STRATEGIC CHANGE MANAGEMENT PRACTICES AND SUSTAINABLE COMPETITIVE ADVANTAGE AT NATIONAL BANK OF KENYA

BY

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DECLARATION

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

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

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DEDICATION

This project is dedicated to my parents Nicholas Masya and Ruth Munyoki for their support during this period and most importantly to God.

ABSTRACT

This research project is titled strategic change management practices and sustainable competitive advantage at NBK. Creating a sustainable competitive advantage may be the most important goal of any organization and may be the most important single attribute on which each firm must place its focus. The objective of the study was to establish the strategic change management practices undertaken by National Bank of Kenya limited in the last five years, to establish how the bank has been able to manage the strategic change practices and lastly to determine whether strategic change management practices gave the bank a sustainable competitive advantage. The research design was a case study of NBK. Primary data was collected through face to face interview from two senior employees at National Bank of Kenya headquarters at Harambee Avenue and three general managers in three NBK branches in Nairobi. The study established that the changes that were undertaken were; rebranding, downsizing, organizational alignment, culture change, introduction of new banking channels and product offering diversification. The study also established that the management of the change practices at NBK involved establishment of a vision and plan for the changes, engaging stakeholders, involvement of top management and effective communication. Lastly the study established that the strategic changes effected at NBK enabled the bank to achieve sustainable competitive advantage. The study recommends that involvement of employees should be at the forefront for any change effort to be effective. The study also recommends that the management should continually monitor and identify the impacts of the changes on employees and develop plans to realign the employees to support the long term changes at the bank.

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ACRONYMS AND ABBREVIATIONS

NBK	National Bank of Kenya
CBK	Central Bank of Kenya
KBA	Kenya Bankers Association
ATM's	Automated Teller Machines
SME	Small Medium Enterprise
AGM	Annual General Meeting

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic change management is defined by Kotter (2010) as the practice of thoughtful and structured management of transformation in order for the organization to meet its missions, goals and objectives. Change is necessary for organizations to enable them to thrive and meet and exceed the competition of industry competitors (Cameron & Green, 2012). Strategic change implementation is intended at facilitating the organization to reposition itself so that it can benefit from opportunities arising from the environment and also enable it to counter threats to enable it to be sustainably competitive (Todnem, 2005).

Two theories that explain effective change management to enable organizations attain sustainable competitive advantage that were applied in this study are stage theory (Alter & Hage, 1993) and competitive advantage theory (Porter, 1985). Stage theory explains that in any change process, an organization goes through different stages. In so doing, organizations develop new goals which guide them towards accomplishment of their objectives and enable them attain sustainable advantage. The notion of competitive advantage in corporate strategy was introduced by Porter (1985) in his book on competitive advantage. Though Porter does not an explicit definition of what competitive advantage is, he posits that competitive advantage originates from the ability of the firm to generate higher value for its buyers.

The rationale of the study was to evaluate the strategic change management practices at National Bank of Kenya and assess whether they had enabled the bank to attain sustainable competitive advantage. Organizations implement strategic change to position themselves and be competitive in the market. In our fast paced economy change is the only certainty, and the faster companies are able to respond to such changes the higher their chances of success (Llop & García-Arrizabalaga, 2014). The capacity to respond and adapt quickly to market changes, in fact, is a foundation of sustainable competitive advantage (Paton & McCalman, 2013).

The global banking sector is subject to many environmental forces which can be both internal and external that emanate in various countries. There are social, economic, political and technological changes. The banking sector globally had been performing well until the 2008 financial crisis which has resulted to reduced profitability and stability in the sector (Institute of International Finance, 2014). Countries have countered this by having stiffer regulations (Dietz, Harle & Nagy, 2015). Commercial banks in Kenya which are a critical part of the financial industry have a critical role in allocating resources in the different economic sectors (Ongore, 2013). For the past five years, the Kenyan commercial banks have been very profitable with returns averaging around 2 percent. This is significantly above the returns that have been experienced in other parts of the globe (CBK, 2015). For the period ended 31st December 2015, six large banks had a 49.9 percent share, 16 medium banks had 41.7 per cent market share while 19 small banks enjoyed 8.4 percent of the market. Large banks are more profitable than other banks. National Bank of Kenya (NBK) which is classified as a medium bank instituted changes that were designed at making it a large bank (NBK, 2014).

1.1.1 Strategic Change Management Practices

Managing change is an important strategic task for leaders in an organization. Change management deals with adapting and controlling the change process. There is continually a need for change to happen as the world is rapidly changing. Kotter (2010) identified seven best practices in any strategic change management initiative that implementers of change should engage in. The first best practice is instituting a vision. To begin any change, leadership should outline the vision of the desired state that will come about as a consequence of the change (Lawler & Worley, 2012). Secondly is senior leadership involvement. For successful change, it is imperative that senior management to team up and should support and full commitment towards the change initiative. They can do this by engaging in the planning, communication and execution of strategic change (Veasey, 2011).

Third is developing a change management plan. Here, organizations should cultivate a detailed strategy that charts the route from the current state to the desired state. Fourth is engaging stakeholders. When stakeholders are engaged in a meaningful way and early in the change process, this buys them in and enables the organization to effectively reduce barriers to change.

Stakeholder engagement also enables psychological ownership, promotes communication of vital information, and encourages employee feedback for fine-tuning the change during implementation (Pfeifer, Schmitt & Voigt, 2015). Firth best practice is communicating at all levels. Communication is a key element to a successful change effort as it sets a tone of transparency and openness (Veasey, 2011).

Sixth is generating infrastructure to back adoption. Altering organizational norms, behaviors, and culture is the most challenging aspect of change management, but is also the most essential (Paton & McCalman, 2013).

Lastly is measuring progress. Organizations need metrics to monitor progress and change. Measurement and reporting allows operating units to understand if stakeholders have implemented the change as intended, and make course corrections where needed (Axelrod, 2012).

1.1.2 Sustainable Competitive Advantage

An organization acquires sustainable competitive advantage when it attains or cultivates a feature or a blend of features that enables it to regularly outdo its rivals. These features can comprise access to naturally available resources, and access to competent and skilled labor (Barney, 1991). Competitive advantage in either cost or differentiation is a function of a company's value chain (Porter, 2001). When a company has cost advantage, this indicates that it is able to perform its value activities efficiently better than its competitors. In the company's value chain, every activity has elements that drive cost and how the organization manages them determines its competitive position.

Similarly, the organization should have the ability to differentiate itself from others in the market by focusing on creating value to fulfill customer needs, thus providing the organization with competitive power (Karim, 2011).Business enterprises need to effectively exploit their environment to stay competitive by being strategically aware.

The need for organizational leaders, therefore, is to contemplate purposefully since their decisions have a strategic impact and contribute to strategic direction of the firms. Strategic management is an extremely essential element of organizational success.

Attainment of competitive advantage necessitates a vibrant understanding of market needs and the satisfaction of target customers more profitably and effectively than competitors (Cook, Fabella & Lee, 2008). Real competitive advantage is satisfying customer needs more effectively than rivals and it is achieved if and when real value is delivered to customers (Barney, 2002).

1.1.3 Strategic Change Management Practices and Sustainable Competitive Advantage

The literature on the relationship between sustainable competitive advantage and strategic change management has revealed non-equivocal findings (Paton & McCalman, 2013). Some scholars have observed that strategic change enhances sustainable competitive advantage, while other authors have noted that strategic change reduces sustainable competitive advantage (Hugos, 2014). Still another set of studies has found either no relationship or mixed relationships (Lin, Lee & Gibbs, 2012).

However, what is undeniable according to Pearce and Robinson (2003) is that strategic change is fundamental to a modern business organization as a means to keep up with evolving market demands and to stay competitive.Implementing strategic change according to Paton and McCalman (2013) is a double-edged sword because it simultaneously generates expected performance gains and unexpected performance losses. When unexpected performance loss dominates or drains away expected performance gain, change becomes ineffective.

Moreover, the coexistence of performance gains and losses is likely to yield confounded evidence for strategic change outcomes (Kotter, 2010). Organizations may fail to maximize the benefits of strategic change in driving competitive advantage because they both do not identify and alleviate losses emanating from strategic changes or they fail entirely to discover the presence of performance losses. To realize the benefits of competitive advantage that emanate from strategic change, an organization must detect and diagnose competitiveness loss in change implementation (Petburikul, 2014).

1.1.4 Commercial Banking Sector in Kenya

The global banking sector occupies a fundamental place in the economy (Capgemini, 2015). This sector is affected by various environmental factors (external and internal) but the external factors have had the greatest impact. External factors are categorized under political, technological, social and economic factors. After having a continued growth for 30 years, the share of economic activity attributable to bank revenues fell in 2008 after the world experienced the global financial crisis (Institute of International Finance, 2014).

The factors that have largely contributed to growth of the banking sector in developed markets include stiff regulatory regimes and deleveraging which calls for higher core capital for the banks. In most emerging markets, banking penetration is relatively low (less than 4 percent in India, Mexico, Nigeria, and Russia) while it is deteriorating in others (it is falling in China, from 6.2 percent to 5.3 percent). In developing markets, banking concentration and growth is still positive fuelled by infrastructure-spending growth and the emergence of the middle class in developing nations (Dietz, Harle & Nagy, 2015).

The commercial banking sector in Kenya comprised of 39 operational commercial banks (CBK, 2016). This reduced the number of commercial banks from 42 after Dubai Bank was liquidated and Imperial Bank and Chase Bank were placed under receivership. Out of the 39 institutions, 36 commercial banks are privately owned while the Kenya Government holds majority of shares in the remaining three commercial banks. Twenty three of the 36 privately owned banks are locally owned (that is, their controlling shareholders are domiciled in Kenya) while 14 are foreign owned. The 39 operational commercial banks have formed an umbrella body called the Kenya Bankers Association (KBA) whose mandate is to advocate and lobby for the interest of the banking sector. KBA also serves as a forum to address issues affecting member banks (CBK, 2016).

Kenyan commercial banking sector witnessed various bank failures in the 1990s which were fuelled by fraud and poor regulation. However, CBK as the key regulatory arm of the government has hitherto corrected these regulatory gaps and currently, the sector enjoys a sound regulatory framework. The economic environment in Kenya have also encouraged cutthroat from the different internal and local players in the sector. This competition has been beneficial to shareholders and customers alike. However, shareholders are the ones who have benefited the most as the banks have reported high profitability for the past five years. Kenyan Banks have in the recent past experienced remarkable progress and the large ones have started expanding regionally. The Kenyan banking sector has also experienced enormous technological advancement mostly in the areas of agency banking, mobile banking and electronic banking. The technological advancement has mostly been fuelled by the industry's desire to efficiently and profitably meet the ever changing and complex needs of their customers and also deal with globalization challenges. The Kenyan banking sector hence looks set for continued growth and development (KPMG, 2016).

1.1.5 National Bank of Kenya

National Bank of Kenya Limited (NBK) was incorporated on June 19 1968 and it formally started operations on 14th November 1968. The bank was formed with the main goal being to enable local Kenyans access financial services in the newly formed republic. The bank provides financial services to both individuals and corporate entities though electronic means, its branch network and through other correspondent banks. The portfolio of the bank includes retail banking institutional and corporate banking and service through electronic means (ATMs, Mobile phone or through internet). The Bank offers trade finance, business accounts, payment services, investments, lending products, treasury services, custodial services and automated teller machine services (NBK, 2014).

In May 2012, National Bank of Kenya implemented strategic changes which included rebranding, restructuring and changes in product offering. The bank also unveiled a new logo with "bank on better" as its new slogan (NBK, 2014). Through this transformation strategy, the bank sought to recover its lost glory and propel it back into the top tier banks by growing its balance sheet, expanding its market share, streamlining costs and managing risks (NBK, 2014). The implementation of the various changes was done with the purpose of repositioning the bank effectively in the market place.

1.2 Research Problem

Strategic change management practices entails having an inclusive strategy of focused training and communication activities necessary to affect change across an organization (Johnson, 2011).

The change process should be initiated and implemented after a careful consideration of the organization’s culture, values, and political landscapes at a high level, and individual responsibilities and roles and the micro level operational environment. Though strategic change initiatives are costly and time consuming, they are aimed at significantly impacting an organization’s drive toward attaining sustainable competitive advantage (Axelrod, 2012).

The most important goal of any firm is to create a sustainable competitive advantage and most firms focus on this goal through establishing what customers need and focusing on meeting those needs. When a firm attains sustainable competitive advantage, it has the attributes to make it successful and outperform its peers. This is because sustainable competitive advantage enables the firm to satisfy its customers while earning excess returns for its shareholders (Cameron & Green, 2012).

The global banking sector had been experiencing a sustainable growth and good performance for over 30 years preceding the global financial crisis. The sector however, has witnessed slow growth and failure in the sector after the global financial crisis. Countries have reacted to the challenges in the sector after the 2008 financial crisis by having stiff regulations and deleveraging (Dietz, Harle & Nagy, 2015). The operating environment of Kenyan banks is very competitive (Kamau & Were, 2013) and therefore, a bank in the Kenyan market requires a strong strategic direction, and adequate human and capital resources. Banks in Kenya also requires efficiency in how the allocate their resources to the competing needs and most importantly the ability to align the resources to strategy.

The changes at NBK were a part of a new strategy aimed at transforming it into one of the top tier banks in the country. The bank had over the years relied heavily on a strong retail focus and business from government agencies. The bank hence rebranded, changed its strategic focus and restructured in an effort to be more competitive (NBK, 2014).

Various studies on change management and strategic competitive have been conducted. Henderson (2011) studied how sustainable event management can be used to develop competitive advantage in event management firms in Leeds, UK.

The study established that the competitiveness of event organizing firms was determined by the implementation of strategic change as an anticipation of changes or as a reaction to the influences of external changes. Reddi and Moon (2012) studied strategic changes at Samsung, Hyundai and Daewoo and noted that these firms are breaking themselves up into smaller units and converting their managers into entrepreneurs. This has made them stronger and more competitive in their fields.

Kamugisha (2013) studied the effects of change management with a focus on National University of Rwanda. The study found that there were changes in the management of faculties and modules, downsizing, outsourcing and recruiting of more staff to fill some new posts. These changes had revolutionized the university and had made it well placed to attain its objectives and becoming more competitive. Liao (2015) studied corporate restructuring, performance and competitiveness in manufacturing firms in Japan. The study revealed that best practices in technology, people and culture, products and services, and strategy and structure provided competitive advantage to these manufacturing firms.

Locally, Sikasa (2012) conducted a study in the Housing Finance Company of Kenya (HFCK) which indicated that changes that the organization had effected had positively influenced its competitiveness. Mutisya (2012) studied change management and competitive advantage at the Kenya Police Staff Savings and Credit Society. The study established that in most cases the board members proactively planned for change. The SACCO has been able to successfully adopt and manage change through change agents.

Further, Otiso (2013) studied strategic change management practices and their effect on Africa merchant assurance company of Kenya and noted that the insurance company was able to use effective change management practices to position itself as a general insurance company in the Kenyan insurance industry. Similarly, Moruri and Okibo (2015) studied influence of change management strategies orientation on the performance of the bottling industry in Kenya. The study established that change anchored towards aggressive and expansion strategies build firm competitiveness. Though NBK effected changes in 2012, no study has been conducted on these strategic changes and how they may have influenced sustainable competitiveness of the bank.

This study sought to fill this gap by answering the question; what is the role played by strategic change management practices on sustainable competitive advantage at National Bank of Kenya?

1.3 Research Objectives

The objectives of the study were to;

i) Establish the strategic change management practices undertaken by National Bank of Kenya limited in the last five years

ii) To establish how the bank has been able to manage the strategic change practices

iii) To determine whether strategic change management practices gives the bank sustainable competitive advantage

1.4 Value of the Study

The results of the study would benefit NBK and other banks in identifying how changes can affect performance both in the short and long run. This study would be important to NBK and other banks to as it will shed light on how changes can be carried out in an organization. It would be a useful source of information to its management on strategic changes. The study also would contribute to the policy and practice of strategic management in general and the management of strategic change in particular. This study would hence inform on how theories on strategic change are applied in strategic change policies and initiatives in organization.

In the academic field, future researchers could use the study as a reference point. This could be done when studying strategic change management in the Kenyan context or when one is researching on change management and related topics. In addition, the study suggested areas of further research for future researchers and academicians to act upon. The study would hence provide a platform for further research in the area of change management and in particular the strategies and practices that contribute to successful strategic change management in organizations.The findings would establish how organizations apply the theories of change management when initiating and implementing strategic changes. Specifically, the study findings would provide an in-depth analysis of the extent to which the strategic changes at NBK were anchored on stage theory and the competitive advantage theory.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on providing the theoretical and empirical literature that the study was based upon. The theoretical literature provides the two theories that were used to anchor the study. The empirical literature focuses on studies that had been carried on change management and sustainable competitive advantage.

2.2 Theoretical Foundation

There are two theories that were used to provide an explanation of change management and sustainable competitive advantage. The theories included stage theory and competitive advantage theory.

2.2.1 Stage Theory

Stage theory was developed by Alter and Hage (1993) and it explains that in any change process, an organization goes through different stages. In so doing, organizations develop new goals which guide them towards attainment of their objectives. Further in the different stages, organizations come up with new programs, ideas and technology which they combine to make the change process successful (Bachmann, 2009). The basic idea of this theory is to have top management or change agents in the organization to recognize the different stages and come up with unique strategies and practices for each stage (Dawson, 2002). Stage theory has four stages.

The first stage involves awareness in the organization that there is a problem and then coming up with probable solutions. The second stage involves a formal decision by the organization top leadership to adopt a given innovation. The third stage involves implementation of the selected strategy and ensuring that the structure is modified to fit the effected changes. The fourth stage involves instilling an organization culture that ensures the change is institutionalized (Alter & Hage, 1993).

This theory has been used in this study to give an insight into the change practices involved in change management in an organization. Stage theory postulates that when an organization adopts effective practices in all the change stages, the changes will be effective and will benefit the firm in attaining competitiveness (McNamara, 2006).

2.2.2 Competitive Advantage Theory

The theory of competitive advantage has a long history and tradition in the strategy literature. Ansoff (1965) is the first scholar who attempted to define competitive advantage as the isolated characteristics or particular properties of individual product markets which give a firm a strong competitive position. However, the theory as it is known today was coined by Porter (1985) and in his advancing argument on why firms gain competitive advantage, noted that competitive advantage grows out of value a firm is able to create for its buyers that exceeds the firm's cost of creating it. Porter indicated that there are two basic types of competitive advantage: cost leadership and differentiation.

Porter (2011) maintains that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage. Four options are provided which include cost leadership, differentiation, cost focus and differentiation focus. In following any of the four strategies, the firm must regularly monitor the environment and adapt accordingly. In the current study, the strategic changes implemented by NBK were deemed to define the choice of the firm's competitive advantage. It was therefore expected that if best change management practices were adopted, this could have led to the bank gaining sustainable competitive advantage.

2.3 Strategic Change Management Practices

In implementation of strategic change, there is a set of practices that an organization should adopt. Creating a feeling for the urgency of change is crucial in order to get the required cooperation of employees and managers (Veasey, 2011). Another important practice in strategic change management is forming leadership coalitions (Lawler & Worley, 2012). Significant transformations are often associated with one particular personality who is clearly prominent in the minds of all employees (Kotter, 2010).The integration of strong leadership figures is of particular importance (Lawler & Worley, 2012). A combination of good managers to control the change process and strong leadership figures to push the process forward is decisive for the success of a leadership coalition. Communicating vision and strategy is critical in every strategic change initiative (Kotter, 2010). The true power of a vision is only completely unleashed when all the people in the company have a common understanding of their goals and their course (Chapbell, 2015).

In implementation of strategic changes, Balogun and Johnson (2015) observed that identifying constraints for implementation is critical. Many change programs fail during the implementation phase due to unexpectedly arising problems (Kotter, 2010. Although the implementation process has to be planned and controlled, it is important to understand that the planning of the implementation and the implementation itself cannot be separated strictly. A change process is dynamic and this dynamism always requires adaptations in planning. Therefore the management should be willing and flexible to adapt even the target definitions (Kotter, 2010). The task here is to ensure that the changes are anchored in company culture and regular checks must be made as to whether the vision still maintains its validity.

Factors in the environment of the company may make a further development of the vision necessary (Lawler & Worley, 2012). Another best practice in strategic change management is creating infrastructure to support adoption (Lawler & Worley, 2012). The firm should seek to alter organizational norms, behaviors and culture. The process takes considerable time and effort. Therefore senior leadership and operating units must work together to create an environment and provide the tools necessary to promote long-run adoption.

Training is critical for familiarizing stakeholders with the details of change and how it applies to their work (Kotter, 2010). Through training, staff gains a concrete understanding of how their behavior needs to change, the ultimate benefits the organization will realize, and the skills needed to effectively institute the change. Lastly is the practice of monitoring and evaluation (Paton & McCalman, 2013). Evaluation and monitoring must continue post-implementation to ensure the organization does not lapse into old behavior. Early in the planning process, operating units should identify metrics that will appropriately demonstrate adoption of the desired change. Publicizing the results throughout the organization can help institutionalize change and reaffirm messaging on its ultimate purpose (Pfeifer et al., 2015).

2.4 Sustainable Competitive Advantage

Porter (2001) posits that a company can have cost or differentiation competitive advantage which is as a result of its value chain. The cost position of a company echoes the combined cost it incurs in executing all the activities in its value chain relative to its competitors. On the other hand, the capacity of the organization to distinguish itself from its competitors is based on how it performs each of its value activities towards satisfaction of customer needs. Most of the company’s operations play a part in contributing to its differentiation. The company’s product and also its activities such as after sale services and logistics impact on the customer (Karim, 2011). A study in Japan established that, in the pursuit for competitive advantage, companies often differ in competitive scope or the breadth of their activities (Lee, 2013).

There are four key dimensions to competitive scope which include geographic scope, vertical scope (extent of vertical integration), segment scope and industry scope (number of industries that the organization competes). In pursuit of sustainable competitive advantage, competitive scope is a potent tool. According to Ward (2010), having a broad scope can permit the organization to exploit the opportunities that arise in the interrelationships among its value chain that emanate from serving diverse related industries, geographic areas and industry segments.

Porter (1985) postulated that an organization can achieve competitive advantage along the three dimensions of cost, differentiation and focus. This is because competitors try to differentiate themselves from the firms that are perceived to be “stuck in the middle” without focusing on any particular form of competitive advantage. Competitive advantage that is based on cost requires the organization to take action and reduce costs of all its activities in the value chain thus making it able to offer products to the market at a lower cost than its rivals. As the firm produces more while reducing its unit costs, it gains economies of scale (Henderson, 2011). Competitive advantage that is based on differentiation suggests that the sustainable event offers a means to look unique from competitors. Forms of differentiation include brand, technology, customer service and the like. Moreover, Porter (1985) argues that competitive advantage that is based on focus is grounded on attending effectively to a specific target market and thus having advantage on effectively and efficiently serving the market better than competitors. Focus is achieved through either differentiation or cost which makes cost and differentiation the only two definite foundations of competitive advantage.

According to Heywood and Kenley (2008), there are at least two definitions of organizational competitiveness. The first, a market-based position, defines competitiveness, or an organization's market position, as its ability to generate performance superior to other organizations offering similar products in the market. The second relates the ability of the firm to sustainably grow at a higher rate compared to its rivals in the market. Generally, an organization outperforming its rivals has competitive advantage relative to them and reveals its superiority in responding to competitive forces.

For an organization to persistently remain successful, it must have sustainable competitive advantages suggesting that it is able to innovation and engage in continuous improvement. The temporariness of any advantage necessitates the organization to be able to generate competitive advantage quicker than the rate that rivals can copy the firms' current advantages. To enable firms to achieve this, Porter (1998) posited that the firm should be involved in a cycle of continuous change that enables to be and remain innovative. Changes for strategic advantage include products, technology, people and culture, structure and strategy (Liao, 2015).

2.5 Strategic change management practices and sustainable competitive advantage in organizations

In order to remain competitive in the long term, Pfeifer, Schmitt & Voigt (2015) notes that enterprises are compelled to undertake complex changes with increasing speed, efficiency and success. A successful strategic change exercise can make the organization increase its brand value and be able to attract competent employees (Lee, 2013).

Muzellec, Doogan and Lambkin (2013) observe that change provides the chance to start life afresh. Change in products, brand or focus is primarily triggered by events such as mergers and acquisitions, structural changes, divestments or spin-offs which significantly affect the core strategy and the identity of the organization (Liao, 2015).

Restructuring provides the company with an opportunity to align its structure with its strategy and operations thus gaining competitive advantage and improving efficiency (Grant Thornton, 2013). Liao (2015) noted that restructuring was viewed to have a positive effect on competitiveness. Furthermore, Bachmann (2014) established that restructuring was an effective tool for ensuring ongoing turnaround and was generally successful in achieving positive financial performance in companies that had reported poor results for long.

Lin et al. (2012) revealed that repetitive changes expose a firm to risks of poor performance due to the poor coordination of the various organizational elements. Risks that are related to frequent changes include workforce reduction, asset downsizing and perception that the firm is in crisis. However, strategic organizational change has been established by Bachmann (2014) as an enabler for organizations to effectively formulate and implement strategies and lower their operational costs among other benefits.

2.6 Knowledge Gaps

Author	Focus	Methodology	Findings	Knowledge gap	Current Study
Liao (2015).	Corporate restructuring, performance and competitiveness: an empirical examination	Survey of 107 Japanese manufacturing firms	Changes for strategic advantage include: technology, people and culture, strategy and structure, and products and services	Study conducted on Japanese manufacturing firms	Focussing on a Kenyan commercial bank using qualitative data from interviews
Henderson (2011).	The development of competitive advantage through sustainable event management	Questionnaire survey to managers of event management firms in Leeds UK	The implementation of strategic change as a reaction to the influences of external changes, or in anticipation of such changes, determines the organization's competitiveness	Conducted in hospitality industry in Leeds, UK and used questionnaires	Will focus on change management and sustainable competitive advantage

Kamugisha (2013)	The effects of change management in an organization	A case study of National University of Rwanda	The changes have revolutionized the university and made it well placed in attaining its objectives and be competitive in the management of faculties and modules	Study conducted in Rwanda in an education institution	The study will use interviews and focus on a Kenyan bank
Otiso (2013)	Strategic change management practices	The case of Africa merchant assurance company	The insurance company was able to use effective change management practices to position itself as a general insurance company in the Kenyan insurance	Focused on an insurance company, Africa merchant assurance company.	The study will focus on role of change on sustainable competitive advantage at NBK

2.7 Empirical Studies

A study conducted by Liao (2015) on corporate restructuring, performance and competitiveness, focused on 107 manufacturing firms in Japan, the study revealed that change management practices that enabled the firms to have strategic advantage included changes in technology, people and culture, strategy and structure, and products and services. Another study by Henderson (2011) focused on the development of competitive advantage through sustainable event management practices. This study was a questionnaire survey to managers of event management firms in Leeds, UK. The findings from the study revealed that strategic change implementation mostly as a consequence of the influences of external changes, or as an anticipation of such changes, determined the event management firms' competitiveness.

In a study in Rwanda, Kamugisha (2013) examined the influence change management to an organization. The study focused on the National University of Rwanda and revealed that change practices at the university had revolutionized the institution and made it well placed in attaining its objectives and be competitive in the management of faculties and modules. Lastly, Moruri and Okibo (2015) in a local study conducted a case study of Kisii Bottlers in Kisii County. The study focused on how coordination of change management strategies influenced performance of firms in the bottling sector in Kenya. From the findings, the study revealed that although the aggressive strategies differ and may be complex in different beverage organizations, the principles of these strategies and best change management practices should be applicable in the organization to ensure effective performance of the organization during change management.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The methodology that was applied to conduct the current study is presented in this chapter. Presented is the research design that was applied to conduct the study and answer the research questions and the population that was targeted for the study. Also the applied sampling design and the data collection methods are also presented in this chapter. Lastly, the data analysis techniques that were applied are presented.

3.2 Research design

The research design is defined as the overall approach that is applied by a researcher to incorporate the diverse mechanisms of the study in a coherent and logical way, thereby, ensuring that the research problem is addressed effectively (Kothari, 2004). This study adopted a case study research design as it sought to establish the process of strategic change at National Bank of Kenya and assess whether it had led to sustainable competitive advantage. Cooper and Schindler (2006) posit that a case study design gives an in-depth report on a single subject or a small group of subjects. The case study approach provided the researcher with an avenue to have an in-depth inquiry of the practices that were involved in the strategic change management process that was undertaken at National Bank. This design also permitted the researcher to establish how the change management practices related with sustainable competitive advantage.

3.3 Data collection

Primary data was collected through face to face interviews with two senior employees at National Bank headquarters at Harambee Avenue and three general managers in three NBK branches in Nairobi. The employees that were targeted in the head office were the head of strategy and head of marketing. The interview method was adopted in this study due to the high response rate it brings, flexibility, ability to have in-depth data and the ability to develop rapport with interviewees which leads to more valuable information from the respondents (Mugenda & Mugenda, 2003).

3.4 Data Analysis

Data collected through the interviews was qualitative. Qualitative data consists of opinions, views or any other response to the open questions in the interviews. The data and information obtained through the open questions was analyzed through content analysis and presented in explanations and discussions.

Roberts (2011) intimated that the method of content analysis enables the researcher to include huge quantities of written information and systematically identify the themes or descriptions such as regularities of the mostly used keywords by tracing the more essential constructions of the content of the communication. This requires the researcher to categorize the textual information so that meanings from the information can be derived. Qualitative content analysis was used to compress many words of text from the interviews to fewer content categories. The analysis was then explained in prose.

CHAPTER FOUR

FINDINGS AND DISCUSSIONS

4.1 Introduction

The purpose of the study was to assess strategic change management practices and their role in enabling National Bank of Kenya to achieve sustainable competitive advantage. Qualitative data from face to face interviews were collected from the head director of business development and director of marketing and corporate communications both from the head office of National Bank in Nairobi. Successful interviews were also collected from three branch heads in Nairobi. These were the Kenyatta Avenue, Times Tower and Harambee Avenue branches. The data collected was analyzed using content analysis to extract themes from all the interview transcripts.

As in many cases of collecting qualitative data through interviews, analysis of data started at the time of collecting data. When taking the notes, there was a standardized way of taking notes which was guided by the interview schedule. The notes taken in each of the interviews became the basis of all successive analysis. At the end of each interview, a daily interpretive analysis was conducted. The aim of this analysis was to interpret and assemble all the information collected. This provided a summary and the key points that came from the interview which was vital in the subsequent content analysis. It was critical to have a daily interpretive analysis since it becomes challenging to try and remember the key themes from an interview after a few days since not everything is written.

Moreover, the interpretive analysis in the earlier interviews offered insights that were valuable in subsequent interviews. After all the interviews were conducted, the daily interpretive analyses and the interview transcripts were used in the content analysis approach that was applied. The content analysis process included various stages. The first was to organize and prepare the data for analysis.

Further, the researcher conceptualized, classified, categorized and identified themes from the interview transcripts and the daily interpretive analyses. This was followed by providing descriptive codes to the data. Similarly, the researcher embarked on connecting and inter-relating the data. Lastly, the analysis involved interpreting, and creation of explanatory accounts. This enabled provision of meaning to the data. This analysis enabled attainment of the study objectives which are presented hereafter.

4.2 Change Management Practices

The researcher asked the interviewees the reasons why the bank implemented strategic changes, the types of changes implemented and when the changes were instituted and the Director of Business Development said that the strategic changes were aimed at transforming the bank into the top tier from the middle tier. Responding to the question on why the changes at NBK were undertaken, one the branch manager said that the changes were aimed at improving its turnover from Ksh 8 billion in 2012 to Ksh 30 billion in 2017. The manager also added that the transformation was instituted in 2012.

The researcher also asked the interviewees the types of changes that were undertaken by NBK and one of the interviewed directors noted that the changes that the bank adopted included rebranding, downsizing, organizational alignment, culture change, introduction of new products (banc assurance and Islamic banking) and focus on diversity in product offering.

The researcher also asked the interviewee the rationale and practices that were involved in rebranding and one branch manager said that NBK adopted yellow as its new corporate colour and also changed its logo. Responding to the same question, the director of marketing and corporate communications said that the rebranding was aimed at communication to the market that its focus had changed. One branch manager supported this view by noting that NBK's rebranding was aimed at sending a message that it was no longer focused on business from government agencies and retail customers.

In responding to the question on the practices involved in rebranding, the director of business development also intimated that the new brand and corporate colour were arrived at after various suggestions, consultations and revisions which were a concerted effort of the employees, management and the contracted consultants. The researcher asked about the choice of corporate colours in the rebranding exercise and one branch manager said that the bank adopted the yellow and brown colours in place of the green colour that the bank had been associated with. The branch manager intimated that the yellow colour was selected as it symbolized energy, joy and intellect.

The interviewed branch manager also indicated that brown colour was selected as it symbolized reliability, friendliness, security, honesty and stability. The branch manager further intimated that these were values that NBK was seeking to uphold after the transformation.

The researcher also asked about the rationale of the management restructuring and the director of marketing and corporate communications responded that the bank performed a top management alignment in 2015 which was aimed at aligning the structure of the bank to its new strategy. Moreover, one of the directors said that bank also downsized to ensure that those employees that were rendered redundant were laid off. Contributing to the rationale of downsizing and management restructuring, one of the branch managers said that the bank set aside Ksh 1 billion to finance a downsizing programme. This was aimed at encouraging most employees to retire voluntarily. One of the interviewee managers supported this view by noting that the organizational restructuring enabled the bank to be aligned to the new strategy that was devised in 2012 and be able to implement it effectively.

The researcher asked why the transformation was considered important by NBK and the director of marketing and corporate communications said that the bank was only engaged in a narrow scope of services which included banking for government agencies and retail banking. The director of business development also reiterated that the bank had dispersed brick and mortar presence in the country and hence saw the need to diversify to remain competitive.

Contributing to the rationale of the strategic changes, one of the branch managers interviewed also said that the transformation of NBK aimed at increasing the product offering, diversifying the customer target and increasing its brick and mortar presence. Another branch manager supported this assertion by indicating that NBK planned to open 30 new branches and 40 new ATMs by 2017.

The researcher asked on other planned strategic changes by the bank, one of the interviewee directors said that the bank planned to increase its agency banking presence by having more than 2000 agents' country wide. Responding to the question on other changes planned by the bank, one branch manager said that the bank apart from increasing its brick and mortar presence also engaged in mobile, as well as internet banking. Another interviewed branch manager said that NBK also had sights on the regional market where plans to invest in Uganda, Tanzania, Somalia and South Sudan were in advanced stages.

The researcher also posed regarding other key changes undertaken by NBK. The director of marketing and corporate communications said that another change that was instituted in the bank was culture change. The director intimated that this was the most challenging change to implement. This was supported by the assertion of the other director interviewed that changing the behavior of managers and employees was very challenging. The researcher also posed on the rationale of culture change and one of the branch manager responded and said that culture change was aimed at making employees courteous, collaborative, and has focus on the bank's long term interests.

Responding to the same query, another interviewee manager also said that culture change was daunting as it focused on leading with integrity, reliability and focus on customers. This was necessitated by the fact that NBK had been long associated with inefficiency as it was perceived largely as a 'government bank'.

The researcher further asked about the changes implemented by NBK, one of the interviewed directors said that the bank also diversified its product offering. The director stressed that the bank introduced new products including banc assurance and Islamic banking. Moreover, the director explained that NBK also engaged in corporate and small and medium enterprises (SME) banking. In its vision of becoming a top tier bank NBK focused on growing its loan book and revenue base by targeting the growing segments of SME banking and Islamic banking.

The researcher asked about the challenges faced in expanding product offering and one of the interviewee branch managers responded and said that the bank faced serious challenges from mainstream SME lenders. Responding to the same question, another branch manager observed that NBK focused on targeted advertising to position itself as a reliable business bank which was a market segment that it had not previously considered.

4.3 Management of Strategic Practices

The management of strategic change practices revolved around seven themes.

These included establishing a vision and plan for the changes, intimate involvement of the top management, engaging stakeholders and effective communication. Others included creating infrastructure to support the change efforts, monitoring and evaluating the progress of change and training employees.

The researcher sought to know the change management practices adopted by National Bank of Kenya in the change processes. Responding to this query, the director of business development said that the bank created a vision and aimed at offering comprehensive financial solutions. The director further explained that the bank had prior to the changes only specialized on retail banking and banking for government agencies. The director also reiterated that after the vision for the change was created, the bank drafted a 'clear plan that was communicated to all stakeholders concerned'.

When asked about the challenges faced in implementing the change vision and one branch manager indicated that though there was a clear vision and plan for change, implementation was largely impeded by limited financial resources and some leadership challenges in the bank. Another branch manager responded by saying that the implementation of the changes was affected by the varied changes that were effected to top management in the bank. This view was also supported by one of the interviewed directors that the bank seemed to be out of track towards the successful implementation of the strategic plan by 2017.

The researcher probed the interviewees to indicate the changes that were not on track. The changes in the vision that were not on track according to one of the branch managers included expanding to the region, increasing agents to 2000 and opening 30 new branches by 2017. On change management practices adopted, the Director of Business Development indicated that top management were involved in formulating the vision for the bank while implementation was mostly left to middle management with direction and oversight from top management. The director also added that senior management at the bank was also regularly updated on the progress and issues that were being experienced in the change process. This enabled top management to be always abreast of the progress. Contributing on how NBK involved senior management in the changes, one of the branch managers interviewed indicated that, 'the middle management acted as a link between employees and top management'. The branch manager intimated that middle managers communicated to top managers on a weekly basis to keep them updated on how things were progressing on the ground.

The researcher also sought to know how senior management was involved in the change process and one of the directors elucidated that top management provided the leadership required in the implementation of the changes. The director intimated that top managers communicated any changes and adjustments to the plans to fit the prevailing conditions. One of the interviewee branch managers further reiterated that top management fine-tuned the plans where necessary and helped in solving problems that arose along the way.

The researcher also asked the interviewees to explain how NBK engaged stakeholders in the change process. The Director of Business Development said that there was 'communication and negotiation with key stakeholders'. The key stakeholders were majorly the shareholders, employees and customers. This according to the director was aimed at keeping key stakeholders informed and not to take them by surprise. Since NBK has substantial government ownership, the director further intimated that negotiation with government and other key shareholders was vital as the change process required financial resources. Contributing to stakeholder engagement practices, the other director interviewed also indicated that the process of engaging stakeholder was critical as it determined how the bank received financial resources to implement the strategic plan.

The researcher asked about the practices involved in stakeholder engagement, one of the branch managers indicated that stakeholder engagement was complicated by the ownership structure of the bank which had public investors and also government and statutory ownership. The branch manager indicated that engagement with government, government agencies and corporate shareholders was conducted through planned forums. This, according to the branch manager was the responsibility of the top management and the board of directors as indicated by one of the branch managers. Responding to how the bank engaged stakeholders, another branch manager indicated that annual general meeting was another forum that the bank used to engage shareholders on the transformation.

The interviewees were asked to explain how the bank engaged employees. Responding to this question, one branch manager said that employees were engaged on a small scale as most of the engagement came from directions received from top management. However, the branch manager said that the bank had focus groups discussions, suggestion schemes and simulations where employees could air their views and grievances. Responding to the question on employee engagement practices, another branch manager interviewed indicated that most of the suggestions were usually not acted upon as there were weak structures to incorporate all views.

The researcher further asked how customers' engagement was sought and one of the directors interviewed expounded that engagement of customers was done through advertisements on print and electronic. The director explained that there were targeted advertisements in the print media including radio, television and online platforms including the bank's website. Another branch manager interviewed also elucidated that the bank used social media (mostly Face book) to articulate on the changes.

Interviewees were also asked to explain the communication practices that were adopted in the change process and the Director of Business Development observed that 'communication was always focused to ensure that there was effective coordination in the change processes'. Moreover, the director posited that communication to employees was aimed at countering resistance to change and enabling employee buy in.

This view was supported by the Director of Marketing and Corporate Communications who reiterated that the bank effected lateral communication across departments to ensure that all change efforts were coordinated in the bank. Responding to the query on the communication practices adopted, one of the branch managers interviewed noted that communication to employees was the most critical as it was aimed at enabling the culture change. Another branch manager added by saying that communication to employees ensured that the changes were well coordinated not just at the different managerial levels, but in all the branches countrywide.

The researcher asked about communication practices adopted in the change process and one of the directors explained that communication to other stakeholders (shareholders and customers) was important. This was practiced through all media (electronic and print). This assertion was supported by the other director interviewed who intimated that as the bank rolled out new products and channels, it was important to communicate to customers so that they could start using other channels to enable them access bank services. One of the interviewee branch manager clarified that the communication efforts conducted by the bank were successful and enabled the bank to inform stakeholders of the changes.

Contributing to the query on the communication practices adopted in the change processes, another interviewee branch manager indicated that 'effective communications through press conferences, functions, presentations, advertisements and promotions enabled the bank to inform customers of the new look and culture'.

The third interviewed branch manager also intimated that one of the most successful practices in the transformation period was communication. It enabled the bank to seamlessly rebrand without customers getting caught off-guard with the transformation.

The researcher asked the Interviewees on how the bank provided adequate resources for the strategic changes to be effectively implemented. The Director of Business Development mentioned that provision of adequate human and material resources was another key practice that NBK adopted. Human resources according to the director were provided by bringing in consultants and building capacity of employees to be able to handle the transition process effectively. The director also said that the board and top management entered into negotiations with authorities and shareholders to raise financial resources in the capital markets to ensure that the change processes were adequately financed. Backing the question on provision of resources for the change efforts, one of the branch managers also indicated that the bank's board also unanimously agreed to liquidate 12 of the real assets that were owned by the bank which enabled the bank to realize just over Ksh 1.2 billion that financed most of the transformations.

Responding to the question on how the bank provided adequate resources for the strategic changes to be effective,one director added that the top management and board of the bank sought more finances for the transformation process. This was done through requesting shareholders to approve a rights issue in 2013 which was to pave way for more finances to cater for the bank's expansion due to the increased product portfolio.

However, though this rights issue had not been approved at the time of this study, one branch manager observed that the bank still wants the approving authorities to approve it so that financial resources for branch expansion can be available. Further, another branch manager indicated that the bank had opted to sell its buildings and then lease them back under the sale and leaseback approach. This, according to the branch manager, was also aimed at ensuring that the bank had financial resources to finance the transformation and at the same time the bank's operations were not affected.

Interviewees were also asked to explain how monitoring and evaluation was carried out during the change processes. Responding to this question, the director of marketing and corporate communications intimated that the bank was regularly involved in monitoring and measuring progress of any change initiated. The director noted that the change in culture had the most impact and its monitoring was paramount. This was supported by the Director of Business Development who indicated that the decision to enter into business banking was also monitored since this was a sensitive customer segment where quality of service provisions was called for. The other director interviewed explained that 'performance of each change phase was monitored and evaluated quarterly and monthly'. One of the branch managers also indicated that in monitoring progress, the bank 'had provided provide key performance indicators which were used to assess the progress of the change phases'. Another branch manager supported these practices by indicating that 'milestones were provided, rewards attached to the milestones and performance assessed regularly against the milestones'.

The study investigated how capacity of employees was enhanced to effectively manage the change processes. In response, the Director of Business Development indicated that building capacity of employees was done through in-house and external trainings. The director further added that a consulting company that was contracted to oversee the change processes also engaged in training of employees in-house to enhance their capacity to handle the new roles. Moreover, one branch manager said that the bank also sponsored key employees to external short term trainings to enhance their capacity to steer the change processes effectively. Training and capacity building according to one of the branch managers interviewed was aimed mostly at changing the culture. The trainings mostly focused on the soft qualities such as communication, leadership, teamwork, interpersonal skills, conflict management skills and integrity.

The researcher asked the Interviewees to explain the change management practices adopted to effect culture change. Responding to this question, the director of business development reiterated that culture change had been a torturous and long journey with results being achieved slowly and sparingly. The director further indicated that, to effect culture change, NBK applied a four phase approach which included awareness, learning, practice and finally accountability. In the awareness phase, the director explained that NBK focused on depicting the existing culture and elucidating the new culture that the bank wanted to have.

The director further clarified that in the learning phase, employees were divided into cohorts to enable better training and capacity building in smaller groups. Explaining on the practices adapted to effect culture change, one of the directors interviewed also indicated that 'more resources were put into this phase than in all other phases combined'. This, as explained by the director was to ensure that employees and managers alike understood the expected behavior and the expected end result. The learning as indicated by the other interviewee director focused mostly on the key behaviours required. The director expounded that mentorship, coaching, simulations and group discussions were the major models of learning that were employed.

In the practice stage, one of the interviewee director elucidated that employees were encouraged to practice the new learned behaviours and rewards were attached to short term results but more emphasis was put on long term results. One interviewee branch manager also explicated that employees were always supported in applying any new behavior into the workplace. The last phase which was accountability came after six months following the initiation of employee training. This as indicated by one of the interviewee director was achieved through assessing the employees. The other interviewee director clarified that these assessments were applied in promotion, downsizing and deployment decisions. One branch manager noted that by six after initiation of the transformation, the change was evident. The branch manager explained that the employees looked more helpful, cooperative and focused on the process not just the results. Another interviewee branch manager noted that the bank is still in the process of cementing the change in culture as this is a long process.

Lastly the researcher asked the interviewee to explain the challenges affecting the transformation process and the director of business development indicated that key challenges were 'poor cooperation from some of the stakeholders, resistance to change, poor employee involvement in some change efforts and interference from some outside stakeholders'. The other director interviewed noted that limited financial resources, top management turnover and the regional politics were some of the key challenges that affected the implementation of the strategic plan'.

Responding to the challenges encountered in the change processes, one of the interviewed branch managers indicated that 'competition from other established banks' was a key challenge influencing the transformation process. Asked how the bank deal with the challenges, another bank manager indicated that to deal with the challenges, the bank fine-tuned some of the plans, challenges, engaged in negotiation, set-up a complaints handling unit and enhanced training efforts and communication to employees.

4.4 Strategic change management practices and sustainable competitive advantage

The researcher asked the aspects of competitiveness that the transformation of NBK achieved and one of the directors indicated that the transformation of NBK was termed as a success. The director said that the operating profits of the bank grew from Ksh 1.15 billion in 2012 during the start of the transformation process to Ksh 2.43 billion in 2014 after just two years inside the transformation. However, as indicated by one of the branch managers, the transformation was beneficial and it provided the bank with increased deposits, customer base and profitability.

However, one of the directors interviewed said that this improvement of the bank was affected during 2015 that saw much of the gains in profitability reversed. However, the director was quick to say that this was not a failure of the transformation but due to leadership problems at the time.

The researcher further asked about the critical changes that were credited to the increased competitiveness in profitability, one of the interviewed directors indicated that culture change, introduction of new products such as Islamic banking and addition of more banking channels such as mobile and internet banking were mostly credited with the increased profitability.

The researcher also asked about the competitive advantage that NBK gained from the strategic changes, one of the branch managers interviewed said that the bank had achieved high efficiency due to the implemented changes. The branch manager singled out the voluntary retirement programme which enabled the bank to save on employee costs and enhance the bank's productivity. This also enabled the bank to improve on its cost income ratio. Another branch manager elucidated that productivity of individual employees had also improved which could be credited to the voluntary early retirement programme. This had hence enabled the bank to be set on a competitive front which is critical for future sustainability.

The researcher asked whether NBK gained more customers due to the changes and one branch manager said that the bank had recorded improvement in customer deposits. This according to the branch manager was due to new banking channels, Islamic banking, diaspora banking and SME banking. Another branch manager added that due to successful culture change, the bank's reputation had improved both in Kenya and beyond which had led to observable benefits in growth of customer deposits. This was reiterated by one of the interviewed directors who responded that the Islamic banking segment had recorded huge growth in loan book and revenues thus providing the bank with a competitive advantage onto that growing banking segment. One interviewee branch manager noted that the bank had marginally increased its market share though there was no considerable increase in size.

Interviewees were also requested to explain the changes that may have led to increase in number of customers. One interviewee branch manager said that the bank in the four years into the 2012-2017 transformation period had grown in customer numbers at a rate that was above the industry average. This was explained by one of the interviewed directors to be as a result of improvement in reputation. This, the director observed, was due to the transformation in culture, targeting of more customer base apart from a strong focus on government business and rebranding. The other director interviewed also noted that a combination of rebranding with change in customer focus enabled the existing and also the potential customers to associate the transformation to positive changes.

This, the director said, enabled the bank to improve its customer base during the four years into the strategic plan implementation. One branch manager also said that though the bank had not achieved total culture change, the transformation was evident in the branches into how the bank had become customer centric. This was contrary to the previous culture where employees worked ‘mechanically’ in the words of another branch manager.

4.5 Discussion

This section provides a discussion of the findings from the study. The discussion is done in relation to the theories applied in the study and also in relation to other studies that had been reviewed.

4.5.1 Comparison with the Theories

The study established that the change management process was conducted in stages including awareness, learning, practice and accountability. These four stages had unique practices which were designed to make the whole change process a success. NBK also intimately involved senior management in the change process. The top management was involved in formulating the vision for the bank while implementation was mostly left to middle management with direction and oversight from top management. Top managers communicated any changes and adjustments to the plans to fit the prevailing conditions.

This aligned with the stage theory by Alter and Hage (1993) that an organization develops new goals which guide it towards attainment of their objectives. The theory also depicts the change process as having different stages where the organization comes up with new programs, ideas and technology which they combine to make the change process successful.

The role of top managers in NBK was to formulate the vision of the change and draw a roadmap towards the destination. This aligns to the stage theory as indicated by Dawson (2002). Dawson had argued that in the stage theory, top management acts as change agents and develops a vision for the change and also recognizes the different stages and come up with unique strategies and practices for each stage.

The study results also agreed with the stage theory that there were four stages. The four stages according to Alter and Hage (1993) included awareness, adoption of a given innovation, implementation of the selected strategy and instilling an organization culture that ensures the change is institutionalized. At NBK, the four stages included awareness, learning, practice and accountability. These stages coincided and NBK was seen to adopt the best practice as enshrined in the stage theory.

The strategic changes effected at NBK enabled the bank to achieve sustainable competitive advantage. Notable sustainable benefits due to the changes included growth in profitability, improvement in productivity, efficiency, reputation and brand image. The bank also had achieved a marked improvement in customer base and deposits.

The Islamic banking segment had reported the biggest benefits in enhancing customer deposits. Moreover, a combination of rebranding and change in customer focus enabled the bank to achieve a positive image as a corporate and customer centric bank. This agreed with the argument by Porter (1985) in the competitive advantage theory that achieving competitive advantage requires a firm to make a choice about the type and scope of its competitive advantage. In the study, NBK made a decision to widen its scope by introducing new products and targeting new customer segments. The bank also focused in improving efficiency and productivity thereby having an advantage on cost.

4.5.2 Comparison with Other Studies

The study established that in the awareness stage in NBK transformation, the top management provided the need and urgency for change. This agreed with the findings by Veasey (2011) that in implementation of strategic change, creating a feeling for the urgency of change is crucial in order to get the required cooperation of employees and managers.

The study established that top management at NBK was intimately involved in the change process. Their roles included providing the vision for the change, leadership and monitoring and evaluation. This concurs with the observation by Lawler and Worley (2012) that integration of strong leadership figures is of particular importance.

Lawler and Worley had further noted that a combination of worthy managers to govern the change process and robust leadership figures to push the process forward is decisive for the success of any change initiative. At NBK, the leadership communicated vision to all stakeholders to get their cooperation. This agreed with the prescription of Kotter (2010) that communicating vision and strategy is critical in every strategic change initiative where all the people in the company have a common understanding of their goals and their course.

At NBK, the study established that there was continuous monitoring and evaluation to identify challenges and devise effective responses. This agreed with findings by Balogun and Johnson (2015) that identifying constraints for change implementation is critical. Balogun and Johnson had established that many change programs fail during the implementation phase due to unexpectedly arising problems. This can explain some of the failed plans by NBK including opening new branches and expanding to the region. These were due to unforeseen financial constraints that came due to the delay of the rights issue.

The phase of practice in the NBK transformation was aimed at ensuring that employees internalize the learned behaviours. This concurred with the observation by Lawler and Worley (2012) that the firm should seek to alter organizational norms, behaviors and culture. Moreover, training and communication were undertaken as key practices to improve change efforts in employees.

This was in line with the emphasis by Kotter (2010) that training is vital to familiarize stakeholders with the details of change and how it applies to their work. Through training, staff gains a concrete understanding of how their behavior needs to change, the ultimate benefits the organization will realize, and the skills needed to effectively institute the change. At NBK this was effected through coaching, mentoring, focus group discussion and simulations.

Study results indicated that NBK was able to provide a changed culture that focused on being customer centric. This, according to findings from a study by Karim (2011) is a source of competitive advantage. Karim noted that many of a company's activities, not just its physical product or service, contribute to differentiation and hence contributing to sustainable competitive advantage.

NBK attained competitive advantage by also enhancing its geographic and competitive scope. This agrees with findings by Lee (2013) that competitive scope which has four key dimensions (segment scope, vertical scope, geographic scope, and industry scope) allows the company to exploit interrelationships between the value chains serving different industry segments and geographic areas and thereby attaining an advantage.

Lastly, study findings indicated that the changes in culture, use of electronic channels, adoption of Islamic banking and entry into SME banking effected at NBK enabled the bank to improve its customer deposits, revenues, profitability and customer numbers.

These findings concurred with the findings by Liao (2015) that change management enabled firms to have strategic advantage included changes in technology, people and culture, strategy and structure, and products and services. These findings also concurred with findings by Kamugisha (2013) that change practices revolutionized the institution and made it well placed in attaining its objectives and be competitive in the management of faculties and modules.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This study assessed strategic change management practices and sustainable competitive advantage at National Bank of Kenya. The strategic changes started in 2012 and were formulated into the 2013 – 2017 strategic plans. This chapter provides the summary of the results on the change practices, how the change practice were managed and the role that the management of the change practices played in enabling the bank to achieve sustainable competitive advantage. The chapter also presents the conclusion, recommendations, limitation of the study and suggestions for further research.

5.2 Summary

This section provides the summary of strategic change management practices undertaken by National Bank of Kenya, how the bank was able to manage the strategic change practices and the assessment of whether strategic change management practices gave the bank sustainable competitive advantage.

Regarding change management practices in National Bank of Kenya, the interview results revealed that changes were aimed at transforming the bank into the top tier from the middle tier. Changes adopted included rebranding, downsizing, organizational alignment, culture change, introduction of new products and focus on diversified product portfolio.

First, the rebranding process was reported to have been aimed at communicating to the market that the focus of the bank had changed. NBK's rebranding was aimed at sending a message that the bank was no longer focused on business from government agencies and retail customers. The new brand and corporate colour were arrived at after various suggestions, consultations and revisions which were a concerted effort of the employees, management and the contracted consultants. The new logo and colours were selected depicting energy, joy, intellect, reliability, friendliness, security, honesty and stability. These were the values that NBK sought to uphold after the transformation.

Culture change was the most critical and challenging change that NBK instituted. The director indicated that this was the most challenging change to implement. The culture change was aimed at making employees courteous, collaborative, and focused on the bank's long term interests. Other areas that required change included making the bank more customer centric, increasing integrity, reliability and focus on process as well as outcomes. This change was important as NBK had been long associated with inefficiency as a 'government bank'. The bank needed to change this image.

The bank also restructured its organization with major realignments in its top management. This was aimed at aligning the structure of the bank to its new strategy. The bank also engaged in downsizing to ensure that those employees that were rendered redundant by the transformation were voluntarily laid off. The organizational restructuring and downsizing enabled the bank to be aligned to the new strategy that was and enhanced its ability to implement it effectively.

Diversity in product offering was another key change carried out by NBK. Prior to the changes, the bank was only engaged in a narrow scope of services which included banking for government agencies and retail banking. In diversifying its product offering, NBK planned to open 30 new branches and 40 new ATMs by 2017. The bank also planned to increase its agency banking presence by having more than 2000 agents country wide. Other improvements in service offering included expansion to neighboring countries, offering of new products such as bancassurance and Islamic banking and expanding its accessibility through internet and mobile banking. Diversity in product offering was another transformation implemented by NBK. NBK also engaged in corporate and SME banking which were areas that it had hitherto not engaged in. However, the bank faced serious challenges from mainstream SME lenders.

In dealing with the transformation, various change practices were adopted and managed by NBK. The major modes through which the change efforts were managed included establishing a vision and plan for the changes, involvement of top management, engaging stakeholders and effective communication. Others included creating infrastructure to support the change efforts, training employees and monitoring and evaluation. First, the vision and the plan for change were clearly communicated to all stakeholders concerned. Communication was used to engage stakeholders, enhance buy-in and reduce resistance to change.

Senior management involvement was another key practice that was adopted by NBK throughout the change process. Top management was involved in formulating the vision for the bank while implementation was mostly left to middle management with direction and oversight from top management. Senior management at the bank was also regularly updated on the progress and issues that were being experienced in the change process. The middle manager acted as a link between employees and top management. They communicated to top managers on a weekly basis to keep them updated on how things were progressing. Top management on the other hand communicated any changes and fine-tunings through middle managers to employees. Top management hence provided the leadership required in the implementation of the changes.

Engagement of stakeholders was another practice that was largely adopted throughout the change process at NBK. This was largely done through communication and negotiation with key stakeholders. The key stakeholders were majorly the shareholders, employees and customers. Negotiation with government and other key shareholders was vital as the change process required financial resources. Engagement with government, government agencies and corporate shareholders was conducted through planned forums. This was the responsibility of the top management and the board of directors. Annual general meetings were other forums that the bank used to engage shareholders on the transformation. Employees were engaged on a small scale as most of the engagement came from directions received from top management.

The bank had focus groups discussions, suggestion schemes and simulations where employees could air their views and grievances. However, most of the suggestions were usually not acted upon as there were weak structures to incorporate the views into the change phases. Similarly, engagement of customers was done through advertisements on print and electronic media. There were targeted advertisements in the print media including radio, television and online platforms including the bank's website and social media (mostly Facebook). These were used to inform and articulate on the changes.

Another key practice employed in the change process was communication. Communication was always focused to ensure that there was effective coordination in the change processes. Moreover, communication to employees was aimed at countering resistance to change and enabling employee buy-in. The bank effected lateral communication across departments to ensure that all change efforts were coordinated in the bank. Communication to employees was most critical in enabling culture change. Communication to other stakeholders (shareholders and customers) was also effected. This was practiced through all media (electronic and print). The communication efforts conducted by the bank were successful which enabled the bank to inform stakeholders of the changes. Effective communications through press conferences, functions, presentations, advertisements and promotions enabled the bank to inform customers of the new look and culture.

Provision of adequate human and material resources was another key practice by NBK during the transformation. Human resources were provided by bringing in consultants and building capacity of employees to be able to handle the transition process effectively. The board and top management entered into negotiations with authorities and shareholders to raise financial resources in the capital markets to ensure that the change processes were adequately financed. Top management and board of the bank requested shareholders to approve a rights issue in 2013 which was to pave way for more finances to cater for the bank's expansion due to the increased product portfolio.

The bank was also regularly involved in monitoring and measuring progress of any change initiated. Performance of each change phase was monitored and evaluated quarterly and monthly as it was deemed fit. The bank had provided provide key performance indicators which were used to assess the progress of the change phases. Moreover, milestones were provided, rewards attached to the milestones and performance assessed regularly against the milestones.

Building capacity of employees through in-house and external trainings was a practice that enabled the bank to transform effectively. A consulting company was contracted to oversee the change processes and was also engaged in training of employees in-house to enhance their capacity. The bank also sponsored key employees to external short term trainings. The trainings mostly focused on the soft qualities such as communication, leadership, teamwork, interpersonal skills, conflict management skills and integrity.

To effect culture change, NBK applied a four phase approach which included awareness, learning, practice and accountability. Mentorship, coaching, simulations and group discussions were the major models of learning that were employed. Employees were continually encouraged to practice the new learned behaviours and rewards were attached to short term results but more emphasis was put on long term results.

Key challenges affecting the transformation process included poor cooperation from some stakeholders, resistance to change, poor employee involvement in some change efforts and interference from some outside stakeholders. Other challenges included limited financial resources, competition from other banks, top management turnover and the regional geopolitics. Responses employed to deal with these challenges included head hunting of top management personnel, fine-tuning of the change process, negotiation, asset disposal, training, enhancing communication and establishing a complaints handling unit.

The strategic changes effected at NBK were considered as success according to the interview results. Notable sustainable benefits due to the changes included growth in profitability. Changes credited for this improvement included culture change, diversity in product offering, introduction of Islamic banking and electronic banking channels.

Another competitive advantage was in productivity and efficiency. The voluntary retirement programme enabled the bank to save on employee costs and enhance the bank's productivity this improving its cost income ratio. Another improvement was in market share. Customer deposits increased more than the industry average due to new banking channels, Islamic banking, diaspora banking and SME banking. Moreover, due to a successful culture change, the bank's reputation had improved which led to observable benefits in growth of customer deposits.

Brand image and reputation had also improved. A combination of rebranding and change in customer focus enabled the existing and potential customers to associate the transformation to positive changes. Though the bank had not achieved total culture change, the transformation was evident in the branches into how the bank had become customer centric.

5.3 Conclusions

The study makes the following conclusions. First, NBK instituted changes that were aimed at transforming it into the top tier from the middle tier. Changes that were effected included rebranding, downsizing, organizational alignment, culture change, introduction of new banking channels and product offering diversification. NBK's rebranding involved changing the logo, corporate colours and the culture. New culture focused on bringing in energy, joy, intellect, reliability, friendliness, security, honesty and stability. Culture change was the most critical and challenging change that NBK instituted.

This included making the bank more customer centric, increasing integrity, reliability and focus on process as well as outcomes. Other changes instituted included major realignments in its top management, diversifying product offering, increasing its branch and ATM network, focus on new customer segments and improving accessibility through electronic banking channels.

Secondly, management of the change practices at NBK involved establishing a vision and plan for the changes, engaging stakeholders, involvement of top management and effective communication. Other practices that were applied included creating infrastructure and resource bases to support the change efforts, employee training, leadership training, soft skill development, and monitoring and evaluation. Biggest challenges that were encountered in the change process included inadequacy of financial resources, resistance to change, internal leadership challenges, and the regional geopolitics.

Key responses that were applied to deal with the challenges included asset disposal, negotiation with key stakeholders including government, training, reward management and monitoring and evaluation. Thirdly, the strategic changes effected at NBK enabled the bank to achieve sustainable competitive advantage. Notable sustainable benefits due to the changes included growth in profitability, improvement in productivity, efficiency, reputation and brand image.

The bank also had achieved a marked improvement in customer base and deposits. The Islamic banking segment had reported the biggest benefits in enhancing customer deposits. Moreover, a combination of rebranding and change in customer focus enabled the bank to achieve a positive image as a corporate and customer centric bank.

5.4 Recommendations

This section provides the recommendations that were made in the study. The recommendations are based on the findings and conclusions made from the study. The recommendations are made for managerial policy and practice, for theory and for academicians.

5.4.1 Recommendations for managerial policy and practice

Following the findings from this study, the study makes the following recommendations for managerial policy and practice. To the management of NBK, the study recommends that involvement of employees should be at the forefront for any change effort to be effective. The changes instituted at NBK were organizational wide which made them vulnerable to noncooperation of staff. As the implementation of the strategic plan has one more year to go, management should ensure that key views collected from employees are acted upon or management finds a way to communicate why some suggestions were not acted upon. This would make the employees to feel that they are key partners in the change efforts. This is expected to improve their cooperation and motivation.

Secondly, leadership at NBK should be committed to the change and lead by example. When leadership is committed to the change and lead from front, the changes will be institutionalized across the while organization which would make the benefits expected from the changes efforts to be realized. Management should also seek commitment from the employees through involving them in key decisions, designing rewards into the change milestones and ensuring that rewards are equitable to performance.

Third, NBK management should continually monitor and identify the impacts of the changes on employees and develop plans to realign the employees to support the long term changes efforts at the bank. Is critical to not just monitor progress of the change efforts but also monitor how the changes are affecting the workforce. This would enable the bank to have effective responses that will ensure that employees are not pushed too much to breaking point by changing at a faster pace than employees can cope. Lastly, the study recommends to key stakeholders such as government to provide avenues to NBK to enable it access financial resources to implement its key plans.

The study established that though NBK shareholders in the 2014 AGM passed a resolution enabling it to float a rights issue, the government had up to the time of the study denied its permission as a major shareholder. This was indicated to be one of the key factors that had made most of the targets set to be behind schedule. Availability of resources is key in any change initiative and hence stakeholders should not stand in the way of the transformation by denying access to resources.

5.4.2 Recommendation for Theory

The following recommendations are made for theory. First, there are various change management theories that are applicable in different contexts. In the study, the stage and the competitive advantage theory were applied. The study noted that most of the practices applied by NBK related to the best practices as depicted in change management theories. It is hence advisable to study various theories and adopt the best practices that fit the context of the organization.

As advised in the stage theory, top management should be the change agents in the organization and should recognize the different stages and come up with unique strategies and practices for each stage. The change management process at NBK was seen to be divided into phases with strategies being applied for each stage. Furthermore there were effective responses that were applied to deal with challenges that were observed. NBK should further establish those change practices that did not adhere to the prescriptions of theory and establish the reasons behind this. This would inform any new changes in future.

5.4.3 Recommendation for Academicians

The following recommendations are made to academicians. First, the academicians in applying the results from this study should clearly examine the limitations to assess the generalizability of these findings to other organizations undergoing transformation.

Moreover, academicians should be able to analyze the study limitations in-depth to ensure that in future studies, they can be able to design their studies effectively to avoid the limitations experienced in the study. Further, academicians should explore the suggestions that have been provided in the study which can inform them on areas that may need research in future regarding strategic change management and sustainable competitive advantage.

5.5 Limitations of the Study

This study had several limitations. First, the 5-year transformation plan by NBK was covering the period from 2012 to 2017. This study hence acted as a within-plan evaluation where the changes effected may not have provided notable and measurable sustainable competitive advantages. A clear and conclusive assessment of the success or failure thereof of the change efforts can only be conducted after the expiry of the 5-year period which would be in June 2017.

The study hence may not be a clear and conclusive analysis as benefits from change efforts can lag and the effect may be felt many years after the change has taken place. Secondly, some of the sustainable benefits that were indicated to have accrued to the bank were not quantifiable. For instance, though improvement in customer numbers, customer deposits, market share and profitability were quantifiable, improvement in customer focus and corporate image were qualitative advantages which could not be quantifiable.

Achievement of such advantages would only be assessed through a market research that would assess the brand value of the bank in the eyes of the customers and measure this against the value before the transformations. Lastly, this study relied heavily on the views and perceptions of key management staff which could have been biased. However, though some views were checked against published financial statements to establish their authenticity and reliability, some of the details such as practices, processes and challenges could not be authenticated.

Moreover, the two directors who participated in the study had been in the bank for just two years indicating that they were not there when the transformation started. This hence casts doubt on their capability to provide insights into the practices and processes the bank transformation. However, the branch managers who participated in the study provided insights as they had served for long periods in the bank.

5.6 Suggestions for Further Research

The following areas are recommended for further research. First, a research should be conducted after the expiry of the 5-year transformation period at NBK to establish conclusively the performance of the bank against the set targets. Such a study will be a clear assessment as the 5-year period will have expired and hence conclusive evaluations could be conducted.

Secondly, a study on other government owned entities that have had transformations such as the Kenya Industrial Estates is warranted. Such a study would shed light on change practices employed in such organizations and how these change efforts have been instrumental in enabling the organizations attain sustainable competitive advantage. Moreover, such a study would inform policy and practice on the pitfalls of change management in entities that government has ownership.

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Appendix: Interview Guide

SECTION A: GENERAL INFORMATION

1. Position held…………………………………………………..

2. Number of years served in the position………………………….

3. Length of service with the bank…………………………………

SECTION B: CHANGES AT NATIONAL BANK

1. When was the last strategic change undertaken?

2. Which changes have been implemented at the bank?

3. Is there any change that is currently in progress?

SECTION C: STRATEGIC CHANGE MANAGEMENT PRACTICES

1. Which strategic change management practices listed below did the firms adopt and how

a. Establishing a vision

b. Involvement of senior leadership

c. Developing a change management plan

d. Engaging stakeholders

e. Communicating at all levels

f. Creating infrastructure to support adoption

g. Measuring progress.

h. What other practices?

2. Did the bank conduct market research to check viability of the intended changes before implementation?

3. Does the bank monitor implemented changes to ensure successful implementation? If yes, how?

4. Are employees involved in the planning of change adequately trained in change planning and management?

5. Are employees adequately trained on the organizational changes being implemented?

6. What kind of challenges were experienced in the change process

7. How did the bank deal with the challenges?

8. Are there external factors that affect the change management process? If yes, which ones?

SECTION D: SUSTAINABLE COMPETITIVE ADVANTAGE

1. Which competitive aspects did the bank seek to achieve through the changes

2. How competitive is the bank on:

a. Profitability

b. Market share

c. Bank size

d. Amount of deposits

e. Reputation

3. What is the competitive outlook of the bank in the future?

SECTION E: CHANGE MANAGEMENT PRACTICES AND SUSTAINABLE COMPETITIVE ADVANTAGE

1. Which change management practices have helped the bank in gaining sustainable competitive advantage

2. Why do you think the changes you have indicated above have enabled the bank to gain sustainable competitive advantage

3. Has the bank gained any competitive advantages over its peers in the banking sector that can be credited to the changes?

4. Which change management practices have not contributed to sustainable competitive advantage and why do you think they have not contributed