IMPLEMENTATION OF STRATEGIC CHANGE PROGRAMMES AT THE CENTRAL BANK OF KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for any academic degree in any University.

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This work is dedicated to my mother, Esther Nguna and my late Uncle, James Muthama, who taught me at a tender age, the virtues of handwork and shaped me to who I am to-day. They saw my capabilities and made me understand that I can do anything that I purpose to achieve in life through handwork, determination and endurance.

To my children, Marvin, Christine and Adrian especially who offered a lot of encouragement at a tender age. They understood that mum had to go to school and always reminded me to complete my work as he did his. They missed my company as I pursued my MBA sessions.

To Anthony my husband without whom I would not have managed the enormous responsibility of combining school, work with family obligations. He encouraged me and he closely monitored my program to the full completion of my MBA studies. To my sister and Brothers, God bless you all.

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ABBREVIATIONS AND ACRONYMS

CBM: Business Continuity Management

CBK: Central Bank of Kenya

DB: Defined Benefit

DC: Defined Contribution

DPFB: Deposit Protection fund Board

ERP: Enterprise Resource Planning

KEPSS: Kenya Electronic Payments and Settlement System

NPS: National Payments Systems

PESTEL: Political Economic Social Technological, Environmental and Legal

PMAS: Performance Management and Appraisal System

RTGS: Real Time Gross Settlement System

SIMBA: System integration and management of Banking

SWOT: Strength Weaknesses Opportunities and Threats

ABSTRACT

The environment in which organizations operate in is ever changing and for survival hence organizations ought to develop and implement various strategies geared towards survival in a turbulent environment and to increase their competitiveness. Various models of change management have been developed by various scholars: they include Lewin's (1947) three step model of change, Kotter's (1996) eight-step model, Kanter et. al (1992) model of change management, Bullock & Battern (1985) four-phase model of planned change and Senge's (1990) learning organizational model. The objective of the study was to establish the implementation of strategic change programmes at the CBK and evaluate the process used in the implementation of these changes. The findings concluded that the need for strategic change at CBK was necessitated by the bank's quest to facilitate its workforce, fulfil their strategic objective of being a world class Central Bank to meet the demands of their stakeholders, the market environment, and be able to fulfil its mandate as a main regulator. The research was conducted through a case study where qualitative research for data collection was applied. Primary data was obtained through personal interviews using an interview guide which was administered to select member of the Bank in key strategic areas. Use was also made of other available Secondary data that was obtained from various periodic journals, weekly Bulletins, previous questionnaires used during the various change implementation initiatives, CBK Strategic plan and various reports obtained from the intranet and the communication channels of the organization. The data collected was summarized according to the study theme being strategic change implementation and the factors influencing implementation of strategic change programmes and analysed using content analysis. A detailed interview guide was undertaken in support of this project and it identified the existence of three common themes which were also observed during the review of literature (Leadership, Culture and Communication). Finally the enactment of the constitution of Kenya 2010 remains the greatest force for the change in the CBK due to various provisions which required changes to be implemented to ensure the Constitution fulfils its Mandate.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The practice and concept of strategy has many varied meanings, yet it remains closely related to planning and planning models. The word "strategy" is now applied to almost every management activity. According to Johnson and Scholes (2002), strategy is the direction and scope of an organization over the long-term, which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations. Strategy is a central concern for practically any organization these days. In situations where the organization's environment is changing, the organization itself is faced with a need to change. Even in relatively stable environments an organization is bound to be faced with continuous choices to be made. It should be self-evident that every possible choice made or all change is not for good. Organizational choices should reflect a direction that will ensure the organization's success or at least survival.

New approaches to management in the public sector are imperative as governments enter the new millennium. Market dynamics have created challenges for public organizations, with the emergence of the global economy, advances in technology, increased societal demands, and the need to provide more social services with fewer resources. As well, a widespread desire for increased organizational scrutiny has increased the pressure for change, given more accessible globalized information systems and heightened media attention critical of government inefficiencies in service delivery (Lynch, 2000).

The 2008 global financial crisis, coupled with the ever changing macroeconomic environment presented a complex financial and economic global landscape that was a challenge to central banks the world over (Gauthier-Villars & David, 2008). Central Banks are faced with a daunting task as they prepare to enter an era of institutional and modernization reforms arising from changes in government policies and changes in the global financial markets. Central banks' modernization to conform to the ever-changing business environment and benchmarking against best practice is no longer an option.

These changes will continuously take central banks into new horizons that bring forth both opportunities and threats. Organizations are getting more and more technologically oriented. The public sector particularly, has undergone revolutionary changes enabled by technology. In the Central Bank of Kenya, for example, a number of technological innovations have been implemented. The success of these interventions is no doubt heavily dependent on managing the people issues surrounding the process. It is within this context that this case study is presented.

The pace of change is increasing in companies today, as are the different types of change that they experience. The reasons behind this are among others, globalization, political shifts and more rapid technological changes (Balogun and Hailey, 2008). Change management has therefore become a managerial competence that is important and wanted by companies today since experience shows that up to 70 % of all change programs fail (Balogun and Hailey, 2008).

The Central Bank of Kenya has implemented a number of change programmes to drive it through the next decade and beyond. Some of the implemented change programmes since 2007 include; the appointment of a technical advisor to governor as

an economic research and policy analysis, a review of the mandatory retirement age for the bank's staff, the launching of Performance Management & Appraisal System (PMAS), restructuring of department and staff grades. Other changes implemented includes; the conversion of the CBK Defined Benefit (DB) pension scheme to Defined Contribution (DC), the Implementation of Constitutional requirements, the risk management and business Continuity Management (BCM),The launching of the Core Banking System and its related Modules SIMBA, vault and Debt Data Management systems as well as opening up of currency centres to reach closer to the masses among others.

1.1.1 Strategy Implementation

Strategy implementation is largely an internal administrative activity. It entails working through others, organizing, motivating, culture building and creating strong links between strategy and how the organization operates. It also entails a process of converting the formulated strategies into viable operations that will yield the organization's targeted results. Delicate and sensitive issues are involved in strategy implementation, such as resource mobilization, restructuring, cultural changes, technological changes, process changes, policy and leadership changes. The changes can be adaptive (calling for installation of known practices), innovative (introducing practices that are new to adopting organizations) or radically innovative (introducing practices new to all organizations in the same business or industry) (Byars*et al.*, 1996). Thompson and Strickland (1998) argue that strategy implementation is all about acting on what has to be done internally to put formulated strategies in place thus ensuring that targeted results are achieved within the targeted framework of time.

Targeted results may be the expected levels of financial performance of an organization or the efficiency in service delivery, especially for non-profit making organizations and strategy implementation can also be understood depending on the perspective one takes on strategy.

1.1.2 Strategic Change Implementation in the public sector

The Kenyan public sector constitutes of statutory agencies and constitution commissions undertaking various arms of the government charged with the mandate of delivering service. Flynn (1997) noted that the public sector has not been spared by challenges of a changing environment. He observed that public organizations are under pressure to justify their existence by taxpayers who fund their operation, thus the need to show that they are operationally and administratively up to the task. When talking about the strategic change implementation processes in public sector, different concepts and approaches have to be outlined (Anheier, 2003; Sznelwar et al., 2008). In the turbulent world, public sector organizations are likely to survive if they react quickly to changes, learnt from the mistakes, and immediately reverse any policy that does not appear to be working (Doherty, Horne, 2002). A flexible strategic model of change management process involves deciding in advance to be prepared to alter organizational structures, procedures for decision-making, services offered, client groups served, suppliers used and new knowledge-based organizational context implemented.

According to Doherty and Horne (2002), managing strategic change involves three elements that interact continuously with each other (Dohetry, Horne, 2002). These three elements are context, content and process.

The context refers to the environment; the content answers the questions what actions will be required; whereas the process applies to the questions how these actions will be implemented. Strategic change management process is an evolutionary process rather than revolutionary. According to Mintzberg, strategic change is crafted rather than planned (Palmer, Cynthia, 2000). Organizational success is not about predicting and following trends; it is about anticipating imminent deviations from trends and taking pre-emptive actions.

The concept of the strategic change management process in public organisations encompasses a number of indicators (Sznelwar et al., 2008). Some of them include: new horizontal organisational design; empowered roles of employees; flattened organisational hierarchy; flexible relations between public administration agencies; boundless - virtual organisational relations and e-government models; decentralised decision-making process and decentralised governmental policies; dissemination of information among the entire public administration; co-operative strategy formulation of government; outsourcing of consulting activities and other issues of public sector services; establishment of an information technology platform for effective e-government programmes among others.

1.1.3 The Kenyan Public Service

Public sector includes the part of national economy providing basic goods or services that are either, or cannot be, provided by the private sector. It consists of national and local governments, their agencies, and their chartered bodies. In Kenya, the public sector consists of the central government, local authorities, state-owned enterprises and extra-budgetary institutions. The government structure can be split into two namely, administrative and economic structures.

The administrative structure is exemplified by the provincial administration. Here, the government links to the grassroots or village level through Provincial Commissioners, District Commissioners and District Officers. The District Officers complete the chain through their link to Chiefs and Assistant Chiefs.

The Kenya's public service has been undergoing multidimensional, interdependent and interlocking reforms through Performance Improvement Strategy. Through these reforms, Kenya won the United Nations Public Service Awarding the first category of Transparency, Accountability and Responsiveness in the public service through its performance contracting system in 2007 (Republic of Kenya, 2010). The Vision 2030 underpins the just, prosperous and democratic society that the public service working towards. The Service is expected to play a key role in communicating the Vision to Kenyans, its implementation and evaluation. Vision 2030 identifies some of the challenges facing public service reforms in Kenya as change in attitudes; Service delivery orientation; Capability and capacity; Performance Management and strategic direction.

One of the ministries under the Kenyan public sector is the ministry of finance. The functions of the Ministry of Finance are strategic in several ways. As a main function, the Ministry is charged with the responsibility of formulating financial and economic policies. It is also responsible for developing and maintaining sound fiscal and monetary policies that facilitate socio - economic development. This responsibility makes the Ministry strategic and central to the country's economic management, as all sectors of the economy look upon the Ministry to create an enabling environment in which they can operate effectively and efficiently.

The Ministry regulates the financial sector which is central to the development of the country and on which all other sectors depend for investment resources. The Central Bank of Kenya falls under the Ministry of Finance.

1.1.4 The Central Bank of Kenya

The Central Bank of Kenya was established in 1966 through an Act of Parliament - the Central Bank of Kenya Act of 1966. The establishment of the Bank was a direct result of the desire among the three East African states to have independent monetary and financial policies. This led to the collapse of the East Africa Currency Board (EACB) in mid 1960s. Under the Central Bank of Kenya Act, the responsibility for determining the policy of the Bank, other than the formulation of monetary policy, is given to the Board of Directors. The Monetary Policy Committee of the Bank is responsible for formulating monetary policy.

The Central Bank of Kenya (CBK) Act sets out the principal objectives of the Bank to be: To formulate and implement monetary policy directed at achieving and maintaining stability in the general level of prices; to foster the liquidity, solvency and proper functioning of a stable market-based financial system. Pursuant to its' second principal objective, CBK regulates the Kenyan banking sector that is a key plank of Kenya's financial system. Banks mobilize savings and act as intermediaries between savers and borrowers.

The challenge for CBK is to develop a financial sector that answers to the challenges of the economy. In order to address market inefficiencies, the Central Bank has undertaken significant reforms for the banking sector. These reforms include the Operationalization of the credit reference bureaus, payment systems improvements, opening of new currency centers, automation of trading system for treasury bonds,

and the activation of horizontal repos among others. The changing market dynamics in the Kenyan Banking Sector has necessitated the Central Bank to reinvent itself and become proactive in detecting opportunities and threats to financial sector stability with a view to not only enhance intermediation and competitiveness of the banking sector but also to increase efficiency and access.

1.2 The Research Problem

Selecting and implementing significant change is one of the most challenging undertakings that face any organization. If the change involves the entire organization and also requires new paradigms that will replace established ways of doing business the challenge is daunting. Organizations of all stripes routinely attempt strategic change, but many implementation efforts fail. Change implementation is considered a game of high stakes, where success can reinvigorate a business, but failure often delivers catastrophic consequences, including the firm's demise (Hofer and Schendel 1978).

New approaches to management in the public sector are imperative as governments enter the new millennium. Market dynamics have created challenges for public organizations, with the emergence of the global economy, advances in technology, Human Resource Development (HRM), increased societal demands, and the need to provide more social services with fewer resources. As well, a widespread desire for increased organizational scrutiny has increased the pressure for change, given more accessible globalized information systems and heightened media attention critical of government inefficiencies in service delivery. In an increasingly changing global environment, the mandate, structure and operations of public service must be reshaped and productivity enhanced to make it more focused, efficient and responsive

to the needs of those it serves. The Central bank of Kenya has entered an era of institutional and modernization reforms arising from changes in government policies and changes in the global financial markets. The Central Bank of Kenya has implemented various strategies for effective performance and service delivery in the fulfilment of its core mandate. The Central Bank of Kenya has undertaken a number of necessary policies, technological, institutional and operational shifts in order to enhance efficiency in its service delivery. It is in this context that CBK embraced strategic management practices to provide a sound basis for it to align its activities with the anticipated changes in the operating environment with the aim of becoming an efficient service provider. To successfully implement the strategies, there was a need to link strategic planning and implementation, and anticipate challenges from sources internal and external to the bank. The foregoing study thus seeks to determine the challenges faced by CBK in implementing strategic change programs.

DeLisi (2001) examined "the six strategy killers" of strategy execution, pinpointed by Bear and Eisenstat (2000). He found that four of these factors particularly hamper or destroy strategy execution. These are: ineffective senior management; top-down or laissez-faire senior management style; unclear strategies and conflicting priorities and; Poor coordination across functional boundaries. Johnson (2002) in his survey found that the five top reasons why strategic plans fail are related to motivation and personal ownership, communications, no plan behind the idea, passive management, and leadership. Ram Charan (2003) in his research on implementation problems notes that "ignoring to anticipate future problems" hinders successful strategy execution.

In Kenya, Koskei (2003) studied on the challenges in strategy implementation in the public corporation with emphasis on Telkom Kenya limited and found out the corporation sets some targets which become hard to accomplish and also lack of dedication by staff to ensure successful accomplishment of the strategies. Another study carried out by Kimathi (2011) on implementation of strategic change at parliamentary Service Commission of Kenya and noted that to enhance implementation of various changes, the commission needed to review the current structure in such a way that it was supportive. Other studies have been carried out in change management. Finally, Kiambuthi (2008) in his study on change management at Association of Kenya Manufacturers established that change process was driven by senior management and Board of Directors. What is not known is the change management adopted by the CBK and the challenges faced in the implementation of change programmes. However, Kipchumba (2010) did a study on the challenges facing Central Bank of Kenya in implementation of Performance Management Appraisal Systems (PMAS). However this study failed to address other strategic initiatives implemented by the bank as w`ell as considering the bank's operating environment. This study sought to fill the research gap by addressing the research question; what are the challenges facing CBK while implementing its strategic change programmes?

1.3 The Research Objective

The objectives of this study are;

To investigate the challenges facing the Central Bank of Kenya in implementation of strategic change programmes, and.

To evaluate the process used by the CBK in implementing the strategic change programmes.

1.4 Value of the study

This study will be of value to both theory and practice of strategic management. In practice, the development of Strategic management has moved from specific intra-firm issues towards the broad (and complex) dynamics of systems beyond the organizational boundaries. To consider the challenges affecting strategy implementation at the Central bank of Kenya, one has to consider both internal and external environment of the bank. The study will help the management at CBK to see "the relationship between corporate, business level, and functional strategies to each other, to the external context, and to the personal choices they make on a daily basis.

In addition, on a horizontal basis, the management also needs to see the connection across departments and functions and between communities of suppliers and buyers". In other words, the study will help the management understand the complete end-to-end system of strategic management. This study will adopt the more contemporary perspective regarding change and adaptability. From this viewpoint, the objective will be to increase the bank's capability to adjust to its changing environment, internally as well externally. In other words, the objective will be adaptability.

The conclusion and recommendations will be used to improve the policy and program frameworks related to the organizational change management. The theoretical basis of the findings of this research may land some crucial information on how organizational change management may adversely affect the strategic and operational plans of the organization. Finally the information will provide data to future researchers who would be interested in carrying out further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presented selected theoretical and empirical literature relating to strategic change implementation. A few selected models used in strategic change management, implementation of change programmes, challenges of implementing organizational change and managing the challenges of implementing change programmes.

2.2 Strategic Change Management

Strategic change arises out of the need for organization to exploit existing or emerging opportunities and deal with threats within the environment in which they operate in; change in organization comes about as a response to the shocks of rapidly evolving markets and technology (Schaap, 2006).A primary difference between organizations that succeed and those that fail is the ability to adapt to change. Prasad (1989) on the other hand argues that management of organizational change is a complex process due to various negative aspects of change within the organization and the ability to implement the proposed change (Pearce & Robinson, 2003).

Bologun & Hailey (1999) classified change by the extent of the change required and the speed with which the change results are achieved. The speed is about change is implemented, ranging from an-all-at- once big bang type of change to a step by step incremental kind. The extent of change required brings about four types of strategic changes: Adaption, reconstruction, evolution and revolution with implementation on how change may be managed. In terms of scope of the change process, they focused on whether change can occur within the paradigm which they referred to as realignment of strategy or whether there is need for a fundamental change of strategic

direction which results to transformational change. These types are illustrated on Table I.

Table 2.1 Types of changes

| | | Extent of change | |
		Realignment	Transformation
Speed of change	**Incremental**	Evolution; Transformational change implemented gradually through interrelated initiatives; likely to be proactive change undertaken in anticipation of the need for future change	Adaptation; Change undertaken to realign the way in which the organisation operates, implemented in a series of steps
	Big-Bang	Revolution; Transformational change that occurs via simultaneous initiatives on many fronts; more likely to be forced and reactive because of the changing competitive conditions that the organisation is facing	Reconstruction; Change undertaken to realign the way in which the organisation operates, with many initiatives implemented simultaneously; often forced and reactive because of a changing competitive context

Source: **J. Bologun &V. Hope Hailey, Exploring strategic Change, Prentice-Hall. PP.506**

Whereas adaption is incremental in nature and can be accommodated within the current paradigm, Reconstruction change may be rapid and could involve a good deal of upheaval in an organization. On the other hand, Evolution is a type of change that requires rapid and major strategic and paradigm shift. They emphasized on the need for organisational change to be incremental in a way it would build on the skills, routines and beliefs of those in the organisation so that change is efficient and likely to win their commitment.

However, a "big bang" approach might be needed on occasion when the organisation is facing crisis or needs to change direction very fast (Bologm and Hailey, 1999).

2.3 Models in Change Management

There are two distinct approaches to change management which are popularly used by scholars to develop various change models for management of change in the organisation. The planned approach to change views organisational changes as a process of moving from one fixed state to another through a series of predictable and planned steps (Lewin, 1947). The emergent approach starts from the assumption that change is a continuous, open-ended and unpredictable process of aligning and realigning an organisation to its changing environment (Burnes, 2003).

Planned change is an interactive, cyclical process involving diagnosis, action and evaluation. This is the case of performance appraisal where at the beginning of an appraisal period, a supervisor will agree on a series of actions where a worker is supposed to achieve at the expiry of a stated period where activities are viewed. It recognises that once change has taken place it must be self-sustaining. The purpose of planned change is to improve the effectiveness of the human side of the organisation (Lewin, 1947).

Emergent approach on the other hand assumes that change is continuous, open-ended and unpredictable process of aligning and realigning an organisation to its changing environment. Advocates of this approach argue that it is more suitable in a turbulent environment in which modern firms operate since planned approach emergent change approach recognizes the need for organisation to align their internal practises conditions (Burnes, 2003).

2.3.1 Force Field Analysis

The earliest effort to understand the process of change came from the work of Lewin (1947). In the course of his research he made two observations; first, change initiatives encountered. Implemented were often short lived, with the system returning to its previous state in a matter of months. These observations led him to see organisations as highly resistant to change due to human nature of organisations (such as behaviour, habits, group norms) and because of organization inertia. Using the thermodynamics of unfreezing-change-freeze, Lewin perceived the change process as a series of discrete episode. The inertia for transition to a different state is created by a force field which assumes that the organisation is always in the state of quasi equilibrium. The force field consist of driving forces that seek to promote change and restraining forces which attempt to maintain the status quo.

According to Lewin (1947), an issue is held in balance by the interaction of two opposing forces. Successful organisational change must first disrupt the equilibrium process (unfreezing) before the change initiatives begin, and then create a new equilibrium state that remains the new condition (re-freezing). The research also revealed that unfreezing is more successful if it is directed towards reducing the forces that block change (restraining forces) rather than increasing it.
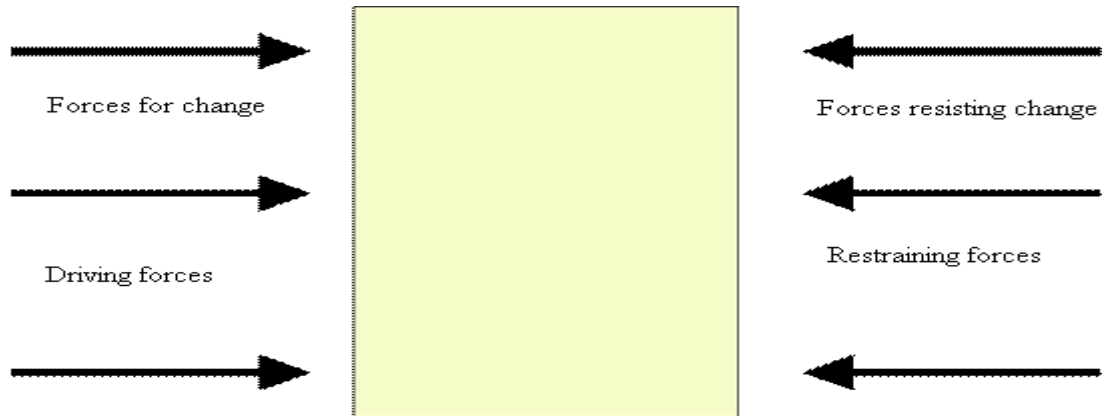
Figure 2.1 Change Management force field analysis & Lewins' Change Model
Source: Adopted from Lewin (1947)

2.3.2 Kotters'8-step Model.

Kotter (1996) identified an eight-step model that needs to be followed in order to manage change successfully. Each phase last a certain amount of time and mistakes at any phase can impede the success of the change. He observed that since change makes people uncomfortable due to the fact it brings uncertainty about what the future holds, there is need to establish a sense of urgency. To counter resistance, there is a need to form a powerful guiding coalition of managers to work with the most resistant people. In addition there is need to create a clear vision which must be well communicated. The next step involves empowerment of people to act on the vision by removing barriers to change and encouraging risk taking and creative problem solving change.

Kotter emphasized on the need for positive reinforcement when people break away from old traditions and to do something that is new and desirable. This is the step where you plan for, creative and reward short wins that move the organization toward the new vision change. He finally observed the need to institutionalize change through reinforcement.

However, the eight-step do not seem to emphasize the need for strategists (senior managers) to follow through with the same vigour as emphasised on step one and two. The problem with Kotter's steps is that they appear to suggest universal applicability forgetting that the environment may be same but organizations are different

2.3.3 The learning Organization

For advocates of emergent approach, learning plays a key role in preparing people for, and allowing them to cope with change (Senge, 2000). He defines learning organization as those where people continuously expand their capacity to create the results they truly desire, where new and expansive patterns of thinking are natured, where collective aspiration is set free and where people are continuously learning to see the whole together. The basic rationale for such organizations is that in situations of rapid change only those that are flexible, adaptive and productive will excel. For this to happen, he argued that organizations need to discover how to tap people's commitment and capacity to learn at all levels.

He defined five basic disciplines or component technologies that distinguish learning from more traditional organizations. They include systems thinking, personal mastery, mental models, building shared vision and team learning .He adds to this recognition that people are agents, able to act upon the structures and systems of which they are a part of. All the disciplines are in this way, concerned with a shift of mind from seeing parts to seeing wholes, from seeing people as useless reactors to seeing them as active participants in shaping their reality, from reacting to the present to reacting to the future (Senge, 1990).

2.3.4 Bullock and Battern's Model.

Bullock and Batterns (1985) analyzed over thirty models of change management and arrived at their own 4-phase model of programmed change management which can be applied to almost any circumstances. This model distinguishes between "phases" of change which an organization passes through as it implements change and the 'processes' of change that is the methods applied to get the organization to the desired state. Exploration phase is the first one whereby the organization has to make a decision on the need to change. This involves identifying what changes are required and resources for change to take place.

The second phase is planning phase whereby the organization tries to understand the problem. It involves collecting all the requisite information in order to establish a correct diagnosis of the problem, establishing change goals and designing appropriate actions to achieve the goals and getting key decision makers to approve and support proposed changes (Bullock & Battern, 1985). Action phase is the third one which involves implementation of the agreed changes and evaluation of the results in order to make adjustments as necessary. This phase is aimed at moving the organization from its current state to the desired future state.

Lastly integration phase is concerned with consolidating and establishing the changes so that they become part of the organization norm. This phase involves reinforcing new behaviours, communicating results and outcomes of changes throughout the organization Continuous development of staff through training and conducting monitoring and evaluation of change (Bullock & Battern, 1985).

2.4 Implementation of Change Programme

The phenomenon of managing change is a complex issue facing management in organizations today. This is mainly due to the changing nature of operating environment hence organization must learn to adapt to these changes for their continued survival. Strategies cannot take effect until they take shape in action in form of day to day processes and relationships that exists in organizations and need to be managed, desirable in line with the intended strategy. Mankins and Steel (2005) in their research on strategy execution concluded that most companies realize only sixty percent of their strategy's potential values because of defects and breakdowns in planning and execution.

Thompson and Strickland (1998) argue that strategy implementation is all about acting on what has to be done internally to put formulated strategies in place thus ensuring that targeted results are achieved within the targeted framework of time. Targeted results may be the expected levels of financial performance of an organization or the efficiency in service delivery especially for non-profit making organizations (Thompson and Strickland, 1998).

Pettigrew (1987) draws his explanation of what strategy implementation means by distinguishing the content of the strategy, the outer and inner contexts of an organization and the process in which strategic change is carried out. He, however, recognizes the fact that the content, the context and the process are inter-related and affect one another. On the same note, other researchers in this field of strategy implementation believe that organizations have no choice but to translate their formulated strategies into concrete processes that would ensure the success of their strategic visions (Daft, 2000).

Pearce and Robinson (1999) identified six components which support effective execution of a given strategy; structure; systems, shared values (culture), skills, style and staff. The structure of a given organization requires making activities and organizational units that are critical to the strategy being implemented thus uniting the main building blocks in the organizational structure (Thomson & Strickland, 1997).

According to Aosa (1992), once strategies have been developed, they need to be implemented; they are of no value unless they are effectively translated into action. This is necessary if such organizations are to remain competitive and relevant to current market trends. Strategy implementation is inextricably connected with organization change. The changes made to the organization configuration (structure, processes, relationships, boundaries) present internal sources of challenges. Strategic implementation of any kind of new company policy or program requires participation from all of the departments that will be affected.

Company leadership needs to identify what those departments are and create an implementation team that consists of representatives from each affected group. Management needs to create a structure that identifies various group leaders, the responsibilities of those group leaders and an accountability system that insures that the implementation team meets its timetable for getting the new program or policy in place (Koskei, 2003).

Organization change is undertaken to improve the performance of the organization or a part of the organization. To really understand organizational change and begin guiding successful change efforts, the change agents should have at least a broad understanding of the context of the change effort.

This includes understanding the basic systems and structures in an organization, including their typical terms and roles. This is critical to the understanding of leadership and management of the organization as well (Doppelt, 2003).

2.4.1 Organization Culture

Change must be well managed because it is disruptive and alters the equilibrium levels of operations. It results in a paradigm shift and causes variation in the status quo.According to Nyambok (2005), organization change management is a careful planning, organization and execution of an alteration from the norm to the unknown which will require thinking and doing things differently. The entire process has to involve people from the beginning to the end by making the stakeholders buy into the change process and own the process itself.

Pearce and Robinson (2003) define culture as a set of important assumptions (often unstated) among members s of an organization set of patterns for activities, opinions and actions within a firm. The important assumptions are sufficiently central to the life of an organization so as to have a major impact on it. Culture is a strength that can be a weakness. It is strength because it eases and economises communication, facilitates organizational discussion making and control, and may generate higher level of cooperation and commitment in the organization thus resulting in efficiency. However, culture becomes a weakness when important shared believes and values interfere with the needs of the organization, its strategy and the people working on the company's behalf (Pearce and Robinson, 2003).

According to Johnson & Scholes (2003), social processes can also create rigidities if an organization needs to change their strategy. Resistance to change may be legitimized by the cultural norms. Managing the strategy-culture relationship therefore requires sensitivity to the interaction between changes necessary to implement strategy and compatibility or fit between those change and the organizational culture.

Johnson & Scholes (2002) affirms that during implementation of any strategic change, there will be a tendency toward inertia and resistance to change due to the fact that people tend to hold on existing ways of doing things and existing beliefs about what makes sense. Managing strategic change must therefore address the powerful influence of paradigm and cultural web on the strategy being followed by the organization.

A culture web represents culture as an interlinked set of organizational subsystems in which the paradigm drives the visible manifestation of culture, such as organizational symbols, routines and rituals, stories, control systems and structure. The web can be completed for the current organizational culture and then redrawn to represent the type of culture that is necessary if the proposed changes are to be successful. If the changes require alteration to some of the central assumptions and beliefs sitting in the paradigm, then the changes will be transformational (Johnson & Scholes, 1998).

The use of such a framework can prevent overestimation of the extent of change required; the announcement of wholesale culture change, and subsequent disillusionment when this does not materialize because it is not necessary (Johnson & Scholes, 2002).

2.4.2 The Leadership

Organizational speed, flexibility and the need to execute continuous change requires effective leadership skills. In increasingly chaotic environment, executive leadership matters more than never before; Organization leaders become leaders because of their planning skills and their abilities to envisage and communicate a better future. Leadership is important to the organization's business strategy because the strategy must be linked to the future, it cannot be simply an extension of the present.

Johnson &Scholes (2002) argue that a leader needs not only to lead change initiative, but also closely manage it. Getting people's attention is merely the first step hence the leader needs to explain the urgency for change with respect to survival. The leader must sell the idea that the organization cannot continue doing business the way they have been doing it. If the employees are well informed of what is happening, they are more likely to participate and support change efforts.

There is need to set up credible channels for receiving feedback for reinforcement of change (Johnson & Scholes, 2002). Pringle, et al (2006), argue that change leaders would be people who can rise above the constraints of functional boundaries and take a helicopter view of the business and of the organization. They would see their jobs as bringing together the ability to understand the business and its surrounding environment, understand how organization personalities and power dynamics work and how to engender effective action and change. Strebel (1996) on the other hand found that the widespread difficulties in implementing change programmes were due to differences in perception of change between managers and employees.

Whilst top level managers view change as an opportunity to strengthen business in aligning operations with strategy, most employees including middle level managers , neither seek nor welcome change. They view it as a disruptive and intrusive since it upsets the equilibrium. Organizations also need to support middle managers by providing them with training in change management and the interpersonal skills that they will need to facilitate change within their teams Thus this calls for strong leadership which must drive the process of change to alter employee perception and bring about revised personal impact and acceptance of the new change (Balogun & Hailey, 1999).

While organizational members may agree that a change is necessary, they may believe that the change initiative proposed by management will not work (Kissler, 1991).There is usually a perceived dislike of change that might lie within a context of efficiency and valence. Change that leaves organizational members feeling vulnerable in terms of their ability to successfully take part in the change can trigger resistance towards the change.

Galpin (1996) noted a lack of confidence in one's ability to adapt to a particular change initiative can lead resistance toward it. By communicating, management can create the belief among employees that the appropriate training and education will be provided and that those receiving the training and education will benefit in terms of improved ability to perform their duties and take advantage of opportunities that may arise from implementation of the change initiative. Most people dislike the fact that in change there comes in ambiguity and this makes them realise they are no longer in control.

The uncertainty can arise from a lack of information as to whether the chosen course of action is really the right one or even needed. Other fears the change either because of a lack of the requisite knowledge, skills, or ability to be a successful part of the change, and uncertainty as to how the proposed change initiative will impact them.

Johnson and Scholes (2002) developed a transition curve to show that change is a gradual process in which recipients experience self-doubt about their ability to cope which results in decrease in confidence and performance. Change can be likened to death because it tends to bring in a sense of loss of the familiar, uncertainty and ambiguity. People tend to pass through the transition curve at different speeds. Employees have to be assisted through the process by their superiors.

It is thus imperative to employ a range of interventions to do with communication, education and training, couching and counselling as this will help people give up the past and come to understand what is expected of them in the future to enable them take on board their new roles, responsibilities and relationships (Johnson &Scholes, 2002).

The transition process more often, creates problems for middle level managers. This group is often accused of resisting change and derailing the change efforts of their seniors. Never the less, the middle level managers act as a linkage between the senior managers and the rest of the organization members. They have the responsibility of helping their staff through the change process while at the same time understanding change themselves. They need to undertake personal change, help their teams through the change, implement the necessary change in their parts of the business and keep the business in the interim until change is completely accepted (Johnson & Scholes, 2002).

According to Pearce and Robinson (2003), an organization structure is the division of tasks for efficiency and clarity of purpose, and coordination between independent parts of the organization to ensure organizational effectiveness. Structure balances the need for specialization with need for integration. Johnson& Scholes (2002) argues that formal structures and processes need to be aligned with informal processes and relationships into coherent configurations.

Organization's configuration consists of structure and processes through which the organization operates. An appropriate organizational structure is a major priority in implementing a carefully formulated strategy. If the structures and the strategy are not coordinated, this may result in inefficiencies, misdirection and fragmented efforts. Structuring the organization involves decisions about how to coordinate activities, relationships and communication among the internal stakeholders.

Weber (1947) in his classical works on organizational theory defines power as the relationship within which one person could impose his will regardless of any resistance from other, whereas, politics is the skilful use of both power and influence over the people to obtain your wishes.

This entails reconciling competing interest within the organization. Power and politics are key aspects of strategy implementation because they can enable managers to be proactive and influence rather than being dominated and manipulated by outside actions. Kanter, Stein & Jick (1992) argues that the first step to implementing change is coalition building through involvement of people who matter to seek their support. Dawson (1994) advocates for the need to shape political dynamics of changes so that power centre develops to support rather than to block it.

2.5 The challenges of Implementing Organizational Change

Ansoff and McDonnell (2000) identified two types of resistance to change; behavioural resistance and systemic resistance. These two types tend to occur concurrently during a change process and the produce similar effects which include delays, unanticipated costs, and chronic mal-performance of new strategies. However, the basic causes are different. Whereas behavioural resistance comes as a result of active opposition to change by employees, systemic resistance is normally due to passive in-competencies of the organization. Behavioural resistance is a natural reaction by groups and individuals to change which threatens their cultural and position of power.

Conner (1998) affirm that human beings seek to control and tend to fear and avoid ambiguity of disruption, whether it is positive or negative and hence what people resist in reality is not the change but its effects. Hence this call for the need to involve employees views in change management to avoid 'being stuck in the middle' during its implementation. Resistance to Change is a natural phenomenon but it is likely to be greater if levels of involvement and information are minimal. Change can generate deep resistance in people and in organizations making it hard to implement. Dopplet (2003) states that resistance to change is expected whenever the possibility of a change in culture appears. It is a natural reaction to safety response to interruption of status-quo. However for effective implementation of change, new norms, values and beliefs must be reinforced.

A study carried out on challenges of change implementation in Croatian enterprises identifies four types of largest barriers in change process, conflicts due to different interests/goals of the participants in the process, imprecise delegation of individual

and team tasks/ responsibilities, .too many activities which were not a priority; and sacrificing of long term measures for short term improvements (Perkov et al 2008). Change efforts may also fail due to poor planning, monitoring and control, focussing more on the objective rather than on the steps and processes involved, a lack of milestone along the way and failing to monitor progress and take corrective action (Gill, 2003).

Resistance of employees serves as a major factor behind the failure of any organization aspiring to implement change. This resistance can be reduced by using suitable communication techniques to align employees with the coming change according to the culture of the organization and employees.

2.6 Managing the Challenges of Implementing Change Programmes

Selecting and implementing significant change is one of the most challenging undertakings that face any organization. If the change involves the entire organization and also requires new paradigms that will replace established ways of doing business the challenge is daunting. Research shows that the success rate for implementing major organizational change is quite low, for several reasons. First, asking organizations to change the way they conduct their business is similar to asking individuals to change their lifestyle. It can be done but only with the greatest determination, discipline, persistence, commitment and a clear plan for implementing the change.

Once resistance and its source are recognized, actions are taken to remove the resistance to effectively implement the change. The basic steps for accomplishing change were previously discussed, and are not repeated here. However, key components of removing resistance start with creating a readiness to change. The

change agent prepares employees by alerting the organization to the various pressures to change. Once pressures are identified, the revealed differences between the current state of the organization and the desired state powerfully motivate the company to change. Finally, the change agent sets up positive and credible expectations for what the change will accomplish, often serving as a self-fulfilling prophecy for success (Cummings and Worley, 2005).

The change agent must then identify how people are experiencing change and the full nature of their resistance (or competing commitments), by providing empathy and support. The organization must learn why individuals resist the change, and whether the company has unwittingly introduced limiting conditions (Gibson, Patel, Nagpal & Perrimon, 2006). Train managers to look for resistance in the employees, which may appear in forms of confusion, denial, silence, easy agreement or direct criticism.

When noticing these symptoms, managers must provide additional time and information to the employee. They should maintain the focus of the organization and provide leadership and positive attitudes towards the change, all while reflecting an understanding position that will reaffirm their care and concern for the worker (Bonham, 2006). Respecting the opinions of the resistant employee allows them to share their feelings. The change agent should respond with open and honest information that reiterates the vision and direction of the company (Bonham, 2006).

Communication is critical, and information must flow frequently through various channels (though always including communication from the top management). Employees must understand why change is occurring and the full breadth of benefits. Finally, employee participation leads to a higher quality change effort that earns the buy-in of those who help forge it (Clampitt, 1991).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the techniques, methods and approaches the researcher will employ in collecting data. Kothari (2004) points out that research methodology is a systematic way of solving the research problem. A research methodology acts as a plan or framework for guiding and giving direction to be followed by the researcher to get answers to issues that are pertinent to him/her.

3.2 Research Design

The researcher utilized a case study form of research design. Case studies are preferred in situations where when and why questions are posed, when the researcher has little control over events and when the focus on the contemporary phenomenon within some real life context (Yin, 1989) and Kothari (1990) concur that a case study is a very powerful qualitative tool that involves careful and complete observation of a social unit, a cultural group or entire community.

By using case studies, researchers are able to probe, collect data and explain phenomenon more deeply and exhaustively (Mugenda &Mugenda). It provides a multi- dimensional perspective that can be used to create a shared view of the situation being studied to make an informed decision. This design was ideal as it provided in-depth information on change management practices and the factors influencing implementation of strategic changes in the CBK

3.3 Data Collection

The researcher used both primary and secondary data. Primary data was collected using an interview guide (Appendix II) Which had open ended questions to avoid subjectivity and bias that could result from limiting interviewee answers to question(Cooper & Schindler, 2003).

Interviewing as a research method involves the researcher asking questions and, hopefully, receiving answers from the people being interviewed. It is very widely used in social research and there are many different types (Robson, 2002). Interviews as a research method, have benefit of allowing the research to follow up on interesting responses that were not expected (Jackson, 1990).

The Questions were administered by the researcher to the senior staff of six strategic areas were change strategic change had been implemented mainly in the project SIMBA areas, Risk management and Business continuity management (BCM), the Change Management docket, the Pension scheme department where a defined benefit scheme (DB) was replaced with a Defined contributory scheme (DC), Performance management area (PMAS) and the constitution implementation.

The researcher established their availability through their secretaries and requested for an appointment. In addition, she had to call each of the interviewees a day before the appointment date to briefly explain the purpose of the appointment. This served to ensure that the interviewees were prepared for various questions on the interview guide and then to diarize the planned appointment schedule. The researcher was able to interview 6 respondents out of the target nine envisaged. The interview guide ensured s that the questions were more clearly understood and it was quite engaging.

Data was collected through notes prepared by the researcher in the course of the interview with the respondents. The data was collected within a duration of two weeks. Secondary data comprised of the banks Strategic plans and various internal correspondences in the form of circulars, memos about strategic change implementation and various material used by the change management office.

3.4 Data Analysis

Content analysis was used to analyze qualitative data. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda & Mugenda, 1999).

The data collected was summarized according to the study themes being the management practices and the factors influencing implementation of strategic change Programmes at the central bank of Kenya. It was evaluated and analyzed to determine its adequacy, credibility, usefulness and consistency.

According to Cooper & Schindler (2003), content analysis is a flexible tool that measures the semantic content or the 'what' aspect of the message. It's breadth makes it flexible and wide ranging tool that may be used as a methodology or a problem-specific technique. It guards against selective perception of the respondent, provides rigorous application of reliability and validity criteria. In effect the method was used to examine how respondents view and understand certain issues ((shuttleworth). This approach has previously been used by Kimathi (2011), Koskei (2003) and Kimbuthi (2008).

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION OF RESULTS

4.1 Introduction

This chapter discusses the findings of the study based on the analysis and interpretation of primary data collected from the targeted respondents who were interviewed and further secondary data that was reviewed. The results of the study were presented in three sections, the forces of change, the approach to change management and challenges influencing implementation of change.

4.2 Findings

The finding of the study discusses; change management process, implementation of the change programs, the challenges faced in implementation of change process and the way used to minimize the challenge.

4.2.1 Change Management at CBK

The researcher established that change management at the CBK was geared towards the attainment of its vision: that of being a world class Bank. This was carried out through a participatory manner through the strategic plan implementation committees which reviewed various relevant documents past plans 2009-2012. During this time, the committee involved departmental heads and staff to come up with various objectives geared towards provision of efficient and effective services to various stakeholders to enable the fulfilment of the Bank's mandate.

The researcher further noted that the committee used information gathered from various documents, retreats, workshops and submissions by various departments to carry out a SWOT analysis and PESTEL. This way they organization was able to identify various gaps and strategic issues which needed to be implemented to enable the institution respond to changes in its environment as contained in the plan.

This participatory approach was aimed at ensuring that there was ownership of the plan, buy-in of changes contained therein and commitment for successful implementation of the various changes as proposed. This enabled the CBK develop a framework that enabled the institution respond to increased demand brought about by heightened stakeholder expectation as revealed during the various forums.

4.2.2 Strategic Changes that had occurred in CBK for the Last Five Years

The study sought to determine the key strategic changes that had occurred in CBK for the last five years. From their responses, respondents said that the SIMBA project had been introduced. This project involved introduction of G-Pay, RTGS, KEPSS and T24 systems. In addition, respondents said that risk management as well as business continuity management change programmes had also been introduced.

Further a change management office had also been installed as well as a pension scheme programme. The bank had also brought on board the finance bill which had brought changes in the pension administration where the retirement age of all public employees had been increased from 55 to 60 years. The bill also defined the contribution of staff aged below 45 years as from 31st December 2011.

4.2.3 Factors that Necessitated CBK to Effect the Strategic Changes

The study sought also to determine the factors that necessitated CBK to effect the mentioned changes. From the responses provided, CBK had to adapt to the changing business environment. In addition, the bank had to follow the enacted legislation which included the NPS and DPFB Acts. There was also need for the bank to align itself with the changes in the industry it was serving which was rapidly changing.

The bank had to modernize its operations to keep up with the ever changing demands by the banking industry. This made the bank to implement the above changes. Further, CBK had to adopt the international best practices applicable to Central Banks around the world. The management of the bank also had to make sure that the bank attained its intended objectives thus had to effect changes in its operations.

4.2.4 Description of Change Management Process at CBK.

Respondents were asked how they would describe the change management process at CBK. From their responses, change management programmes were initiated through conceptualization of the needs that were not met. The conceptualized needs were then forwarded to the board and the management for approval.

When the changes were approved the staff where taken through sensitization process on the importance and future outcome of adopting the change programme conceptualized. The change programme initiative was then rolled out. Finally after implementation, change programmes were adequately monitored and evaluated frequently to ensure they met the intended objectives. However, respondents also said that the process was sometimes not well coordinated, haphazard and lacked clear roles in the initial stages.

The implementation of change was carried out through several stages. This was through the selection of core team for various departments. The selection was followed by an initialization process were consultants were brought on board to help demystify some aspects that were deemed complex. Next come the planning followed by implementation. Implementation was the most gruelling area whereby the top managements' involvement was required to fully ensure that the change process was successful.

A range of interventions were employed were education, training, counselling and couching was used to help employees give up the past and come to understand what was expected of them in the future to enable them take on board their new roles, responsibilities and relationships(Johnson & Scholes,2002).

4.2.5 Level of Management involved in Implementing Change Programmes

About the level of management that was involved in implementing change programmes at the bank, respondents said that involvement cut across the board level, senior management and the middle level management. The study further sought to establish the key drivers of change at the CBK. Results showed that drivers of change were externally induced. However respondents also said that peers in the industry also drove change at the bank.

In addition, stakeholders' requirements with the bank including the IMF had recommended the use of modern systems of operation hence the rolling out of Project SIMBA. This was aimed at modernizing the operations in the Bank to align its strategy with other modern Central Banks all over the world. Further, change was also driven by Government requirements and policy changes as well as change in technology especially from the banking industry.

4.2.6 Major Effects of Implemented Changes at CBK

Respondents were also asked what the major effects of the implemented changes at CBK were. From the results, change programmes at CBK brought about improved operations leading to improved efficiency and transparency.

In addition, the bank's employees increased their desire to acquire new knowledge as well as transforming the bank into a learning organization. The study also sought to understand what the bank sought to achieve in effecting the various changes it had implemented in its operations. Respondents said that the bank envisaged improved efficiency and effectiveness in service delivery. The bank also wanted to be a first class institution as well as positioning itself and the country as large as a regional economic and financial hub in the region. Further, the bank wanted to embrace the best standards in its operations as well as improve its performance.

4.2.7 Extent to which CBK facilitated the implementation of Changes

When asked about the extent to which CBK facilitated the implementation of change programmes at the various stages, respondents said that the board/ management supported the programmes through provision of resources and capacity building among the staff. The management also provided the change management office. The management was also responsible for facilitating change at conceptual stages. The bank also facilitated training of staff with opening of forums (KIKAO) and open culture to make sure that employees understood the envisaged changes.

4.2.8 Extent to which staff were empowered

On the extent to which staffs of the bank were empowered to implement the various change programmes, respondents said that members of staff were fully involved with the process. However, respondents confessed that at first there was a bit of laxity but

currently they have embraced the changes. On how various changes were executed, respondents said that enactment of legislations (in particular in pensions) helped in the implementation as a result of the guidelines in the Act. In addition, respondents said that implementation committees had been formed to oversee the changes. Further, respondent said that a core team was selected as well as consultants taking over implementation in some instances.

The study further established that the Bank had introduced a performance and appraisal system (PMAS) whose main aim was to re-define the purpose and responsibilities of every staff position in the Bank; link individual staff member's performance to the Bank's strategic plan; apportion accountability to individuals responsible for specific performance; identify factors responsible for under performance and help the staff members to improve their performance; plan, execute, monitor, control and appraise performance. Reward acceptable and sanction un-desirable performance by an individual member of staff. Enhance objectivity in performance management in the Bank.

4.2.9 Benefits arising from the Implemented change programmes

The study found out that there were numerous benefits arising from the implemented change programmes namely efficiency in particular, the speed in transactions execution, customer satisfaction, improved competency of staff, improved staff skills as a results of technology use. To the bank, the programmes enhanced the growth of the bank as well as the bank being open to transparency by the members of public.

4.2.10 Extent to which culture was a challenge

The study also sought to determine the extent to which culture was a challenge to change management process at CBK. From the responses, change initiatives caused resentments among the staff as well as changing their perceptions about the intentions of the programmes. These changes also brought about fear of the unknown by the staff. Respondents also said that these change programmes encountered slow adoption rates.

On staff skills and competencies, most of the employees needed to acquire new skills to cope with the changes since most of them were technology related. Respondents also said that organizational structure in the bank was not flexible thus it took time for them to respond the change needs. Respondents further agreed that staff were overloaded as a result of the increased workload. In addition, allocated budgets were exhausted and posed major constrains to change management initiatives. Further, respondents said that resources allocation were not fully aligned to available budgets as well as non- compliance to procurement rules.

On systems, processes, procedures and policies effect on change management, respondents said that there were variations between existing and expected systems, processes, procedures and policies. In terms of the processes and systems, the main impediments were that some users were not sure with the new application and the mode of adoption was a challenge.

4.2.11 Actions undertaken by CBK to overcome the challenges

The study sought to establish the actions taken by CBK to overcome the challenges in the change programmes implementation. From the responses, the banks carried evaluation of the projects to ensure they were running smoothly. In addition, they

ensured that change was driven form the top, ensured that there was participation by key stakeholders when implementing change, that there was adequate planning and resource outlay. Of importance it was ensured that the whole process had top management support.

The Researcher found out that strategic changes had taken place in the CBK. It was further observed that these changes mostly were triggered by external factors, hence the need for the Bank to align its structure to accommodate the changes. Over the years the Bank had invested in training of its staff and this had transformed the institution to a learning organization. The findings showed that the Bank had also taken upon itself to sensitize staff during staff retreats. Staff retreats were used to present an excellent opportunity for each department to build teamwork. This had provided an opportunity to communicate the change message and receive valuable feedback from each department.

It is also observed that strategic change implementation has been spear-headed by the top leadership and at any stage before roll out deliberations had been reached because in most cases the drivers of change are the middle managers while the top leadership's role was to provide support. Those tasked with the mandate of ensuring the initiatives were successful had to frequently report of the progress to the Board.   From the study findings, the researcher identified the challenges that faced the CBK in its implementation of strategic change programmes were more similar to what had been raised in the literature review. The challenges emanated both from the external and internal. The study also managed to identify the process the bank had used to try and minimise on the challenges encountered.

4.3 Discussions

We can deduce from the analysis that there are various models that are used in change. For instance, Lewins' model is very rational, goal and plan oriented. The change looks good on paper, as it makes rational sense, but when implemented the lack of considering human for feelings and experiences can have negative consequences.

It was also noted that there was no right or wrong theory to change management. However through the research and studies carried out by other scholars, a clear picture of what it takes to lead a successive change will depend on the effort expended by all stakeholders. There were several driving forces towards the change implementation process and the bank had responded to these forces in a clear and commendable way, such as continual use of a change management office. The effort started a while ago by the Bank of inculcating change culture among all staff in the Bank need to be appreciated. The Change Philosophy adopted is largely hinged on the premise that change begins within an individual before it is translated to a team and ultimately the organization.

In Keeping up with rapid technological changes and the resultant implications in the operating environment is another key factor that informed the Bank's decision to embark on the organizational development review assignment. CBK operates in an environment where other stakeholder players specifically, Banks, are very dynamic and the operating environment is characterized by frequent technology changes. This continuous and rapid change in technology requires the Bank to ensure that it is well equipped to manage these changes and ensure the continued provision of effective and efficient operations.

In regards to this, it is important for the Bank to review the utilization of its human resources in order to identify and exploit opportunities for optimization of both human capital and technology with a view to continue rendering all round quality services in the most efficient and effective manner.

From the study, it was established that change management was carried out through a participatory manner through the strategic plan implementation committees which reviewed various relevant documents past plans 2009-2012. This is in line with the findings of Mankins and Steel (2005) who in their research on strategy execution concluded that most companies realized only sixty percent of their strategy's potential values because of defects and breakdowns in planning and execution. This shows that strategic planning was important in change management implementation.

In addition, the study found out that change initiatives caused resentments among the staff as well as changing their perceptions about the intentions of the programmes. These changes also brought about fear of the unknown by the staff. This finding related to that of Johnson & Scholes (2002) who affirmed that during implementation of any strategic change, there will be a tendency toward inertia and resistance to change due to the fact that people tend to hold on existing ways of doing things and existing beliefs about what makes sense. Managing strategic change must therefore address the powerful influence of paradigm and cultural web on the strategy being followed by the organization.

The study also established that management involvement in the change management process cut across the board level, senior management and the middle level management. This finding relates to that of Balogun & Hailey, 1999 who called for strong leadership which must drive the process of change to alter employee perception and bring about revised personal impact and acceptance of the new change. There is an important implication for strategic management regarding the culture or the organization. Cultures of organizations are, by nature, dynamic.

That is, they naturally change and evolve in response to changes in the organization, the members of the organization, and its environment. The Central Bank of Kenya must be aware that the organizational change process would also imply a cultural change. As a matter of fact, the management of an organization includes the idea that managers can change a culture, or parts of a culture, for this to be more consistent with the organization's strategic objectives. At this point, the management of the organizational change process in the Central Bank of Kenya can use two basic approaches to the task of culture change: top-down change and bottom-up change. With top-down change, top management plays the leading role in changing the culture.

The culture may be changed by "decreeing" that different standards of behavior are to be observed. Top management can also attempt to change the culture through leadership. According to Wilbur (1999), some things to keep in mind when communicating a change initiative to employees: People need to understand why the organization is changing and need to be sold on the benefits; You should decide beforehand on the communication vehicles.

Communication should be frequent and ongoing; Training should be provided, if necessary; If people will lose their jobs, this needs to be communicated to them openly and honestly and; Rather than slashing jobs, you may want to work with top employees to reengineer their jobs.

According to Hodge, Anthony and Gales (1996), all organizations need to be flexible and adaptive. The ability to change and respond to new environmental conditions is critical to survival. It is not only necessary to innovate in areas of operations and products or services, but the organization itself.

This study has provided several aspects that can have important implications for the field of Business Process Reengineering. The Central Bank should encourage the efficient pursuit of the organization's goals. Efficiency, doing things right, is a critical factor for the survival and success of an organization. Since the organization of the Central Bank has remained static and rigid for a long time, one essential aspect of the change is innovation. The bank should analyze the ability to generate more effective and efficient ways of operating and new products or services to offer. Currently, the Central Bank is facing dynamic, complex environments that require even more innovation if the organization is to stay in tune with and respond to its environment.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

The purpose of this study was to investigate the challenges facing CBK while implementing strategic change programmes. The chapter provides the summary of the study findings, challenges encountered, conclusions and recommendation arising therein. The chapter concludes with the limitation of the study and suggestions for further study.

5.2 Summary

The study established that change programmes at CBK were gradual and phase-based. It was noted that several change programs had been planned including Project SIMBA, which is an automation of various systems. This showed that change had greatly occurred in the area of technology through the introduction of Oracle based system used for increasing efficiency on operations. The other change programme was the CBK Pension Scheme Conversion from defined benefit to a Defined Contribution. Other changes had occurred in the area of constitutional requirements and performance based programmes.

The management used strategic planning, personnel development, workshops, staff training which served to educate the staff on the importance of the changes. Thus regarding the types of changes, the study revealed that the changes undertaken by the CBK were consistent with the theory of new public management as they mirror with those of the management in private sector- just what new public management is all about.

The study also established that the major impact of the changes was to both staff and the organization as whole in the sense that the image of the bank had been greatly improved in the eyes of the public. Efficiency was noted in the area of service delivery. Other effects were in the area of Risk management, improved electronic compliance such as the use of T24 and RTGS, this served to improve on time taken in check clearing system a major plus for the whole of the banking industry. Compliance with government legal requirements especially in the area of Pension scheme conversion where the employee is required to actively contribute more for their retirement unlike previously when the employer took full charge.

The study further found out that there was improved desire for staff to acquire new knowledge, transforming the organization to a learning one. More desire for staff to remain on the driver's seat. There were also a few pockets of those who were rigid to the changes that had occurred. Getting people to buy in the change was a challenge, generally the majority of members of staff were positive and receptive to the changes occurring and those adoptive to the changes had more to do. The Bank had recognized the need to have structures and skills that were relevant, appropriate and responsive to the changing environment of global banking. With a vision of becoming a world class model Central Bank, the Bank had recognized that in order to achieve this vision, it needed to transform and put in place measures to enhance its performance and improve the quality of services.

The study established that CBK had undertaken structural enhancements such as IT to facilitate implementation of change. Increased communications such as open days, (Kikao) staff engagement forum, Audio video and bulletins were also used for effective communication and in dealing with resistance to change.

They further did a lot of sensitization and attempts to change corporate culture to accommodate the change implementation. All in all to effectively implement change there is a need to align the Bank systems with the strategy requirements. The employees across the board must be involved in both formulation and implementation of strategy. The one thing that is certain in the study is that in organizations of today, there will be more, not less, change. All managers need to have an ability to manage such changes as and when they occur.

To achieve the desired outcome, the researcher interviewed members of staff in the management who were involved in the implementation of the various change initiatives undertaken within the bank. The research findings showed that change process was geared towards improvement in the operations of the institution and enable it achieve its mandate.

Institutional culture is one of the key factors that influenced implementation process of the various changes at CBK. Resistance to change by some murmurs especially from the old staff members who did not possess the requisite skills and felt that the Bank intended to retrench them. This slowed down the process through reluctance to adopt new systems and procedures making no effort to learn and excessive fault finding and criticism. Other factors included organizational structure which is yet to undergo complete change to fully remain in tandem with the change process.

5.3 Conclusion

From the findings, it was clear that a number of strategic changes at CBK were on-going and the biggest challenge was on the implementation. Therefore the study concurs with the literature available on how to manage strategic change for its successful implementation.

Despite various obstacles that CBK is facing towards change management it has so far succeeded in implementing various changes to enable it effectively fulfil its mandate and comply with constitutional requirements. All in all, it is important to note that organizations that today have embraced change are more competitive both locally and globally.

5.4 Limitations of the Study

There were a number of limitations that affected the outcome of the study. The design of the study being a case suffers from the limitations of all case studies. The study dependent on interviews and discussions with respondents in top management, hence the need to validate the findings with success from interviews with the lower middle management and staff in lower cadres.

Time was a second limiting factor. The researcher is a full time employee and therefore did not have adequate time to fully undertake the research. Equally some of the respondents did not have adequate time to give much information as would be required hence getting them from their tight schedules hampered the completion of the research in good time. Therefore, this in itself could compromise the quality of the information gathered since it could be insufficient. Also noted was the unwillingness of the interviewees to correctly answer to questions raised because of the conservative nature of the Organization and the suspicion that the study would expose CBK to outsiders.

5.5 Recommendation for Further Research

There is need for a properly coordinated and well communicated change management strategy to allow for proper dissemination of information. The following recommendations were suggested; first there is need to replicate this study to other

public organizations to establish their experience in implementation of various changes and to determine whether the same conclusions can hold true. It is recommended that the evaluation of change process be conducted in future then for comparability to test compliance with various provisions of the constitution of Kenya.

Secondly, the study also recommends that a survey method be used in future instead of a case study method. This is because generalizing the results of a case study is limiting and hence surveys would act as better pointers of the implementation change programmes process in the public sector.

5.6 Implication of the Study on Policy and Practice

The CBK needs to put in place a fully pledged Department of strategy and change that can be charged with the responsibility of advising the management about new trends in the global market because from the study it is evident that there are a number of strategic changes that have been implemented.

It is also imperative to note that while implementing new changes, the management should take care of redundancy issues amongst staff since new duties are bound to emerge when changes in systems and operational procedures are introduced importance to note is the need for realistic timelines where the services of consultants are involved to minimize on cost and ensure desired results are obtained within the agreed timeline.

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APPENDICES
APPENDIX I: INTERVIEW GUIDE

SECTION 1: Change Management Process

1. What are the key strategic changes that have occurred in the CBK in the last

5years..

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2.   What   factors   necessitated   the   CBK   to   effect   the

Changes..

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3. How would you describe the change Management process in the Central Bank of

Kenya

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Section 2: Implementation of change programmes

4. What level of management is involved in the process of implementing change

programmes……………………………………………………………………

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5. What is/are the key drivers of change in the CBK?

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6. Describe the Major effects of the Change in the CBK

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7. What does the CBK envisage to achieve in effecting various changes in its operations?

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8. To what extent has the CBK facilitated the implementation of various changes

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9. To what extent are the Staff of the CBK empowered to implement the various change programmes

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10. Describe how the various changes in your docket or in the CBKas a whole were executed

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11. What benefits/usefulness ,accrue from the implementation of the various changes programmes……………………………………………………………………………………

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SECTION 3: Challenges in implementation of Change Management

12. To what extent are the following aspects a challenge to the Change Management

    process in the CBK

      a. Culture

      b. Staff skills and competencies

      c. Organizational structure

      d. Resources allocation

      e. Systems, processes, procedures and Policies

      f. Timelines

      g. legal environment

      h. Others (please describe them)

SECTION 4: Ways the CBK can use to minimize the challenges

13. What actions have the CBK taken to overcome the challenges/ is the change well

    communicated for all to understand.

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14. What is the CBK management doing to ensure that the systems, processes and routines for organizing, allocating and developing change programmes during the implementation are successful

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15. What measures if any, has the Management put in place to ensure effective change leadership?

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16. How would you describe the commitment of non- management staff to the successful implementation of change programmes at the CBK

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THANK YOU VERY MUCH FOR YOUR TIME AND COOPERATION

APPENDIX II: INTRODUCTION LETTER

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex.   22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE 28/08/2012

TO WHOM IT MAY CONCERN

The bearer of this letter...... ROSE MBULWA K.-LISERO
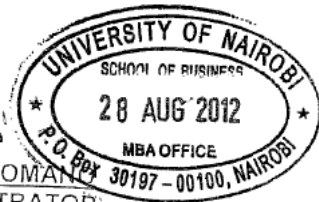
Registration No.... D61/63293/2010

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

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

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

Thank you.

IMMACULATE OMANGI
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
28 AUG 2012
MBA OFFICE
P.O. Box 30197 – 00100, NAIROBI

APPENDIX III: PROPOSAL CORRECTION FORM

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

PROPOSAL CORRECTION FORM

Student Name..... Rose M.K. Liseto

Registration Number.... D61/63293/2010

Department.... Business

Specialization.... Strategic Management

Title of Project Proposal.... The Implementation of
Strategic change Programmes at the
Central Bank of Kenya

The student has done all the corrections as suggested during the Proposal Presentation and can now proceed to collect data.

Name of Supervisor.... DR. ZB ACHING Signature..... Date.. 28/08/2012