity and deliver improved returns on investment (www.kcbbankgroup.com).

1.1.1 Concept of Strategic Change

Organizational change is any action or set of actions resulting in a shift in direction or process that affects the way an organization works. Change can be deliberate and planned by leaders within the organization or change can originate outside the organization and be beyond its control. Change may affect the strategies an organization uses to carry out its mission, the processes for implementing those strategies, the tasks and functions performed by the people in the organization, and the relationships between those people. Naturally, some changes are relatively small, while others are sweeping in scope, amounting to an organizational transformation. An organization that does not change cannot survive long much less thrive in an unpredictable world.

Strategy can be defined as the determination of the basic long term goals and objectives of an enterprise and the allocation of resources necessary for carrying out these goals (Stoner & Gilbert, 1995). Strategy is the direction and scope of the organization over the long term which achieves advantages for the organization through its configuration of resources within the changing environment to meet the needs of the market and fulfill the stakeholders' expectations. Organizations come in all shapes and sizes, provide a vast variety of products and services and face an enormous array of challenges. The only factor common to all organizations is change. Organizations never stand still though the speed and magnitude of change which varies from organization to organization and over time. It is now generally accepted that the ability to

manage change effectively is a crucial component of an organization's capability to compete successfully (Johnson and Scholes, 2003).

Strategic change means changing the organizational vision, mission, objectives and the adopted strategy to achieve those objectives. It is also defined as a difference in the form, quality or state over time in organization's alignment with its external environment (Rajagopalan & Spreitzer, 1997) or also as 'change in the content of a firm's strategy as defined by its scope, resource deployments, competitive advantages and synergy' (Hofer & Schendel, 1978). Strategic management is the rapid rate of change in today's business world making it increasingly necessary that managers keep their plans current. It is the application of the basic planning process at the highest levels of the organization. Through the strategic management process, top management determines the long run direction and performance of the organization by ensuring careful formulation, proper implementation and continuous evaluation of plans and keeping them current as changes occur internally and in the environment (Rue & Byars, 2009).

Strategic change management is defined as the actions processes and decisions that are executed by organizations members to realize their strategic intentions. Strategic change is about managing the unfolding nonlinear dynamic processes during strategy implementation in policy systems, values, staff and skill of an organization to realize strategy. Change management has attracted interest to many organizations in these times of rapid changes in the business environment. This is attributable to the realization that organizations do not have the luxury of not undertaking strategic management since failure to do so will certainly lead to irrelevance if not extinction (Kanter, Stein and Jick, 1992).

Successful change management process depends largely on the context in which change is taking place. The time within which change is needed, the scope of change, organization resources, characteristics needed to be maintained, diversity of staff groups, degree of change resources available, readiness of workforce to change and power that change leaders have to inspire change and play crucial roles in change management (Johnson and Scholes, 2003). The strategic change management task is to keep the organization aligned internally and with its external environment. This alignment may occur quite unconsciously on the part of the organization and its members

and be viewed as an evolutionary process as might be argued by some of the organizational ecology advocates or it may be a very proactive planned process (Tichy, 1982).

1.1.2 Strategic Change Management Practices

Zou & Lee (2008) investigated the relationship between change management practices and cost performance of construction projects. Multiple one-way anova and linear regression were performed to investigate the effectiveness of individual change management practices elements and overall change management practices implementation in controlling project change cost, respectively. The results showed that individual change management practices elements had different levels of leverage in helping to control project change cost and that using change management practices was helpful in lowering the proportion of change cost in project actual cost.

In seeking to achieve the goals, the sectors have employed various means such as downsizing, devolution of managerial responsibility and introducing change in management methods as total quality management and reengineering (O'Donnell, 1996). Many of these practices first emerged in the private sector with the result that the public sector has moved increasingly to resemble its private sector counterparts. DiMaggio & Powell (1983) describe this trend as a process of engaging in isomorphic behavior. The extent to which such practices have been adopted has significantly varied between, not only public sectors of various countries, but institutions within those countries.

1.1.3 Organizational performance

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes namely: financial performance (for example profits, return on assets, return on investment); product market performance (for example sales, market share); and shareholder return (for example total shareholder return, economic value added).

Financial performance is defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used a general measure of a firm's overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. In recent years, many organizations have attempted to manage organizational performance using the balanced scorecard methodology where performance is tracked and measured in multiple dimensions such as: financial performance (for example shareholder return), customer service, social responsibility (for example corporate citizenship, community outreach) and employee stewardship(MacDonald & Koch, 2006).

According to Home & Wachowicz (2008), profit maximization is offered as the proper objective of the firm. However, under this goal a manager could continue to show profit increases by merely issuing stock and using the proceeds to invest in Treasury bills. For most firms, this would result in a decrease in each owner's share of profits (Earning Per Share will fall). Maximizing earnings per share, therefore, is often advocated as an improved version of profit maximization. Shareholders who are dissatisfied with management performance may sell their shares and invest in another company. This action, if taken by other dissatisfied shareholders, will put downward pressure on the market price per share. Thus management must focus on creating value for shareholders. This requires management to judge alternative investment, financing and asset management strategies in terms of their effect on shareholder value (share price). In addition management should pursue product market strategies such as building market share or increasing customer satisfaction.

Return on Investment (ROI) attempts to measure the overall return the firm is generating on the amount of money invested in its assets. ROI is calculated by dividing the profit before interest and tax by the investment (total assets less current liabilities). This method tends to avoid distortion due to different financing policies, as interest and tax charges depend on the financing structure of the firm. The more money a firm borrows, the greater will be the interest charge in the profit and loss account. This method also facilitates comparisons between firms with differing capital structures (McMenamin, 1999). Economic Value Added (EVA) is a concept through which a company, to create value, must earn returns on invested capital greater than its

cost of capital. EVA is the economic profit a company earns after all capital costs are deducted. It is a firm's net operating profit after tax minus a dollar amount cost of capital charge for the capital employed (Home & Wachowicz, 2008).

Commercial banks of different sizes show sharply different operating characteristics such as government regulation while others are associated with variances in the markets served. Prior to the mid - 1980s, small banks generated higher Return On Assets, on average, and generally assumed less risk. This has changed with increased competition, expansion into new product and geographic markets, and more recent economic events. Today, it appears that the most profitable banks (by return on asset) are those with many assets but the highest return to shareholders is produced by the largest banks (MacDonald & Koch, 2006).

Market share driven focus on having the highest market share of loans among competitor, primary emphasis is on loan volume and growth with the intent of having the largest market share, underwriting is very aggressive and management accepts loan concentrations and above average credit risk, outcome is that loan quality suffers over time, while profit is modest because loan growth comes from below market pricing and risk taking (MacDonald and Koch, 2006). The goal of improving organizational performance is to ensure that the organization designs processes well and systematically monitors, analyzes and improves its performance to improve patient outcomes. It involves measuring the functioning of important processes and services and when indicated, identifying changes that enhance performance.

1.1.4 Banking Sector in Kenya

The banking industry in Kenya is governed by the Companies Act, the Banking Act, the Central Bank of Kenya (CBK). The banking sector was liberalized in 1995 and exchange controls lifted. There were forty six banking and non-bank institutions, fifteen micro finance institutions and one hundred and nine foreign exchange bureaus. The banks have come together under the Kenya Bankers Associations (KBA), which serves as a lobby for the banking sector's interests with the increased reserve money, declining interest rates and impact of global financial crises (Central Bank of Kenya, 2010).

Over the last few years, the banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering. The growth has been mainly underpinned by an industry wide branch network expansion strategy both in Kenya and in the East African Community region, and automation of a large number of services. There is increased competition over the last few years resulting from increased innovations such as mobile banking and internet banking that has espoused high caliber technology (Tiwari, 2008).

1.1.5 Kenya Commercial Bank

In 1970, the Government acquired 100% of the shares of National & Grindlays Bank to take full control of the largest commercial bank in Kenya. National and Grindlays Bank was renamed Kenya Commercial Bank. In 1972, Savings & Loan (K) Ltd was acquired to specialize in mortgage finance. In 1997, another subsidiary, Kenya Commercial Bank (Tanzania) Limited was incorporated in Dar-es-Salaam, Tanzania. The subsidiary has 11 branches. KCB extended its operations to Southern Sudan where it has 11 branches. KCB Bank Uganda Limited was opened in 2007 which has 13 branches. In December 2008 KCB Rwanda began operations with one branch at Kigali. There are currently 9 branches spread out in the country. The bank recently opened a new branch at Burundi.

The Government has over the years reduced its shareholding to 35% and more recently to 26.2% following the rights issue exercise in 2004, which raised KShs 2.45 billion in additional capital for the bank. In the second Rights Issue exercise held in the year 2008, the Government further reduced its shareholding to 23.1% after raising additional capital for Kshs 5.5billion. The bank conducted the third Rights Issue exercise in 2010, in which the Government further reduced its shareholding to 17.74% after raising additional capital of Kshs 12.5billion. In 2010 S&L was merged with KCB providing access to mortgage finance through the bank's wide branch network.

KCB has grown its business and returned excellent results over the last decade evidenced by the turnaround from a loss of KShs.4.2 billion in 2002 to a profit before tax of KShs.6.3 billion in December 2009 and KShs.6.5 billion as at September 2010. With the successful raising of KShs. 12.5 billion of new capital, the Bank poised for accelerated growth to enhance shareholder

value and move towards its vision which is "To be the preferred financial solutions provider in Africa with global reach". In this respect, the Board of Directors of KCB launched a Transformation Programme to accelerate growth and move from a Good to a Great Bank. World-renowned business consultants, McKinsey & Company, were engaged to work with KLCB (www.kcbbankgroup.com).

1.2 Research Problem

Strategic change management is defined as the actions processes and decisions that are executed by organizations members to realize their strategic intentions. The need for change management arises out of the need for organizations to adapt to shifting conditions (Khamis, 2008). Strategic change management largely entails developing the people's values, attitudes, preferences, organizational structure, process and information technology as well as the physical aspects of the work environment (Handy, 1994). As the 21st century unfolds, a large number of organizations are radically altering how they operate and relate to their environments. Increased global competition is forcing many organizations to downsize or consolidate and become leaner, more efficient, and flexible. Deregulation is pushing firms in the financial services to rethink business strategies and reshape how they operate (Cummings & Worley, 2009).

The banking sector is facing many challenges today. The main challenges, according to PriceWaterHouse Coopers (2009), include: New regulations, for instance, the Finance Act 2008, which took effect on 1st January 2009 requires banks to build a minimum core capital of Kshs.1 billion by December 2012. The implementation of this requirement poses a challenge to existing banks. The other challenge is the global financial crisis experienced in late 2008. It is expected to affect the banking industry in Kenya especially in regard to deposits mobilization, reduction in trade volumes and the performance of assets. KCB has grown its business and returned excellent results over the last decade evidenced by the turnaround from a loss of KShs.4.2 billion in 2002 to a profit before tax of KShs.6.3 billion in December 2009 and KShs.6.5 billion as at September 2010. With the recent successful raising of KShs.12.5 billion of new capital, the Bank is now poised for accelerated growth to enhance shareholder value and move towards its vision which is "To be the preferred financial solutions provider in Africa with global reach". In this respect, the

Board of Directors of KCB launched a Transformation Programme to accelerate growth and move from a Good to a Great Bank (www.kcbbankgroup.com).

Several studies have been done in the area of Strategic Change Management. The following some of the studies done: Mbogo (2003), Gichohi (2011), Mutua (2009), Gwengi (2010) and Otele (2011). No similar study has been done on Strategic Change Management Practices and Organization Performance, therefore a knowledge gap exists. The study attempted to answer the following research questions: what Strategic Change Management practices were adopted by KCB, the challenges faced and the relationship between the practices adopted and the organizational performance?

1.3 Research objectives

The following were the objectives of the study: to establish the strategic change management practices adopted by KCB, the challenges faced and to determine the relationship that exists between the practices adopted and the organization performance.

1.4 Value of the Study

The study will be useful to the management and staff in establishing whether the change management practices have an effect on the performance of the organization. The findings will be important to employees in understanding the challenges that management faced in implementing change initiatives. It will also be useful to other organizations undergoing change or those that seek to improve their performance through strategic change management practices.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents issues covering on the strategic change management, strategic change management practices and organizational performance.

2.2 Strategic Change Management

Strategic management is the rapid rate of change in today's business world making it increasingly necessary that managers keep their plans current. It is the application of the basic planning process at the highest levels of the organization. Through the strategic management process, top management determines the long run direction and performance of the organization by ensuring careful formulation, proper implementation and continuous evaluation of plans and keeping them current as changes occur internally and in the environment (Rue & Byars, 2009).

Burnes (2004) argues that change management comes in all shapes and sizes and for this reason it is difficult to establish an accurate picture of the degree of difficulties organizations face in managing change successfully. However there are three types of organizational change which because of their perceived importance have received considerable attention: the introduction of new technology in the 1980's, the adoption of Total Quality Management over the last 20 years and the application of business process re-engineering from the 1990's . Over time the three have hailed as revolutionary approaches to change management and critical in improving performance and competitiveness.

Conner (1998) argues that what organizations change ultimately requires is that people develop not just new skills and knowledge but a whole new way of looking at things. It puts them through a whole internal reorientation. If people do not go through the internal process of transition they will not develop new behaviors and attitudes that change requires. Before strategic change can take place, there must be trust in management on the part of employees. There is a 'trust gap' between the top management and employees and that it is crucial to regain employee confidence. Employees value respect, management ethics, recognition for contributions and closer, honest communications above even high pay, better working

conditions, and benefits. Unfortunately, many differences separate employees and top management. When top managers do not hear about a product, markets, competitors, operating problems or creative opportunities, they are in danger of losing touch with reality.

Manager's need to earn people's confidence if they expect acceptance of and commitment to strategic change. There are two approaches that have been used for strategic change. The first is working with the people in the organization to achieve mutual understanding. The second is making formal changes in the organizational structure, culture, or relationships. Effective implementation requires that both approaches be used in order for the change to be appropriate and to be accepted by participants. Thus effective strategic change absolutely requires acceptance and commitment on the part of the organization's members (Rowe, Mason, Dickel, Mann, &Mockler, 1994).

Strategic change management is defined as the actions processes and decisions that are executed by organizations members to realize their strategic intentions. Strategic change is about managing the unfolding nonlinear dynamic processes during strategy implementation in policy systems, values, staff and skill of an organization to realize strategy. Change management has attracted interest to many organizations in these times of rapid changes in the business environment. This is attributable to the realization that organizations do not have the luxury of not undertaking strategic management since failure to do so will certainly lead to irrelevance if not extinction (Kanter, Stein and Jick, 1992).

Successful change management process depends largely on the context in which change is taking place. The time within which change is needed, the scope of change, organization resources, characteristics needed to be maintained, diversity of staff groups, degree of change resources available, readiness of workforce to change and power that change leaders have to inspire change and play crucial roles in change management (Johnson and Scholes, 2003). The strategic change management task is to keep the organization aligned internally and with its external environment. This alignment may occur quite unconsciously on the part of the organization and its members and be viewed as an evolutionary process as might be argued by some of the organizational ecology advocates or it may be a very proactive planned process (Tichy, 1982).

2.3 Strategic Change Management Practices

According to Kandt (2002), there are twenty-four strategic change management practices. These practices fall into four primary groups: The establishment Practices which includes: Align the goals of a change effort with organizational strategy, acquire and maintain executive commitment (great leadership is required for change to occur), create and maintain a superior change team to verify that change team members have the desired characteristics, evaluate the willingness of the organization to change which is dependent on several variables, including the strength of the corporate culture and the number of prior change efforts, change teams must be the instruments of change to insure their full commitment to change efforts and finally plan for continuous improvement which will cause an organization to produce better products more reliably and efficiently and enhance customer satisfaction and value.

Execution Practices includes: Articulate an extremely compelling need for change, select processes to change based on those having the greatest expected return on investment and the lowest expected risk, change at most three processes during a change effort , create a vision for each process to be changed, develop an "as-is" understanding of the processes to be changed, that is, the change team must understand existing processes to identify areas of improvement, to estimate how much an organization can improve, and to measure improvement, understand the risks and develop contingency plan, and follow software assessments and project postmortems with planned process improvement programs that eliminate or minimize noted problems (Kandt, 2002).

Monitoring Practices: Select and use appropriate metrics to measure the desired characteristics of a change effort by discarding old metrics and replacing them with newer ones, perform annual process assessments and benchmarks to help identify areas for process improvement, whereas benchmarks help to identify where an organization stands relative to an industry, continually measure the productivity of personnel and the quality of software, analyze an organization's software portfolio, which is the total number of applications it owns by counting the number of copies of each application, examining the status of each application in terms of defect levels, and identifying the overall importance of each application, and conduct postmortems of software projects, that is, internal assessments of a project performed by project personnel at the end of a

project. General Practices: Six key practices support the successful implementation of organizational change. Instill in the organization a commitment to change, communicate effectively, listen to the customer, align the infrastructure, foster a creative and innovative environment and finally top-level executives should stay actively involved.

Factors common to successful change management involve: Planning: developing and documenting the objectives to be achieved by the change and the means to achieve it. Defined Governance: establishing appropriate organizational structures, roles, and responsibilities for the change that engage stakeholders and support the change effort. Committed Leadership: ongoing commitment at the top and across the organization to guide organizational behavior, and lead by example. Informed Stakeholders: encouraging stakeholder participation and commitment to the change, by employing open and consultative communication approaches to create awareness and understanding of the change throughout the organization. Aligned Workforce: identifying the human impacts of the change, and developing plans to align the workforce to support the changing organization (Queensland government, 2009).

2.4 Organizational Performance

Organizational performance is crucial to the survival of any organization. Staw (1986) proposes that organizational performance may be staged at the level of the individual, group or organization. Peacock (1995) explains that there is no correct definition of a good organizational performance and suggest that conflicts between managerial perspectives of success should be recognized. Nonetheless organizational performance has been perceived as the integration of these broad dimensions: efficiency, effectiveness and adaptability (Moseng and Bredrup, 1993). The performance of an organizational system is a complex interrelationship among seven performance criteria: effectiveness, efficiency, quality of products, productivity quality of work life, innovation and profitability (Sink and Tuttle, 1989).

As such organizational performance can be judged in terms of whether an organization achieves the various objectives set before it. Some of the objectives measures to access performance include creation of new products according to time and resources target, reduction of operational failures (Mjos, 2002), reduction of operational costs, and increase in overall revenue

improvement of customer service and workforce productivity as well as financial and non-financial measures. The measures of organizational performance can further be evaluated from the perspective of various stakeholders.

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Richard et al. (2009) organizational performance encompasses three specific areas of firm outcomes namely: financial performance (for example profits, return on assets, return on investment); product market performance (for example sales, market share); and shareholder return (for example total shareholder return, economic value added).

Investors bid stock prices up and down based on their opinions of the issuing companies' future financial performance. Those opinions are influenced by information investors regularly receive including projections about products and markets, competition, the economy and the government actions. But the most pervasive and consistently available predictor of a company's future performance is recent performance as reflected by recently published financial statements. In short, if a company has done well in the recent past, most investors are willing to believe it will do well in future. The belief is especially strong if there's an improving trend implying growth into the future (Lasher, 2008).

A bank manager's role is to make and implement decisions that increase the value of shareholder's wealth. Firm value is in turn, closely tied to the underlying portfolio risk and return profile. The greater is perceived risk relative to expected returns, the lower is perceived value as shareholders discount anticipated cash flows to a greater degree. The lower is perceived risk, the lower is the discount rate, but the lower are expected cash flows. Banks with actively traded common stock can look to quoted share prices and cumulative market value as measures of firm value. Share prices are determined by return prospects versus risk characteristics and capture the market's perception of historical and anticipated performance (MacDonald & Koch, 2006).

Given the objective of maximizing the market value of bank equity, managers pursue strategies in several policy areas including: asset management, liability management, management of off-balance sheet activities, interest rate margin or spread management, credit risk management,

liquidity management, management of non-interest expense and tax management. Each area of strategic decision is closely tied with a bank's profitability. The primary responsibilities are to acquire assets through appropriate financing and to control the burden while maintaining an acceptable risk profile. Bank regulators attempt to help managers keep their firm operating by regulatory allowable activities. Bank regulation is largely designed to limit risk taking by commercial banks. Regulators also limit the size of a loan to any single borrower to reduce the concentration of bank resources. To assess bank risk, regulators routinely examine the quality of assets, mismatched maturities of assets and liabilities and internal operating controls. If they determine that a bank has assumed too much risk, they require additional equity capital (MacDonald & Koch, 2006).

If performance measurement simply means the retrospective collection of historical results it is likely that little useful purpose will be served from the point of view of performance management. Many commentators have noted that commonly used indicators, especially accounting based one, paint a picture of the past. But if measurement is to be useful in performance management it has to be forward looking and concerned with performance improvement (Williams, 2002). Return On Investment is simply the result of dividing net income before taxes by the total amount invested in the company (typically measured by total assets). ROI can be used to evaluate the performance of a general manager of a division, it can be compared across companies to see which firms are performing better, and it also provides an incentive to use current assets efficiently and to acquire new assets only when they would increase profits significantly. Managers tend to focus more on ROI in the short-run over its use in the long-run. This provides an incentive for goal displacement and other dysfunctional consequences (Wheelen & Hunger, 2008).

Economic Value Added (EVA) focuses on managerial effectiveness in a given year. EVA is the net operating profit after tax less after tax dollar cost of capital used to support operations. EVA is an estimate of business's true economic profit for the year, and it differs sharply from accounting profit. It represents the residual income that remains after the cost of all capital, including equity capital, has been deducted. EVA measures the extent to which the firm has increased shareholder value. Therefore, if managers focus on EVA, this will help to ensure that they operate in a manner that is consistent with maximizing shareholders wealth. EVA is used to

evaluate managerial performance as part of an incentive compensation program. This is because it shows the value added during a given year and it can also be applied to individual divisions or other units of a large corporation (Brigham & Daves, 2004).

Earning Per Share (EPS): The profitability of the common shareholders' investment can be measured by calculating the EPS. It is calculated by dividing the profit after tax by the total number of common (ordinary) shares outstanding. EPS calculations made over years indicate whether or not the firm's earnings power on per-share basis has changed over that period. The EPS of the company should be compared with the industry average and the earnings per share of other firms. EPS simply shows the profitability of the firm on a per-share basis. As a profitability index, it is a valuable and widely used ratio (Pandey, 2002). Return On Equity (ROE) which involves dividing net income by total equity, also has limitations because it is also derived from accounting-based data. In addition, EPS and ROE are often unrelated to a company's stock price (Wheelen & Hunger, 2008)

Operating cash flow which involves the amount of money generated by a company before the cost of financing and taxes, is a broad measure of a company's funds. This is the company's net income plus depletion, amortization, interest expense and income tax expense. Some takeover specialists look at a much narrower free cash flow: the amount of money a new owner can take out of the firm without harming the business. This is net income plus depreciation, depletion and amortization less capital expenditures and dividends. The free cash flow ratio is very useful in evaluating the stability of an entrepreneurial venture. Although cash flow may be harder to manipulate than earnings, the number can be increased by selling accounts receivables, classifying outstanding checks as accounts payable, trading securities, and capitalizing certain expenses such as direct response advertising (Wheelen & Hunger, 2008)

Return on Total Assets Employed: Because operating efficiency has two basic components (profit margin and total asset turnover), analysts frequently calculate a summary of these components which gives the return on total assets employed. This is done by dividing the net income by the average total assets employed during the year and multiply the answer by 100. After calculating the return, you cannot tell whether this rate of return is good or bad without some basis of comparison. An especially useful basis for comparison is the rates of return earned

by companies of similar size engaged in the same kind of business. You would also want to compare this rate with the rates produced on other kinds of investments. And, you should evaluate the trend in the rates of return earned by the company in recent years.

Return On Common Stockholders' Equity: The return on common stockholders' equity measures the success of a business in reaching the goal of earning a net income for its owners. To calculate the return, it is the average of the beginning of year and end of year amounts to shareholders' equity. When preferred stock is outstanding, subtract the preferred dividend requirements from net income to arrive at the common stockholders' shares of income to be used in this calculation. And the denominator of the ratio should be the average book value of the common stock. When the return on the stockholders' equity is larger than the return on total asset employed, it is a result of the company's successfully employed financial leverage in its capital structure. Leverage is used to advantage when the company borrows assets from creditors and uses them to earn a return that is higher than the rate of interest paid to the creditors (Larson & Miller, 1992).

According to Bates and Holton (1995), performance is a multi-dimensional construct, the measurement of which varies, depending on a variety of factors. They also state that it is important to determine whether the measurement objective is to assess performance outcomes or behavior. Performance should be defined as the outcomes of work because they provide the strongest linkage to the strategic goals of the organization, customer satisfaction, and economic contributions. Performance means both behaviors and results. Behaviors emanate from the performer and transforms performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right, the product of mental and physical effort applied to tasks, and can be judged apart from results. Therefore, when is managing the performance of teams and individuals, both inputs (behavior) and outputs (results) should be considered. Performance is about how things are done as well as what is done (Armstrong & Baron, 2010)

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents issues on the research design, data collection techniques and methods of data analysis.

3.2 Research Design

The case study design was adopted in researching Strategic Change Management Practices and Organization Performance: a case of Kenya Commercial Bank. The design was adopted since it enabled the researcher to study in depth rather than breadth. Mugenda and Mugenda (2003) justify the use of case studies as enabling researchers to collect data and explain phenomena more deeply and exhaustively.

3.3 Data collection

Primary and secondary data was collected. Primary data was collected from the management of Kenya Commercial Bank. Data was collected using open ended interviews. The respondents for the interview included 5 heads of departments and 10 managers.

The secondary data was collected from the annual reports, financial statements and magazines. The interviews and the secondary data mainly are aimed at identifying the strategic change management practices adopted by KCB, the challenges faced and the relationship that exists between the practices adopted and organization performance.

3.4 Data Analysis

The data was analyzed using content analysis. This enabled the researcher to analyze the information in systematically and summarize the data according to the study theme being the strategic change management practices adopted by KCB, the challenges faced and the relationship that exists between the practices adopted and organization performance.

CHAPTER FOUR: DATA ANALYSIS

4.1 Introduction

This chapter discusses the findings of the study. It is structured in three major sections.

4.2 Environmental changes the bank is experiencing

The researcher first identified the environmental changes that the bank is experiencing. The findings of these changes indicated as follows:

4.2.1 Politically

The findings show that there is devolution of government, that is, most employees are resigning to join politics. This affects the bank since it spends so much resource to train employees then they eventually leave the bank for politics. It is also an expensive to the bank since it needs to train the employee who is coming in to replace the one who has resigned. Also once an employee has left the bank for politics the bank is at a risk since the employee who resigns has a lot of bank information which they can use to manipulate the bank while in politics. The findings also show that government accounts were being shifted to other banks due to political will. These shifts have affected the bank since it loses a corporate customer and the large deposits and borrowing of funds made by that customer.

Politics could adversely impact the economy and the demand for credit and other banking services. Stable political environment encourages investment thus people will do business with the bank by borrowing, hence growth in business. The bank is currently affected positively by the ongoing campaigns for elections to be held in 2013 in Kenya. The aspirants require funds for campaigns and for registration for the various positions. They therefore, have to make many deposits, withdrawals and borrowing from the bank hence increasing the business of the bank. The bank was affected negatively in 2007 / 2008 due the post-election violence which slowed down business. The business was closed down for a while which caused the bank to lose a lot in business transactions hence making less profit than expected. Also due to reduction of government's share capital in the bank, the bank is controlled less by the government. The main determinants or decision makers are the public which could affect the bank due to poor decision

making. It also benefits the bank financially by borrowing funds from the public shareholders to grow the bank through rights issue.

4.2.2 Economically

The second environmental change was how the bank is affected economically. It was noted that global financial crisis affected the bank in terms of deposit mobilization. The free fall of the Kenyan shilling coupled with rising commodity prices, high inflation, and rising bank interest rates are conditions expected to slow down economic activity and decelerate economic growth of the country. The turbulence in international financial markets has contributed to soaring commodity prices and expensive loans in the local market due to high operational costs. The number of people living under poverty has steadily risen, as living conditions continue to swell. Since the beginning of the year, the country's economy has been down grading as a result of both external and internal shocks that have continued to hit the country hard.

The fluctuation of interest rate has affected the borrowing of loans from the bank. When the Central Bank of Kenya interest rates went up the bank's interest rate also had to be raised. This therefore led to few borrowers hence it affected the business. Income and growth of assets depend on the stability of Kenya's economy. The bank is exposed to macro-economic risks associated with the country of operation. Due to strategic change management, the bank has put in place a robust business strategy, system and procedures to minimise the bank's exposure to adversely economic conditions.

4.2.3 Socially

The bank is affected socially due to high demand for highly performing employees. Employees who are performing well and bring high net worth customers to the bank, good decision making and leadership skills are in high demand. All banks would like to have them in their organization. The banks or other employers therefore employees at a higher pay hence affecting the bank in terms of business since the employee will move away with the corporate customers. The bank also has to work close with the customer so as to retain the customer. The bank does this by identifying the customer's needs and providing products that match their requirement, for example KCB Mobi Bank, KCB diaspora banking and an account with lesser charges for the young customer - Bankika na KCB and students accounts.

The bank also has to get back to the community to appreciate them for the business that they give and also to assist those who are less advantaged financially. The bank does this by, for example, donating to schools, participating actively in the Kenyans for Kenya initiative and working together the team on the jigger campaign. The bank also works with other organizations to do business, for example, through the KCB Mubi bank you can transfer money from Mpesa to KCB account and vice versa. The bank also maintains a good relationship with its employees by giving incentives such as bonuses at the end of the year and Employee Stock Ownership Plan (ESOPs). This motivates the employees to work harder and to retain them in the organization.

4.2.4 Technological

The bank introduced mobile banking to increase speed in serving the customer and to reduce queues at the banking halls. This however has not picked well due to poor knowledge by the older people on how to use the system. KCB changed its banking system. This has been a benefit to the bank since it can serve its customers more effectively and efficiently. On the other hand, it has negatively affected the bank due to frauds hence bringing loses to the bank. The bank should have the ability to adopt global technology to local requirements. This enables the bank to operate faster and efficiently. The introduction of new technological ideas by non-banking institution, that is, transferring money from one individual to another through mobile network, for example, the use of Mpesa and Airtel money, has created competition hence reducing business in the bank.

4.2.5 Legal

New regulations, for instance, the Finance Act 2008, which took effect on 1st January 2009, requires banks to build a minimum core capital of Kshs.1 billion by December 2012. The implementation of this requirement poses a challenge to existing banks. The bank has to raise this money by the end of the year hence they need to look for business to achieve this goal. There is also the new land Act which makes it difficult for banks to use title deeds without consents.

4.2.6 Globally

There is high inflation in the country hence leading to high exchange rate hence lowering business. The other challenge is the global financial crisis experienced in late 2008. It is expected

to affect the banking industry in Kenya especially in regard to deposits mobilization, reduction in trade volumes and the performance of assets. The bank is also facing competition from other banks from other countries. There is also an economic crunch which is resulting to closure of diaspora accounts. The bank also faces difficulty in doing business in other countries due to demand for so many requirements or restriction to doing business as they plan to. The bank introduced diaspora banking to enable its customers to bank in wherever country they are in, it doesn't require the customer to wait until he or she travels back to the home country. This has benefited the bank since the bank has satisfied the customers who travel often to other countries.

4.3 Strategic Change Management Practices

One of the objectives of this study was to identify the strategic change management practices adopted by KCB and its challenges. The following are the findings on the strategic change management practices adopted by KCB, the challenges and the effects on the bank.

4.3.1 Cost reduction

The bank noted that it was spending so much money on bank resources. It therefore needed to identify ways of cutting these cost in order to increase the profits. One of the bank's strategic change management practices was to reduce cost by reducing the cost spent on staff through offering voluntary exit package. The bank also amended the organization structure by reducing the number of directors on board from 22 to 7 hence reducing cost. These reductions in costs have led to an increase in profit.

4.3.2 Culture change

From the findings, the culture of the bank has affected its performance. The bank therefore had to introduce a cultural transformation program which is ongoing. This program has been implemented so to improve the health and performance of the employees and the organization.

4.3.3 Training and giving incentives to employees to improve their performance

Another strategic change management practice that the bank adopted is to improve the performance of the employee. This is by training their staff on the bank operations to improve customer service and also to get quality and well trained staff. The employees are highly

informed on business operations and what is required to improve business. The bank also does performance appraisal and compensation to the employees to motivate them work harder. The bank is also recruiting and selecting employees to their areas of specialization to facilitate better services and less training on the operation of that specific department. The bank is also ensuring that all staff members go on leave as required to avoid poor performance at work. It is also encouraging the employees to study by giving education loans hence increased the skills of the employee. This increases the staff productivity and hence better service and increase in profits.

4.3.4 Use of better technology and system

The bank introduced a new banking system for better and faster services. This banking system connects all KCB branches in Eastern Africa, meaning that customers can get faster and instant banking from any of the KCB branches and ATMs across the region (Eastern Africa). The bank also introduced online banking and KCB Mobi banking. These banking systems allow customers to check their balances, transfer funds from one account to another or from the bank account to Mpesa account. The development and diffusion of these technologies is expected to result in more efficient banking services hence increasing number of customers hence increase in profits.

4.3.5 Increase in sales

The bank is also doing / encouraging more sales of their products to increase profitability of the bank. The bank has increased its products to suite the customers' needs. It has also done a lot of marketing on media to let their products known to the customers. The banks also has a big number of sales team to sale the KCB products and the rest of the employees are also encouraged to sale the products to the customers and fellow employees. By increasing the profitability of the organization, the bank is also increasing the shareholders wealth. The bank is also expanding globally, by opening new branches outside the country, for example, it opened a new branch in Burundi to create more business opportunities for the bank.

These strategic change management practices have been effective in terms of organizational performance since it has increased the profitability of the bank, it has increased the shareholders wealth, it has increased the performance and effectiveness on the employee, the bank has reduced its cost and it is giving better service to its customers.

4.4 Relationship between Strategic Change Management Practices and Organizational Performance

The respondents identified the following effects of the practices on the following performance measures.

4.4.1 Profitability

By offering the voluntary exit package and reducing the number of directors from 22 to 7 people, the bank was able to reduce staff cost hence increase profits. By training and educating the employees, the bank gets highly qualified and trained employees who are productive to the organization hence bring in more business and hence more profits. Performance appraisal and compensation motivates the employees to work harder hence making more business hence higher profits. By introducing the new banking system, the bank is able to serve the customer better and faster hence attracting more customers due to good customer service. The more the customers the bank serves the more profit it makes.

The table 4.1 below indicates the growth in profits before tax of KCB. The bank's profits has grown from Kshs.4.2 billion in 2007, Kshs.6.0 billion in 2008, Kshs.6.5 billion in 2009, Kshs.9.8 billion in 2010 to Kshs. 15.1 billion in 2011. The bank has been growing tremendously in terms of profits especially in 2010 and 2011 after the change (the percentage increase in 2010 and 2011 was higher than 2008 and 2009). This is as a result of the strategic management practices adopted by the bank.

Table 4.1: KCB Profit Before Tax growth Kshs (B) and cost to income ratio (%)

Year	2007	2008	2009	2010	2011
Profits (Kshs B)	4.2	6.0	6.3	9.8	15.1
% increase in profits	.	42.9%	5.0%	55.5%	54.1%
Cost to income ratio	63%	62%	69%	60%	55%

Source: The 2011 KCB audited results

The table above, table 4.1, indicates the cost to income ratio made by the bank; one of the strategic management practices implemented by the bank, that is, reduction of cost for the last five years. The bank has reduced its cost yearly, from 69% in 2009, 60% in 2010 to 55% in

2011. There is a bigger percentage in cost to income ratio in the first 3 years. The ratio reduces in the last 2 years. This indicates how the strategic management practices adopted on cost reduction is effective and beneficial to the bank hence increase in profits.

4.4.2 Return on Assets (ROA)

The bank has increased its assets by building new branches and creating more offices. This increases the assets of the bank hence becoming the most profitable bank. According to MacDonald & Koch (2006), the most profitable banks (by return on assets) are those with many assets. KCB has a large number of assets as compared to other banks hence making among the most profitable banks in the Kenya. The value of the bank's total assets for the last five years is as follows: Kshs.120 billion in 2007, Kshs.191 billion in 2008, Kshs.195 billion in 2009, Kshs.251 billion in 2010 and Kshs.330 billion in 2011 (KCB annual report, 2011). The total assets reduced in 2008 as compared to 2007 but accelerated the years after. If this is compared to the profits made those years, there was a drop in growth in profits in 2008 but the profits accelerated in 2009 to 2011. This indicates the effect of the assets in the growth of profit of the bank. The assets with a larger percentage include the net loans and advances to customers, investment in government securities and cash and short term funds (KCB annual report, 2010).

4.4.3 Return on Investment (ROI)

The bank is generating large amount of return / profits from the new branches that are being opened. For example the bank recently opened a new branch in Burundi to make more profits and to compete globally. The bank has also opened new branches in Kenya to make more business hence better profits. The amount invested on assets increased yearly as indicated earlier. This increase in assets had a significant increase on the returns, that is, the profits made yearly.

4.4.4 Earnings Per Share (EPS)

The increase in profits of the bank due to implementation of the strategic change management practices has led to increase in the Earnings Per Share hence increasing the wealth of the shareholder. There has been an increase in EPS for the last five years as indicated in the graph below. From the table 4.2, the EPS increased at a higher percentage in 2010 and 2011 after the

bank implemented the strategic change management practices. The profits that the bank makes have a significant effect on the shareholders wealth

Table 4.2: KCB Earnings Per Share (Kshs)

Year	2007	2008	2009	2010	2011
EPS	1.5	1.97	1.84	2.76	3.72

Source: KCB 2011 audited results

4.4.5 Sales

The training done to employees improve their skills on how to sale the products of the bank. Also the new banking system also increases the sales due to better service to the customer hence increases sales. From the table 4.3 below the customer deposits and loans have been increasing yearly. The bank has therefore been making better sales every year for the last five years (2009 to 2011) which has had significance to the bank's profits.

Table 4.3: Net Loans & Advances and Customer Deposits (KSHS B)

Year	2007	2008	2009	2010	2011
Net Loans & advances	64	94	123	148	199
Customer Deposits	94	127	163	197	259

Source: KCB 2011 audited results

4.4.6 Customer Satisfaction

The customer is satisfied by being given a better and faster service. The bank has provided better service to the customer by introducing new products such as Mobile Banking and other products and also by introducing a new and better banking system hence satisfying the customer need by serving them better. The banking system also serves the customer in all Eastern Africa branches and ATMs.

Two years before the implementation of the change the bank, has been making profits but not hitting its targets and also the increase in profits was not by a large margin. Two years after the change the bank has improved tremendously and it is hitting its targets. From the performance

measures indicated above the profits are significantly affected by the strategic change management practices implemented.

\

CHAPTER FIVE: SUMMARY, DISCUSSION AND CONCLUSION

1 Introduction

This chapter presents issues on the summary, discussion and conclusion of the study.

2 Summary and Discussion

The strategic change management at KCB was aimed at transforming the bank from a good to eat bank. The Bank is now poised for accelerated growth to enhance shareholder value and move towards its vision which is "To be the preferred financial solutions provider in Africa with global reach".

The respondents identified various strategic change management practices adopted by KCB which include the bank offering voluntary package to employees, changing the organizational structure by reducing the number of directors, introducing a training on cultural transformation, compensating the employees, managing staff leave, opening branches globally and also educating the employees by offering loans.

The findings established that the performance of the bank was affected by the environmental changes. The bank is affected politically when there is devolution of government; there is a risk of losing a good employee and also the employee leaving the bank leave with so much information about the bank. Politics also impact the economy and the demand for credit and other banking services. The bank was affected economically due to the global financial crisis which affected in deposit mobilization. The free fall of the Kenyan shilling coupled with rising commodity prices, high inflation, and rising bank interest rates are conditions expected to slow down economic activity and decelerate economic growth of the country hence affecting business of the bank. The bank is also affected socially due to high demand for highly performing employees and also due to high competition for customer where the bank needs to give attractive products. The bank also improved its technology by introducing mobile banking and changing banking system for better service. There was a new regulation, the Finance Act 2008, which took effect on 1st January 2009, requires banks to build a minimum core capital of Kshs. 1 billion by December 2012. The bank has to raise this money by the end of the year hence they need to work for business to achieve this goal. These environmental changes affect the banks

performance. The bank therefore, had to implement strategic change management practices to overcome these challenges.

The findings indicated that the strategic change management practices implemented by the bank had a positive effect its performance. The percentage increase in profits for the two years before implementation of the change management was not very high and impressive as compared to two years after. The percentage increase before was below fifty percent while two years after was above fifty percent and the percentage increase between 2009 and 2010, the year when the bank commenced its transformation journey, was 50% increase in profits. The findings also indicated that there was also a higher increase in the Return on Assets (ROA), Return on Investment (ROI), Earnings Per Share (EPS), sales and customer satisfaction in 2010 and 2011, after the commencement of the transformation.

From the data collected, the researcher noted that the bank followed the four main strategic change management practices provided by Kandt (2002). The bank aligned the goals of the change effort with the organizational strategy, that is, to accelerate growth to enhance shareholder value and to move the bank towards its vision. The bank identified the changes to implement in order to attain their goals. The bank is monitoring these strategic change management practices and is communicating progresses to the employees.

The findings also show that the bank faced challenges in implementing the strategic change management practices since the bank had to eliminate some of the positions by reducing the number of directors which was a difficult task for the bank. The bank also had to spend some money on the team that had taken the voluntary exit package which was an expense to the bank. It is also an expense to train the employees and also changing the culture is not that easy, it will take some time.

5.3 Conclusion

From the findings, it was observed that the strategic change management practices have a great influence on the organizational performance. The bank has made significant profits since the implementation of the change. The bank is making high profits and is meeting its targets as compared to the previous years before the change.

5.4 Recommendation from the study

The researcher recommends that organizations should undertake a strategic change management since the study has shown that it has an effect on the organizational performance. Strategic change management also keeps the organization aligned internally and with its external environment.

5.5 Limitations of the study

The researcher had a difficulty in reaching the respondents, the managers and heads of departments, since they were busy at work and meetings. There was limited time in doing the study due to the difficulty in collecting the data from the respondents.

5.6 Recommendation for further study

The study recommends that further research could be done on Strategic Change Management Practices and Organizational Performance. There is need for a comparative study in any other banks to ascertain if there are similarities or differences in respect to Strategic Change Management Practices and Organizational Performance in the banking sector.

REFERENCES

- Ansoff, I & E. McDonnell (1990). *Implanting Strategic Management*. 2nd Edition, Prentice Hall: London
- Armstrong M. & Baron A. (2010y). *Performance Management: A Strategic and Integrated Approach to Achieve Success*. Jaico Publishing House
- Bates R.A. and Houlton E.F. (1995). *Computerized performance monitoring: a review of human resource issues*. _Human Resource Management Review. Winter.
- Brigham E.F. & Daves P.R. (2004). *Intermediate Financial Management*. 8th edition, International Student Edition. Thomson: South Western.
- Central Bank of Kenya (2010). Annual Report. 14 May 2011 <www.centralbank.go.ke/>
- Christensen, C. (1997). *The Innovator's Dilemma*. Boston
- Cooper, D.R & Schindler P. (2003). *Business Research Methods*. New Delhi: Tata McGraw Hall Publishing , company Ltd.
- Gichohi C. N., 2011. *Strategic Change Management at the NIC Bank of Kenya*. Unpublished MBA Project, University of Nairobi
- Gwengi E., 2010. *Strategic Change Management at Erigoken*. Unpublished MBA Project, University of Nairobi
- Handy C.(1994). *Understanding Organization*. Pcngui: Harmondsworth
- Hofer, C. W. & Schendel, D (1978). *Strategy formulation: Analytical concepts*. USA: West Publishing Company.
- Home J.C.V. & Wachowicz, Jr.J.M. (200%). *Fundamentals of Financial Management*, 13th Edition. Prentice Hall: Pearson Education Limited.
- Hoyle R.H., Harris M.J., & Judd C.M., (2002). *Research Methods in Social Relations*. lih edition. Wadsworth: Thomson Learning
- James A. F. Stoner, R Edward Freeman and Daniel A. Gilbert, JR, (1995). *Management*. Sixth Edition
- Johnson G. & Scholes K. (1999). *Exploring Corporate Strategy*. London: Prentice Hall.
- Johnson G. & Scholes K. (2003). *Exploring Corporate Strategy*, 6th Edition. New Jersey: Prentice Hall.

- Kandt R.K. (2002). *Organizational Change Management Principles and Practices*. *Journal of Organizational Change Management*.
- Kanter, R. M., Stein B. A. & Jick T. D. (1992). *The Challenges of Organizational Change*. New York: Free Press
- Khamis, A.O. (2008). *Change Management Practices in the Kenya Department of Immigration*. Unpublished MBA project, University of Nairobi.
- Kothari, C. (2004). *Research Methodology: Methods and Techniques*. 2nd edition. New Delhi: New International Ltd Publisher.
- Kreitner R. and Kinicki A. (2007). *Organizational Behavior*. New York: McGraw Hill
- Lasher W.R. (2008). *Financial Management: A Practical Approach*. 5th Edition: International Student Edition. Thomson: South Western
- Leslie W Rue and Lloyd L. Byars, (2009). *Management: Skills and application*. 13th Edition
- Litterer, J.A. (1969). *Organizations: Structure and Behaviour*. Volume I: 2nd Edition.
- MacDonald S. S. & Koch W. Koch, (2006). *Management of Banking*. 6th Edition, USA; Thomson South Western
- Mbogo M, (2003). *A Study of Strategic Change Management Process in Hybrid Private - Public organizations: The case of Kenya Commercial Bank*. Unpublished MBA Project, University of Nairobi
- McMenamin J. (1999). *Financial Management: An Introduction*. Routledge: New York & London.
- Merriam, S.B. (1988). *Case study research in education: A qualitative approach*. San Fransisco: Jossey-Bass.
- Mjos K. (2002). Cultural Changes (1986 - 1986) in a Norwegian *ÅlsmQ*. *Scandinavian Journal of Psychology*.
- Moseng B. and Bredup H. (1993). *A methodology of Industrial Studies and Performance Production*. Planning and Control.
- Mugenda , O & G. Mugenda (2003). *Research Methods: Quantitative and Qualitative Approaches*. African Centre for Technology Press: Nairobi
- Mutua A. W., 2009. *Strategic Change Management at Faulu Kenya*. Unpublished MBA Project, University of Nairobi

- Noel M. Tichy, 1982. *Strategic Change Management: Working paper no. 303*
- Oscar M. O., 2011 *Strategic Change Management at the Interim Independent Electoral Commission*. Unpublished MBA Project, University of Nairobi
- Pandey I.M. (2002). *Financial Management*. 8th edition. Vikas Publishing House PVT Ltd
- Pascale, R (1990). *Managing on the Edge*. New York: Simon & Schuster
- Peacock (1995). A Job Well Done: Hospitality Managers and Success. *International Journal of Contemporary Hospitality Management*.
- Pearce II J.A. & Robinson R.B (1999). *Strategic Management: Implementation and Control*. Irwin: McGraw Hill.
- Pearce II J. A. & Robinson JR. R. B (2011). *Strategic Management: Formulation, Implementation and Control*. 12th Edition
- PriceWaterHouse Cooper, copyright (2009). Key Issues Facing The Banking Industry in Kenya, www.pwc
- Rajagopalan, N. & Spreitzer, G. M (1997). Toward a theory of strategic change: A Multilens perspective and integrative framework. *Academy of Management Review*.
- Richard et al. (2009). Measuring Organizational Performance: Towards Methodological Best Practice. *Journal of Management*.
- Sink S. and Tuttle T. (1989). *Planning and Measurement in your Organization of the Future*. Industrial and Management Press, Norcross GA.
- Staw B.M. (1986). *Organizational Psychology and Pursuit of the Happy / Productive worker*. California Management Review. Summer
- Tichy N. (1982). *Strategic Change Management*. Working Paper No. 303
- The KCB Group Website; (www.kcbbankgroup.com)
- The KCB Annual Reports (2011)
- The KCB Annual Reports (2010)
- Williams R.S. (2002). *Managing Employee Performance: Design and Implementation in Organizations*. South-Western; Cengage Learning
- Queensland government, 2009; (www.psc.gld.qov.au)

APPENDICES

APPENDIX I: LETTER OF INTRODUCTION

Sandra Chepng'etich Ng'eno

University of Nairobi

School of Business

Nairobi

Dear Respondent,

RE: COLLECTION OF RESEARCH DATA

I am a postgraduate student at the University of Nairobi undertaking a management research project on Strategic Change Management Practices and Organizational Performance: A case of Kenya Commercial Bank.

/

I kindly seek your authority to conduct the research at Kenya Commercial Bank through interview guides administered to the management team and to use relevant documents.

The information provided will exclusively be used for academic purposes only and will be treated with utmost confidence.

Yours Faithfully,

Sandra Chepng'etich Ng'eno

MBA student, University of Nairobi

APPENDIX II: INTERVIEW GUIDE

1. What environmental changes is the bank experiencing?
 - i.) Politically
 - ii.) Economically
 - iii.) Socially
 - iv.) Technological
 - v.) Legal
 - vi.) Globally
2. How have these environmental changes affected the bank?
3. What are the strategic change management practices adopted by KCB?
4. What effects do these strategic change management practices have on the bank?
5. How effective have these strategic change management practices been in terms of organizational performance?

What effect do these practices have on the following performance measures?

 - i.) Profitability
 - ii.) Return on Assets
 - iii.) Return on investment
 - iv.) Earnings Per Share
 - v.) Sales
 - vi.) Customer satisfaction
6. How was the performance of the organization 2 years before the changes?
7. How has the performance of the organization been since the implementation of the change (2 years after)?