THE INFLUENCES OF CHANGE MANAGEMENT PRACTICES ON PERFORMANCE OF PINNACLE PROJECTS LTD, KENYA

BY:

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

OCTOBER, 2016

DECLARATION

This research project is my original work and has not been submitted for examination to any other college university.

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

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ACKNOWLEDGEMENTS

DEDICATION

This research project is dedicated to God Almighty, my source of inspiration, wisdom, knowledge and understanding. To my loving parents Maurice Milimu Amahwa and Margaret Khasula Masifwa, my sisters and brother for without their support and encouragement none of this would be possible.

Special dedication goes out to my mother Margret Khasula Masifwa who was persistent that I complete my project as I was taking care of her in hospital battling with cancer. She always said that I need to finish this project so that she can attend my graduation when she is through with treatment. Well mum, here it is, I am through and I thank God that you will be present at my graduation.

I also dedicate this project to my husband Moses Kimende Kamau for his encouragement in making sure I finish what I started. To my colleagues led by Mr. Stephen Murimi and management, your support and the time you took off your duty stations to answer my questions was well appreciated.

God bless you.

ABSTRACT

Change management involves the use of systematic methods so as to ensure that organizational change is lead in a planned direction, done in a very cost effective and efficient manner as well as accomplished in the specified time frame so as to achieve the required results. In most cases change is driven by the need to develop more integrated systems of working and increasing effectiveness, impact and efficiency in the organisation as a way of increasing productivity and increased performance. This paper investigates the influences of change management practices on performance of Pinnacle Projects Ltd,Kenya. Pinnacle is one of the leading construction project management organisation in the country. The recent growths in real estate industry in Kenya has led to a lot of changes in the operating environment of organisations in this industry. It was important to investigate how organisations in the industry use change management practices to improve their performances. Interviews were administered to managing director, finance manager, human resource manager, IT manager, marketing director, chief engineer and chief project manager at Pinnacle Projects Ltd. It was found that the major external changes affecting Pinnacle projects include socio-economic changes, environmental changes, legal changes, technological changes and political changes. The research findings indicate that Pinnacle has adopted several strategic change management practices to improve its performance in the face of these changes. Some of the strategic changes that the company has implemented include involving team in change process, change of culture, reduction in cost, improving partnership with government, adoption of modern technology, and training and provision of incentives to employees. The adoption of these strategic changes has been manifested by growth in profitability of the company, high returns on investments and assets, high customer satisfaction and increased sales. The observations made in the case study of Pinnacle projects Ltd show that the effective strategic change management practices can have significant influence on the organisational performance. Pinnacle has managed to make significant profits through the strategic implementation of changes. Similar organisations can also adopt the model used by Pinnacle in order to survive the change process.

ACRONYMS & ABBREVIATIONS

CBD: Commercial Business District

HR: Human Resource

HRM: Human Resource Manager

IT: Information Technology

KSH: Kenya Shilling

LTD: Limited

NCA: National Construction Authority

NEMA: National Environmental Management Authority

PPL: Pinnacle Projects Limited

ROA: Return on Assets

ROI: Return on Investments

USD: United States Dollar

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CHAPTER ONE

INTRODUCTION

1.1. Background of the Study

Changes are inevitable in any form of business and therefore organisations should be prepared to handle them and manage them. According to Tudor (2014, p.466) changes happen in an organisation whether we like it or not, but the decision and the approach to manage these changes must be strategic and well thought. Balogun and Hope Hailey (2008) note that organisations change is required to adapt progressively with the change in the business dynamics so as to remain a float with the competition in the business industry. How changes are managed make the difference between success and failure in any organiosation. According to Schilling and Steensma (2001), the force for change are informed by strategic decisions of the organizations. In most cases the change is driven by the need to develop more integrated systems of working and increasing effectiveness, impact and efficiency in the organisation as a way of increasing productivity and increased performance (Rugman & Hodgetts, 2001; Balogun & Hope Hailey, 2008).

There are a number of theories that are used to study how individuals respond to changes in organisations. These theories come from various diverse, social sciences disciplines and traditions (Kavanagh & Ashkanasy, 2006). Managers are responsible for change and the required change initiative outcomes when it comes to implementing change and should address managerial issues at an organisational, group and individual level. The theories that change management theory stands upon are: the individual behaviour, open systems perspectives and the group dynamics (Kavanagh & Ashkanasy, 2006).

Behaviourists believe that behaviour is brought about by an individual's interaction with the environment. Group dynamics theorists believe that the focus of change should be at the group or team level and that it is ineffectual to concentrate on individuals to bring about change as they will be pressured by the group to conform (Macredie, Sandom & Paul, 1998). On the other hand, proponents of the open systems perspective believe that the focus of change should be neither on the individual nor on the group but that it should be on the entire organisation (Macredie, Sandom & Paul, 1998).

Despite the importance of change management, there is little written literature on its impacts on organisation in real estate industry. Real estate industry in Kenya has been experiencing a lot of changes, and if organisations do not adapt to the changes, they risk being left out (Gulyani & Talukdar, 2008). Companies in this industry are facing numerous challenges due to changes in the market conditions and the need for managerial skills (Gulyani & Talukdar, 2008). A case in point is Pinnacle projects Limited, which is a construction project management company based in Nairobi. Pinnacle Project is a multi-disciplinary organisation that has dealt with numerous real estate projects in different locations in Kenya. Pinnacle Projects Limited is a project management company that is located in Nairobi Central Business District (Pinnacle Projects, 2015). The company has about 15 years of experience in providing services such as project management, finance procurement and management services. It is important for the organisation to adapt to changes in order to stay current and exploit new emerging opportunities in the market.

1.1.1. Concept of Strategic Change Management

The concept of strategy explores the direction and the scope of the research to be undertaken. It explains what should be done so as to achieve the research objectives.

From the concept of strategy, one can outline the variables to measure in order to answer the research question. The concept of strategy also analyses how the research will be undertaken, the research tools to be used, the data to be collected, how the data will be analysed, and how the findings will be presented.

The origin of strategy is often attributed to military (Mintzberg, 1987). Military strategies were developed to help the army win the war or avoid it. Strategies are developed to help people overcome challenges. Without challenges, there would be no need to develop strategies. In organisation perspectives, the main use of the strategy is so that it enables the company to achieve efficiently a sustainable edge over its competitors (Mintzberg, 1987). Without competition, companies would not develop strategies.

Organisations also need to develop strategic management practices when dealing with competition and challenges around the business. Thompson and Strickland, (2003) defined strategic management practice as the process whereby managers establish an organizational long term direction, set specific performance objective, develop strategies to achieve these objectives in the light of all relevant internal and external circumstances, and undertake to execute the chosen action plans. One of the main challenge facing organisations is change management. Organisations need to develop proper change management strategies for any change to be effective.

Scholars have advanced numerous models of change management in an effort to better understand the impacts of changes on organisations and how to manage changes (Todnem, 2005). This project will employ the Lewin's change management model to evaluate the change management strategies employed by Pinnacle projects Limited. The model will allow the researcher evaluate how the company unfreezes it employees from their comfort zones through motivation. The model will also enable

the researcher to evaluate the transition process and all the key aspects of the process. Finally, the model will allow the researcher to evaluate how the company refreezes the employees to the new guidelines after implementation of changes. Through the use of this model, the researcher will gain a deep understanding of the impacts of change management during these key aspects of change.

1.1.2. Change management

Change management is the strategy used to ensure smooth transitions of teams, individuals and organisations to a desired future (Todnem By, 2005). Change management may also refer to how variations in project management are proposed, approved and implemented (Todnem By, 2005). The main reason for change in organisation is to fit in the ever changing business environment. Changes in the business environment are necessitated by changes in technology and globalization. Technological advancement such as internet, social media and mobile telephony has revolutionised how organisations are managed (Graetz, Rimmer, Lawrence, & Smith, 2006). The constant needs for change due to the evolution of technology on daily basis have made change management an important aspect of organisation management.

In order to gain competitive advantage, organisations should be able to respond swiftly to both internal and external changes in their business environment (Clegg & Walsh, 2004). Failure to adapt to changes quickly can make the organisation to be left behind and hence losses. Changes in organisation normally affect all stakeholders directly or indirectly; and therefore it should be managed correctly. In order to implement changes, the organisation should consider factors such as the organisational goals and strategies, the change process, and the stakeholders involved (Clegg & Walsh, 2004). However, the critical aspect of any change is to win over the

employees and stakeholders on the benefits of the change. It is therefore important to train and educate employees on the changes and their appropriateness. Managing the change process involves identifying the needs for change, making the necessary changes depending on the needs of the company, training employees, and winning the support of employees and stakeholders. Effective change management involves good communication and a deep understanding of social and group dynamics among the employees. The change management process should ensure the change aligns with the expectations of the group.

1.1.3 Organization Performance

The organisation performance is the measure of the company's output in comparison to the company's goals and objectives over a certain period. The performance of an organisation is measured by its output in terms of finance, market performance, and shareholder return. It is important for organisations to always track their performance in order to understand how various changes in the organisations are affecting its performance. Organisation performance can be tracked by using a balanced scorecard that measures the performance of the organisation using parameters such as financial performance, customer satisfaction, community outreach, and employee satisfaction.

Organisations are always trying to adapt, survive, perform and influence. However, success is not always achieved. To get a better understanding on what changes they can implement so as to improve performance, organisational assessments can be conducted by the organisations. This diagnostic tool can be helpful to organisations in obtaining data that is useful to their performance, identifying crucial factors that aid or hinder the achievement of results, and position themselves appropriately with respect to their competitors.

1.1.4. Real Estate industry in Kenya

Since the mid 2000's, the real estate industry in Kenya has experienced a major growth due to the increase in demand (Barasa, 2010). The increase in demand in the property market has been caused by the attractiveness of Nairobi, the capital of Kenya, as the African hub for many multinational companies. The demand for housing that has resulted from this influx of multinational expatriates has made Nairobi to be among the fastest growing real estate markets in the world (Gulyani & Talukdar, 2008). The demand has also been indicated by the rise in the cost of housing in the past five years. In 2010, the prices of real estate rose by more than 25% in Nairobi (Barasa, 2010).

In order to accommodate the current growing demand for rental space in Nairobi, quite a number of commercial projects have been constructed. The new shopping centres to name a few are Garden City, Two Rivers along Limuru road Thika Road Mall along Thika road, Ridgeways Mall along Kiambu road, Junction mall, Prestige Plaza and Milele Shopping Complex in Ngong town, T-Mall and Galleria Mall along Langata road, and Sarit Centre, Westgate gate and ABC mall in Westlands area among others (Christabel, 2014). The trend of development of malls near residential areas has been fuelled by the city dwellers appetite for convenience for shopping within a walking distance and the demand is for retail outlets that are accessible from their homes and away from the congestion of the city centres.

1.1.5. Pinnacle Projects Ltd

Pinnacle Projects Limited was enacted in 1995 with the sole purpose of managing construction. Pinnacle Project is a multi-disciplinary organisation that has dealt with numerous real estate projects in different locations in Kenya. Pinnacle Projects

Limited is a project management company that is located in Nairobi Central Business District (Pinnacle Projects, 2015). The company has about 15 years of experience in providing services such as project management, finance procurement and management services. The company has been engaged in more than 50 multimillions projects majorly in Kenya (Pinnacle Projects, 2015). All these projects are estimated to have cost more than USD 150 million.

1.2. Research Problem

When companies implement changes, majority only focus on their tactical and strategic initiatives, with little or no attention paid to how the work force reacts to those changes. However, failure to consider how people behave towards changes lead to failure of majority of the projects (Hayes, 2014). For companies to be successful in implementing changes, they need to take a keen interest on how their stakeholders and employees react to changes. It is paramount to consider how the changes will affect the employees and stakeholders because changes, however little, are likely to change the behaviours of the employees.

In order to be prepared for these changes, the real estate development companies need to adopt the right strategies (Pwc, 2012). Not only will the investment community need in-depth knowledge of local economies, but also they'll need to navigate opaque planning laws, to work in partnership with government and to make sure their strategy is aligned with government policy. Additionally, they'll need in-depth insights into local real estate development practices and possible development partners (Gibler, Black, & Moon, 2002). Developing economies often have little in the way of investment property, so the investment community needs to partner more with developers. Managers might need to access local markets through joint ventures,

mergers or acquisitions (Pwc, 2012). The real estate companies need to have skills to assess partnerships with the same alignment of interest.

Despite the many researches that have been conducted on change management, very few of them have addressed its influence on real estate companies in Kenya. This study will try to fill that gap by investigating the influence of change management on Pinnacle Projects Ltd. The researcher will seek to answer the question; what are the influences of change management on the performance of Pinnacle Projects Ltd.

Research Objective

The objective of this study was to evaluate the influence of change management on the performance of Pinnacle Projects Ltd

1.3. Value of the Study

This study is expected to add to the existing knowledge on the field of change management. Although a lot of literature has been written on change management, this study will be unique in addressing how change management strategies impact real estate companies in Kenya. The study will be in depth in order to help one understand the specific details of change that are significant in real estate business in particular. The study will hence be invaluable to future researchers and academicians in the field of change management.

This study is expected to prove valuable to pinnacle projects limited and other real estate companies in Kenya. The study will provide insightful information regarding change management and the best strategies in managing changes in organisations. The data to be collected in this study will prove invaluable to industry key players such as managers, developers and investors in their preparation for future challenges and opportunities. The real estate stakeholders will benefit from this study since it is

expected to offer a concise understanding of different changes in the market and how it impacts the trade.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

This section presents a brief review of the previous work by researchers on change management in real estate industry. The various forms of changes experienced in real estate industry have been evaluated and the strategies that are being applied by various organizations to manage them have been assessed in details. The various impacts of changes on the company have also been explored in this chapter. In this chapter the concept change and how it occur in an organisation has been explored too.

2.2. Theoretical Foundation

Change management theories and practices come from various diverse, social sciences disciplines and traditions (Kavanagh & Ashkanasy, 2006). Managers are responsible for change and the required change initiative outcomes when it comes to implementing change and should address managerial issues at an organisational, group and individual level. Kavanagh and Ashkanasy (2006) argues that a successful change programme should ensure that it manages issues in all levels. The theories that change management theory stands upon are: the individual behaviour, open systems perspectives and the group dynamics (Kavanagh & Ashkanasy, 2006).

2.2.1. Behaviourists Theories

Behaviourists believe that behaviour is brought about by an individual's interaction with the environment. According to Macredie, Sandom, and Paul (1998), behaviour that is rewarded is often repeated while the behaviour that is ignored tends not to be repeated.

2.2.2. Group Dynamics Theories

Group dynamics theorists believe that the focus of change needs to be at the team or group level and that it is also not beneficial to focus on individuals to bring about change since they are more likely to be pressured by the group to conform (Macredie, Sandom & Paul, 1998). The group dynamics perspective manifests itself as the modern management trend for organisations to view themselves as teams rather than merely as a collection of individuals (Kavanagh & Ashkanasy, 2006).

2.2.3. Open Systems Theories

The open systems perspective believes that the focus of change should be on the entire organisation rather than on the individual or on the group (Macredie, Sandom & Paul, 1998). Organisations are viewed as a collection of interconnected sub-systems and the open systems approach is based on analysing these sub-systems to determine how to improve the overall functioning of the organisation (Macredie, Sandom & Paul, 1998). An organisation's sub-systems are regarded as interdependent and Macredie, Sandom, and Paul (1998) argue that change cannot occur in one sub-system in isolation without considering the implications for the other sub-systems.

2.3. Change Management Practises

Warren Bennis (1989) states that, "Change is the metaphysics of our age" (p.25). According to Bennis (1989), change is a constant in all aspects of our lives, and therefore we cannot avoid it. There is a lot of literature on organizational change and change management (e.g. Weick & Quinn, 1999 ; Armenakis & Bedeian, 1999; Tsoukas & Chia,2002). Theories and models of change management has been developed since Kurt Lewin (1951) proposed the three-stage model. According to Lewin, change consists of three fundamental steps: 1) unfreezing the old

situation/behaviour; 2) moing to a new situation/behaviour; and 3) refreezing to the new situation/behaviour. According to Lewin, when an organisation go through a change, it must first make the necessary preparations for the change, develop impetus for change, implement the change, and then restablish stability in the new situation.

Cummings and Worley (2014) observed that there are several forms of change such as evelutionary, spontaneous, fortuitous, accidental, and planned changes. Other researchers categorizes changes in the terms of transformational change, transitioal change, and developmental change (Clegg & Walsh, 2004; Graetz, Rimmer, Lawrence, & Smith, 2006; Hayes, 2014). Cummings and Worley (2014) propose five approaches which could be used in the implementation of change. These approaches are directive, expert, negotiating, educative, and participative strategy.

2.3.1. Directive Strategy

The management in this strategy use its authority to enforce the required changes which is actually carried out in a speedily manner. The disadvantage is that there could be increased resistance by the personnel involved which could undermine largely the success of the change implementation.

2.3.2. Expert Strategy

Expert strategy is mostly applied when solving technical problems such as introduction of new technological systems and is better suited to small operation or technological change rather than wider cultural change requirement. It appropriate also since technical problems are handled by a small number of personnel and not to the wider consultation.

2.3.3. Negotiating Strategy

This strategy is about the willingness to have negotiations with the teams and persons affected by the changes into accepting the adjustments and agreements that may have been made. This approach retains the management's responsibility to initiate the direction of change but is fully aware that the affected persons have an input to the proposed changes and may also resist it should they not support the changes. The advantage of the approach is that resistance to the proposed change will be minimal. Nevertheless this negotiation adds on the overall programme and time on pre implementation.

2.3.4. Educative Strategy

This approach is about changing what people believe in and value in order for them to support the changes and be committed to the common set of organisational values. To win hearts and minds is complex and involves a number of activities like persuasion, education, communication, training then selection. Advantages of this approach should it be successful is that the people will be committed positively to change. This approach generally takes much longer and more resources are required than the above required strategies.

2.3.5. Participative Strategy

The advantages of this strategy are that changes are widely accepted as compared to other strategies. Active involvement of people is promoted which is more likely to increase the commitment levels and enthusiasm to the process of change. To add on that, opportunities for employees and managers to learn from skills and experiences of the expansive participation of staff will be readily available. As much as this strategy

has advantages due to broad participation of staff, it is more likely to take longer and demand more resources to enable change.

2.4. Change Management and Organizational Performance

All organisations are then likely to fail by being overtaken by competitors or accept to adopt change so as to always improve on consumer demands. In cases where organisations change due to constant improvements, the change is always brought about by business enviromental changes leading to action so as to gain closer realignment. There is difficulty in ensuring that an organisation is always aligned with influences from the external enviroment since subtle changes can go undetected.

According to Cummings and Worley (2014), organisations need to focus its change management initiatives on realising real business benefit. A deviation from this will result in inefficient use of effort and money which would lead to lost opportunities and upsetting of customers, shareholders and staff alike. A change management programme can also provide organisations and business owners with an opportunity to explore ways that align the the business aims with the needs of their staff. In taking into account a change programme, plans are bound to fail unless supported by senior management of the organisation. Lack of securing the senior management support will lead to difficulty in implementing a proposed change programme and rendor it almost impossible to sustain in the long run. In addition, the stakeholders of the organisation's will have to agree that such change is appropriate for the organisation and their customer base will respond in a positive way to the changes that have been proposed. The planned changes should always have an end goal in mind when planning the implementation. For the changes to achieve any real benefits this goal must be fully aligned with the overall vision and strategic objectives of the organisation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

This chapter covers the methodology and the procedures that were followed when carrying out the proposed study. It covers the research design, data collection methods used and the data analysis technique that was employed to analyze and organize the data.

3.2. Research Design

This study adopted a case study to enable the researcher to have an in-depth understanding of the impacts of change management strategies used at Pinnacle Projects Limited and other real estate companies in Kenya. A case study design is appropriate in instances that a detailed analysis of a single unit of study is desired as it gives comprehensive insight to phenomenon that may otherwise be unclear.

According to Kothari (2004), a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. Cooper and Schindler (2003) note that, a case study is an in-depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations. Primarily data collected from such a study is more reliable and up to date. A case study of Pinnacle Projects Limited gives the researcher an in-depth understanding of how change management strategies adopted impact on the performance of the company.

3.3. Data Collection

The study used both primary and secondary data. Primary data was collected using one-on-one interview with the help of an interview guide attached in Appendix 2. This enabled the researcher to collect qualitative and up to date data on the impacts of change management strategies used by Pinnacle. This was used so as to gain a better understanding and more insightful interpretation of the findings from the study. Secondary data also provided additional information.

Existing report from the key stakeholders, strategic plans, of the resort was useful in extracting secondary data. It provided data that enable the researcher to get important information on where the organization wants to be and the changes it wants to implement for better performance. From the mission and vision statement deeper understanding of the company future direction was drawn.

The interviews were administered to managing director, finance manager, human resource manager, IT manager, marketing director, chief engineer and chief project manager. They are the managers who are tasked with strategic plan consolidation, implementation and review in the Company.

3.4. Content Analysis

Content analysis helped to analyze the in-depth qualitative data through the use of interview guide to achieve the objectives of the study through description. According to Creswell (2003), content analysis is a technique for making inferences by systematically and objectively analyzing and identifying specified characteristics of messages from the respondent and using the same to relate to current trends. Content analysis was used to evaluate the content of verbal information from the interview

responses by the top managers selected to establish the impact of change management at Pinnacle.

These entailed a thorough check of all the information from the respondents and systematically and objectively identify specific and common information that related to the emerging trends in change management. Focus was on the impacts of change management on the staff and the general performance of the organisation during change.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1. Introduction

This chapter looks into the analysis, presentation and discussion of the data collected through the interview from Pinnacle Projects Ltd and thereafter presents the results and the findings of the study. The findings focused essentially on change management strategies used by Pinnacle Projects and their influence on the performance of the company. Using an interview guide, the managing director, finance manager, human resource manager, IT manager, marketing director, chief engineer and chief project manager were interviewed.

4.2. Changes Facing Pinnacle Projects Ltd

Interviews with the managers at Pinnacle Projects Ltd revealed that there two major types of changes that are influencing its operations: external and internal. External changes are those changes Pinnacle cannot control. These changes include economic changes of the country, population growth, change in growth trends, technological changes, and political changes. Internal changes are the changes that are within the control of the company. These changes include the change of management, change in organisation structure, and change of office. The external changes are influencing the internal changes that are made by the company. Internal changes are conducted as strategic reactions to external changes in operating environment. The operations of Pinnacle projects Ltd are significantly affected by external changes. Some of the changes that were mentioned by the interview participants are analysed below:

4.2.1. Political Changes

Kenya has experienced a lot of political changes in recent times. One of the most significant changes in the real estate industry is the devolution of government. Devolution has made project implementation easier. According to the Chief Project Manager at Pinnacle Projects Ltd, it has become easier to get a project approved than before. The Chief Project Manager is quoted to say, "The devolution of government has made it easier for use to get project approved since the process is now handled by the county government rather than the centralised government. The county governments are keen to see developments that benefit their people and therefore approval process has been made easier." According to the Managing Director of Pinnacle, there has been rise in number of projects in diverse regions in the country. The devolution has forced the company to be dynamic in order to meet the different needs of different counties. The Human Resource Manager however showed some concerns about devolution. According to him, many employees were quitting in order to join politics. The manager gave an example of one experienced project manager who left the company to vie for seat as a member of county assembly in his home county. The loss of employees to politics is major concern because they can use the information about the company for their political mileage.

Politics also play major role in influencing development in the country. Factors such as political violence can affect business and the appetite of investors to invest in the country. The Managing Director of Pinnacle highlighted the importance of the Westgate Mall in influencing the way they develop shopping malls and operate them. The director said, "The current terrorist threats in the country have placed more emphasis on security of our modern developments after the Westgate attack." The chief project manager also emphasised that current terrorism occurrence could

dissuade foreign investors such as Carrefour and the Game from their expansion plans in Kenya. On the contrary, political stability in the country could further attract foreign investors to construct large developments in Kenya.

4.2.2. Socio-economic Changes

The second external factor that comes out of the interviews was the economic performance of the country. Economic crisis can affect the real estate drastically. Factors such as high inflation, the fall in value of Kenyan shilling, the rise commodity prices, and high bank interests have a lot of impact on investment in real estates. The director highlighted this problem by saying, "the high bank interests have discouraged many people from investing real estate. I am hoping the interest rates will be capped in order to prevent banks from raising interest rates without notice." The marketing director also felt that many projects have failed to materialise due to high interests charged by the bank. According to her, the majority of the clients she has approached have sited high interests for their failure to invest in real estate. The recent amendments of the Banking Act by placing restrictions on rates which bank offer on loans and deposits is likely to come as a good news for Pinnacle Projects Ltd. The new law requires banks to cap lending rates at four percentage points above the central bank's benchmark rate, which is 10.5 per cent. This new legislation will reduce the interest rate from the current 18% to 14.5%. The Chief Engineer however expressed concerns that the new legislation would discourage banks from lending to construction industry. The engineer opined, "I have read in the media that the capping of interest rates is likely to discourage banks from lending to high risk industry such as real estate. I think the banks will require borrowers to fulfil numerous requirements before being awarded loans. To me I don't think capping of interest rates will be a good thing for the company." The finance manager also had similar concerns.

According to him, the borrower will need to contribute more cash or to pay development expenses before the bank can make it contribution. The finance manager is afraid that the banks will reduce lending to construction companies unless they meet more onerous requirements.

The rise in poverty and expansion of slums in Nairobi will require a change in focus to low cost housing. The population growth and continued rural to urban migration has increased pressure on current housing. According to the chief project manager, partnership with the government in developing low cost housing might be the best move for the company in the future. The chief project manager reiterated that Pinnacle Projects Ltd is looking to develop close relationship with governmental bodies in order to offer housing solutions to the growing middle class population.

4.2.3. Technological Changes

The changes in technology have brought in a lot of internal changes in organisations. Many organisations are adopting these changes for fear of being left behind. According to the IT manager of Pinnacle projects, the company is in touch with current technological changes. The company has exploited to power of internet to improve its collaboration with project stakeholders. Consultation meeting are held with stakeholders in different country through videoconferencing. The use of such technology has enabled the company to manage projects across Africa more efficiently. In the interview with the IT manager, the manager revealed the company has embraced the use of Apps such as WhatsApp to conduct official communications. The chief project manager explained, "We are using apps such as WhatsApp to communicate. This app allows us to form groups of all the project team members. The use of WhatsApp is more efficient than the use of emails because I am able to see when the message has been read by all the members." The marketing director also

explained how she uses taxi hailing companies such as Uber when she needs to run her errands out of office. She also explained how her team use social media such as Facebook, Twitter, WhatsApp and online platforms such as Olx to market real estate projects. The use internet marketing has lowered the cost of advertising and thus increasing the profits made by the company. The human resource manager highlighted the importance of Mpesa when it comes to paying employees who are working outside office. The chief engineer also felt that the use of technology helps him development of virtual models that easier for clients to understand. The managing director emphasised how technology has made it easier to pay for government services and improve collaboration with stakeholders. The IT manager however warned that the use of technology can also expose the company to fraud.

4.2.4. Environmental Changes

The growth in population coupled with climate changes has led to increased concerns on sustainability. Organisations are required to report regularly on environmental and social issues arising from their activities. Some of the major environmental concerns in the real estate industry are carbon emissions, use of water, recycling, and noise pollution. Construction companies are required to provide an environmental impact assessment report before implementing major projects. According to the managing director of Pinnacle, the current stringent measures on environment pollution have changed the way the company operates when compared to 15 years ago. The director said, "When Pinnacle was formed, we did not pay a lot of attention on environmental issues. In modern days, we are focusing on environmentally sound construction. We are required to provide solar panels and natural lighting in buildings." The chief engineer added that there is a greater emphasis on resource efficiency in current constructions. According to the engineer, contractors are embracing recycling of

aggregates and water in construction. The interviews indicated that pinnacle has moved ahead of other organisations in embracing the current trends in environmentally friendly construction. It is doing so by borrowing technologies internationally through engaging international consultants from countries such as South Africa, China and Germany in implementation of modern projects. The director pointed out, "Pinnacle is currently working with South African Architects in order to implement the green concept in one of its largest projects."

4.2.5. Legal Changes

The real estate is affected by legal changes such as those concerning National Environmental Management Association (NEMA), National Construction Authority (NCA), and Banking regulations. Legal entities such as NEMA and NCA have been changing regulations depending on changes on societal needs. The changes such as on fees levied affect the real estate significant. According to the director of Pinnacle, the fees charged by NCA, NEMA, and county authority for approvals are major costs to project. Such costs are affecting the implementation of projects. The director however noted that the changes in legislation to abolish fees charged by these authorities could spur growth in real estate. According to the director, many investors will be attracted into real estate if these fees are scrapped.

4.3. Strategic Change Management Practices at Pinnacle Projects Ltd

The main objective of this study was to identify the strategic change management practices that are adopted by Pinnacle Projects Ltd and their challenges. Interviews were conducted with the top management in order to understand how changes are proposed, handled, implemented, and managed. From the interviews, the following change management practices were noted:

4.3.1. Team Involvement in Change Process

According to Burnes (2004), successful change management requires involvement of employees. This is a concept that managers at Pinnacle Projects seem to understand so well. All the managers interviewed observed that all employees in the company are consulted during major changes in the company. the employees are always encouraged to propose ideas on how to improve efficiency of the company and improve practices. The director explained this further by saying that, "in weekly meetings, all employees are encouraged to talk and suggest what the company should do to improve its performance." The human resource manager explained the essence of involving all the employees is to avoid resentments and resistance to change. The manager ecplained how a change of office from Nairobi CBD to Westlands was briefed to employees some years before the actual relocation. Such early communication help the employees to prepare and embrace the change.

4.3.2. Change in Culture

According to Kavanagh and Ashkanasy (2006) change in organisation's culture is the most difficult challenge. This is because culture encompasses roles, goals, values, attitudes and assumptions among members and teams. The leaders at Pinnacle seem to agreed with this argument by Kavanagh and Ashkanasy (2006). The managing director admitted he faces challenges trying to change modern project management practices to conform to current trends. The director asserted, "The majority of graduates we hire come with a fixed mindset. They come programmed to perform specific roles. However, project management is dynamic and require our employees to play dynamic roles. I want my project team to also lead in marketing of projects because they understand projects better than the marketing team." Adopting multi-disciplinary approach to projects is the newest trend. Many project managers live in

the comfortable world of being able to make a plan, monitor the plan, and control costs, timelines, and scope (Marando, 2012). However, great success in the next decade will be found by those who communicate clearly, have influence over their stakeholders, and are able to display great team leadership.

4.3.3. Cost Efficiency

In order to survive the current economic turbulences, Pinnacle projects is looking for ways to cut its operation costs. Additionally, the company is offering solutions for reducing costs in all the projects it manages. One approach the company is using is adopting renewable energy from solar in running it processes. Its management is also proposing this technology in the real estate projects it is implementing. The use of locally available materials and recycling are some of the strategies the company has adopted to cut costs of project. According to the chief engineer in the company, Pinnacle is recycling aggregates and water in some of its construction sites in order to avoid wastage and associated costs. These cost cutting measures have seen the profits of the company soar in recent years.

4.3.4. Government Partnerships

The rising population of middle class has necessitated the need to construct low cost houses. The majority of this market has low incomes and cannot afford to buy or rent decent housing. In order to provide housing for middle class, government has undertaken some projects in the slum areas. Pinnacle projects Ltd is looking into ways of partnering with government and non-governmental organs to provide housing to this market. According to the chief project manager, one way the government can support the housing projects for this class of people is through provision of low

interest mortgage schemes. Such arrangements will allow pinnacle projects to meet the housing needs of this growing population.

4.3.5. Training Employees and Giving them Incentives

Training of employees and giving of inceptives are some of the methods used by organisations to improve performances (Liao & Chuang, 2004). Managers at Pinnacle Projects Ltd acknowledged that training and incentives are used to improve performance of employees. The human resource manager explained how the organisation facilitates trainings and seminars in order to improve employees' morale and performance. The marketing manager argued that the use of incentives in recent times has seen her team double performance. According to her, the number of sales in the company has improved markedly since the company introduced incentives scheme. The training of employees makes them deal with customers in a more professional manner. Additionally, trainings help employees to gain more confidence in what they do. The company also provides employees with sufficient leave days to avoid poor performance due to fatigue. It also encourages employees to further their education by giving those loans and study leaves. According to the managing director, these incentives have increase productivity of employees, and hence customer satisfaction and profitability.

4.3.6. Adoption of Better Technology

The IT manager reported that Pinnacle projects Ltd always strive to remain ahead technologically. The adoption of new technologies early has allowed the company to stay ahead of others in its service delivery. The use of technology such as virtual modelling has enhanced collaboration with clients and other stakeholders. Technology has also facilitated efficient communication among the project team members.

4.4. Strategic Change Management Practices and Organisational Performance

The respondents acknowledged that strategic management practices adopted by Pinnacle Projects Ltd have significant impact on organisational performance. Organisational performance indicators such as profitability, return on assets (ROA), and return on investment (ROI), sales and customer satisfaction have been affected positively by adoption of strategic change management practices.

4.4.1. Profitability

Strategic changes such as training of employees and provision of incentives has helped to improve profitability of the company. Qualified and well-trained employees are more productive to the organisation. Regular trainings on management of projects, and soft skills such as communication have helped to improve the service delivered by employees at Pinnacle. Consequently, the company has earned more profits in the past two years. Compensation and performance appraisal have motivated employees to work harder in the respective fields. The adoption of new technologies in the company has helped the employees to serve customers more efficiently and this has attracted more customers. The high number of customers has led to increased profits for the company. The Table 1 below summarises the profit before tax made by Pinnacle Projects Ltd between 2012 and 2015. The data shows that Pinnacle Projects Ltd profitability has been growing tremendously over the past 4 years. The growth in profits can be attributed to the strategic change management practices adopted by the company.

Table 1: Profit before tax made by Pinnacle Projects Ltd between 2012 and 2015

Year	2012	2013	2014	2015
Profits (Kshs M)	24	31	35	42
% increase in profits	-	29.2%	12.9%	20%

Source: Pinnacle Projects Ltd audited accounts

4.4.2. Return on Assets (ROA)

The company has invested in more assets like purchasing of a new office block, constructing a mall and purchase of residential units. The increase in the number of assets owned by the company has enabled it to increase its profits. The value of assets owned by the company has increased steadily over the past decade.

4.4.3. Return on Investment (ROI)

The company has diversified its operations from solely project management to include the management, rental and selling of property. The new investments have allowed the company to diversify its income sources and improve its income.

4.4.4. Sales

The company has experienced steady increase in number of sales made annually. The increase in sales is attributed to strategic changes adopted by the company. The focus on low cost development has attracted a lot of customers. Additionally, training of employees has helped to improve customer service delivery and hence higher sales.

4.4.5. Customer Satisfaction

There has been increase in satisfied customers in the past two years. The high customer satisfaction is as a result of better service delivery. The company has managed to improve its service delivery through adoption of better technology. Efficient technology has facilitated communication and collaboration with

stakeholders. Customer satisfaction has also resulted from good customer service that comes with improved training and motivation of employees.

4.5. Discussion of Findings

The findings show that the real estate is in a state of transition in Kenya. In order to examine the influences of change management practices on performance of Pinnacle projects Ltd, interviews were conducted with top management of the company. The managers interviewed were the managing director, finance manager, human resource manager, IT manager, marketing director, chief engineer and chief project manager. It was noted that real estate firms are experiencing a lot of changes such as political, environmental, technological, socio-economical, cultures and legal changes. Political changes such as devolution have led to both positive and negative changes in the real estate. Whereas, there have been growth in construction industry, there have been lose of key employees as they rush for appointments in their county governments. Socio-economic changes such as growth in population and per capita income has led to more investments in real estate. Technological changes have changed communication processes and how projects are managed. Stricter environmental regulations have also been placed on real estate organizations due to concerns over global warming. Theses external changes have led to development of strategic change management practices at Pinnacle Projects Ltd. The managers interviewed indicated that one of the practices the company use to manage change is the team involvement.

This finding indicates that the leadership style at Pinnacle Projects Ltd is participative. Participative leadership enhance involvement of employees in the process of change and thus helps to avoid resistance. The company also emphasises on change on culture in order for the employees to be responsive to the dynamism of project management and real estate industry. Pinnacle has invested in cost efficient

systems and operation methods in order to adapt to economic pressures. The socio-economic changes have made Pinnacle to look into opportunities of partnering with government institutions to take advantage of these changes. Adoption of new technology and training of employees has allowed the company to be responsive to changes in the industry. Training and incentives help to improve the morale of employees. The benefits of strategic change management practices adopted by the company have manifested themselves in many measurable parameters. Such parameters include the growth in profitability over the past four years. In this period the profits of the company have grown steadily from 24 million to 42 million annually. The return on assets (ROA) and return on investment (ROI) have also grown considerably over the same period. This growth has been fuelled by the growth in sales the company has made over the last few years. The high level of customer satisfaction in the company has also resulted to good change management practices of the company. The study of Pinnacle Projects Ltd indicates that proper change management practices can lead to positive growth in the company.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1. Introduction

This chapter summarises the major strategic change management practices that are adopted by Pinnacle Project and their impacts on organisational performance.

5.2. Summary of Findings

The main reason for change in organisation is to fit in the ever changing business environment. Changes in the business are necessitated by external changes in business environment. This study was hence conducted to investigate the external changes affecting Pinnacle Projects Ltd in real estate industry and how it reacting with strategic change management in order to improve organisational performances. Interviews were conducted with the managing director, finance manager, human resource manager, IT manager, marketing director, chief engineer and chief project manager.

The study revealed that the major external changes affecting Pinnacle projects include socio-economic changes, environmental changes, legal changes, technological changes and political changes. The socio-economic changes such as population growth and changes in interest rates are affecting the ability of people to invest in real estate. Environmental changes have influenced legislation and the nature of developments that can be made. Legal changes have influenced the capacity of investors to develop projects. Technological changes have changed the way projects are implemented and how communication is carried out in projects. Political changes are influencing the ability to attract investors especially foreign ones. In order to survive, Pinnacle must react to these changes and adopt accordingly. The research

findings indicate that the company has adopted several strategic change management practices to improve its performance in the face of these changes. Some of the strategic changes that the company has implemented include involving team in change process, change of culture, reduction in cost, improving partnership with government, adoption of modern technology, and training and provision of incentives to employees.

Involvement of the team in the change process has made the employees of the company to buy into the goals of the company. This has prevented resistance to change that is common in many change projects. The company has also encouraged change in culture in order to embrace the new trends in construction project management process. The reduction in cost of development and operation has enabled the company to survive despite the turbulent economy. The improving of government partnerships is helping the company to address the housing needs of the growing middle and low income earners. The adoption of new technology has enabled to company to stay current and serve the customers better. Service delivery has also been improved by training of employees and provision of incentives. The adoption of these strategic changes has been manifested by growth in profitability of the company, high returns on investments and assets, high customer satisfaction and increased sales.

5.3. Conclusion

The observations made in the case study of Pinnacle projects Ltd show that the effective strategic change management practices can have significant influence on the organisational performance. Pinnacle has managed to make significant profits through the strategic implementation of changes. Similar organisations can also adopt the model used by Pinnacle in order to survive the change process.

5.4. Recommendations

This study has shown that strategic management practice can be an important way of improving the organisational performance. It is recommended that organisations should undertake strategic change management in order to adapt and improve profitability. The adoption of strategic management helps an organisation to align its internal change process to the external business environment.

5.5. Limitations of the Study

This study focused only on Pinnacle Projects Ltd. The study of several real estate organisations could have provided richer insights on the change management process used in the industry. However, the use of Pinnacle projects helped to delve into details of the strategic change management practices. The study was also limited in time. It was not possible to investigate some aspects of the change management practices in details because the managers were busy. Additionally, the study ignored the junior employees in the company due to time constraints.

5.6. Recommendations for Further Study

This study focused only on Pinnacle Projects Ltd only. Further studies can be conducted on other project management companies or other players in the real estate industry in order to better understand the changes facing the industry. Focusing on another company can provide a ground for comparative analysis

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

Telephone: 020-2059162 Telegrams: "Varsity", Nairobi Telex: 22095 Varsity	P.O. Box 30197 Nairobi, Kenya

DATE...29/9/.2016

TO WHOM IT MAY CONCERN

The bearer of this letter ......Collins Khoti Milimu..............

Registration No......D61/76124/2012.........................

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

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

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

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
2 9 SEP 2016
P.O. Box 30197 – 00100, NAIROBI
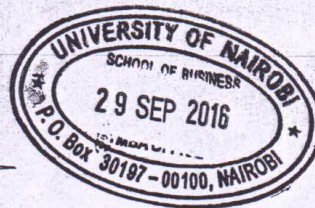
PATRICK NYABUTO
SENIOR ADMINISTRATIVE ASSISTANT
SCHOOL OF BUSINESS

APPENDIX 2: INTERVIEW GUIDE

SECTION A: Changes affecting Pinnacle Projects Ltd

1. In your observation, what changes have affected the company in the past two years?

2. How are you informed about changes in the company?

3. Who proposes changes in the company?

4. What of the following external changes are affecting Pinnacle Projects Ltd?

    a. Political changes

    b. Socio-economic changes

    c. Technological changes

    d. Legal changes

    e. Environmental changes

5. How have these external changes affected Pinnacle Projects Ltd?

SECTION B: Strategic change management practices at Pinnacle Projects Ltd

6. What are the strategic change management practices adopted by Pinnacle Projects Ltd?

7. What effects do these strategic change management practices have on Pinnacle Projects Ltd?

SECTION C: Strategic change management practices and organisational performance

8. How effective have these strategic change management practices been in terms of organizational performance?

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

    a. Profitability

    b. Return on Assets

    c. Return on investments

d. Sales

e. Customer satisfaction