STRATEGIC CHANGE MANAGEMENT PRACTICES AT NATIONAL BANK OF KENYA LTD

BY

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

NOVEMBER, 2016

DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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

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ACKNOWLEDGEMENTS

First and foremost I would like to sincerely thank God almighty for the drive, strength and patience He gave me while writing my research project. It is by His grace and mercy that I have been able to successfully reach another milestone in my life.

Secondly I would like to thank my parents and siblings who have encouraged and supported me especially when the going got a bit tough. I am truly grateful to them. Special thanks to my supervisor Mr. Monayo who has been very supportive and reliable while guiding and directing me during my research project writing.

Finally, I want to appreciate the National Bank of Kenya team for their time and allowing me to carry out this research project.

DEDICATION

This research project is dedicated to my family members especially my parents whose many prayers, words of wisdom and encouragement propelled me to success. May Almighty God bless both of you abundantly. I cannot forget my siblings who have tremendously supported and encouraged me to persevere.

To my friends and younger cousins, all is possible with hard work, commitment and being faithful to God.

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ABSTRACT

Change has to be made to allow a company's strengths to combat its weaknesses. To be able to be successful, the management of a business require to conduct SWOT analysis and PESTLE analysis periodically so as to keep up with the ever changing business environment. Organizations require strategic change for various reasons which include: moving from a good performance to a great performance, turn around a crisis situation, reduce costs, catch up to rivals, split or divest part of the organization. The bottom-line for an organization is to remain competitive. The objectives of the study were to; determine the strategic change management practices in National Bank of Kenya and to establish challenges of strategic change management in National Bank of Kenya. A case study was utilized in this study because the study focused on one organization. The study used primary data only which was collected through an interview guide and the qualitative data collected was processed using content analysis. The study found that communication to employees was sometimes not clear and well defined, employees were not trained on strategic change management but it was only reserved for senior management, the leadership style was authoritative with no clear direction, lack of culture uniformity, the staff were not motivate and thus led to resistance to change. The study recommends participation and involvement of all stakeholders, a proper market research to be conducted to formulate unique strategies to the organization, having proper planning and control systems with corrective actions in place and having a better organization culture and strategic fit.

ABBREVIATIONS AND ACRONYMS

ABC	African Banking Corporation
AGM	Annual General Meeting
ATM	Automated Teller Machines
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
ICT	Information Communications and Technology
I&M	Investments & Mortgages
KCB	Kenya Commercial Bank
NBK	National Bank of Kenya
NGO	Non Governmental Organizations
NIC	National Industrial Credit
NSE	Nairobi Stock Exchange
NSSF	National Social Security Fund
PESTLE	Political, Economic, Social, Technological, Environmental, Legal
SME	Small & Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities, Threats

CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Change management is a transition from one state to another with aim of being different Davis & Holland (2002). It is necessary for organizations that want to meet their objectives Davis B. (2003). Strategic Change management is necessitated by the ever changing internal and external business environment. Organizations need business environment fit for effective change management.

Management need to create and enhance competitive advantage, innovation, restructuring among others which can be facilitated by monitoring the organization's environment for symptoms of turbulence or take advantage of potential opportunities. Framework for environmental analysis includes SWOT Analysis and PESTLE Analysis Hartzell (2003). Useful models in strategic change management are Lewin’s Action Research Model, Kurt Lewin's three step Model, John Kotter's eight steps Model and Kanter’s Ten Commandments.

National Bank of Kenya is one of the oldest local commercial banks established in 1968. It’s a public owned company listed on the NSE enjoying government support and protection. It has about 80 branch outlets within the country. The bank has however not grown much due to severe competition from other indigenous competitors. The bank has been experiencing challenges due to non compliance to the changing business environment as products and technology. To be able to compete effectively in the cut throat banking industry, the management undertook an overhaul in the bank’s strategy by restructuring through downsizing, upgrade of systems, providing a wide selection of products, automation of some functions and rebranding (www.nationalbank.co.ke).

1.1.1 Concept of Strategy

Strategy is a plan made by management of a company to successfully position itself and have a competitive advantage Thompson & Strickland (1999). It is also been defined as the essence of doing business in having a competitive edge Koch (2004). According to Johnson and Scholes (2002) strategy will enable an organization meet its stakeholders and the markets needs. A well thought strategy should contain the scope of activities which include the type of products offered and the markets targeted either through cost leadership or differentiation, long term direction of the organization and strategic fit, that is, matching organization's activities to its environment.

In organizations, strategy is usually practiced at Corporate Level, Business Level or Operational Level. Corporate Strategy is spearheaded by the board of directors, Chief Executive and other top level managers. Here, direction regarding, corporate resource allocation, corporate image, corporate social responsibility, overall scope of the organization's activities among others are made. Business Strategy is spear headed by middle level managers. Here, they are concerned with how to compete effectively with other businesses in the market and maximizing on its competitive advantage. Operational Strategy is spear headed by the functional heads. Here, they are concerned with efficiency in implementing the corporate and business strategies.

1.1.2 Strategic Change Management

Strategic Management is the actions made by the management of an organization to achieve its objectives Pearce & Robinson (2002). It has also defined as the process of formulating, implementing and monitoring and controlling an organisation's strategies to meet its objectives Harvey (1988). It begins with determining the vision and mission of an organisation, undertaking a SWOT Analysis, (Strengths, Weaknesses, Opportunities, Threats) setting strategic objectives based on the SWOT identified in environmental analysis, Strategic analysis and choice by determining the appropriate business portfolio and how to compete effectively, Strategy implementation which requires operationalizing and institutionalizing strategy and Monitoring and control Pearce & Robinson (2002)

Change management is a problem finding and problem solving activity where some current state will be left out through some organized process leading to a desired future state to be realized. Identifying and analyzing causes of change is the beginning point in change management. Causes of change can either be external or internal. External changes are brought about by factors outside the company's control which include, technology, customer base, government policy, competition, market structure, social and political environment among others. Adaptation may require strategies involving changes in product, market, process, technological structure, culture, leadership, policy and ownership. Internal changes are brought about by changes within the organization which unlike the external environment, the company has control over them. They include leadership style, financial resources, location, employees, processes, company culture and image Todd (1999).

According to McKinsey, change in order to reduce costs, move from good performance to great performance, turn around a situation in crisis, catch up to rivals, splitting the organization, prepare for change in government restrictions, complete or integrate a merger. The critical success factors of change management are, communication to employees to create awareness and readiness, participation of employees through sharing of ideas to increase ownership and commitment, willingness to change and financial rewards like high wages, promotion which increases motivation and morale Fritzenschaft (2014)

1.1.3 Banking Industry in Kenya

Commercial Banks are regulated and licensed by the Central Bank of Kenya. They are governed by the Prudential Guidelines and Banking Act and are monitored very closely. There are 42 licensed commercial banks and 1 mortgage finance company. The Kenya Government owns 3 commercial banks, while the remaining 39 and the mortgage finance institution are privately owned. 14 of the 39 privately owned banks are foreign owned while the remaining 25 and the 1 mortgage finance institution are owned locally (www.centralbank.go.ke)

For decades, Standard Chartered and Barclays banks were the market leaders in Kenya’s banking industry and they focused on the middle and upper income earners. Equity Bank came up with a unique way. It targeted the unbanked poor with cheap savings accounts and microloans through tailor made products and accounts. The strategy proved to be successful sine in just a few years Equity Bank has become one of the most profitable bank in the country Rice (2009). This led to other players in the industry to follow suit to cash in on the low income individuals who form the bulk of the population.

The banking sector has seen growth of upcountry branches and expansion to outside our borders in Rwanda, Uganda, South Sudan and Tanzania. Banks that have crossed our borders include: KCB, Equity Bank and Co-operative Bank. (http://softkenya.com)

With the launch of Mpesa in 2007 by safaricom, where money is transferred from one user to another, its uptake grew tremendously since Mpesa service was able to reach the large number of unbanked kenyans especially in the rural areas beating commercial banks. This also led to a mirrored growth of mpesa agents who are safaricom authorized dealers across the country. This threatened the banking industry in Kenya and thus banks took up mobile banking services to maintain their customers as they looked for more customers. Among the benefits banks offer is the accessibility of funds from the account through mpesa or from mpesa to the bank account which quickly led to the rise of agency banking where banks serve their customers within residential areas, shopping malls and therefore their customers do not have to travel to their bank branches for quick transactions. In addition, agency banking increased customer base as access to the target market was now easier. Data from CBK indicated that agency banking in a month handles millions of dollars (www.businessdailyafrica.com)

The banking industry took another dimension when some banks collapsed due to increase in Non-Performing Loans. A credit information sharing mechanism to vet client capability and suitability in credit management circles was established and governed by the CBK. The objectives of Credit Information Sharing are, to make it easier for customers to negotiate for concessionary credit rates and also enable financiers grant quality lending. (www.kba.co.ke)

1.1.4 National Bank of Kenya Ltd.

National Bank of Kenya Ltd was incorporated on 19th June 1968 and fully owbed by the government. The government sold 32% of its ownership to the public in 1994 and sold further shares worth 40 million in 1996. The current major shareholder is the government through NSSF and through Treasury. (www.nationalbank.co.ke)

National Bank of Kenya Limited is provides banking services, financial services, bank assurance and other services. The Bank has diversified its services into segments which include: Business Banking, Retail Banking, ,Islamic Banking, Corporate & Institutional Banking, Chinese Business, Treasury and Investor services. The organization offers various products and solutions to corporates, institutions, businesses and retail customers which include various financing facilities, mortgages, trade services, mortgages, deposit accounts, transactional accounts, custodial services, sharia compliant products, cards services among others. The bank has a network of approximately 80 branches, 140 ATMs and digital channels of mobile and Internet banking across Kenya. Its subsidiaries include Kenya National Capital Corporation Limited, Natbank Trustee and Investment Services Limited, and NBK Insurance Agency Limited (www.reuters.com)

In 2013, the bank rebranded changing its logo and colour from green to brown and yellow. The bank has a new slogan, “Bank on Better” which is a promise to customers as well as stakeholders. The objective was to transform the bank into one of the top tier banks in the country by 2017 (www.nationalbank.co.ke) This entailed growing its market share, growing the bank's balance sheet, new products, managing risks, changing culture and cutting costs. (www.nationalbank.co.ke) The bank has also embarked in expansion of branch network, enhancing internet banking and mobile banking services, introduction of agency banking and various products for all segments.

1.2 Research Problem

Due to dissatisfaction of current strategies, change is introduced. The management of any organization is required to formulate and implement strategies for change to take place. Strategies include situational awareness which requires understanding the change and who is impacted, identify the team that will support the change, strategy analysis which includes risks, resistance, and special tactics. Due to turbulence in internal and external business environment brought about by change in organizational structure, financial capability, change in target market, change in customer tastes and preferences, heightened competition, change in legislation, change in technology and change in political and social cultural environment, organizations have to find ways of adapting to the changes in order to remain competitive.

The National Bank of Kenya has unique products which include Professional Account specially designed for professionals, Elimu Collection Account designed for learning institutions with effective fee payment service, Institutional Account. Jenga Biashara Account for the micro market, Thamani muti currency Account with benefit of internet banking. (www.nationalbank.co.ke). However both internal and external business environment keep changing requiring continuous improvement on tailor made products and services.

Previous studies that are relating to strategic change management have been undertaken; Kilpimaa, (2006) researched on Factors influencing successful change management found that lack of senior management support hindered progress of change and led to uncertainty. Caldwell et al (2008) researched on Implementing strategic change in a health care system, found that the quality of leadership was positively related to change in patient satisfaction. Kiilu, (2012) researched on Strategic change management at Judiciary of Kenya, found that judiciary is now able to manage strategic change as Kenyans are having faith in the judiciary. Gichohi, (2011) researched on Strategic change management at NIC bank of Kenya found technology, internal and external factors necessitated the frequent strategic changes that occurred in the bank, Kariuki and Ombui (2014) researched on Factors affecting strategic change Implementation at Co-op Bank of Kenya, found that organizational structure emerged as a strong factor that influence strategic change implementation and management style of the managers in the process of implementing the performance system affects the process of strategic change implementation to a great extent. Nyachoti, (2014) researched on Strategic change management and performance at National Bank of Kenya found that the impact of the strategy implemented to the employees would determine their reaction. In addition, the environment in which implementation is done would affect their motivation level. From the findings of previous studies, none above has done on challenges of strategic change management at National Bank of Kenya Ltd. This study seeks to answer the question what are the strategic management changes and challenges adopted by National Bank of Kenya?

1.3 Research Objectives

The objectives of the study are:

(i) To determine the strategic change management practices in National Bank of Kenya

(ii) To establish challenges of strategic change management in National Bank of Kenya

1.4 Value of Study

The study will assist organizations in the industry understand the importance of doing an environmental analysis that will help them know the internal and external forces that necessitate change, shifting of paradigms, the role of leadership during change management process, know the challenges faced by National Bank of Kenya in its strategic change management and how to overcome similar challenges. The study will assist organizations in the industry formulate and implement suitable strategic changes as per the needs of the organization.

The study is also beneficial to the management of National Bank so that they can be able to understand better the turbulent business environment, learn from mistakes made along the way and how to counter resistance to change. This will enable the bank come up with better management practices and policies that satisfy the stakeholders by being effective, efficient and competitive.

The study will put into test theories under strategic management. It will be of benefit as a guide and source of reference in comparing the findings in this case study with other previous and related studies. The study will give up to date findings on area of study which will assist organizations deal with implementation of strategic change management, its challenges and managing the challenges of strategic change management, in formulating suitable strategies and thus pave way for future findings.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter provides a theoretical discussion by identifying key contributors and their arguments in this field of study and citing them. The Literature Review will focus on the, the process of strategic change management, the challenges faced by organizations and how to overcome the challenges.

2.2 Theoretical Foundation

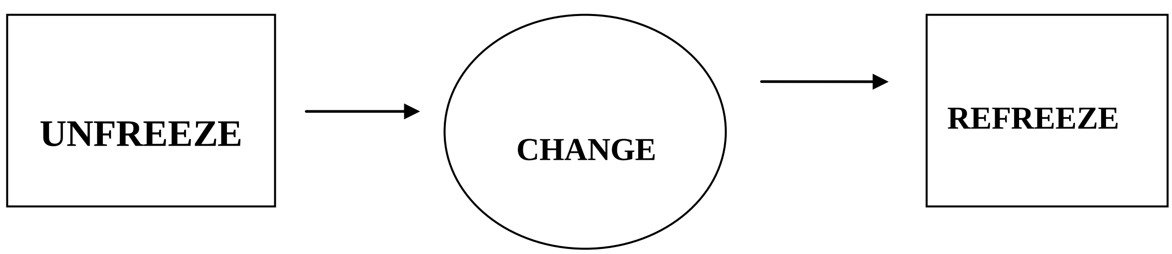
This study is anchored in the following theories: Lewin's Action Research model, Kurt Lewin's 3 step model, Kotter 8 step change process, and Kanter's Ten Commandments for executing change.

2.2.1 Lewin's Action Research Model

Lewin, (1946) coined Action Research Model using several steps involving the organization and the causes of change. Each step is comprises planning, actions required and evaluating the results of the action. The Action Research involves the organization, the reasons for change and change agents. The process includes: knowing the problem, consultation with experts, gathering information on the system relative to set goals, objectives of the system, taking action by changing selected variables within the system, evaluating the results by collecting more information and taking action again.

2.2.2 Kurt Lewin's 3 step model

Lewin, (1951) developed Lewin's three step model which involves: unfreezing, changing and refreezing. Before a change is effected, it must go through the initial step of unfreezing of the current status to be able to raise awareness of challenges faced by the organization. Old ways of doing things, people and organizational structures are thoroughly examined to create an understanding of the necessity of change in the organization to create and maintain competitive edge. In the Changing step, implementation of the change is done. However it causes a lot of fear and anxiety. The final stage, Refreezing, is marked by solidifying the new state after the change. Rewards and appreciation of individuals' efforts are used to reinforce the new changes. It is however argued that the refreezing step is outdated in today's business environment due to the need for continuous change Hartzell, (2003).



Creating awareness of old behaviors hindering the organization	Implementation of the change process	Reinforcing and solidifying the new state after the change

Figure 2.1: Lewin's 3 step model

2.2.3 Kotter's 8 step model

Kotter, (1996) introduced his 8 step change process. The steps are: First step is to establish a sense of urgency by addressing why change is necessary and why it should be right away. Second step is forming a powerful guiding coalition by getting the right team to influence and guide the organization during the change process. Third step is creating a vision on why the organization should strive to create the desired future. Fourth step is communicating the vision using different channels in a way all members of the organization will understand. Fifth step is empowering others to act on the vision by providing the necessary tools and skills required in the change process and removing barriers to change. Sixth step is planning and creating short term wins by motivating staff. Seventh step is putting together improvements and enhancing more change by encouraging employees to focus on the strategic vision. The final step is institutionalizing new approaches by making the changes part of culture by articulating the benefits of change.

2.2.4 Kanter's Ten Commandments

Kanter et al argue that change is continuous and offered the following Ten Commandments for executing change: Analyze the organization and its need for change, Create a shared vision and a common direction, Separate from the past, Create a sense of urgency, Support a strong leader role, line up political sponsorship, craft an implementation plan, Develop enabling structures, communicate, involve people and be honest and reinforce and institutionalize change Simms, (2005). Kanter et al. (1992) suggest that Lewin's model for change which consists three successive phases called unfreezing, change and freezing is too simplistic as it is based on the view that organizations are essentially stable and static. This however is not in today's environment. They also disagree with the idea that change results only from concentrated effort and that it occurs in one direction at a time.

2.3 Implementation of Strategic Change

Change management requires careful planning and precise implementation and with a lot of consultation nd involvement of the people affected by the changes. A forced change on people gives rise to problems. Change must be achievable and measurable more so when managing people. Before starting organizational change, the management should have laid down goals and objectives and communicate the same to the stakeholders and allow their participation (www.businessballs.com)

According to (Quinn 1980), all organizations have different unique ways of operating their businesses and therefore, there is no single solution for all organizations. However, very elaborate strategic decisions bring about lengthy processes. Principles of leading change management include: leading with the culture, starting at the top, involving every level in the organization, management should make both rational and emotional decisions with the employees, acting into new thinking, communication, involving all those with formal and informal power and influence among others (Jones, Aguirre and Calderone 2004)

Senior and Fleming's (2006) found that leadership practices need to change with the ever changing organizational environment. Therefore leadership is about purpose. A leader should listen to people and honor what cannot be done. For any change to be successful, it is important to create a conducive environment for change by creating awareness, engaging and enabling the whole organization and most importantly implementng and sustain the change.

2.4 Challenges of Strategic Change Management

Challenges of strategic management include: converting the new created mindset into action, convincing stakeholders to be supportive during implementation process, time required to develop and implement new strategies, reducing the number of employees through restructuring where employees being affected will always feel victimized, where resources are used inefficiently and wasted the only option is provide additional resources, lack of employee knowledge and skills which will require training, inadequate leadership from the management of the organization, lack of proper communication to employees, sustaining the change Naghibi, (2011). Recklies, (2001) found organization culture as a barrier especially when employees do not see the relation between their traditions and an existing problem. Change moves the organization and the employees from their comfort zone thus resistance to change comes in.

Kotter & Schlesinger,(2008) indicates various reasons why people resist change are: Parochial self-interest where employees focus on their own interests instead of the organization, misunderstanding due to inaccurate or inefficient information reaching employees, Low tolerance to change where employees are used to do things a certain way and find it difficult and strain to adapt to change.

2.5 Managing Strategic Change Management

Change brings a lot of anxiety, stress fear of unknown which leads to resistance to change while to others, they look at change as a source of opportunity. Change leads to new ways of doing things and it requires learning and adoption. Fugate, M., Kinicki, A.J. and Prussia, G. E., (2008) argue that the two major types of coping strategies are control coping and escape coping. Control coping is where one takes charge of their feelings and becomes part of the solution. Escape coping is where one avoids dealing with difficulties of change by disengaging themselves from the situation.

Resistance to change introduces delays and additional costs into the process of change. According to Kotter and Schlesinger, (2008) dealing with resistance to change requires: educating and communicating with employees to ensure information is adequate and accurate, allow participation and involvement of employees so that they are committed to change, facilitating and supporting employees to adjust, negotiating and agreeing with employees who may be affected by the change, explicit and implicit coercion, training and equipping employees with necessary knowledge and skills.

Nurse, (2007) indicates that leaders who carry out their plans and policies are effective. Many organizations usually formulate very good strategic plans but lack skills to effectively manage the change. The change agents should lead the change process from formulation to implementation to be able to achieve he set goals by setting out targets and performance measures. Nurse further states that change should be a continuous process over a period of time. This will enable the change in habits, skills of employees and systems. The leaders are required to direct the organization to prosperity.

Senior management involvement in strategic change must be visible. The levers of change must be connected from the top to the bottom of the organization; if not, strategic vision is lost, Pettigrew & Whip (1993) Strategic Management Change does not end at delivery, rather sustaining the change permanently through reinforcement planning.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the research methodology used in the study which entails research design, data collection methods and data analysis techniques used to realize the objectives of the study.

3.2 Research Design

A case study was utilized in this study because the study focuses on one organization. Case study research creates a more understanding of a complex subject and enhances the experience or emphasizes what is already known through previous research. Case studies also details contextual analysis of a limited number of events or conditions and their relationships. Soy, (1997)

Yin, (1989) defines the case study research method as an inquiry that seeks to understand investigates a situation within its real life context, when boundaries between the situation and context are not clearly known, and in which several sources of evidence are used.

3.3 Data Collection

According to Soy, (1997) the researcher is required to collect and store the various sources of information in formats that can be confirmed and sorted with aim of uncovering patterns and observations Researchers thoroughly observe the object of the case study and bring out the factors associated with the observed object.

The study used primary data only. Primary data was collected through an interview guide which contained open ended questions. This enabled the researcher obtain current qualitative data which may not be obtained through other data collection methods. The interview guide was administered to the employees of NBK targeting the various heads of departments' i.e Account Operations, Retail and Premium Banking, Credit Operations Business Banking, Corporate & Institutional Banking,Islamic Banking, Branch Operations, Treasury, Human Resource, ICT, Finance, Enterprise Risk, Workplace Banking, Credit Risk, and Cooperate Affairs since they are involved in the formation and implementation of strategic change management. The interview guide contained three sections. Section A contained the personal details of the respondent, Section B contained the respondent's view on the Strategic Change Management at National Bank of Kenya and Section C contained the respondent's view on the Challenges of Strategic Change Management at National Bank of Kenya and how the organization was coping with the challenges.

3.4 Data Analysis

Data Analysis is the process of describing and illustrating the data in a systematic way through condensing and evaluating data collected.. According to Shamoo & Resnik (2003) to be able to make decisions with facts drawn from data collected. Data analysis will distinguish the situation at hand with the information collected in the data

The qualitative data collected from the respondents was analyzed using content analysis since it provides in depth analysis of the responses obtained Weber, (1990). Data

Analysis entailed editing after completion of each interview/questionnaire, coding of questionnaires and data entry into the computer.

CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter provides the analysis, findings and discussions of the data collected following the interviews conducted with various heads of departments at National Bank of Kenya .The findings identify the strategic change management practices in NBK and establish the challenges of strategic change management in the organization.

4.2 Response Rate

Out of a targeted 15 heads of various departments, 12 of them responded making the response rate 80% which is adequate and relevant for this study. The table 4.1 below illustrates the response rate.

Table 4.1: Response Rate

Response Category	Frequency	Percentage
Response	12	80
Non Response	3	20
Total	15	100

Source: Researcher (2016)

4.3 Respondents Demographics

The study sought the respondents' demographic information to be able to determine their capacity, knowledge and skills to impact strategic change management.

4.3.1 Length of service in Banking Industry

The respondents experience in the banking industry range from nine years to twenty eight years which gives an indication that the respondents have a wealth of experience in the banking industry and they understand the process of strategic change management.

Table 4.2 Length of service in Banking Industry

Experience in years	Frequency	Percentage
5-10	5	41.67
11-15	2	16.67
16-20	1	8.33
21-25	3	25
26 and above	1	8.33
Total	12	100

Source: Researcher (2016)

4.3.2 Length of service in National Bank of Kenya

The interview also established that the respondents had worked for National Bank of Kenya over a period ranging one and a half years to twenty eight years indicating diversity in knowledge and ideas more so from those who have worked in other banks. Therefore the researcher felt the respondents have the skill and knowledge in strategic change management.

Table 4.3 Length of service in National Bank of Kenya

No. of years in NBK	Frequency	Percentage
0-5	5	41.67
6-10	1	8.33
11-15	1	8.33
16-20	2	16.67
21-25	2	16.67
26 and above	1	8.33
Total	12	100

Source: Researcher (2016)

4.3.3 Job Position held

The respondents were various senior managers in the bank since they are involved in the formation and implementation of strategic change management. Senior management was targeted in the study because they have capacity to impact change showing competence and sound management.

Table 4.4 Job Position Held

Job Position Held	Frequency	Percentage
Head of Retail and Premium Banking	1	8.33
Head of Account Operations	1	8.33
Head of Credit Operations	1	8.33
Head of Islamic Banking	1	8.33
Head of Branch Operations	1	8.33
Head of Workplace Banking	1	8.33
Head of Credit Operations	1	8.33
Regional Branch Manager	3	25
Head of Internal Audit	1	8.33
Head of Credit Retail	1	8.33
Total	12	100

Source: Researcher (2016)

4.3.4 Length of service in the current position

The interview also sought to find out the length of service of the respondents in their current positions. It was established that the period ranged three months to three years following a change in the organizational structure. From the table below, it can be assumed that majority of the respondents know their role in strategic change management at the bank.

Table 4.5 Length of service in current position

No. of years in current position	Frequency	Percentage
0-1	3	25
1-2	3	25
2-3	6	50
Total	12	100

Source: Researcher (2016)

4.4 Strategic Change Management at National Bank of Kenya

The respondents mentioned that the organization plans for change at the board level and senior management level. This is then executed through a five year strategic plan which is communicated to respective departments through the head of each department. Employees do not participate in formulation of strategic change but are involved at the implementation stage.

Factors considered when formulating strategy are cited by the respondents as: competition, profitability, expansion of the branch network, available resources, prudential guidelines by the regulator, the current position of the organization, impressing shareholders, risk appetite and time frame of realizing the objectives. Some of the internal factors the organization faces as noted by the respondents that lead to strategic change are: Change of management, skills gap leading to hiring of new talent, upgrade of technology, introduction of new operating systems, capital inadequacy, the bank's profitability, the overall performance over a given period of time, shareholders demands, the current structures and processes and change for the sake of change where the top management want to show they are doing something. The external factors the organization faces were noted as: competition, prudential guidelines by the regulator, market perception, change in customer needs, recommendations from consultants hired by the organization.

In regard to communication of organization's strategic change, the respondents mentioned that this was done through senior management and branch management who then cascade the same to the rest of the staff through emails or meetings and posters. However, it was noted by a majority of the respondents that most of the time the communication was not well defined and therefore not understood.

The respondents had various responses on organization culture change brought about by the strategic change management. Some felt that attempts to bring about organization culture change were hampered by mistrust between the indigenous staff and the new team. Others felt there was lack of culture uniformity due to double standards where the new team was not questioned when their actions and decisions were wrong while the indigenous staff faced dire consequences and some were forced to leave. Other respondents felt no serious culture change was brought on board, while others felt that the employees embraced the strategic change and work towards being part of the change.

Some of the organizational culture changes include: change of communication from traditional memos to emails, posters, social media and word of mouth, there are new layers of decision making with attempts in creating ownership and accountability which however led to cases of duplication and lack of intended ownership, internal job broadcasts was introduced which motivated staff to apply for other roles and positions within the organization, performance management and rewards was introduced which however was not uniformly applied, competition amongst staff in order to meet targets which however led to unhealthy competition and rise in corporate politics.

All respondents were in agreement that strategic change management is greatly influenced by technology. Technology has changed the way things are done at the organization. Technology improves turnaround time and hence better customer service, reducing errors and thus increasing efficiency which saves costs in the long run. Technology has also introduced digital banking which includes, mobile banking, online banking, communication through social media, among others. Technology has led to automation of a lot of processes which reduces head count to optimal levels.

All respondents were also in agreement that the organization monitored the progress of strategic change. This is done through meetings with project managers and different teams involved in strategy implementation by measuring against set time lines and requirements set out in project documents, through annual employee evaluation and performance appraisals, through daily and monthly reports, through monitoring the growth in liabilities and assets of the bank and through internal and external audit. The respondents also agreed that the organization tracks and measures success rate of applied strategies however it was slow to admit and make changes where it failed. This was particularly noted with the bank's rebranding strategy. Other areas where the bank did not make changes after applied strategies were not successful are intended cutting of costs by outsourcing some services. The end result was higher costs. These services include provision of transport and tea for members of staff.

The respondents had various views on whether the strategic change implemented met its intended purpose. Majority of them mentioned that sometimes the intended purpose was met in areas regarding creating awareness to customers, diversification of products, embracing new technology through digital banking, automation of processes and growth in bank's assets. However, it was noted that in most cases the intended purpose was not met in areas regarding further growth of bank's assets which was hampered by lack of sufficient capital due to failure of the rights issue, sale of fixed assets did not help in achieving desired savings, recruitment of new talent came with very high salaries which led to increased costs, growth of poor quality asset affecting profitability, some automation processes were not as efficient as intended, the strategies employed were not unique to the bank and were only copied from competition without considering the difference in target market, current operating system and processes leading to inefficiencies and loss of some of the key customers. The strategic changes did not capture the aspirations of majority of staff, the bank's profitability is now on the downward trend instead of growing.

4.5 Challenges of Strategic Change Management at National Bank of Kenya

One of the challenges noted by the respondents was lack of adequate resources for implementing strategic change. This was majorly due to the failed rights issue which the bank anticipated would assist in meeting its capital requirements. This has necessitated external borrowing to boost capital requirements, sale of fixed assets which include buildings and vehicles to boost capital, cutting budget and prioritizing implementation of projects based on urgency and expected value.

The respondents noted other challenges of strategic change management faced by the organization as: lack of training of employees in strategic change and its implementation, lack of support by the shareholders, lack of support by staff, mistrust between staff, low morale due to unpopular policies targeted against indigenous staff, negative publicity through social media and even main stream media, economic growth slowdown affecting achievement of set targets, ineffective strategies which increase costs instead of reducing costs, biased reward mechanism, key staff retention, over ambitious strategies, adoption of models from other organization which are not compatible with the organization, poor leadership, resistance by staff, poor communication, poor planning, poor people management and lack of involvement of all stakeholders.

All respondents agreed that the organization faced resistance to change. The factors leading to resistance include; poor communication, mistrust between junior staff and senior management staff, lack of staff involvement in strategy formulation, double standards between indigenous staff and new staff where new staff are rewarded very highly compared to indigenous staff who rarely get rewarded, laying off indigenous staff, uncertainty and fear of change and unhealthy competition among staff. To deal with the resistance, the organization forced staff to exit, others were made redundant while others were threatened.

The study found that majority of the members of staff were not motivated by the strategic change management process. Those who felt motivated were based on a promise of promotion after successful implementation of strategy. However, due to double standards employed and favoritism of some staff, majority became demotivated. Senior management viewed indigenous staff as lazy and lacking in skills to justify employment of preferred staff.

On leadership, the respondents felt it was poor. It was more authoritative and did not take reasonable time to ensure most employees understood the need for change. There was frequent shifting of goals and focus thereby loosing track of set objectives. It was also noted that the leadership lost professionalism as some leaders were involved in under the table deals. A lot of selfish interest was displayed by firing performing employees so that friends and relatives were hired. This lead to loss of confidence and support from all stakeholders as it caused fear, intimidation, uncertainty and dissatisfaction. The respondents felt that the new organization culture lacked uniformity and therefore hampered any positive realization of strategic change. This has impacted on the staff’s support of organizational culture change.

4.6 Managing challenges of Strategic Change Management at National Bank of Kenya

The areas the respondents considered the organization excelled in strategic change management are: increase of the branch network within the country, introduction of offsite ATM's therefore increased customer reach, digital banking, automation of some processes, shortened turnaround time in customer service thus increased efficiency, establishment of a new sales model, introduction of diverse products, and the recent reintroduction of staff training

on bank policies and new products. However for a successful change management, the respondents felt the organization should improve on: communication, continuous training of staff, staff motivation and development, systems upgrade, customer service, inclusion of all stakeholders in strategy formulation, having realistic and achievable targets, understanding the current situation before making changes, improved people management, enhanced corporate governance, repair of brand image, uniformity of policies without favoritism.

To deal with resistance to change, the respondents mentioned that the organization has now slowed down with staff layoffs. The organization is also continuously training staff to have them on board to the changes, reaching out to staff through human resources engagement. According to the respondents, the other measures the organization has taken to mitigate the challenges are: adjustment in budgetary allocations by budget cuts, management changes at the senior management level by exit of senior managers, spirited defense and media campaign to allay fears and doubts of staff and the public, review the ambitious strategy by slowing down on asset growth, network expansion and staff retirement plans.

4.7 Discussion of Findings.

4.7.1 Comparison with Theory

National Bank of Kenya's strategic change management is geared to the following goal, moving to great performance through a five year strategic plan by becoming a top tier bank in 2017. The strategies employed to meet the goal include: cost reduction, catching up to rival companies by rebranding and diversification of products. This is in line with McKinsey Survey on Change Management (2006) where an organization's decision to change maybe prompted by various circumstances that include enhancing profitability, enticing new prospects, threat from competitors and changes in external environment.

The driving forces that National Bank of Kenya face are both internal and external which include improving profitability, increasing efficiencies, and creating new ways of competitive advantage Lewin (1951). The restraining forces the organization face include existing strategies, resistance by employees to change, inadequate resources among others. From the study, National Bank of Kenya adopted Lewin's three step model in its approach to change management. The steps are: Unfreezing previous behavior by dismantling processes and policies that maintained the previous behavior, restructuring which led to staff layoffs, Changing the behavior by presenting a new alternative which included new processes and policies, diversification of products, expansion of branch network, offsite ATM's, bringing in new talent and Refreezing the new alternatives by reinforcing them in the organization through organization culture change. It is however noted that Lewin's model does not explicitly indicate that introducing change will result in the change being implemented or sustained over time.

It was noted from the study that the organization did not properly communicate the strategic management changes to staff, it did not include the staff in strategy formulation, capital was inadequate, staff were not motivated, there was poor leadership with no clear direction, high staff turnover, staff resisted the new changes and the strategic change implemented did not fully meet intended purpose. Kotter's 8 step model would have been ideal for the organization to manage the change process since it addresses the challenges the organization faces in strategic change management. Kotter (1996) argues that for a change to be successful, the eight steps must be followed.

The study revealed that NBK faced a lot of resistance to change due to poor communication, poor leadership, lack of employee involvement in change management, lack of uniformity in handling staff matters, misunderstanding and lack of trust by employees and threat of job loss. According to Kotter and Schlesinger (1979), resistance to change can be dealt with proper communication with employees, educating employees, participation and involvement of stakeholders, facilitating and supporting staff who have adjustment problems, negotiating and agreement with staff. Johnson and Scholes (2002) mention that it is critical for the stakeholders to understand the rationale behind the change for them to be intellectually and emotionally ready for their full support. The study indicated that stakeholders were not properly communicated to and were not involved in the change management process leading to resistance and failure of some of the applied strategies. It was noted that previous processes and policies which were working were stopped from use and were later reintroduced after the alternative processes and policies failed.

4.7.2 Comparison with other studies

The findings of the study indicated that strategic change management formulation was conducted at senior management level. This is in agreement to Jeremiah (2014) who found out that the formulation of the strategic change management practices was a preserve of the top management and other staff were left out.

The study also found out that the organization faced resistance to change due to mistrust between junior staff and senior management staff, the members of staff were not involved in strategy formulation, poor communication, double standards between indigenous staff and new staff and fear of losing their jobs. Atieno (2013) also found out that Kenyatta National Hospital employees were forced to use a new system which they had not participated in its formulation and were not educated on how to use it causing paranoia. Atieno (2013) further noted that making employees feel like they are part of the change process and educating them creates enthusiasm and cooperation. Muga (2013) found out that the management of Posta Sacco availed capacity building resources to all its members of staff promoting smooth change management thereby reducing level of resistance among employees.

The respondents indicated that the leadership style was majorly authoritative by being too forceful and not taking reasonable time to ensure staff understood the need for change.

This led to losing focus on strategic change management goals. Kariuki and Ombui (2014) found that leadership style influences successful strategic change implementation. Kiilu (2012) is also in agreement as he found out that leadership is important in the successful change management process. Lack of proper communication was cited as one of the main challenges the organization faced in strategic change management. The respondents mentioned that communication was largely poorly done and not well defined. This led to a lot of confusion and anxiety `by members of staff and most importantly, the set out strategies were not properly executed. Kulvisaechana (2001) found that one of the successful communication strategies implemented was to deliver a formal message in a way understood by all employees, effectively conveying a complex message to a massive group of employees and also providing the employees with a channel for feedback. It is imperative that an organization conducts force field analysis by analyzing the driving and restraining forces to avoid instability of the organization and instead lead to fully understanding the change situation.

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the discussions, makes conclusions and makes recommendations on the case study. It also outlines the limitations of study and suggests areas for further study.

5.2 Summary of Findings.

The objectives of the study are to determine the strategic change management practices in National Bank of Kenya and establish the challenges it faced in strategic change management. The study found out that the drivers of change for the organization were: cost reduction, increased profitability, cut throat competition in the banking industry, catching up to rival companies, enhanced and introduction of several technological systems.

To be able to achieve its goals, the organization prepared a five year strategic plan to be able to turn around the bank into a top tier bank by 2017. The change management strategies employed by the bank include: rebranding of the organization by changing its colour and logo, growing the bank’s balance sheet, expanding the market footprint by branch network expansion and offsite ATM’s, diversifying products, managing risks, culture change, streamlining costs by outsourcing a number of functions, embracing technology advancement by automation of processes and centralization of certain services.

The organization adopted several strategic change management practices where formulation of strategies was conducted by the board and senior management. Members of staff were only involved at implementation stage. However, a number of strategies formulated did not meet their intended purpose and created inefficiencies. This was due to non inclusion of all stakeholders during formulation of the strategies and aping strategies from competition without fully appreciating the organization's unique challenges. From the study, it was noted that communication to employees was sometimes not clear and not well defined. Communication was either through emails or departmental meetings and more often than not, with very little time to implement. In addition employees were not trained on the changes. It was only reserved for senior management. It was noted that currently the organization has reintroduced training to all members of staff on different policies, processes and new products. The employees are now becoming more cooperative as they are now able to better understand the changes made by the organization.

The study found that attempts to bring about organization culture change was hampered due to lack of culture uniformity because of double standards between indigenous staff and the new staff where the indigenous staff were demotivated, others were forced to leave the organization, there was no uniformity in rewarding employees and unhealthy competition between staff. All the respondents were in agreement that technology greatly impacts strategic change and to be able to enhance profitability, the organization invested in areas that reduced errors, improved efficiency in processes through automation, centralization and reinforcing of digital banking which reduced long queues at the banking halls and creating convenience for customers. However it was noted that the cost implication was very high further affecting the profitability of the organization.

Organizations usually face resistance to change and National Bank of Kenya is not any different. The respondents cited various factors that led to resistance which include: double standards between indigenous staff and new staff, lack of staff involvement during strategic change formation, mistrust between junior staff and senior management, poor communication, lack of training of employees, fear of unknown, fear of job loss and demotivation. To deal with resistance, a number of staff were forced to exit, communication was curtailed and there was no rewards for staff. Currently due to change in management, the organization has relaxed on consequence management, reaching out to staff through HR engagement, reintroduction of staff training programs

5.3 Conclusion

In any organization, change has the business dimension and people dimension. The business dimension of change include: the importance for change, the change strategy, processes, structures, systems to be changed, implementation and post implementation of the change. An organization is required to be concerned with the magnitude of change compared to the status quo and time required for the change process. Under people dimension, helping employees cope with change is one of the most critical success factors. This can be done through involving all stakeholders in all levels of the change process, proper and timely communication and a wholesome organizational culture. ADKAR model can be used in effective people management. This model entails, creating Awareness of the need to change, creating a Desire to support the change, equipping members of staff with Knowledge, members of staff are required to have Ability to implement the change and finally Reinforcement of the change through motivation.

Leadership is a most visible factor that distinguishes change efforts that succeed from those that fail. A leader is decisive, gives clear direction, listens to people and honors what can’t be done. Respondents of the study were in agreement that the leadership was majorly authoritative with a lot of force. There was frequent shifting of goals and focus loosing track. It was also noted that the leadership lacked professionalism which went against prudential guidelines as set by the regulator leading to exit of some senior managers.

National Bank of Kenya has a five year strategic plan which many of the respondents felt was too ambitious given its situation. Though the organization measured the success rate of its strategies, there was no clear direction in circumstances where the strategies were not effective or efficient resulting to blame games. To have a successful change management strategy, the respondents felt the organization should focus on repairing the brand image which has been greatly dented by the negative media coverage, involve all stakeholders in formulation of strategies, apply effective strategic change management practices unique to the organization, setting realistic targets, improve staff morale, enhance professionalism at all levels and uniformity of HR policies to all members of staff.

5.4 Recommendations of the study.

National Bank of Kenya has encountered several resisting forces which have hindered the organization from achieving its desired level of group performance. The study recommends use of force-field analysis to accurately identify its driving and restraining forces to fully understand the change situation. It is easier to reduce restraining forces as increasing driving forces may result in instability of the system leading to negative consequences.

One of the findings of the study was that stakeholders were not involved in the formulation of strategic change. This was reserved for the board and senior management only. This made members of staff feel as outsiders and not part of the team. The study recommends participation and involvement of all stakeholders as this will make them committed in implementing the change. In addition market research should be conducted to formulate strategies that will be unique to the organization and enhance competitive advantage. Another finding of the study was that although the organization tracked and measured success of applied strategies, in circumstances where the strategies were inefficient or ineffective, the organization did not have a clear direction on dealing with the outcome. The study recommends proper planning and control systems to be put in place. This entails having corrective actions in place.

The study found that the organization's culture hampered change. The organization requires an organization culture and strategic fit which will positively shape mood of the work force thereby enhancing performance of entire organization. Aspects of culture to consider in managing change include having an all inclusive rules and policies, educating staff, training staff, proper rewards and recognition mechanism and proper communication.

Compatibility to strategy

Constrained Consider culture change	**Supportive** Incorporate culture to pursue change	HIGH **Importance of**
Inconsistent Consider other factors other than culture	**Related** Minimal attention	**Culture** LOW
LOW	HIGH	

Figure 5.1: Organization Culture – Strategy Fit

The study also found that the organization had poor leadership which was majorly authoritative and lacked professionalism. Leadership is an important function that helps maximize efficiency and achieve goals. Currently, there has been change of management at National Bank of Kenya which saw some senior managers exit the organization. Ethics and corporate governance is very critical in any organization and is closely monitored by the regulator.

5.5 Limitations of the Study

Some of the targeted respondents were not willing to be interviewed citing confidentiality due to the sensitivity of the information sought. Other respondents were willing to provide information for only certain aspects of the study.

Due to the nature of work with tight schedules and constant interruptions, a lot of time was spent to gather the sought information. The targeted respondents appear biased to head of departments and left out junior employees. This was so because the head of departments are involved with the formulation, implementation, evaluation and control of strategies at the organization while the junior employees are only involved during implementation.

The findings of the study are only limited to National Bank of Kenya and therefore it should not be perceived to mirror all the other banks in Kenya.

5.6 Suggestions for further studies

Organizations are most likely to accomplish change management if they correctly identify the driving forces and restraining forces. A study should be carried out on how organizations can reduce the restraining forces during change management. National Bank of Kenya has a five year strategic plan to be a top tier bank by 2017. We are only left with a few months before the year 2017 reaches yet the organization's performance has drastically deteriorated. A study should be carried out on the key success factors of the top tier banks in Kenya and the same to be compared to National Bank of Kenya.

One of the findings of the study was the poor leadership noted at National Bank of Kenya. Consequently, a study on the role of leadership in strategic change management to be conducted. The study focused on one organization. It is therefore recommended that a similar study on strategic change management practices in the banking industry to be conducted to compare the findings with this study.

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Appendix I: Interview Guide

STRATEGIC CHANGE MANAGEMENT PRACTICES AT NATIONAL BANK OF KENYA LTD.

Part A: Respondent Particulars

1. How long have you worked in the Banking Industry?
2. How long have you worked with National Bank of Kenya?
3. Which position do you hold?
4. How long have you worked in your current position?

Part B: Strategic Change Management at National Bank of Kenya

1. How does the organization plan for change in the organization?
2. What are the factors your organization consider when formulating strategy?
3. What are the Internal and External factors your organization face that leads to Strategic Change.
4. Do employees participate in formulation and implementation of strategic change?
5. How is communication on organization strategic change done?
6. Is the communication clear and well defined?
7. Are employees trained in strategic change and implementation?
8. Is there an organization culture change brought about by the strategic change? If yes, what were the changes and what were the effects of the changes.
9. What is the relationship between organization culture and strategic change in your organization
10. In your view, what is the impact of technology in strategic change
11. Does your organization monitor progress of strategic change that has been implemented? If yes, how?
12. Does the strategic change implemented meet intended purpose? If no kindly elaborate.
13. Does the organization track and measure success rate of applied strategies?

Part C: Challenges of Strategic Change Management and measures to overcome the challenges at National Bank of Kenya

1. How does your organization support strategy implementation/
2. Has your organization set aside adequate resources for implementation of strategic change? If no how does the organization work around it?
3. In your opinion, what are the main challenges the organization faces in strategic change management
4. Does the organization face resistance to change? If yes, what are the factors that cause the resistance?
5. How did the organization deal with the resistance to change
6. Were employees motivated in the strategic change management process? Kindly elaborate.
7. In your view, describe and explain the leadership during the strategic change management process.
8. Which areas do you consider the organization excelled in the strategic change management
9. Which areas do you feel the organization should improve to have a successful change management
10. How did the organization cope with challenges it faced in its strategic change management

THANK YOU FOR YOUR PARTICIPATION

Appendix II: Introductory Letter

Nancy Kemuma Karani,
P.O Box 69780 – 00400,
Nairobi.

The Managing Director,
National Bank of Kenya,
P.O Box 72866 – 00200,
Nairobi.

9th May 2016,

Dear Sir,

<u>RE: MBA RESEARCH PROJECT</u>

I am a student at the University of Nairobi, pursuing a Master of Business Administration (MBA) degree. In partial fulfillment of the requirement for the award of the degree, I am required to submit a research project report on a management problem. The topic of my research is Challenges of *Strategic Change Management at National Bank of Kenya.*

I am kindly requesting you to allow me to conduct interviews with some of your senior staff. Find attached an interview guide to enable me collect information for the research project report. The results of the report will be purely used for academic purposes and a copy of the same will be availed to the organization on request.

Yours Faithfully,

Nancy Karani

Appendix III: List of licensed commercial banks in Kenya

1. ABC Bank (Kenya)
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CfC Stanbic Holdings
7. Chase Bank Kenya
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Ecobank Kenya
16. Equatorial Commercial Bank
17. Equity Bank
18. Family Bank
19. Fidelity Commercial Bank Limited
20. First Community Bank
21. Giro Commercial Bank
22. Guaranty Trust Bank Kenya
23. Guardian Bank
24. Gulf African Bank
25. Habib Bank
26. Habib Bank AG Zurich
27. Housing Finance Company of Kenya
28. I&M Bank

29. Imperial Bank Kenya (In receivership)
30. Jamii Bora Bank
31. Kenya Commercial Bank
32. Middle East Bank Kenya
33. National Bank of Kenya
34. NIC Bank
35. Oriental Commercial Bank
36. Paramount Universal Bank
37. Prime Bank (Kenya)
38. Sidian Bank
39. Standard Chartered Kenya
40. Trans National Bank Kenya
41. United Bank for Africa
42. Victoria Commercial Bank