T

THE CHALLENGE OF CHANGE MANAGEMENT:

A CASE STUDY OF UNGA GROUP LIMITED

BY

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DECLARATION

This management research project is my original work and has nor been presented for a degree award in any other university

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This Management project has been submitted for examination with my approval as a University supervisor

Signed.[1].. Date. a J i v . k i .

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DEDICATION

To my wife Mercy , to my children Brian and Njoki, to my fellow students Muriuki and Susan , to my employer TNT_L.For the endless love, tolerance, guidance, encouragement and support. May this be an inspiration to you to strive for even greater

Heights

To you all,

I dedicate this work

AKNOWLEGEMENT

My special thanks go to my supervisor Mr. Jackson Maalu for his invaluable and insightful contributions that have enriched the results of this study. His uncompromising stance on to the quality and attention to detail served to enrich the quality, scope and contents of the study. Profound thanks and appreciation go to my family for their understanding and support during my entire time of study. To my co-workers on their understanding. You were all a true source of my inspiration and moral support. Your patience for me was of tremendous value and has borne worthy fruits. I will eternally be grateful to you all.

To all lecturers of the school of business who were involved in the noble task of imparting knowledge and to all my colleagues in the MBA class, I sincerely thank each one of you

To God Almighty, Thank you very much for making this possible.

ABSTRACT

This study examines the challenges of change management with a particular focus on Unga Group limited: Unga group Limited underwent a wrenching change management process in mid 90's which led into a downward spiral of the company fortunes leading to near collapse. The objectives of the study were (i) establish the environmental changes that caused the company to experience a downturn.(ii) Determine the strategic change management practices undertaken by the company to deal with changes in environment.(iii) Establish the challenges of change management faced by the company in its recovery

In order to meet these objectives the pertinent primary data was collected in form of interview guides in directed to three categories of respondents: (i) Board and executive level, (ii) Business unit managers (iii) functional heads. There were eleven respondents representing each of the above categories.

The study established that Unga underwent the wrenching change process as a result of liberalization of the Kenyan economy leading to increased competition which cannibalized Unga's core markets. Whereas the need to institute change was necessary the methods used were either too drastic and the change drivers not well thought out for a company of Unga's size. The result is that the company's fortunes nosedived culminating in a ICsh 708m loss in 1998.The Company lost skilled labour due to a badly executed retrenchment exercise, cannibalized its distribution networks and lost customer loyalty. It took the company over eight years to recover the effects of this botched change management exercise, during which it has had to rebuild its skills base, re-establish its distribution networks ,rebrand its products and get capital injection too boost its balance sheet.

The limitations of the research were refusal of some of the members involved in the change process to respond to our interview queries. The lapsed time meant that some of the targeted respondents were unavailable.

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CHAPTER 1: INTRODUCTION

1.1.1 Background organizations and environment

In the period between 1990 and 1994, the Kenya Government undertook to liberalize the economy. This resulted in the removal of a wide variety of controls and ushered in a liberalized market economy and a completely new business environment. Many companies had to adapt to the new environment with some making immediate gains. Others had to undergo strategic change in order to effectively function in the new operating environment. Nyangito (1999) notes that the liberalization on trade in grain led to increased importation of foodstuffs into Kenya and this enhanced competition. There arose a need for rapid change in management capability and re-orientation of the entire mindset in order to design response strategies and implement them. One of the companies that was affected by the new environment is Unga Group Limited. Having previously operated in a protected environment as a near monopoly, and enjoying restricted grain movement and controlled prices of grain and grain products, the company had to readjust in order to operate in a liberalized market. This study focused on the subsequent strategic change that Unga Group undertook and how it was managed.

According to Daft (1983) organizational change is the adoption of a new idea or behaviour by an organization. Similarly Hodge and Anthony (1988) define organizational change as an alteration in the status quo. Change occurs mainly because organizations as open systems must frequently cope with shifts in key environmental domains. If they do not change to cope with shifts in important environmental domains, they may face serious problems and they may even die. By adapting to new conditions they can continue to grow and prosper. Thus organizations must change to cope with changes generated by changes in their external environment, which are continuously changing. Changes may also be generated by the internal environment from within the organization. Organizations desire change in order to remain competitive and adopt more effective and efficient technology and methods. However, they desire stable output, predicable costs and financial stability. The key question for the organization thus becomes: how can we achieve desired change without disrupting current stability? Another question that arises is whether organizations bring about change deliberately or change is brought about by the environment. In other words do organizations actually determine their own fate with regard to change? Can organizations actually adapt to environmental change or does environmental change occur in such a manner that many organizations cannot adopt and therefore they die. The central issue here is between environmental determinism and freedom of organizational choice and adaptation.

1.1.2 Concept Of Strategic Change

Strategic change is the actions, processes, and decisions that are executed by an organization's members to realize their strategic intentions (Hardy, 1985). It involves managing the unfolding non linear dynamic processes during strategy implementation. Peters (1976) is of the opinion that it involves change or alignment in policy, systems, styles, values, staff and skills of an organization to realize a strategy. Management of strategic change is therefore how to create conditions that make proactive change a way of life (Rukunga, 2003). Change is any planned or unplanned transition from one state to another. Strategic change is long term nature affecting the entire organization, and is aimed at achieving effectiveness. As the internal and external environments change organizations need also to change their strategies in order to achieve a strategic fit (Thompson and Strickland, 2003).

Neither strategy nor change management would be considered particularly important if products and markets were stable and organizational change was rare (Burnes, 1999).

Change is an ever present feature of organizational life, and as many would argue the pace and magnitude of change has increased significantly in recent years. Burnes (1999) adds that the way in which such changes are managed, and the appropriateness of the approach adopted, have major implications for the way people experience change and their perceptions of the outcome. Organizations face an unrelenting stream of pressures from global competition, social and demographic trends, shifts in government policy, legal political events and a continuing stream of new technology. The reality is that organizations can, and do experience severe problems in managing change.

According to Burnes (1999) change management theory is founded on three schools of thought namely: Individual perspective school where individual behaviour is as a result of interaction with the external environment. Human actions are conditioned by expected consequences and behaviour that is rewarded is repeated; Group dynamics school where individual behaviour is a function of group environment. Therefore, individuals behave in a way that conforms to group pressures, norms and values and any change in this context should focus on influencing group norms and values. Open systems school, which focuses on the entire organization that is composed of different subsystems. Change in one subsystem has impact on the others, and successful change can be achieved by changing the subsystems. Change management is not a distinct discipline with rigid and clearly defined boundaries. Rather, the theory and practice of change management draws on a number of social science disciplines and traditions. Though this- is one of its strengths, it does make the task of tracing its origins and defining its core concepts more difficult than might otherwise be the case. The challenge, then, is to capture the theoretical foundations of change management, without straying so far into its related disciplines.

1..1.3 Background of Unga Group Limited

Unga Group Limited was established in 1908 by the late Lord Delamare primarily to manufacture and market wheat flour (Windmill, 1998). The company has since then grown to what is today Unga Group, a giant milling company and the market leader in grain milling in East Africa. The company became a public company in 1956 and now has subsidiaries dealing in animal nutrition and farm care solutions, grain milling and packaging.

Unga Group possesses core competencies in milling of wheat and maize products. The company's expertise in delivering quality products is no doubt backed by its vast experience and tradition. The company enjoys a good reputation built on its adherence and commitment to quality and its observance of very strict and ethical procedures in procurement of raw materials, production, sales and distribution. Its wheat brands include the Exe home baking flour while maize brands are led by Jogoo, Simba and Hostess. The porridge brands are Famila uji mix, Famila sour porridge and Famila straw berry flavour which are finger millet and sorghum porridge flours. These brands have commanded market leadership because of their consistent quality and fair pricing. In the animal feeds division, Unga Group has leading brands such as Unga Dairy Meal and Unga Layers Mash; which have been very popular with dairy and poultry farmers. For decades, Unga has been the brand of choice for consumers. It was associated with quality and pride as a leading locally owned firm.

For the past 10 years, Unga Group had struggled along with all the hallmarks of a wounded giant. Prior to the 1990's, it prided itself in being among the country's most successful stories, until it went through a wrenching corporate restructuring that grounded it. Though the company is still undergoing a make over with new money from Seaboard Corporation, a United States based conglomerate, it had not regained it profitability. Like most local companies that found themselves in trouble during the recession experienced in the '90s, Unga is learning how to get back on its feet one step at a time. And with its core milling markets heavily cannibalized by local upstarts, the company has now aggressively chasing new ones and trying to invent more brands.

When the history of corporate turnarounds in Kenya is finally written, the return of Unga Group to profitability will no doubt get a pride of place (T Mogusu Standard, February 25, 2006). Nine years earlier, the milling giant was brought to its knees after it lost the monopoly it had in the domestic market. That was not all. The story of how Unga, one of Kenya's oldest companies got into the red was a study in corporate rip-off. What came out of investigations into the state of affairs in the firm after the red flag was raised in 1997 was shocking. An audit report indicated that the firm had been heavily looted by its managers; its workforce corrupted by rampant nepotism; and its assets badly stripped (Standard, February 25, 2006). That was the last time many people heard of Unga. Under a new management, the company had quietly struggled to remove red ink from its books using a series of radical measures that have left even the most hardened cost-cutting artists in awe.

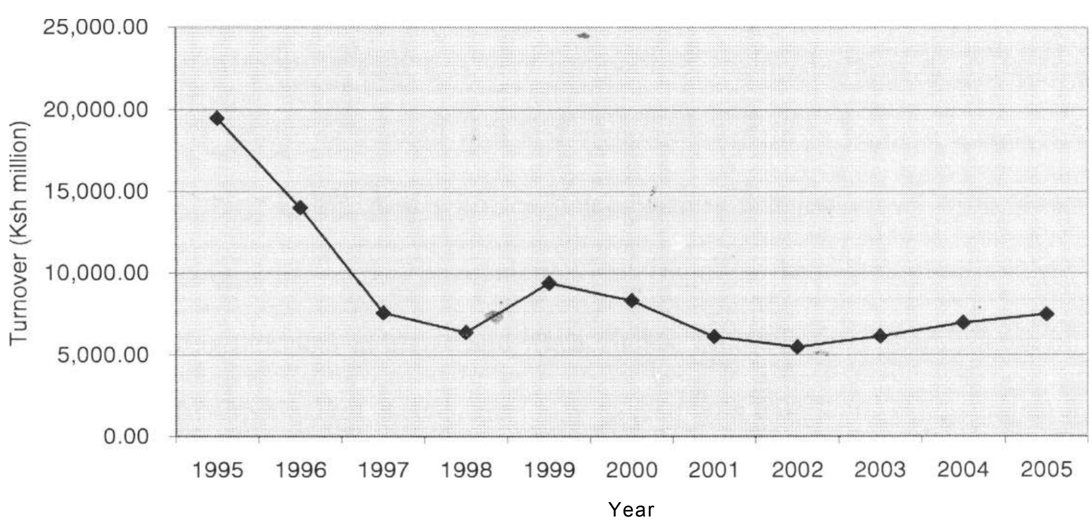
In 1996, the company's Board of Directors took a decision to restructure its operations (Market Intelligence, November 1998). This was necessitated by the changes in its operating environment, increased competitive pressure and the need to compete and thrive in a global market. The need for change had been mainly driven by market liberalization in Kenya in the period of 1992 to 1994. The changes in grain trading and movement had presented major challenges for the company. There was further evidence for the need for change when the 1996 profits dropped to Ksh. I11 million from Ksh. 435 million in the previous year, a 72% drop that called for immediate action (Windmill, 1997). Fierce competition had also set in following market liberalization with the entry of thirty five new companies in maize milling and twenty eight in wheat milling (Market Intelligence, November 1998). For a company that was used to operating in a near monopoly market, this was serious challenge given that the new competitors were delivering products at substantially lower prices.

In 1997 the Chairman of Unga Group Mr Duncan Ndegwa had observed (Market Intelligence November 1998) "last year Unga Group nearly sunk before our eyes. It will be recalled how consumers at each stage rejected supply of Unga products at the prices offered. And how at each step, the competition followed Unga's lead in price increases almost ensuring that Unga paid the entire cost of falling demand. The final result was a nose dive in fortunes - a downturn in profit of 72%". "Its time we recognized liberalization and what it means to business in Kenya. Liberalisation is naked capitalism with a very ugly face. Everyone for himself and the devil take the hindmost" - the Chairman had observed.

Changes undertaken by the consultants included dividing the group's activities into four namely: Unga Limited to mill maize and wheat, Unga Feeds Limited to manufacture animal feeds and supplements and sell veterinary drugs, Elianto Limited to manufacture edible oils and breakfast cereals, and Chester House Limited to manage the properties. The proposal also called for the laying off of two thousand workers under a retrenchment scheme. There were also changes in the credit policies, new channel distribution strategies were adopted and new purchasing procedures put in place. However, in 1998, Unga Group announced a loss of Ksh 750 million (Windmill, 1998). This loss brought the company into the public limelight and led to an examination of change processes. It was evident that something was not right, particularly in the relation to the changes undertaken. A corporate editorial by Market Intelligence (1998) had explained that the group was poorly equipped to meet the challenges presented by severely depressed economic conditions. Subsequent years also saw the company make losses.

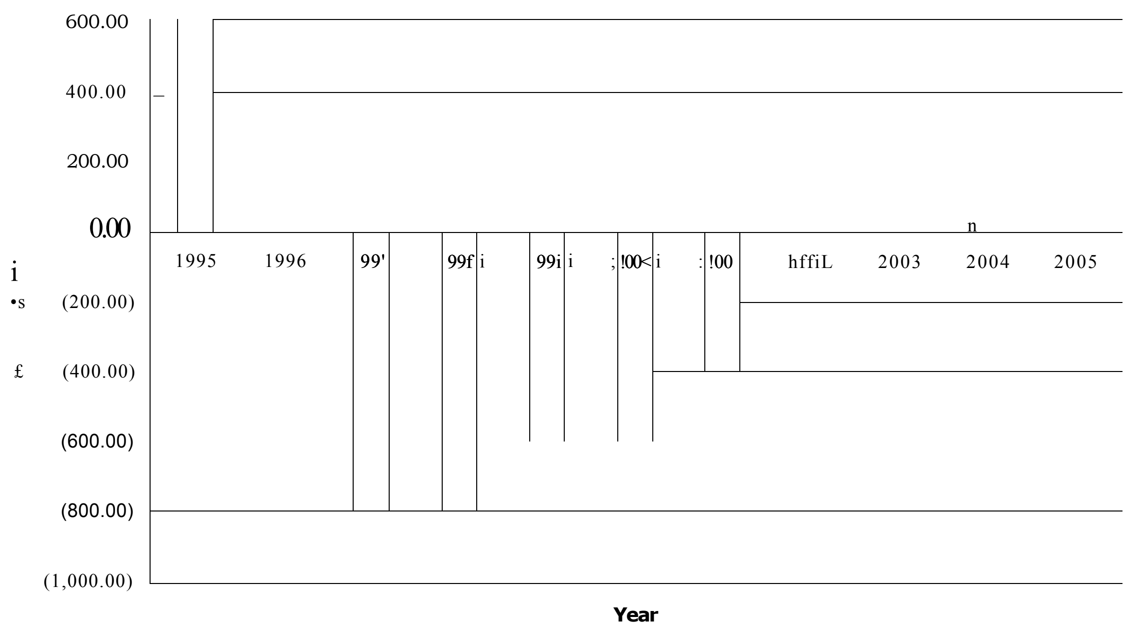
Revenues over the five years have fallen by nearly a half, from Sh9.4 billion in 1998 to Sh5.5 billion in 2002. Losses have, however, declined from Sh648 million in 1998 to Sh56 million in 2002. Unga announced that it had made a Sh72.5 million profit in the year ended June 2004 (Daily Nation, July 25, 2004). As illustrated in the following diagrams 1 and 2, these were dramatic results considering that the company had returned a loss of Sh 750 million in 1997, the worst in its 108 year history. To return to profitability, the Unga Group had to fire hundreds of non-essential employees, sell non-core assets and put a lid on its ballooning wage bill and retirement benefits. Besides, the firm has had to cut down on its distribution and administration costs to escape sinking deeper into debt.

Diagram 1: UNGA GROUP TURNOVER PROFILE FOR 1995 TO 2005



Source: Unga Group Audited Accounts

Diagram 2: UNGA GROUP PROFITABILITY PROFILE FOR 1995 TO 2005



Source: Unga Group Audited Accounts

The grain milling category in Kenya is very competitive, mainly because of its low entry barriers. All that is needed is a small mill and a source of grain to become a competitive player (Windmill, July 1997). And with the entry barriers this low, it all boils down to pricing. High pricing is the market phenomenon that Unga had been struggling to shed off with its core milling products of maize and wheat meals. Following the liberalization of the economy, the local supermarket shelves are today packed with competing products that have cannibalized Unga's flagship brands. Most of the products compete on an equal footing in terms of product quality and package. According to analysts, the only opening the giant miller has been left with is pricing, in a bid to continue commanding its market share (Market

Intelligence, February 2002). But lower pricing has naturally eaten into the profit margins of the company's core products making it hard to drive itself back to profitability.

Nevertheless, with Unga's proven record in high quality production including hygienic milling, the firm appears to be well positioned to take on the competition with its new products (Standard, February 25, 2006). The company in 2003 launched the Famila flour brand in a bid to appeal to middle class households to add porridge to their breakfast tables. The Famila range comes in five varieties namely, Famila Ujimix, Famila Pure Wimbi, Famila Nutri Health, Famila Infant Weaning and Famila Flavoured Family Porridge. The five varieties were introduced to meet different nutritional needs at different life stages. With the financial controls in place Unga has further been helped by improved weather conditions that have led to bumper harvests and enabled it to cut costs on raw materials.

Over the past two years, Unga Group has been on an expansion programme that has seen it introduce new products and repackage for a fresh appeal to the consumer. Under the new strategy, Unga has dropped old names in a bid to eat deeper into the market. The re-branding of Unga products has also seen the company make a flamboyant return to the market. This phase of the programme has been implemented from two platforms, the key one being the re-branding of products under the Exe name, while the second phase focuses on re-packaging of the company's wide range of products. The situation has not been made any easy by the fact that Unga has lost the monopoly it had in the market until the early 1990s (Market Intelligence, November 1998). This has forced the firm to forsake its traditional marketing strategies and to adjust to the changing market landscape.

1.2 Statement of the Research Problem

Every change is unique and will relate the values, resources and skills of an organization to the demands of the prevailing environment. Change has its consequences and as Kazmi (2002) points out, it cannot be worked on a formula that will yield a definite answer for the combination of given variables. As organizations strive to survive and grow amid the environmental turbulence characteristic of today, managers are faced with an ever present challenge of managing organizational change. That there is no strait jacket formula for managing change presents numerous challenges that every change manager and consultant must face.

As mentioned earlier, as a result of market reforms and economic liberalization, the operating environment of Unga Group completely changed, forcing the company to undertake a change process to ensure its survival. There was need for a complete overhaul of past strategies unlike any in the company's history, How then did Unga perform in formulating, implementing, sustaining these survival strategies?

Several studies have been carried out on strategic change by firms in Kenya. Bett (1995) found that due to economic reforms and market liberalization, firms in the dairy industry made substantial strategic changes in order to survive in the turbulent environment. Kombo (1997) noted that firms in the motor industry also made strategic changes in response to the changed competitive environment brought about by importation of used vehicles into the country. Gekonge (1999) found that culture greatly affects the management of strategic change while Njau (2000) in his study of East African Breweries recommended the need for change strategies once the environment changes. Ogwora (2003) contends that due to a dynamic environment, change is continuous, presenting new opportunities and challenges.

Aosa (1992) studied the aspects of strategy formulation and implementation within large private manufacturing firms and one of his conclusions is that environmental turbulence tended to pose challenges to management. Strebel (1996) affirms that change management is a daunting exercise that is often elusive. He reveals that only between 20 to 50 percent of the firms that undertake change report success. Aosa (1996) also points out the necessity of carrying out change within the context of unique environmental changes in Africa.

As the business environment continues changing and presenting new challenges, it is important that the existing knowledge from these previous studies be updated. There was a study gap that had arisen from the fact that previous studies had focused on ongoing change practices and processes and not on an organization that has undergone the full cycle of change. This study focused on the challenges of change management at Unga Group Limited by establishing the change management challenges faced during and after the process after through an in-depth analysis of the main factors that triggered the changes, influenced, and impacted on the change, and its strategic implications on the company during and after the process. It attempted to answer the following questions:

i. What environmental changes caused the company to experience a sudden downturn?
ii. How did the company undertake strategic changes to deal with shifts in its environment?
iii. What change management challenges did the company face in its recovery strategies?

1.3 Objectives of the Study

The objectives of the study were to:

i. Establish the environmental changes that caused the company to experience a downturn

ii. Determine the strategic change management practices undertaken by the company to deal with changes in its environment

iii. Establish the challenges of change management faced by the company in its recovery

1.4 Significance of the Study

This study examined the challenges of change management at Unga group limited and the resulting impact. It is expected to be of benefit to a wide range of stakeholders who include:

Management of Unga group limited who will be interested in systematically following the study as a way of evaluating the impacts of change, and as a foundation for future change programmes.

The entire business community and both past and current employees who would want to visualize how the changes affected their interests':

Researchers and academicians will gain from the insights into the challenges of change management and in the context of a study that is conducted after the change initiative. The study will provide a unique foundation for further research on related areas.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Management

Strategic management is a dynamic process of aligning strategies, perfomance and business results. It is about people, leadership, technology and processes. Effective combination of these elements will help with strategic direction and successful service delivery. In order to survive and prosper every organisation must define and grow internal competencies, develop and maintain an alignment with the environment, create the future. The organisation must grow or die.

Strategic management in the 50's was characterized with generating profits by matching goods and services with market demands. Faced with a fairly stable operating environment organisations used strategic management simply as a planning tool maintaining the status quo of the environment. This was simply using historical data to plan for current and anticipated demand.

Strategic management in the 60's was concerned with transforming internal structure and competencies of the organization. The period-saw the emergence SWOT analysis as the driving force of organization strategy. Protectionalism of markets was still the norm and organisation faced with fairly predictable markets could afford to leverage inward looking strategies to gain competitive advantages.

In the 70's and 80's the onset of oil shocks, globalization and a more assertive society strategic management became concerned with interfaces with suppliers because of limited resources, acknowledging power of society and environment and impact on the organization, and recognizing the global nature of competition. A mission statement articulating the unique character and purpose of the organization was introduced at this stage. These were meant to guide the organisation in the near and long term and communicate its values and objectives to the society

In the 90's organizations started realizing that the speed of change is often greater than the speed of strategic response leading to focus on information as competitive advantage. Emphasis shifted to value creation, configuration and coordination. The concept of strategic fit - how well the organization should me measured to meet the requirements of the environment context. This context has both external dimensions (political, socio-economic, technological, cultural and competitive) and internal dynamics (organizational structure, skills resources, systems and culture).Strategy gradually became how well an organisation could anticipate and react to change in its operating environment. Thus a new chapter of change management as a strategy evolved.

2.2 Change Management

Change management is the process of developing a planned approach to change in an organization (Burnes, 1999). Typically the objective is to maximize the collective efforts of all people involved in the change and minimize the risk of failure of implementing the change. Strebel (1999), while contending that change management is not working as it should, points out that widespread difficulties have one thing in common; that is managers and employees view change differently. Both groups seem to know that vision and leadership drive successful change, but far too few leaders appear to recognize the ways in which individuals commit themselves bring about change. On one hand, top managers see change as an opportunity to strengthen the business by aligning operations with strategy, take new risks and advance careers. Employees on the hand see change as neither welcome not sought after and as disruptive and intrusive.

Hiatt and Creasy (2003) point out that in the onset of a new change; managers are typically focused on issues beside change management. Their focus is on results, not on managing change. On the other hand, the perspective of frontline employees, supervisors and managers is very different. They generally do not have detailed insights into the business strategy and performance of the business. Many frontline employees cannot conceptualize what they do everyday with the overall performance of the firm, and it becomes difficult to convince them to change based only on company performance; their focus is on the day to day job. Change brings these different priorities knowledge sets and motivations together in a potentially volatile mix. Change management is required at this point to ensure business success. Change management is about managing people in a changing environment so that business changes are successful and the desired business results are realized.

The concept of change as a process has been well documented in change management literature for many years, including early work by Beckhard and Harris (1977) and Bridges (1980). By breaking change down into discrete time periods or phase, change leaders can adapt their strategies and techniques based on the unique attributes of that phase. The most common lesson from this model for change is that managers much avoid treating change as a single meeting or announcement. Change is not implemented in a single moment, and likewise the role of business leaders in managing change should not be reduced to a single event. The manager's role in change must be active and visible in all phases of the change process.

2.2.1 Understanding Change

Kotter (1995) lists the major economic and social factors driving change as the increasing pace of technological change that is hinged on information technology and a more developed communication network, greater international integration through liberalization and removal of trade barriers, and maturity of markets in the developing countries. This has resulted in globalization and increased competition. Peters (1994) views that the resultant change as one that goes beyond tradition. Kanter (1984) talks of the phenomenal change in the environment as originating from such sources as the labour force, world trade patterns technological changes and political realignment. These forces mirror those of advanced by Kotter (1995) except that Kanter adds the people dimension of labour. The mention of political forces also gives concurrence to the force of politics on business as mentioned by Kotter (1995).

Kazmi (2002) sums up the business environment as being complex, multifaceted, and with far reaching impact. He adds that the traditional approach on strategic management had its emphasis on control, order, and predictability. However the environment is proving to be more unpredictable uncertain and non linear, characterized by ever recurring engages that pose a challenge for business managers. Burnes (1999) is of the view that the magnitude, speed, unpredictability and impact of change have become greater ten ever before. New products and process are appearing on the market at an ever increasing rate. Boundaries are shrinking as globalization, takes the centre stage. The source of the next competition may not even be within imagination. Burnes adds that protected markets are opening up while public monopolies are changing hands to the private sector or having the competitive market culture transferred into them.

2.2.2 Triggers of Change

A trigger of change is any disorganizing pressure arising outside or inside the organization indicating that current arrangements systems procedures, rules and other aspects of organization structure and process are no longer effective (Huczynski and Buchanan, 2001). The need for organizational change can be prompted or initiated by many different triggers. External triggers for organizational change can include: development in technology; developments in new materials; changes in customers' requirements and tastes; activities and innovations or competitors; new legislation and government policies; changing domestic and global economic and trading conditions; shifts in local, national and international politics; and changes in social and cultural values. Internal triggers for organizational change can include: new product and service design innovations; low performance and morale triggering training programmes; office and factory relocation closer to suppliers and markets; recognition of problems, triggering reallocation of responsibilities; innovations in the manufacturing process; and new ideas about how to deliver services to customers.

Organizational change problems will thus remain on the management agenda for some time. The study of change, however, is challenging and paradoxical for a number of reasons as outlined by Huczynski and Buchanan (2001). As the triggers and consequences of organizational change are many and complex, establishing cause and effect is problematic in most settings. Organizational change has to be studied at different levels of analysis: individual, group, organizational, social, which are interrelated in complex ways. Organizational change has to be studied as a process, in terms of a series of events unfolding through time, and not as a static or time bounded event, raising questions concerning the appropriate time frame for analysis. Change that affects a larger number of different stakeholders is difficult to evaluate as there may be no agreed common criteria on which to base judgments. Change can only be understood fully in relation to continuity, with respect to what has not changed.

This latter point, concerning continuity is both fundamental and controversial. On the one hand, the rapid pace and wide scale of mMpOMJ tWMOgial OI0ffltiGMI Mil focia/ change appears to be obvious. Whole industries collapsed and almost disappeared (coal mining steel making) in the twentieth century, while others mushroomed (computer software, mobile telephony) Many of the technologies that shape the nature of medicine, communication and home entertainment, for example were not available even five years ago. And these technologies potentially affect the design of jobs, the experience of work, the progress of individual careers, and organizational structures.

2.3 Models of Change Management

The models of change draw our attention to serious issues and debates. They make us aware importantly of the broad range of change situations that organizations experience, and equally, of the need to judge the approaches to change management according to their appropriateness for the different forms of change (Burnes, 1998). Also, whatever particular form change takes, and whatever objectives it seeks to achieve, organizations cannot expect to achieve success unless those responsible for managing it understand the different approaches on offer and can match them to their circumstances and preferences.

Though the change models all have some appeal, and some empirical support, it is difficult to find evidence, other than instinct, that supports one above the others. Also, it has to be acknowledged that the main proponents of these three models gathered their data in different ways and for different purposes. Therefore, it is perhaps not surprising that they came up with different models of change. If this is the case, then It may well be that the three models of change apply to different stages in an organization's life cycle.

2.3.1 The Incremental Model of Change

Advocates of this view see change as being a process whereby individual parts of an organization deal incrementally and separately with one problem and one goal at a time. By managers responding to pressures in their local internal and external environments in this way, over time, their organizations become transformed. Pettigrew et al (1992) note that change will take place through successive, limited and negotiated shifts. However, Mintzberg (1978) argued, though organizations do go through long periods of incremental change, these are often interspersed with brief periods of rapid and revolutionary change. Indeed, given the turbulence of the last 20 years, some writers have argued that it is now the periods of stability which are brief and the revolutionary change periods which are long.

2.3.2 The Punctuated Equilibrium Model of Change

The punctuated equilibrium model is associated with the work of Miller and Friesen (1984), Tushman and Romanelli (1985) and Gersick (1991). The inspiration for this model arises from two sources; first, from the challenge to Charles Darwin's gradualist model of evolution in the natural sciences; Gould (1989), in particular, mounted a case for a punctuated equilibrium model of evolution; and second, from the assertion that whilst most organizations do appear to fit the increamentalist model of change for a period of time, there does come a point when they go through period of rapid and fundamental change (Gersick, 1991).

However, as even Romanelli and Tushman (1994) admit, despite the growing prominence and pervasiveness of punctuated equilibrium theory, little research has explored the empirical validity of the model's basic arguments. This has led some to reject both the incremental and punctuated models of change.

2.3.3 The Continuous Transformation Model of Change

The argument put forward by proponents of this model is that, in order to survive, organizations must develop the ability to change themselves continuously in a fundamental manner. This is particularly the case in the fast-moving sectors such as retail where, the best retailers are constantly reinventing themselves (Greenwald 1996). The underpinning rationale for the continuous transformation model is that the environment in which organizations operate is changing, and will continue to change, rapidly, radically and unpredictably. Only by continuous transformation will organizations be able to keep aligned with their environment and thus survive.

According to Bedeian (1980) there have been many attempts to develop a model of the organizational change process. Majority of change management models in use today are in the form of a process or steps. In a sense, they provide the "how" but not the "why". The years of experience and knowledge that form the foundation of these theories are however not available to business managers. Understanding the "why" makes it easier to accomplish the "how". This is because change management is not a matter of following steps. Since no two changes are alike, following a recipe for change management is not enough. To be effective at leading change, managers need to customize and scale change management efforts based on the unique characteristics of the change and the attributes of the impacted organization.

2.4 Approaches to Organizational Change Management

2.4.1 The Planned Change Approach

Change has always been a feature of organizational life, though many would argue that the frequency and magnitude of change are greater now than ever before. Planned change is a term first coined by Lewin (1946) to distinguish change that was consciously embarked upon and planned by an organization. The driving force behind his work was his belief that only by resolving social conflict, be it religious, racial, marital or industrial, could the human condition be improved. Lewin (1946) believed that the key issue was to facilitate learning and so enable individuals to understand and restructure their perceptions of the world around them. Lewin's attempted to understand and explain the interdependence of the individual and the group, and the forces that maintain the group's status quo. If one could identify, plot and establish the potency of these forces, then it would be possible not only to understand why individuals and groups act as they do, but also what forces would need to be diminished or strengthened in order to bring about change.

In terms of organizational change, Lewin's key contributions came in the form of Action Research and the three step model of change. Action Research is a term coined by Lewin (1946) in an article entitled "Action Research and Minority Problems". Though originally conceived of as a collective approach to solving important social problems such as racial and religious prejudice, it rapidly began to be applied mainly to organizational problems. Action research is based on the preposition that an effective approach to solving organizational problems must involve a rational, systematic analysis of the issues in question. Action research is still a highly regarded approach to managing change and resolving social conflict, not only within organizations but also within society at large

In developing the three step model of change, Lewin (1947) noted that a change towards a higher level of group performance is frequently short lived as group life soon returns to the previous level. This indicates that it does not suffice to define the objective of the planned change in group performance as the reaching of a different level. Permanency at the new level or permanency for a desired period should be included in the objective. A successful change includes therefore three aspects: first, unfreezing the present level; second, moving to the new level; and third, refreezing group life on the new level. Since any level is determined by a force field, permanency implies that the new force field is made relatively secure against change. This model recognizes that before new behaviour can be successfully adopted, the old has to be discarded, and only then can new behaviour be accepted. Central to this approach is the belief that the will of the change adopter or subject of change is important both in discarding the old, unfreezing, and moving to the new.

Planned change is an interactive, cyclical, process Involving diagnosis, action and evaluation, and further action and evaluation (Burnes, 1999). It is an approach that recognizes that once change has taken place, it must be self sustaining (i.e. safe from regression). The purpose of planned change is to improve the effectiveness of the human side of organization. Central to planned change is the stress placed on the collaborative nature of the change effort: the organization, both managers and recipients of change, and the consultant jointly diagnose the organization's problem and jointly plan and design the specific changes.

2.4.2 The Emergent Change Approach

The rationale for the emergent approach stems from the belief that change cannot and should not be solidified, or seen as a series of linear events within a given period of time; instead, it is viewed as a continuous process. Dawson (1994) and Wilson (1992) both challenged the appropriateness of planned change in a business environment that is increasingly dynamic and uncertain. The planned approach, by attempting to lay down timetable's objectives and methods in advance, is too heavily reliant on the role of managers, and assumes that they can have a full understanding of the consequences of their actions and that their plans will be understood and accepted and can be implemented.

The Emergent approach, stresses the developing and unpredictable nature of change (Burnes, 1999). It views change as a process that unfolds through the interplay of multiple variables (context, political processes and consultation) within an organization. Proponents of the emergent approach do agree that power and politics play a central role in the process of organizational change. The case for an emergent approach to change is based on the assumption that all organizations operate in a turbulent, dynamic and unpredictable environment (Pettigrew and Whipp, 1993). Therefore, if the external world is changing in a rapid and uncertain way, organizations need to be continuously scanning their environment in order to adapt and respond to changes. Because this is a continuous and open-ended process, the planned approach to change is inappropriate. To be successful, changes need to emerge locally and incrementally in order to respond to environmental threats and take advantage of opportunities.

2.5 The Role of the Change Agent

A change agent can be any member of an organization seeking to promote, further, support, sponsor, initiate, implement or deliver change (Burnes, 1999). Change agents are not necessarily senior mangers and do not necessarily hold formal' change management' job titles and positions. What does it take to be an effective agent of organizational change?

Huczynski and Buchanan (2001) outline two trends make this question more urgent. The first is that most mangers now combine change responsibilities with their regular duties. Despite the use of project mangers and external consultants, many functional mangers are also key change agents. The second trend concerns the increased involvement of all levels of organizational membership in change teams. This 'dispersal' of change agency means that more people need to have the skills and knowledge required (Buchanan, Claydon and Doyle, 1999).

The change agent seems to require less technical expertise, and more interpersonal and managerial skill, in communication, presentation, negotiation, influencing and selling (Huczynski and Buchanan, 2001). Change agents are often chosen for their expertise on the substance of the change in hand. However, expertise in managing the change process is usually more significant, and this implies capabilities in handling the human, organization, managerial and political issues. It is interesting to note that this trend seems to be consistent with the way in which change is portrayed by processual/contextual theory: unity, many factors, many players, politicized.

Kanter (1989) identifies seven essential change agency skills: ability to work independently, without management power, sanction and support; an effective collaborator, able to compete in ways that enhance co-operation; ability to develop high trust relationship, based on high ethical standards; self confidence, tempered with humility; respect for the process of change as well as the content; able to work across business functions and units, multifunction and ambidextrous; willingness to stake reward on result and gain satisfaction from success.

2.6 Change Management and Strategic Intent

Many leading global companies started with ambitions that were far bigger than their resources and capabilities. They created an obsession with winning at all levels of the organization and then maintained that obsession in the quest for global leadership. This obsession is what Hamel and Prahalad (1989) refer as strategic intent. Strategic intent envisions a desired leadership position and establishes the criterion the company will use to chart its progress, forcing the company to compete in innovative ways.

Hamel and Prahalad (1989) add that strategic intent is more than unfettered ambition. The concept encompasses an active management process that includes focusing the organization's attention on the essence of winning, motivating people by communicating the value of the target, leaving room for individual and team contributions, sustaining enthusiasm by providing new operational definitions as circumstances change, and using intent consistently to guide resource allocations. Strategic intent therefore does embody the most crucial issues for guiding change management as mentioned previously.

What does strategic intent entail? Hamel and Prahalad (1989) are of the view that strategic intent captures the essence of winning by guiding the subsequent strategic decisions. It is stable over time, providing consistency to short term action, while leaving room for reinterpretation as new opportunities emerge. Strategic intent sets a target that deserves personal effort and commitment. The target so set has a motivational impact and gives employees a corporate challenge and goal worthy of commitment.

(Hamel and Prahalad,1989) argue that for the corporate challenge to be effective, top management must: Create a sense of urgency or a quasi crisis by amplifying weak signals in the environment that point to the need to improve instead of allowing inaction to precipitate a real crisis. Develop a competitor focus at every level through widespread use of competitive intelligence, with every employee being in a position to benchmark his efforts against best in class competitors so that the challenge becomes personal. Provide employees with the skills they need to work effectively. Give the organization time to digest one challenge before launching another, providing clear focus and avoiding an overload of shifting initiatives. Establish clear milestones and review mechanisms to track progress and ensure that internal recognition and rewards reinforce behaviour. The bottom line is to make the corporate challenge inescapable for everyone in the organization.

Strategic intent captures in detail what change management is all about: folding the future back into the present (Hamel and Prahalad, 1989). It enables managers to focus on the question of "What must we do differently next year to get closer to our strategic intent. Where change management is guided by strategic intent, organizations become flexible and open to change because there exists a challenge and a goal that everyone looks forward to accomplishing, having in mind the changes required at all levels. Organizations that lack strategic intent in their change programmes soon discover there is resistance to change and the change initiative being held down because there is no common focus that aligns everyone to a specific corporate challenge.

2.7 Challenges of Change

Johnson and Scholes (2002) outline two types of changes; incremental change and transformational change. Transformational change may also come about as a result of either reactive for proactive processes. Poor performance and increased pressure from shareholders calling for change may lead to a forced transformational position. Such a position may be reached if other changes in the organization's environment are so evidently significant that the organization has to change. Change is attained through analysis of the organization's internal and external environments. It is however difficult to implement if others in the organization resist.

Incremental change builds on the skills, routines, and beliefs of those in the organization, so that change is efficient and wins the peoples commitment. The aim of incremental change is a realignment of strategy rather than a fundamental change of strategic direction. Transformational change is change that cannot be handled within the existing paradigm and organizational routines. It entails a change in the taken for granted assumptions and way of doing things (Johnson and Scholes, 2002).

Bullock and Batten (1985) have developed a four phase pattern for change: Phase one is the exploration phase where the organization explores the need to make changes and commits resources for planning change. Change process at this phase involves creating awareness or need for change, and searching for, the commissioning the change agent. Planning phase is second, involving the collection of information for problem diagnosis, establishing the change goals, designing action plans to achieve these goals and getting support for proposed changes from the key decision makers. Third is action phase that deals with establishing appropriate measures to guide and manage the change process, managing resistance to change and evaluating the change and incorporating adjustments. Fourth is the integration phase, which involves solidifying the change into the body fabric of the organization, and reinforcing behaviour through feedback and reward systems, gradually reducing dependence on the change agent and training the organizational members to monitor the changes and improve further on them.

Burnes (1999) sees the Bullock and Batten change model as giving the change consultant agent a more directive and less developmental role. He adds that those involved are more dependent on the change agent for provision of solutions. The focus therefore shifts to what the change agent can do for, and to those involved rather than a seeking to get the subjects to change themselves. Having seen what the models and theories propose and their applicability, then one can conclude that it is one thing to have a proven and tested theoretical model and another to successfully implement it.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

For the purpose of this research, exploratory case study method was used. This method was qualitative in nature and was expected to provide an efficient and logical way of looking at events, collecting data, analyzing information and reporting the results. The unit of study was Unga group limited. Case study design was most appropriative where detailed analysis of a singe unit of a study is desired. Case studies also provide focused and valuable insights to phenomena that may otherwise be vaguely understood. The exploratory case study method offered the researcher an opportunity to learn about complex issues/events through extensive description and contextual analysis.This was in line with the objective of the study which was to study the change management process at Unga Group Limited through an in-depth analysis of the main factors that influenced and impacted on the change, and examine its strategic implications.

Yin (1994) and Stake (1995) attribute the following benefits accruing from using the case study method: aiding the researcher in getting a holistic view of an event or situation, a view that includes the context as well as the details; ability to lead to a more complete understanding of some aspect of a person, group, event or situation due to the case study method's richness in detail; the method's capability to satisfy the three parts of a qualitative method; namely, describing, understanding, and explaining; the method has potential to help the researcher in getting affective information that cannot otherwise be callected.

3.2 Data Collection.

Primary data for the study was collected by way of interview and probing, using the interview guide provided in Appendix 1. The interview guide had specific themes aimed at the various job categories that were the focus before, during and after that change process.

3.2.1 Board and Chief Executive.

From the board and chief executive level the interview guide tried to establish the drivers behind Unga initiating the change process. Of particular interest was how the organisation prepared itself for a changed market environment with the advent of liberalisation in the grain sector and whether any of these preparations were found to be suitable.

The guide sought to establish what external and internal factors triggered the board to hire Pricewaterhouse Coopers in 1996 a whole four years after the on-set liberalization as consultants to assist in designing a competitive strategy for Unga. In addition why did they feel that the proposed changes warranted the hiring one of the consultants to lead change implementation as the change manager and ultimately as the overall chief executive of the group.

The interview guide sought to establish the strategic intent of the change process. What benchmarks were established as part of the change process? Were timelines set for attainment of the these benchmarks

The guide sought to establish how the board and the CEO communicated the need, urgency and consequences of the strategic change to the organisations' stakeholders. How was this change initiative implemented? In addition who was responsible for driving the change process and ownership?

The guide sought to establish whether adequate capacity was created within the organization to implement and sustain the change process. In particular what tools were the drivers, implementers and recipients of the change process equipped with to ensure understanding, capacity and willingness to drive and or participation in the change process.

The interview guide sought to establish mechanisms that were put in place to monitor and measure the change process. How were the results of these mechanisms evaluated, how the board and the CEO monitor implementation and measure of success of the change process and what was done to consolidate gains and correct deviations; were the gains or failures of the change process communicated to the rest of L/nga stakeho/ders and what medium was used. The guide sought to establish what challenges the change process encountered. Of particular interest would be the link between the challenges and the effectiveness of the change process. To what extent did these challenges affect the recovery process of the company?

3.2.2 Business units Managers.

As the frontline in the implementation of the change strategy the guide sought to establish their understanding on the need for change. Did they participate in designing and the implementation of the change process - in particular where did they feel ownership of the implementation process lay with? What tools were they provided with to ensure the successful implementation of the change process? In particular what was done to ensure all the stakeholders were adequately prepared to accept and own the change process. Did they for example establish focus groups to drive the implementation of the change process? If yes who was in these focus groups and what was their mandate

The interview guide sought to establish stakeholders' attitudes to the change process. In particular what would have led to such assumptions or attitudes what role did the change agent play in the change process and how was this role viewed within the organization. Did it for example lead to resistance or to acceptance of the change process? How was this handled within the organization?

The interview guide sought to establish whether there were mechanisms within the business units to evaluate the progress of the change process. How often were reviews if any done and were the gains and shortcomings failures of the change process documented .Was there feed back of these reviews to the stakeholders and in what form. Was stakeholder input sought in designing any remedial measures to the change process?

The interview guide sought to find out level of empowerment the business managers had in deciding what do with the subsequent results i.e. could they take urgent decisions without board approval. What level of coordination was there between the various business units in implementation and sharing of information on individual experiences of the business units?

The interview guide sought to establish level executive support to the business unit managers in executing and sustaining the change process. Were there incentive schemes to the business units to entice them to support the change process? What was the importance of this support in the change process?

The interview guide sought to establish link between the implementation of the change process and the fortunes of the company. For example could the implementation have been done differently with different results?

3.2.3 Functional Heads

As the frontline in the implementation process the interview guide sought to establish what they understood as the need for change. What training if any did they receive explaining the cause and consequences of the change? Did they feel the needs to be adequate/ necessary?

The interview guide sought to establish what they saw the change process as: - way of improving company profitability, way to face off competition, disguised staff rationalization (retrenchment), or a consultants buzzwords etc. Who in their opinion stood to lose/benefit most from the change process Arising from their opinions what we're their reaction to the change process i.e. did they welcome the change or were they sceptical of what it might entail. The interview guide sought to establish their level of involvement in the implementation of the change process. Were there any focus groups and what was the selection criteria .In the implementation process were progress reviews done and how often. Were the gains and losses of the change process communicated to all and in what medium?

The interview guide sought to establish whether they were involved in the formulation corrective measures to the change process. What medium was used to collect and collate proposed corrective measures. Were these suggestions taken into account in future change strategy formulation and implementation? What support did the Executive give to the change process did seek support from all stakeholders. What was the resultant of this support/resi stance?

The researcher pre-tested the interview guide in a pilot before administering them on the study sample to identify ambiguous questions, evaluate any possible problems of analysis, and check on the validity of the constructs in the schedule. Guided by the observation made from the pilot study, the researcher revised the questions to make the final version more relevant to the objectives of the study. The researcher explained to all participants in the study the purpose of the study and their role in, and importance of, providing honest information.

3.3 Data Analysis

Primary data collected was analyzed through conceptual content analysis to arrive at analytic conclusions. According Nachmias and Nachmias (1996) this facilitates systematic and objective inference as well as identification of characteristics and relation of trend. Kimberly A Neuendorf (2005) describes conceptual content analysis as objective quantitative analysis of message characteristics.

This involved a systematic coding and scoring of textual data. The approach utilized a manual content analysis to examine patterns of emphasized ideas in interview schedules as well as the reflected underlying perspectives. That is, all the responses to each of the questions in the in the interview guide were divided into a large number of idea categories (themes). The categories should generally be of general business management interest and be mutually exclusive. These categories were then codgd and entered into an SPSS Database. Quantitative distinctions between category scores were then analyzed by use of frequencies and percentages.

The data analysis tried to ensure reliability by testing whether the measuring procedure yields the same results on repeated trials. The data analysis measured validity by ensuring the measuring procedure represents the intended concept. Care was taken to ensure objectivity according to the various themes to the various interview groups

CHAPTER FOUR: FINDINGS AND DISCUSION

Introduction

The study focus was on the change management challenges faced by Unga Group Limited by during and after the process. To achieve the intended objectives, eighteen respondents were targeted for the interview, of which eleven responded. In-depth information analysis was on the basis of the response rate and presented as below. 73% of the respondents were males while 27% were females. Of these, 54% were functional heads, 36% were business managers while 9% were executive and board members. While 56% of the respondents have worked with the Group for more than 10 years, 44% have less than 10 years experience with the organization the respondents were knowledgeable and representative enough to give a fair account of Unga before the change, Unga during the change process and Unga after the change process.

4.1 Profile of Unga Group Ltd

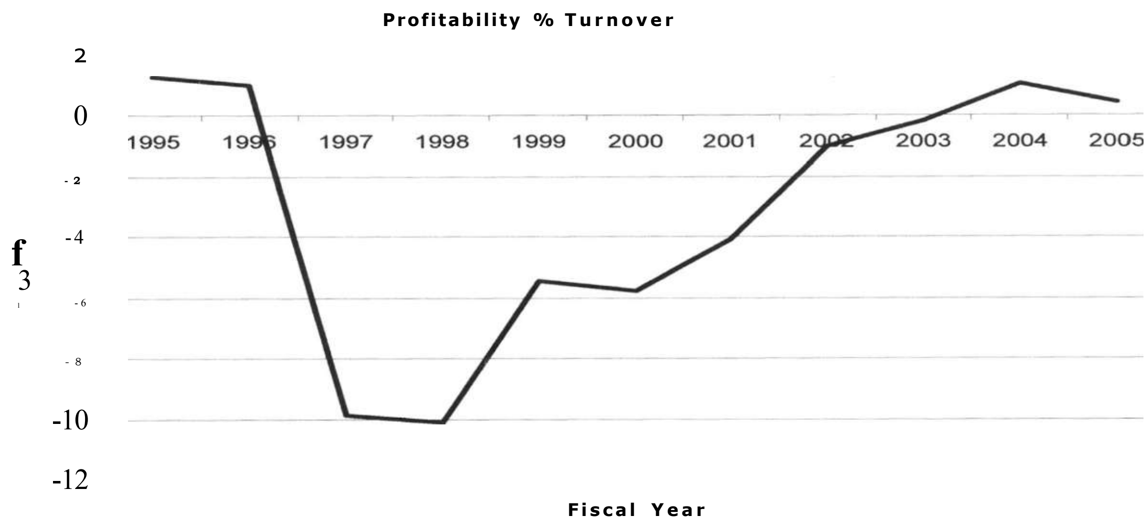
The years preceding 1996 saw the Group's economic vibrancy and diverse operation with interests in milling, manufacture of cooking oils, breakfast cereals, animal feeds and related products and property development. The realization that the company had spread itself too thin coupled with Government economic liberalization policy in the early 1990s led to a major restructuring process, which saw the retirement of certain key staff. However, this restructuring process was botched up with the company losing large sums of money in the first post restructuring financial year. The company is now struggling to attain profitability in a much more competitive environment.

With about 35 large millers in Kenya, there is excess capacity in the industry a situation that has led to the narrowing of margins. However, Unga Group is the leading wheat and maize miller in Kenya with an estimated market share of 30% and 15-20% respectively. Unga Group also has a 60% market share in the animal feeds business. Besides competition in the market place, Unga Group has apparently not made optimal use of its working capital. In the past, interest costs have consumed a very significant portion of the company's revenue. As part of the recovery strategy, scaling down the company's indebtedness, and steering the Group back to profitability track, the company entered into strategic management partnership deals a US based multinational Seaboard Corporation. The company injected cash and continue to offer managerial support to the group.

Table 4.1 shows the linear trend for the companies profitability expressed as a percentage of turn over. It is evidenced that the company experienced a significant downturn in profit in 1996, which reached its worst between 1997 and 1998. The trend however reversed marginally though on the negative side in 1999, the year that the group entered into a strategic and management partnership. The group finally reached a non-loss making scenario mid 2002 and finally to profitability of Kshs. 72.5 million in the year ended June 2004, explaining the gains of the strategic partnerships.

Also, revenues over the last five years have fallen by nearly a half, from Sh9.4 billion in 1998 to Sh5.5 billion in 2002. Losses have, however, declined from Sh648 million in 1998 to Sh56 million in 2002. Unga announced that it had made a Shillings 75.5m profit in year ended June 2004. (Daily Nation, July 25, 2004).

Table 4.1: Group profitability as % of turnover



4.2 Environmental Changes that Caused the Company's Downturn

This subsection was intended to determine the environmental challenges that necessitated Unga Group's restructuring programme. The respondents were of the opinion that the top management initiated the change process in the Group in response to anticipated changes in the market place, the possible negative impact of liberalization of grain marketing in Kenya.

The respondents were further of the view that there was no need for urgency in the change process. Except for Kenya flour mills one of its subsidiaries in which profits and turnover dropped, the Group had been managing well and turnover and profits had been performing well five years into liberalization. However, the respondents acknowledged the fierce competition that the Group was facing in the milling industry after it lost the monopoly it had in the domestic market following the introduction of liberalization regime by the Government. For a company that was used to operating in a near monopoly market, this was serious challenge given that the new competitors were delivering products at substantially lower prices. Consumers as a result rejected at each stage of the supply chain Unga products at the prices offered leaving Unga to pay for the entire cost of falling demand. The final result was a nose dive in fortunes - a downturn in profit of 72%". "Its time we recognized liberalization and what it means to business in Kenya. Liberalisation is naked capitalism with a very ugly face. Everyone for himself and the devil take the hindmost" - the Chairman had observed in 1996

It was however notable that most of the respondents having worked on a previously controlled market environment had limited appreciation on the dynamics of a liberalized market environment. They thus tended to be more inward looking at the historical and internal strengths of Unga rather than outward looking for competitive forces and new opportunities and threats presented by a liberalised market.

4.3 Strategic Changes Undertaken by the Group to Deal with Changes in its Environment

This subsection deals with the strategic management practices undertaken by Unga Group in response to the foregoing changes in the market place: changes in its operating environment, increased competitive pressure and the need to compete and thrive in a global market. The Group's Board of Directors took a decision tcr radically re-engineer and restructure its entire operations in consultation with and designed by consultants from Price Waterhouse. The aim was to "radically re-engineer and restructure the group's entire operations to bring in line with modern business practices and to focus more clearly on its line of business"

The company was divided into four subsidiaries: Unga limited to mill maize and wheat, Unga feeds limited to manufacture animal feeds supplements and sell veterinary drugs, Elianto limited to manufacture edible oils and breakfast cereals, Chester house limited to manage properties. Each of these strategic subsidiaries was headed by a general manager reporting directly to the managing director who in turn reported to the board. In addition the lead consultant from Price Waterhouse was retained by the group as the group change manager with a brief to drive the change process.

The consultants recommended a drastic reduction of the workforce to cut costs. The group sent home over 2,000 workers on an expensive retrenchment exercise negotiated with the trade unions. The retrenchment exercise not only cost Unga critical skills necessary to the company but seemed to have been unplanned and haphazard. The result was huge costs incurred in golden handshakes to the leaving workers, fear and disaffection among the remaining workers, Furthermore most of the business managers were sent packing and replaced with young technocrats mostly from consulting firms with little hands on experience in managing an organization on Unga's magnitude. The lead consultant from Price Waterhouse having been change manager for two years was eventually appointed Group Managing Director in June 1997.

Unga embarked on a radical restructuring of the sales network. Out went the old sales team to be replaced by new fresh faced sales team which proceeded to dismantle existing loyal sales and distribution networks and replace them with new ones. The new sales team embarked on a liberal credit policy leadership in a bid to drive up sales. Furthermore in a bid to compete with upstarts in the grain marketing they offered high discounts and incentives to their distributors leading to lower margins of the company's products. The liberal credit policy resulted in a four fold increment in debtors without a significant increase in sales volumes. The increase debtors meant higher bad debt provisioning.

The group management in a bid to control costs predicted a maize shortage in 1997 imported large stocks of maize. The shortage didn't materialize and as a result the company had to write off huge stocks some of which had to be destroyed.

The respondents indicated that the Group's attempt to return to profitability further led to the firing of three hundred of non-essential employees in a bid to seal the ballooning wage bill and retirement benefits mainly caused by new entrants hired at high wages by the consultants.

The group also embarked on sale assets considered non-core - edible oils division Elianto was sold to Bidco, whereas breakfast cereals division was sold to a consortium of local businessmen. Besides, the firm had to cut down on its distribution and administration costs to escape sinking deeper into debt

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The depressed economic situation, price leadership policies, the significant increment in debtors and the botched speculative importation of maize ended up straining the group's working capital and distorted its balance sheet. Unga thereby resulted into short term borrowing to finance its operations. The high interest rates prevailing at the time meant that the group ended up paying interest of over ten million shillings monthly for the short term borrowings.

4.4 The Challenges faced Unga Group Limited in its Recovery

The participating respondents enumerated the main change process challenges as; reduced staff morale, staff resistance, and fear of job security and retrenchment which led to loss of necessary skills especially in production and distribution functions.

The main sticking point of the change process was the retrenchment of over two thousand workers. This involved even the group managing director and all his general managers. Furthermore the exercise seemed to have been carried out in a haphazard manner and not well thought out. The management positions were filled with technocrats from consultancy firms , who's only brief seemed to be rid Unga off the old guard and replacing them with new personnel and a new style of doing business. In the process Unga not only lost valuable skills and experience critical to its business but the workforce viewed the exercise as vindictive to Unga veterans. A classic example is of a specialized technician who was retrenched, when the equipment broke down, the organization had to rehire him on new more expensive terms. To cap it all the exercise cost Kenya shillings 234 million further denting the profit and loss account.

The Kenya National Mills subsidiary unleashed the most mayhem. The production and distribution functions were poorly equipped to meet challenges presented by severely depressed economic conditions which led to lower consumer demands and sharp increase in price competition.

4.4.1 Change process communication

The respondents indicated that the aims of the change process were not adequately communicated. Very little official communication was forthcoming - most of it was through orders from the consultants; rumours and disjointed communication through memos marked top urgent in red which they felt were using danger colour to intimidate the personnel Constant references were accorded to the case of Elliots, which had collapsed a few years earlier which was taken as mere scaremongering instead of addressing the merits of the issue at hand.

The communication of the change process therefore lacked mission and vision of the desired change process. It was not interactive as to involve the stakeholders of the process on the need for change, the processes required to impact the change and monitoring and evaluation mechanism.

4.4.2 Change agent/ internal stakeholder involvement

The change process in Unga was designed and driven by the consultants. In driving the change the consultants needed to work independently and without management power. Unfortunately they ended up becoming the management and thus lost their independent status The change agents were not effective collaborators. In the process of replacing almost the entire top management they lost the opportunity of having a prior existing team to collaborate the change process with. Furthermore any chances of them getting co-operation from the team elapsed.

The swagger and the confidence almost bordering on arrogance of the consultants erased any chances of them developing high trust relationships with the workforce in Unga. Furthermore the ascension of the lead consultant to the managing director smacked of impropriety and ended up making the change process as a disguised job search for himself and other consultants.

The consultants effectively put change process in a "text book approach" with little regard to organization culture, people and norms. They didn't inspire respect for the process of change as well as the content, weren't able to work across business functions and units and lacked willingness to stake reward on result and gain satisfaction from success

The input of stakeholders did not translate into the change process as the consultants and new managers kept everything to themselves. Further the change process had very little education, involvement, and preparation of the internal stakeholders. The consultants approached the change process best way they knew how and the internal stakeholders had to tag along or ship

4.4.3 Approach

The change process adopted a top down approach- all decisions were made by the change manager and the managing director and communicated to the staff. The change process didn't wasn't interactive nor cyclical process involving diagnosis, action evaluation further action and evaluation. It missed the critical factor of improving the effectiveness of the human side of the organization - in actual fact it can be said to have achieved the opposite.

The collaborative nature of the change effort between managers and recipients of change and the change consultant jointly diagnosing the problem, planning solution and design of specific changes seemed to have been largely ignored. Thus the business unit managers were reduced to messengers with very little input on how the process was formulated and implemented

4.4.4 Staff reaction to the change process

As the change process involved the retrenchment of over 2000 workers, majority of the respondents indicated that the staff felt that change process was a disguised retrenchment exercise to get rid of all the old timers in Unga and replace them the tech savvy consultants. Furthermore all senior positions were replaced with consultants and young inexperienced managers with very little knowledge on workings of Unga and little regard to existing skills and cultures existing within the organization. In fact their major task seemed to turn the organization upside down.

The staff at Unga were not involved at any stage of the change process. Whereas the desired change process would have been interactive and cyclical involving diagnosis, action and evaluation and further action and evaluation in Unga's case these factors were lacking. The staff in Unga were merely vehicles of "text book" change process designed by the consultants with little knowledge or regard to the real workings of Unga as a company.

The consequence was that the change process was poorly designed, and executed leading to disaffection among the staff in Unga who not only didn't support the change but very few knew what it was for and its aims. The change process was thus perceived as foreign and its little wonder that the consequences were disastrous

4.4.5 Risk management

The respondents were of the view that there were no institutional mechanisms to monitor the change process and so was the case of evaluation. Active management processes focussing the organizations attention on the essence of winning, motivating people by communicating the value of the of the target, leaving room for individual and team contributions seemed to be largely absent in the change process

Furthermore enthusiasm sustainability by providing new operational definitions as circumstances change and using intent to re-allocate resources was lacking in the change process. There was thus no feedback on how well or badly the change process was doing, and who was responsible for any corrections, consolidations or improvements if any.

4.4.6 Executive support to the change process

Whereas the Board maintained that they were fully behind the initiative and in control it's apparent from the respondents that this might not have been the case. The "text book approach" applied by the consultants to the change process seemed to have either mesmerized the board or its full implications not fully understood.

The result was a board which seemed to support a process which in effect threw the company's fortunes into a spin, contrary to the basic tenets of a board of directors which is to ensure that the company's assets and welfare are safeguarded. This was captured by the managing director appointed after the consultants left. "There's nothing wrong with the structures here, certain issues were allowed to lapse or were insufficiently tackled by previous management". "The restructuring process was given a text book approach and day to day issues were ignored. That is why Unga sank so low" He went further to say "We are now trying to put the foundations back in place, then we start building from there".

4.4.7 Other Challenges

The respondents indicated that when lead change consultant replaced the former managing director and embarked on firing all the top managers and recruited afresh from the cream of young executives who in turn fired all the people below them, in furtherance of the then on going retrenchment program. This inflated the recruitment bill, retrenchment costs, poor succession planning, loss of strong organizational culture, knowledge, learned skills and capacity as new officers had to take time orientating themselves with new companywide operations and business environment.

The new Managing Director seemed to lack the hands on experience needed to run such a large multi-subsidiary concern and failed to recruit people with the right experience. In essence, the Group's processes and cost structures led to higher costs than the competition. The result was lower consumer demands, increased production costs and sharp increases in price competition. Further, investors in Group's shares at the Nairobi Stock Exchange read the signs of the time, the Group's share prices took a sharp plunge and consequently suspended from trading.

It was evident that something was not right, particularly in the relation to the changes undertaken as the group was poorly equipped to meet the challenges presented by severely depressed economic conditions. Subsequent years also saw the company make losses.

CHAPTER FIVE: CONCLUSIONS AND RECOMENDATIONS

5.1 Summary

The study on the challenge of change management at Unga Group Limited had three key objectives: establishment of the environmental changes that caused the company to experience a downturn, a determination of the strategic change management practices undertaken by the company to deal with changes in its environment and the challenges of change management faced by the company in its recovery. Several conclusions can be drawn from the major findings of this important study.

Business environment turbulence and competitive pressures resulting from market reforms and economic liberalization were the main drivers for Unga Group's restructuring and reengineering process, in tandem with similar studies in Kenya viz: Bett (1995), Kombo (1997) Ogwora (2003), Aosa (1992) among-others. The business environment changes as a result made the Group's processes and cost structures higher than the competition.

The Group's efforts to return to the bottom line led to strategic changes in its organizational structure, lay-offs of non-essential staff, changes in the credit policies, adoption of new channels of distribution, selling non-core assets, ceiling the wage bill and cost leadership. The adoption of a liberal credit policy resulted in cash flow and liquidity problems, heightened provisions of bad debts and expensive external financing arrangements further pushing the Group's indebtedness to the red. The debt problem overstretched the capacity of the general managers and new positions were created in a bid to tackle credit control further inflating the wage bill. The foregoing strategic changes notwithstanding, the Group's indebtedness ballooned. Cost leadership strategies only served to worsen the situation as profitability and sales volumes nosedived. The challenges faced Unga Group Limited in its recovery included reduced staff morale, staff resistance, and staff fear of job security and retrenchment which led to loss of necessary skills especially in production and distribution functions.

5.2 Conclusions

The decision by the Group's Board to re-engineer the processes and structures was noble in line with the prevailing business environment. As noted by Johnson and Scholes (2002) the change process was a result of reactive for proactive process. However, there seemed that the whole idea was rushed and was informed by unfounded basis, fear and panic and not an objective analysis of the Group's internal and external environments. They misdiagnosed the problem, prescribed the wrong solutions with disastrous consequences. The change process succeeded only in destroying the morale and momentum built up over the lifetime of the Group.

The board also seemed to have underestimated what it was going to take to re-engineer the Group and certain basic fundamentals were overlooked by new management team and the consultants. The change design and implementation seemed to have been inadequately handled and given a text book approach rather on underlying organizational culture and dynamics - day to day core issues and functionalities were grossly ignored the communication strategy was equally not well packaged. The retrenchment program was cost driven and the pressure to cut the inflating wage was the main basis without due diligence and consideration to workloads and the distribution network and might have had a major effect on the production and distribution functions of the Group.

The failure by the consultants and the Group's Board to adequately involve the staff in the change process heightened resistance, reduced staff morale and organizational performance and compromised the success of the whole process.

The change agent seemed to have taken more of a directive role. Thus one can conclude that change projects seldom end with success when special or chosen employees such as experts or consultant round, lead, create strategies, concepts and plans for implementation while the rest of the employees are treated like chess figures. The change process should thus be based on team oriented participative analysis and construction of the enterprise processes and therefore creates transparency of the overlapping process functions for the participants from strategy to transformation.

The challenges that faced by Unga Group Limited in its recovery efforts were mainly as a result of the inadequate design and implementation of the change process thus resulting in a vicious cycle. The top management's failure to effectively communicate the change process to the staff reflected their attempt to control things using old style of command, dictating change without communicating the benefits. The top management also seem to have ignored the impact of change on employees as they focused on the business issues.

The outcome the change process at Unga Group Limited indicate that change projects seldom end with success when special or chosen employees such as expert/ consultant rounds or leads staff, create strategies, concepts and plans for their implementation while the rest of the employees are treated like chess figures. The findings of this study support the open systems school of change management which states that successful change can be achieved by changing the subsystems. Organization change process requires a fundamental change in organizational culture and mind-set which must be carefully managed.

The implication of this is that if employees (very important subsystem) are not involved in the change process, resistance heightens and the success prospects dim.

5.3 Recommendations

The success of change process relies mainly on its implementation. The study results have the implication that such process should adopt a bottom up approach to change - involve everyone within the company rather than outsiders. In house solutions would have been more ideal - the people within the company understood the business very well and were in a better position to prescribe solutions. The board should not have panicked into bringing theorists and textbook consultants to effect change - who had very little practical experience. Change process must therefore be "owned" throughout the organization, not driven by a group of outside consultants who have little or no information of the business.

Further, the change process should be based on team oriented participative analysis and construction of the enterprise processes and thus creates transparency of the overlapping process functions for all participants from strategy to transformation.

Finally, though there is no denying that the regional and international market may be lopsided in favour of imports to exports, it is imperative for companies to consolidate domestically before going regional. And as UNGA had for long had a strong hold on the domestic market, they would have formulated effective strategies for building their internal sources of competitive advantage than rushing into change process.

The general recommendation for policy and practice is that all firms, in this era of globalization and liberalized regimes need to urgently develop appropriate policies and strategies for improving their competitiveness and ensuring good performance on a long-term basis. A policy to develop and harness all their internal resources of competitive advantage is not a luxury but a necessity for long survival and growth. Managers of these firms ought to give first priority to the development of organizational capabilities and core competencies in order to build a sustainable competitive advantage. The classic case of over- relying on the protective regimes and monopolies are both defective and suicidal in this age of an increasingly globalized competition.

5.3.1 Recommendations for Policy and Practice

If an organization wishes to change the way it operates, it must turn to its people to make it happen. People are the agents of change. Creating business plans and strategies are important, but they are only tools to guide the actions of people. Because change processes entail significant changes throughout an organization, it must begin with a communications campaign to educate all those who will be impacted by this change. Communication to all levels of personnel must remain active from start to the end in order to keep everyone involved and working towards a common goal. Without a common understanding about what is happening, confusion and uncertainty about the future can result in resistance strong enough to stop any change effort.

Change process is most effective when everyone understands the need for change, and works together to tear down old business systems and build new ones. In order for change to be embraced, everyone must understand where the organization is today, why the organization needs to change, and where the organization needs to be in order to survive.

5.4 Limitation of the Study

The study findings could have been complete if all the targeted respondents were interviewed. But given the similarities of thought even with those who responded and the fact that issues, the tool of data collection, the over 50% response rate achieved is considered to be pertinent enough for the drawing of the much needed inferences. The researcher has no reason to think that the failure of the other respondents to be interviewed was too insignificant and any disparities in the primary data was more than compensated by the rich secondary data.

5.5 Recommendation for Further Research.

It is recommended that a similar study be conducted in a different industry but with a larger sample. Large sample size will resolve part of the limitation on this study and particularly that which relate to the number of firms studied. A fresh study could perhaps target firms in the Nairobi stock exchange and data could be collected through structured questionnaire. The combination of large sample size and structured questionnaires would facilitate the drawing of appropriate conclusions on the challenge of change management

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APPENDIX

Executive level

1. How did the advent of liberalization in the grain market in the early 90's affect the fortunes of the company
2. Can you outline measures which the company undertook in the face of the liberalized grain market
3. In your opinion what was the effect of these measures
4. What triggered the board to appoint consultants for planning strategic change in 1996
5. Why were consultants used instead of using internal resources
6. How were the recommendations of the consultants to be implemented
7. What measures did the Executive take to create capacity to undertake the change process. Were all the stakeholders especially the staff adequately informed and involved in the process in the planning and or implementation process
8. What was the criteria of engaging one of the consultants as change manager and ultimately CEO in leading the change process
9. What mechanisms did the Executive put in place to monitor the change process. We're there specific benchmarks and time frames for the change process and how were they evaluated
10. Were the change process progress communicated to all stakeholders. What medium was used
11. Was there feedback from the concerned stakeholders? How was this feedback incorporated into the on-going change process
12. What challenges were encountered during the change process. What measures were put in place to overcome these challenges

13. In you opinion did the change process bring about the desired results Within set time frames

Business unit managers

1. In your opinion what was the need and urgency of the change process
2. How was the process of implementation designed? Who was involved in the formulation stage
3. How was the change process put in place to involve stakeholders of the organization into the change process
4. What tools did the organization provide to ensure smooth implementation of the change process
5. In you opinion how was the change process taken by the various stakeholders (especially the staff).
6. What was the role of the change agent and how did this role complement the roles of the line managers. How were the activities of the change agent blended with those of the business unit managers
7. What mechanisms were put in place to monitor the change process. Who was responsible for their evaluation
8. How was the evaluation results handled? Were they communicated to other stakeholders and via what medium
9. What corrective measures were taken to correct any deviations and consolidate any gains. Who was involved in consolidating gains and designing the corrective action
10. What challenges were encountered in implementing the change process. What measures were put in place to counter these challenges
11. In you opinion was there adequate Executive support for the change process

12. In your opinion what would have been done better in implementing the change process

Functional heads

1. In your opinion what was the reason for the implementation of the change process
2. Were the aims of the change process communicated to you and via what medium. Were their clear goals and processes of attaining them identified. Did you agree/disagree with the aims?
3. Who was responsible for the implementation of the change process. What was your involvement?
4. What was the role of the change agent. How did this role fit into the daily organisational operations
5. Was the progress of the change process communicated to you? How often and via what medium?
6. Were any corrective measures put in place to address deviation identified in the change process. Was your input sought - if yes how was it collected and collated.
7. Was there input of everyone in the organisation so as to feel part of the change process
8. In your opinion was there adequate Executive support to the change process.
9. In you opinion were the desired results of the change process achieved
10. In your opinion what could have been done better