

**MANAGING CHALLENGES OF STRATEGIC CHANGE AT  
NAIROBI WATER COMPANY LIMITED**

**BY**

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**A Research Project Submitted in Partial Fulfillment of the Requirement for the  
Award of the Degree of Master of Business Administration, School of Business,  
University of Nairobi.**

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**DECLARATION**

I declare that this research is my original work and has not been presented for a degree in any other university.

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Supervisor declaration

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

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## **Abstract**

It is about ten years since the water act 2002 came into force, bringing about what is considered the most radical overhaul of the water sector in Kenya. It is also eight years since Nairobi Water Company, a creation of the act, was born. The Company has been undergoing strategic change and experiencing various challenges key amongst them being resistance to change, poor business processes, financial constraints, lack of a supportive organizational culture and structure, staff capacity gaps, poor communication, political interference and low customer satisfaction.

This study sought to determine the strategies adopted by Nairobi Water Company in managing these challenges as well as the factors that determine the choice of the response strategies that the Company adopts while dealing with these challenges. It established that organizations face many challenges in the process of actualizing their business strategy. These challenges revolve around financial resources, people management, external interference and failure to develop effective business processes and structure to support the strategies. The response strategies adopted to cope with the challenges are guided by the particular challenge experienced. Particular responses tend to work better if they are aligned to a particular strategy. It also established that factors that influence particular response to the challenges experienced either relate to the organization or external environmental variables. Such factors include financial implications, management commitment, and the strategic plan of the business, trade union involvement, customer demands and expectations as well as the general business environment.

The results of this study can be used as a lesson to other organizations and quasi government institutions that may be undergoing similar changes and challenges. Other water companies in the country stand to benefit from this study in light of the fact that Nairobi water Company is the biggest in the country and one of the pioneers in implementing the sector reforms. It is also useful for the academicians and other

researchers wishing to carry out further research. The study will contribute to existing literature in the field of change management.

Due to time constraints, the research findings were obtained from the management staffs of the Company. To add value to this research, it would have been good to obtain the views from non management staffs and external stakeholders like customers and the other players in the water sector.

## **DEDICATION**

To Sharon and Andrew, my challenging sources of inspiration. I love you.

## **ACKNOWLEDGEMENT**

I wish to thank the Almighty God for giving me the strength and good health to complete this project. My special appreciation goes to Charles for believing in me and urging me on to the very end. It is finally over. I also wish to thank my family members for their support and encouragement when things were tough and there was not enough of me to go around. Last but not least I wish to appreciate my instructor for his patience and accommodating attitude which urged me on until the finish line.

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## **CHAPTER ONE: INTRODUCTION**

### **1.1 Background to the Study**

The changing environment in Kenya has put the public sector under immense pressure to improve their operations and processes so as to deliver quality services. This has led to numerous reforms in all sectors in Kenya, especially with the advent of the Structural Adjustment Programs (SAPs), for the last three decades or so .The climax of these in the water sub-sector were the institutional reforms that followed the enactment of the Water Act in 2002. These institutional reforms separated policy, regulatory, service provision and consumption, funding and disputes resolution roles. The 2003-07 Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) clearly separated water resources management functions from water supply delivery functions.

Strategic change has been argued to be basic re-thinking of the beliefs, values, decisions actions and approaches by which organizations carries on its business to realize its strategic intent Thompson and Strickland (2003). They further observe that, in the fast changing business environment, the capacity to introduce new strategies and organizational practices is a necessity if an organization is to achieve superior performance enduringly. Burnes (2000) points out that the biggest challenge to managers today is the issue of how organizations can cope with both the dynamic environment in which they operate given the constraints, challenges and threats. Strategic management entails understanding the firm's current strategic position, identifying the strategic choices available to it, and translating these strategies into action.

#### **1.1.1 Concept of Strategic change**

Strategy can be defined as an organization's plan aimed at making it create and maintain a competitive edge and continuous action of aligning itself to the opportunities arising in its business environment. Many organizations today are focusing on becoming more competitive by launching competitive strategies that give them an edge over others. To

do this, they need to craft strategies (Porter, 1985). Cole (2004) sees strategy as simply what an organisation intends to achieve and how it intends to achieve it. According to Porter (2004) strategy is concerned about what an organisation will do in the long term; how the organisation can have some competitive advantage over competition; and how to fit the organization to the opportunities presented by the environment it operates in.

Strategic change can be defined as actions, processes and decisions that are executed by organizations to realize their strategic intentions (Hardy, 1995). Burnes (2004) says that it is a way to create conditions that make proactive change as natural as a way of life. He identifies two forms of change which are; planned and emergent change. Planned approach to organization change is viewed as a process of moving from one fixed state to another through a series of pre-planned steps. It distinguishes change that is conscious as opposed to change that was brought about by accident or impulse, or that may be forced on an organization. Planned change involves an organization passing through various states in order to move from an unsatisfactory present state to a more desired future state. Emergent change is a continuous, open ended and unpredictable process of aligning and realigning the organization to its changing environment. It recognizes the need for organization to align their internal practices to external conditions.

### **1.1.2 Challenges of Managing Strategic Change**

According to Johnson and Scholes (2002) the force field analysis provides a view of change problems that require to be dealt with by identifying forces for and against change within an organization. A cultural web can be used as a way of understanding current organization culture and desired future culture. Building on a culture web analysis, one can apply the force field analysis by asking the following pertinent question: What aspects of the current culture might aid in the desired direction, and how this may be reinforced; What aspects of the current culture would block change and how to overcome them, and finally what needs to be introduced or developed to aid change.

Hamel and Prahalad (1989) say that an organization that lacks strategic intent in their change programs are sooner faced with resistance to change. This is due to lack of common focus that aligns everyone to a specific corporate challenge. Strategic intent captures in detail what change management is all about; folding the future back into the present. Lucey (2005) observes that in instances where change management is guided by strategic intent, organizations become flexible and open to change.

Challenges to strategic change can broadly be classified into two categories namely; systemic and behavioral. Systemic challenges include those relating to the structure and operations of the organization like Organization's capabilities, resource allocation, political and economic factors both internally or externally instigated. The behavioral challenges include human factors like leadership and management styles, employees' resistance to change, cultural inclinations and communication.

### **1.1.3 Nairobi water company**

The Nairobi City Water and Sewerage Company Limited (NCWSC) was incorporated in December 2003 under the Companies Act, CAP 486 being a wholly owned subsidiary of the City Council of Nairobi (CCN). It has its headquarters at Kampala Road, Industrial Area; Nairobi, Kenya with six Regional centers spread out in the city. The company's formation arose from the enactment of the Water Act 2002, which created new institutions to manage water resources and services in Kenya. The Company is supervised by Athi Water Services Board (AWSB) under the terms of a Service Provision Agreement (SPA) with the aim of ensuring adequate and quality supply of water, affordable tariffs, maintenance and improvement of water and sewerage infrastructure.

The Company took over the provision of Water and Sewerage services within Nairobi and its environs hitherto provided by the former Water and Sewerage Department of the City Council of Nairobi formed in April 1970 . The company inherited all the assets and liabilities of Council's Water and Sewerage Department. The Company though registered under the Company's Act is 100% owned by CCN. This type of ownership creates an

environment where the Council interferes with the Company's autonomy in decision making. Since inception the company faced many challenges. The most prevalent includes, poor billing process that was more than 90% manual, high creditors and debtors, a huge human capital riddled with capacity gaps, high levels of non-revenue water, low revenue collection, slow response to leaks repairs, un-metered and illegal connections, frequent water shortages and low customer confidence.

Over the six years of transitioning and consolidating the changes in the Company business, new challenges have emanated. Key amongst them is the management wrangles evidenced by the exit of five of the six directors in 2010 and the protracted wrangles over the constitution of the Company's Board of Directors which lasted for two years. Currently the positions of the five Directors, which include the Managing Director, are yet to be substantively filled. This scenario has hindered decision making and strategy execution. It has also resulted in slow response to the management of challenges resulting from implementation of strategic changes. Other key challenges include failure to meet the expectations of the customers who still continue to complain against the Company's operational inefficiencies; institutional framework that renders the organization more of a government institution than a private Company, and an ingrained customer perception that water should be a free commodity. This is further aggravated by the fact that the reliability of water supply continues to be poor and the billing system remains questionable.

## **1.2 Statement of the Problem.**

Strategic change can be defined as actions, processes and decisions that are executed by organizations to realize their strategic intentions (Hardy, 1995). Many organizations have been forced to change from the normal ways of working to be able to cope with the pressures posed by the market environment. According to Burnes (2004) these pressures cause many organizations to undertake transformational or strategic change that involves significant alteration to strategy, structures, systems, processes and ultimately culture. Wheelen & Hunger (2008) also observe that the globalization of markets, rapid

advancements in new technology, higher levels of competition, increasing focus on costs and cost management, challenges for new markets entrants, decreased bottom line profit or a perceived longer-term change in the nature of an industry all contribute to the drive for change within contemporary organizations today. The major challenge posed by all these dynamics to an organization is its capabilities and capacity to keep abreast with the pace of these changes.

One of the millennium goals is to halve the estimated 1.1 billion people without access to safe drinking water and sewerage facilities by 2015. At the current rate of progress it is unlikely that this target will be achieved in many parts of the developing world. According to the most recent Human Development Report, the year 2040 is a more likely date for this goal to be achieved in Africa unless there is accelerated investment in the sector (UNDP, 2006). The water sector reforms which were actualized through the enactment of water act 2000 were geared towards achievement of the above goal. Nairobi Water Company was born out of this dispensation and is expected to serve the estimated populace of three million people. This makes the Company the biggest water and sewerage Company in Kenya. It also means that in order for the sector changes to be meaningful, the necessary institutional capacity to support and manage them successfully is a prerequisite to successful change.

Odundo (2007) and Mute (2007) in their studies on change management both established that success rate was low and did not achieve all that was envisaged and that resistance was experienced during the implementation of the change. These studies, amongst others, have made significant contributions in terms of knowledge in change management. However they have not fully addressed the issues of how businesses respond to challenges of managing change and what factors inform their choices of response strategies to these challenges. This study therefore seeks to answer the following; what are the strategies adopted by Nairobi Water Company in managing challenges of strategic change? And what factors determine the choice of the response strategies that the Company adopts while dealing with these challenges?

### **1.3 Research Objectives.**

The study's main objective is to establish the strategies adopted by organizations to cope with challenges of strategic change management.

More specifically the study seeks to:

- i. Establish the strategies adopted by Nairobi Water Company in managing challenges of strategic change?
- ii. Establish the factors that influence the response strategies that the Company has adopted to deal with these challenges?

### **1.4 Value of the Study**

The changes at the Company are part of the ongoing Government reforms and hence Government Officials could use this study as a point of reference for future reforms including the imminent revision of the water act which will be occasioned by the implementation of the new constitution. Lessons learnt during implementation of change in the previous water act can inform decisions on how to manage water resources under the county governments.

The study is also important when evaluating successes or failures in the implementation of changes in the public sector. The study will contribute to the body of knowledge regarding reforms in the public sector in developing countries. It is also useful to other researchers and academicians in evaluation of the process of managing change in organizations. Practitioners in water sector and other private business operators may also benefit from the study.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Introduction**

This chapter reviews literature related to the study under the concept of strategic change, management of strategic change, challenges of strategic change; both systemic and behavioral as well as ways of managing these challenges.

### **2.2 Concept of Strategic Change**

It can be argued that there is a fine line between strategic change and management or leadership. Every new manager or leader tends to come along with changes and indeed they are often a change themselves. Johnson and Scholes (2002) define change as a transition from one state to another with a goal of being different. They further observe that change management is a structured approach to shifting or transitioning individuals, teams and organizations from a current state to a desired future state. It is an organizational process aimed at empowering employees to accept and embrace changes in their current business environment. Some changes are reactions to external threats whereas others are proactive to seize opportunities.

Strategic change is the basic re-thinking of the beliefs, values, decisions actions and approaches by which organizations carries on its business to realize its strategic intent Thompson and Strickland (2003). They further observe that, in the fast changing business environment, the capacity to introduce new strategies and organizational practices is a necessity if an organization is to achieve superior performance enduringly. Burnes (2000) points out that, the biggest challenge to managers today is the issue of how organizations can cope with both the dynamic environment in which they operate given the constraints, challenges and threats. Strategic management entails understanding the firm's current strategic position, identifying the strategic choices available to it, and translating these strategies into action.

Strategic change management is also defined as actions, processes and decisions that are executed by organizations to realize their strategic intentions Hardy (1995).It can also be

seen as ways to create conditions that make proactive change as natural as a way of life. Johnson and Scholes (2002) note that there is no ‘right formula’ to manage change and that successful change is dependent on the wider context in which it is occurring. He further proposes that different styles of managing change are likely to be necessary according to the different contexts and in relation to involvement and interests of different groups.

## **2.2 Strategic Change Management**

Various change models have been suggested that are concerned with approaches to planning and implementing institutional changes required for achieving or shaping strategic objectives. Among the models is the action research, which was first coined by Lewin (1946). Action research refers to programs and interventions designed to solve a problem or improve a condition. It is based on proposition that effective approach to solving organization problems must involve a rational, systematic analysis of the issues in question. Action research process entails the perception of a problem by a key individual, consultations with experts, systematic data gathering about the system, taking action by altering selected variables within the system, evaluating results and taking necessary action.

The Lewin’s three-step model states that permanent changes in behavior involve three aspects that is unfreezing previous behavior, changing, and refreezing the new patterns. Unfreezing is the readiness to acquire or learn new behavior. People are willing to accept new ways of doing things but this requires a trigger for example declining sales and profits or threat of closure. Change occurs when people perceives need for change to try out new ideas. It may be gradual or drastic and it involves a strategy. The change needs to be planned. Finally refreezing involves consolidating the new practices (Burnes, 2004).

According to the Harvard business review of change (March-April 1995) Kotter J.P., leading change: proposes eight steps which lead to successful change. The steps spell out the need to establish a sense of urgency which involves identifying cause or crisis necessitating the change and forming a powerful group with enough power to lead the



change effort. They also state the need to create a Vision that will help direct the change effort and communicating the vision and strategies and teaching the new desired behavior. Empowering others to act on the vision by getting rid of organization change obstacles as well as planning for performance improvements by recognizing and rewarding those involved in achieving improvements is also factored. The final step covers the need to consolidate improvements and produce more change by re-invigorating the process with new projects and change agents and finally; institutionalizing the new approaches through articulation of relationship between new behavior and company's success.

Lamb(1984) defines strategic change management as a process that assesses the business and the industries in which it is involved; assessing its competitors and sets goals and strategies to meet all existing and potential competitors; and then re-assesses each strategy annually or quarterly to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet the changed circumstances, new technology, competitors, economic, social, financial or political environment. Strategic change management is defined as actions, processes and decisions that are executed by organizations to realize their strategic intentions Hardy (1995).It can also be seen as ways to create conditions that make proactive change as natural as a way of life. According to Porter (2006) many organizations today are focusing on becoming more competitive by launching competitive strategies that give them an edge over others. This calls for a strategic fit of an organization's core competence levels, technology, leadership styles, markets, culture, people, and environmental influences. According to IBM's 2006 Global CEO Study, 80% of the 750 top CEOs and business leaders interviewed graded themselves as having been less than "highly successful" at executing strategic change.

### **2.3 Strategic change implementation**

Burnes (2004) observes that implementation of change is concerned with putting the formulated strategic changes into action, accomplishing administrative tasks and allocating the necessary resources. He further says that it is an internal operation driven

activity involving organizing, budgeting, motivating, culture building, supervising and leading the strategy work as intended. Cole (2004) observes that strategic change should be implemented systematically. Good implementation is critical for strategic and organization success. This may be accomplished by understanding the extent of strategic change as implied by the new strategy and variables that can facilitate change.

Alan Deutschman (2010) enumerates three prerequisites for sustainable change referred to as three R's – Relate, Repeat, and Reframe. Relate is critical for individuals facing change to become both overwhelmingly convinced of the need to change and believes that it (and their own personal change) is possible. Repeat is ability to learn through repetition. When there is hope and an understanding of the necessity for change, it becomes easier for us to try new things. Reframe is the process of learning new thinking and behaviors. This results in a paradigm shift on the way people look at things.

Thompson (1997) says that change implementation normally follows three critical steps. These include first assessing the current state of the organization where the resulting analysis identifies the current situation, problems and the possible causes of these problems. By specifying the problems and the kinds of changes that are needed, this analysis performs the unfreezing function. Second is designing the future state of the organization. This process involves determining the idealized, expected state of affair after the implementation of change. As confusion is common during a major organizational change, the clearest possible image of the future state must be developed and conveyed to everyone. This image or vision will be a target or guideline that clarifies expectations to dispel rumors and mobilize people's energies. The portrait of the future also communicates how the transition will occur, why the change is being implemented and how people will be affected by the change. Finally, the Implementation of change which is the transition state whereby the transition manager can be appointed and given the power and authority to make the change. Resources like personnel, money, training and consultation must be provided. A transition plan should be drawn up and should include goals, standards of performance and responsibilities of key people. Special task force, pilot projects or other temporary structures are also created.

## **2.4 Challenges of Strategic Change**

According to Porter (2006) organizations should plan on how to tackle the challenges of strategic change management. He points out that such challenges may relate to the nature of proposed change, the organizations culture of change management, organizational structure, ability of the organization to learn and external forces beyond the organizations control. The nature of change management challenges can therefore be viewed from two main perspectives that are systemic and behavioral.

### **2.4.1 Systemic Challenges**

These are challenges relating to the structure and operations of the organization. They may be internally or externally instigated. Armstrong (2006) observes that one the greatest challenge for organizational change management is the rigidity of an Organization's policies and procedures. He argues that such policies and procedures curtails creativity, innovation, ability and agility of the organization to learn as well as the effectiveness and efficient of task execution. Organizations should be structured to facilitate the smooth flow of work but many organizational systems are prone with rigid and ineffective operational processes. Such processes result in inefficiencies which greatly affects the organizations change management (Strickland (1993)

Organizational communication is another major challenge to managing change effectively. Aaltone and Ikavalko (2001) state that the amount of strategic communication in most organizations is large that is both written and oral communication. It mostly takes the form of top down communications. However, a great amount of information does not guarantee understanding and there is still much to be done on the field of communicating strategies. It is recommended that an organization institute a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to soliciting questions and feedback, the communications should tell employees about the new

requirements, tasks and activities to be performed by the affected employees, and, furthermore, cover the reason (“the why”) behind changed circumstances (Alexander, 1985). According to Atreya (2010), it takes adept leadership to communicate and convince all employees about the benefits of the new strategy. Senior executives cannot simply communicate with a few top managers and expect change to occur. It needs to be communicated through the organizational ranks. Moreover, different employees may interpret the new strategy differently. They may also have different ideas about how to execute it. Depending on how much organizational change is involved, strategy implementation can take several months to years.

Resource allocation is also critical and insufficient resources imply inadequate funds, equipment and facilities, human skills and experience Johnson and scholes (2003).. Strategic capability is essentially concerned with how these resources are deployed, controlled, managed and in case of people, how they are motivated to create competencies in the activities required and business processes to drive the business. They also point out that resources alone do not guarantee strategic success. David (1997) observes that in organizations that do not use a strategic management approach to decision making, resource allocation is often based on political or personal factors such as over protection of resources, emphasis on short run financial criteria, vague strategy targets, reluctance to take risks and lack of sufficient knowledge.

Cole (2004) observes that challenges external to an organization may hinder realization of strategic change. He observes that macro environment forces such as political-legal forces may hinder progress in the legislation framework. Political instability may affect political goodwill towards resource mobilization while civil unrest may de-stabilize the human capital or destroy infrastructure meant to institutionalize strategy. Porter (2008) argues that industry forces arising from buyer power, supplier power and rivalry from competitors can pose serious challenges. The operating environmental forces compounded by pressure from stakeholders like creditors, suppliers, customers, shareholders, government and local community can impose challenges that could impair strategy implementation. Bruch and Ghoshal (2003) observe that economic pressures

relate to the local and global scene. Due to rapid globalization economies have become interconnected. Business operations and strategy have to reflect this relationship. Mintzberg (2002) highlights the key economic pressures as general economic growth, stagnation or decline, inflationary pressure, financial services risks, exchange rates, interest rates, and distribution of wealth.

#### **2.4.2 Behavioral Challenges**

According to Armstrong (2002) these are human factors that pose a big challenge to management of strategic change in an organization. This is mostly manifested in employee's resistance to change. Although change is a universal and an inevitable phenomenon, it rarely occurs in a smooth, balanced fashion. Resistance to change is a frequent and natural occurrence. It is well known that people are, for the most part, resistant to change of any sort. This is especially true in the case of transformational change. In organizations, many factors come into play, such as fear of the unknown, habit, the possibility of economic insecurity, threats to social relationships, and failure to recognize the need for change (Nadler, 1988). Such reasons will result in change that is ultimately stamped out and equilibrium returned, unless organization leaders step in to facilitate acceptance of the change.

According to Thompson (1997) change frequently disrupts the normal way of working. It is therefore important to encourage people to recognize the need for change and its accompanying benefits and the external threats for not changing. Managed change should be planned and evolutionary. Johnson and Scholes (2002) says that in order to avoid resistance to change individuals, groups and organizations must be motivated to change. If people perceive no performance gap or if they consider the gap unimportant they will not have this motivation and may in fact resist changes that management attempts to introduce.

Thompson and Strickland (1993) say the specific reasons stems from what people perceive as personal consequences of the change. These include self-interest whereby most people care less about their organization's best interest than they do about their own

best interests. Secondly, misunderstanding may result in specific resistance whereby even when management proposes a change that will benefit everyone, people may resist because they do not fully understand its purposes. Finally, different assessments may result in resistance to change where the employees are exposed to different and usually less information than management receives. Even without top management ranks some executives know more than others do. Such discrepancies cause people to develop different assessments of the proposed change.

In order to reduce resistance to change in an organization, there is a need to ensure that a new climate and culture of people in the organization is created. Climate refers to the way people behave and think and culture refers to the values of the people in the organization. For an effective change to occur, both the way people behave and think, and their values, must change. The more these values and beliefs of people can be changed, the more organizational change can be achieved.

Other behavioral challenges include management capabilities. According to Hasbison and Meyes (1999) high managerial involvement in strategic development is essential for successful change implementation. Visionary leadership that creates a learning environment and empowers employees will motivate them towards achieving the desired results. Johnson and Scholes (2002) say that management must ensure employees view change as a priority, beneficial and that it is permanently present.

Cultural inclinations pose their share of challenges in the process of managing strategic change. Burnes (2004) in his studies on culture, power politics and change notes that when an organization's environment is changing rapidly, situations will arise when its culture is out of step with the changes taking place. Heracleus (2001) indicates that change processes are only successful if they fit a company's current culture, traditions, and norms and shared values. Johnson and Scholes (2003) observe that managing strategic change must address the powerful influence of the paradigm and the cultural web on the strategy being followed by an organization.

## 2.5 Managing challenges of strategic change

There are six ways of overcoming challenges of behavioral resistance as outlined by Kotter and Schlesinger (1979). These are outlined on table below.

<b>Approach</b>	<b>Situational use</b>
1. Education + communication	Where there is a lack of information and analysis /inaccurate information and analysis
2. Participation + involvement	Where the initiatives do not have all the information they need to design the change, and where others have considerable power to resist
3. Facilitation + support	Where people are resisting because of adjustment problems
4.Negotiation + Agreement	Where someone or some group will clearly lose out in a change and where that group has considerable power to resist
5.Manipulation + Co-optation	Where other tactics will not work or are too expensive
6.Explicit + implicit coercion	Where speed is essential and the change initiators possess considerable power

Source: Kotter, J.P and Schlesinger, L.M (1979), Choosing strategies for change,

Harvard Business Review, March-April 1979, pp 106-114.

Systemic challenges may be managed through the realization that new strategies may not necessarily fit in a current organization structure and therefore the structure needs to be aligned to fit the new strategy (Cole 2004). Thompson and Strickland (1989) notes the need to have fits between strategy, the internal organization structure , allocation of budget, organization reward systems, internal policies, and internal organizational atmosphere (culture and beliefs).The tighter these fits are the more likely that the targeted performance can be actually achieved.

Judson (1991), observes that, many organizations develop strategy first, followed by changes in the system and finally changes in behavior. Ansoff and McDonnell (1990) say the motivating sequence would be one where an organization starts with behavior change followed by systems and finally; strategy. Majority of documented challenges are to do with inappropriate systems, utilization hindering the process of operationalizing, institutionalizing and controlling strategy. Johnson and scholes (2002) observes that institutionalization relies on organizations configuration consisting of structures, processes, relationships and boundaries through which organizations operate.



## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter describes the research design, data collection and the techniques for data analysis that were used.

### **3.2 Research Design**

The study adopted a case study design. In the design, Nairobi City Water and Sewerage Company Limited was the single unit of study. A case study is an in-depth investigation of an individual, institution or phenomenon (Mugenda and Mugenda, 2003).

This form of study is concerned with depth rather than breadth of data coverage and hence was the most appropriate because it allowed in depth understanding of behavior patterns as well as allow an exhaustive exploration of aspects ascertaining the relationship between challenges of strategic change and the response employed to overcome these challenges.

### **3.3 Data collection**

In this study, emphasis was given to primary data. The primary data was collected using an interview guide. This made it possible to obtain data required to meet the specific objectives of the study. The respondents were drawn from the top management and heads of departments who were involved in change management in the Company. This was aimed at getting a holistic view of the challenges and strategies both at policy formulation and implementation levels of the organization. The interviewees included two Functional Directors, two regional managers and two regional coordinators as well as the head of operations and maintenance.

Secondary data was collected from existing sources (Kombo and Tromp, 2006). The data was collected from the Company's files and records as well strategic business plans to get insight into the strategies planned and employed in the Company.

### **3.2 Data Analysis**

Qualitative data analysis was done using content analysis .This involved observation and detailed description of objects, items or things that comprise the sample. In this analysis, a classification system was developed to record the information. In interpreting results, the frequency with which an idea or concept appeared was interpreted as a measure of importance, attention or emphasis. The relative balance of favorable attributes regarding ideas or concepts was interpreted as a measure of correlation between challenges and the strategic responses.

## **CHAPTER FOUR: DATA ANALYSIS, INTERPRETATION AND DISCUSSIONS**

### **4.1: Introduction**

The research objective was to establish the strategies adopted by Nairobi Water Company in managing challenges of strategic change and the factors that influence the response strategies that the Company has adopted to deal with these challenges. This chapter presents the analysis and findings with regard to the objective and discussion of the same.

### **4.2 The Respondents Profile**

The respondents comprised the top and middle level management of Nairobi Water Company. In total, the researcher interviewed nine respondents as was intended in the research design. Two of the respondents were engaged in guiding and directing the formulation of response strategies while all the others were involved in the implementation process. All the respondents interviewed had university degrees with four of them having a Master in Business administration degree as well. All the respondents had worked in the organization for over five years with six of them having been with the organization since its inception in 2003. The other respondents were recruited from the private sector to fill in capacity gaps that were identified in the Company as well as help in formulation and implementation of the Company's strategies. This group of respondents was found to be knowledgeable on the subject matter of the research and thus of help in the realization of the research objective.

In addition, the views of both genders were represented in the respondents interviewed because two females were interviewed in the management team. From these, the data obtained was felt not to have gender biasness. One set of the interview guide was developed to be filled by each of the respondents and aimed to establish the strategies adopted by the organization in managing strategic change..

### **4.3 Strategies adopted to cope with challenges of strategic change**

A host of challenges that have been facing the Company were presented to the respondents out of which they singled out the dominant ones as being; resistance to change, poor business processes, financial constraints, lack of supportive organization structure and culture, staff capacity gaps, poor communication and political interference. Respondents were further asked to identify the response strategies that the Company had employed in addressing the above challenges. Their responses were as follows:

To cope with resistance to change, the Company had improved the staff salaries and benefits and made them much higher than those of the city council. It had also improved the working environment by providing modern offices, equipment and vehicles for ease of operations. The Company had also invested in staff training on change management. Other strategies included the contracting of a consultant to carry out a staff rationalization program where staffs were placed in the areas they were suited for and the structure flattened from eighteen scales to nine. The Company had also encouraged teamwork through various team building activities. In order to get a staff buy in, the Company engaged the union in negotiating salaries and benefits of staff

The respondents revealed that various strategies were employed to manage poor business processes. These included reengineering and redefining of the various business processes formulation of guiding vision and mission statements, automation of the billing and meter reading system and embracing ICT across the entire Company by creating a department to provide ICT solutions to all users. Other strategies identified were improvement of the water distribution system, defining and documenting procedures for all processes in the Company, acquisition ISO certification and enhancement of management and control systems.

Under financial constraints the respondents reported that the various response strategies employed to this end were improved and timely billing, revenue collection enhancement through introduction of more pay points and engagement of collection agents like banks , Safaricom and Zain. Other strategies included strengthening of debt collection function,

adoption of proper budgeting and adherence to agreed budget allocation, cost cutting measures and control of price variability through competitive bidding. The Creation of a full time monitoring department to deal with illegal water connections and any reported corruption cases was also a strategy that was implemented aimed at revenue protection.

The analysis of responses given by the respondents also revealed that lack of supportive organizational culture and structure was handled through various response strategies which included redesigning and adopting a new organization structure, flattening of the organization structure from eighteen levels to nine levels and creation of a new and conducive environment for culture change by physically moving from the council offices to the Company offices. Team building activities were incorporated in the business plans as well as various staff trainings in change management and customer care..

One of the other main challenges was Staff capacity gaps which created systemic resistance especially during implementation of business automation strategies. To manage this situation, the company had done external recruitments in areas where there was no internal capacity to handle as well as internally internal sourcing where existing staff s proved to have capacity to fill in the vacancies. The company also engaged staffs on short term contracts to beef up the existing workforce especially in operations. Staff capacity was also developed through staff training programs and staff performance monitoring and feedback through performance appraisals

To address poor communication, the company engaged in regular interactive meetings between staff and management and use of newsletters, memos and notice boards to arrest grapevine sources of information. The Company created a corporate affairs department to deal with corporate communications and to develop guidelines on official communication. Another strategy employed was the interconnectivity of all stations of the company through installation of a wide area network.

The respondents also reported that political interference was handled through establishment of a board of directors whose membership constituted a minority number of council representatives and ensuring that the council officials do not hold the position of chairman. There was also training on corporate governance and recruitment of top management from the external market. The physical relocation of company operations from city council offices was also aimed at de-linking the two entities and encouraging autonomous operation of the Company.

#### **4.4 Factors that determine choice of response strategies**

The respondents were required to indicate the factors that influenced the Company's choice of responses to challenges they faced. The responses were broadly categorized into two that is organizational related factors and external environmental factors.

##### **4.4.1 Organizational factors**

The respondents indicated that availability of financial resources was a key consideration in choice of response strategies. They indicated that some strategies like right sizing of staff by paying them off were shelved due to financial implications. One of the main justifications for a tariff review was to enable the company recovery its operating costs of supplying water and sewerage services to their customers. The make up of the board of directors and board of management to a large extent also informed the choices made. Other factors of influence were the company ownership where decisions contrary to the will of the City council would not be made. The Council has a water committee that deliberates the issues relating to the company operations and policies.

Staff support and buy in of the intended strategies was also identified as a factor influencing choice of strategies. The local government union which was highly supported by staffs influences all decisions touching on staff matters including their working terms and conditions, disciplinary action and to some extent the choice of top management of the company. It was revealed that the sacking of the previous top management including the Managing Director was to some extent influenced by staff support. Other factors

identified were the organization's capacity of to implement the strategies identified in the strategic plan of the business. The records revealed that some of the planned strategies were not realized due to inadequate capacity to deliver on them.

#### **4.4.2 External environmental factors**

Amongst the factors affecting choice of response strategies, it emerged that factors outside the organization also contributed to this. Trade union position and support, and specifically the local government union determined choice of human capital strategies. This had manifested itself in the staff rejection of the water company's union and mass return to the terms of the local government collective bargaining agreement.

In regard to the how the political environment affected strategy choice; the respondents said that the prevailing political scenario in the city played a role in shaping strategy. Water distribution strategies had to incorporate the views and preference of area councilors. The sinking of boreholes during the draught season was cited as one strategy that was influenced by the political forces especially in choice of the location of the said boreholes. Political forces were also seen to have influenced the sacking of directors.

From the onset, the company had positioned itself as one that focused on customer needs. The initial branding campaign had come up with a logo of "a new beginning" for the city residents in so far as water services were concerned. The respondents opined that customer demands and requirements were paramount in strategy selection at all times. The Company carries out annual customer perception surveys to determine the needs of customers which are then incorporated in the Company's strategic plans. The decentralization process, setting up of modern offices, opening collection partnerships and automation of customer data were cited as examples of strategies that were adopted out of needs expressed by customers.

There has been rising demand by Kenyans for quality services and accountability of public servants. The water utility has not been spared of this pressure. The respondents reported that this demands and increased customer awareness had led to strategies like performance contracting and employment of public procurement procedures being

adopted by the company. Economic factors such as taxation, national budget allocation and inflation also informed strategic decisions that were financial in nature.



## **CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter highlights the main findings of the study, derives conclusions and gives appropriate recommendations.

### **5.2 Summary of findings**

In summary, the study shows that the interviewees have been involved in strategy formulation and implementation and are well aware of the challenges that the organization has been facing since formation. This is by virtue of their having worked in the firm for more than five years and also due to the fact that all of the interviewees were engaged in the day-to-day management and operations of the firm. As a result of the above, the researcher felt that the results obtained from the respondents reflects the true position as in the organization.

The firm has been adopting various strategies to deal with the challenges that continue to emerge over time due to the changing internal and external environment. Some strategies have worked well and gained the envisaged results while others have had less impact. Moreover, some strategies have introduced new challenges. Automation of business processes resulted in staff having inadequate capacity to adopt and hence resulted in slow implementation and resistance from staffs who felt threatened by the new technology. However, the strategy to recruit externally in a bid to bridge capacity gap has worked well as it has brought diversity especially at management level. The new employees have also been able to do in house training of their colleagues hence have contributed to capacity building.

The strategies employed to enhance revenue collection have also worked by improving collections from an average of Ks.100 Million at company inception to Ks.350 Million currently. The tariff review of July 2009 has also positively contributed to the increased revenues.

Some strategies have also created synergies to each other by complementing or supporting the implementation process of each. The increased revenue collection has enabled the implementation of better salaries and benefits for employees. The

decentralization strategy which sought to have services taken closer to the customers also supported the strategy of physically separating company operations from the council as a measure of creating total autonomy of the company from the council. The strategy of acquiring ISO certification has contributed to a large extent the strategy to have all processes, policies and procedures mapped, documented and practiced.

From the study, it has emerged the factors that determine choice of strategy can be broadly categorized into two groups namely organizational and environmental factors. Organizational factors include those that relate to the organizations operations such as financial implications and availability, board of director's make-up, company ownership. Staff support, management commitment, work ethics, capacity of the company to implement the strategies and the strategic plan of the business. Environmental factors are those considered external to the organization and include factors such as trade union consideration, political climate/implications, corruption and integrity, customer demands, general business environment, Public pressure/demands, Customer needs and expectations, Stakeholders expectations and economic factors such as taxation, national budget allocation

### **5.3 Conclusions of the study**

The main triggers for strategic change are many and diverse. They mainly emanate from the need to deliver more value to customers, meet customer demands, improvement of revenue for the business, the strategic vision for a business, the need to adapt to environmental changes and the need to comply with established laws and regulations as well as expected standards of practice.

Organizations face many challenges in the process of actualizing their business strategy. These challenges revolve around financial resources, people management, external interference and failure to develop effective business processes and structure to support the strategies.

The response strategies adopted to cope with the challenges are guided by the particular challenge experienced. Particular responses tend to work better if they are aligned to a particular strategy.

The factors that influence particular response to the challenges experienced either relate to the organization or external environmental variables. Such factors include financial implications, management commitment, the strategic plan of the business, trade union involvement, customer demands and expectations as well as the general business environment respectively

#### **5.4 Limitations of the study**

The research design of this project was a case study. As such, since only nine respondents were interviewed, their observations might not be adequately representative of all the views of the organization. A much more detailed research incorporating the views of most of the staff of Company is needed in order to get more representative views. In addition, the views of more stakeholders such as customers and the City council of Nairobi would have enriched this research by way of giving their input regarding the effectiveness of the strategies the company employs to manage change and the emerging challenges.

#### **5.5 Suggestions for further research.**

Water services in Kenya have not yet realized the envisaged gains that the water act 2002 expected to deliver. The several institutions that were set up in the sector separating policy guidance, water resource management, regulation and actual service provision have not fully succeeded on the ground. Customers are bombarded by a complex web of players in the sector but they still have not realized their expectations of receiving adequate and improved water and sewerage services. The many institutions set up seem to have duplication of roles and are not cost effective. Further study needs to be done to determine the effectiveness of the sector set up and how it can be improved especially with the emerging county government dispensation.

## **5.6 Recommendations for policy and practice**

Managers should be proactive and consistently monitor the business operating environment. This would enable them to develop proactive strategies of change management instead of waiting for the triggers of change. This would enable the business to be adaptive to change.

The response strategies adopted by the business to cope with the challenges of strategic change are specific to the particular challenge. Managers should avoid adopting a blanket approach in response to the challenges they face. Adaptation is necessary if the desired responses are to be realized.

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**INTERVIEW GUIDE**

**RESEARCH TOPIC**

**A STUDY ON THE STRATEGIES ADOPTED BY NAIROBI CITY WATER AND SEWERAGE COMPANY LTD TO COPE WITH CHALLENGES OF MANAGING STRATEGIC CHANGE.**

**Questions**

- 1) Kindly tell us your position/ designation at Nairobi Water and Sewerage Company (NWSC)-----
- 2) How many years have you worked for this organization? -----
- 3) For the last six years of NWSC’s existence the company has implemented the following strategic changes
  - i. Computerization of Water billing
  - ii. Revenue collection
  - iii. Rapid response to emergencies
  - iv. Customer service facilities
  - v. Improvement in water management resources
  - vi. Staff rationalization

Of the above strategic changes which among them have you been directly involved in developing and implementing?-----  
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- 4) What can you say were/was the main reasons for the company to implement these strategic changes?-----  
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- 5) In the implementation of these strategies the company has faced many challenges like:-
- i. Resistance to change
  - ii. Poor business processes
  - iii. Financial constraints
  - iv. Lack of supportive organizational structure and culture
  - v. Staff capacity gaps
  - vi. Poor communication
  - vii. Political interference
  - viii. Negative attitude and perception about change
  - ix. Lack of stakeholders support
  - x. Lack of management commitment
  - xi. Lack of autonomy from city council

What response strategies has the company employed to deal with these challenges?

- 6) For each of the above response strategies to the challenges please explain the factors that precipitated their choice.

**THANK YOU FOR YOUR PARTICIPTION IN THIS INTERVIEW**

**END OF INTERVIEW**