

**MANAGEMENT OF STRATEGIC CHANGE AT  
PROCTER AND GAMBLE EAST AFRICA  
LIMITED**

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*UjRm*

**A MANAGEMENT RESEARCH PROJECT PRESENTED IN PARTIAL  
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF  
DEGREE OF MASTER OF BUSINESS ADMINISTRATION, (MBA),  
UNIVERSITY OF NAIROBI**

OCTOBER 2006

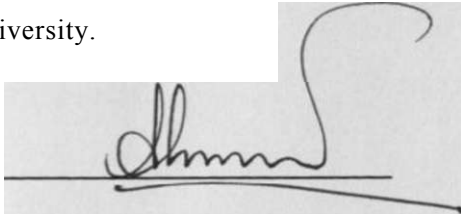
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## DECLARATION

This Management Project is my original work and has not been presented for a degree in any other University.

Signed:

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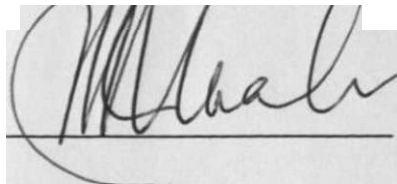
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The Project has been submitted for examination with my approval as the University Supervisor.

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Date:

***31 hohi***

## DEDICATION

*To my Family, Alex, Alexandra and Anthony and my Parents Marco Nyalita and Secunda Muthoki*

## PROLOGUE

*"To cope with a changing world, an entity must develop the capacity of shifting and changing - of developing new skills and attitudes; in short, the capability of learning"*

*- Arie de Geus (1997)*

## **ACKNOWLEDGEMENT**

I thank our almighty God for the opportunities He has granted me throughout my life. This course would not have been successful had it not been for the valuable support, assistance and guidance from family members, friends and colleagues. My classmates for the great discussions, insights and assistance during my MBA programme. My heartfelt gratitude to all of them. However, I am obliged to mention a few of them to acknowledge their special contribution.

First I would like to thank my supervisor, Mr. Jackson Maalu for sharing his valuable time, contributions and guidance during my entire period of study. Secondly to Mr. Charles Oreme, Finance Manager, Procter & Gamble East Africa Limited, and his colleagues who agreed to provide the crucial information sought by this Study.

Finally, special thanks to Gathukia Kinyua, my best friend and husband, for his understanding and support during the entire period of my MBA course. God bless you.

## **ABSTRACT**

Subsidiaries of Multinational companies in Kenya could a basic good focus for economic development inform of foreign direct investment, and the legal framework should be such as it allows them to play a crucial role in the country's economic growth. Key benefits that accrue from such parented companies include job creation and inflow of finances inform of taxes paid in the host country.

The study sought to establish how Procter & Gamble East Africa Limited, a local subsidiary of the Procter & Gamble Company, had handled reforms initiated by the corporate organization in their change program, and if the reforms have had any impact on the overall performance of the local subsidiary in terms of improving its sales and profit, as well as improved operating efficiency.

The study was conducted using the case study research design. The researcher conducted in-depth interviews with the top management of Procter & Gamble East Africa Limited, who were involved in the change program and gave management view of the reforms. Also reports from the firms records did provide useful information, which was useful in the compilation of this study report.

The study identified that the firm, though not quite distinct did use John Kotter's Transformation Process model for parented company change management. Kotter indicates that the change process takes time and is not something that happens overnight. He outlines an eight step process with suggestions to managing change in subsidiaries of multinational companies. The

steps include: Increase urgency, Build the Guiding Team, Get the Vision Right, Communicate for Buy-in, Empowering Action, Create short term wins, Do Not Let Up and Make Change Stick. From the interviews conducted, it was evident that the reforms have had a great impact on the overall performance of Procter & Gamble East Africa Limited, as they have been able to increase revenues and become a profitable organization, and have continued to grow their profit and revenue base by at least 10% year on year. The organization had also become more effective and efficient in its operations.

The results from these studies can be used as a lesson to the other local subsidiaries of multinational firms who are undergoing or a likely to undergo similar reforms. For academicians and other researchers wishing to carry out further research, the studies will contribute to existing literature in the field of strategic change management.

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# CHAPTER ONE: INTRODUCTION

## 1.1 Background

### 1.1.1 Concept of Change and Change Management

It is largely believed that the concept of Strategy has been passed down to us from ancient Greeks. Bracker, (1980: 219) argued that the word strategy comes from the Greek stratego, meaning 'to plan the destruction of one's enemies through effective use of resources'. The concept remained a military one until the nineteenth century when it began to be applied to the business world, though most writers believe the actual process by which this took place is untraceable (Bracker, 1980; Chandler, 1962). Chandler (1962) put forward the view that emergence of strategy in civilian organization life resulted from an awareness of the opportunities and needs - created by changing population, income and technology - to employ existing or expanding resources more profitably.

Indeed even one of the pioneers of business strategy, Igor Ansoff(1987), warned that strategy is an elusive, somewhat abstract concept. This must be expected when dealing with an area that is constantly developing. Nor should this inhibit the search for a definition, or definitions because in doing so, we can see how the debate on strategy is developing and where the main areas of dispute lie.

The eclipse of long-range planning merely heralded the arrival of a range of different perspectives on strategy. As early as 1960s, two schools of thought vied with each other: The planning school, which was based on formal procedures, formal training, formal analysis and a large dose of quantification, with the underlying assumption that a strategy could be put together and work in the same way as a machine and lead to the creation of strategic planning departments in large organizations reporting directly to the chief executive, whose role was to approve the planner's plan and the design school, which adopted a different, less formal and machine-like approach, that emphasized on the need to achieve a fit between the internal capabilities of an organization and the external possibilities it faces, (Mintzberg et al, 1998a).

According to Mintzberg et al (1998b), there are five main and interrelated definitions of strategy: a plan, which involves some form of consciously-intended course of action which is created ahead of events; ploy, a maneuver to outwit an opponent; pattern, where after an event, an organization acts in a consistent manner over time; a position, which involves positioning the organization in order to achieve or maintain a sustainable competitive advantage; and a perspective, an abstract concept that exists primarily in people's minds.

Strategy is the heart of Strategic Management for it helps organizations to formulate, implement and evaluate strategies in the course for success. When managers are developing strategy, they perform various analyses, which lead to the identification of critical tasks that need to be performed. Ansoff and McDonnell (1990) observes that strategic management activity is concerned establishing objectives and goals for the organization and with maintaining a set of relationships between the organization and environment which will enable it to pursue its

objectives, which are consistent with organizational capabilities and continue to be responsive to environmental demands. Aosa (1988) observes that strategic management includes all the activities that lead to definition of the organization's objectives and to the development of programmes, actions and strategies to achieve these objectives.

Bumes (2004) observes that, given the rise and fall of industries and technologies over the last two decades, organizations and society at large are in a period of rapid and unprecedented change, a period where old certainties no longer hold good, and new ones are yet to emerge. An alternative view is that the pace and uncertainty of change varies from company to company, industry to industry, and even country to country. As a consequence, at any one point in time, some organizations will be experiencing extreme turbulence whilst others appear to operate in a relatively stable environment. However, the pertinent issue is how organizations can cope with both the turbulent environment in which they operate, and the constraints, challenges and threats they face.

Philip Selznick (1957) introduced the idea of matching the organization's internal factors with external environmental circumstances. This core idea was developed into what we now call SWOT analysis by Learned, Andrews, and others at the Harvard Business School General Management Group. Strengths and weaknesses of the firm are assessed in light of the opportunities and threats from the business environment. Igor Ansoff built on Chandler's work by adding a range of strategic concepts and inventing a whole new vocabulary. He developed a strategy grid that compared market penetration strategies, product development strategies, market development strategies and horizontal and vertical integration and diversification

strategies. He felt that management could use these strategies to systematically prepare for future opportunities and challenges. In his classic Corporate strategy (1965) he developed the "gap analysis" still used today in which we must understand the gap between where we are currently and where we would like to be, then develop what he called "gap reducing actions".

De Wit and Meyer (1999) linked strategic change in an organization to uncertainty. Kenny (2001) identified the degree of uncertainty and the scope of strategic projects as key elements of the impact they have on an organization. Rogers (1995) claimed that innovation brings with it uncertainty. Projects resulting from the implementation of a radical strategic direction in an organisation may well involve change and innovation, but certainly will involve high levels of uncertainty. De Wit and Meyer (1999) identify two types of strategic change, 'evolutionary' and 'revolutionary'. They point out that "when well managed major organisations make significant changes in strategy" the processes used are "typically fragmented, evolutionary and largely intuitive". In their view, the strategy evolves and the formal planning process is just "one building block in a continuous stream of events". They maintain the normal process for the development of strategy is a process which they call "logical incrementalism" by which the executives of an organisation will broadly outline the strategic directions, but delay committing to detail until as late as possible, recognising the complexity of reality.

Nauheimer (2005) described change management as the process, tools and techniques to manage the people-side of change processes, to achieve the required outcomes, and to realize the change effectively within the individual change agent, the inner team, and the wider system. There are a multitude of concepts on Change Management and it is very difficult to distil a common

denominator from all the sources that are applying the phrase to their mental maps of organizational development. But obviously there is a tight connection with the concept of learning organizations. Only if organizations and individuals within organizations learn, they will be able to master a positive change. In other words, change is the result from an organizational learning process that centres around the questions: 'In order to sustain and grow as an organization and as individuals within; what are the procedures, what is the know-how we need to maintain and where do we need to change?', and, 'How can we manage a change, that is in harmony with the values we hold as individuals and as organizations?'

### **1.1.2 Context of Strategic Management in Parented Organizations**

Managing headquarters-subsidary relationships involves balancing forces that call for international integration of operations and centralization of decisions against forces that call for national responsiveness and subsidiary autonomy in the making of strategic decisions. For each decision these conflicting sets of forces have to be traded off one against the other depending on the decision, while over time, from decision to decision, an overall balance has to be maintained. Creating a capability for differentiated trade-offs from decision to decision without compromising an overall balance implies structuring decision-making processes beyond the mere formal organization (Doz & Prahalad, 1984).

For international business organizations, centrifugal forces tend to be more acute compared to domestic firms, increasing the problems of integration (Stopford and Wells 1972). The foreign subsidiary is subject to the laws of the country in which it is located (the host country), as well as certain statutes of the nation in which that parent is domiciled (the home country). The

foreign subsidiaries must be differentiated enough to confront cultures, markets and customs that contrast markedly with those of home country, but this flexibility has to be accommodated within a structure that will provide the maximum contribution to corporate performance(Wilkins 1974). The degree to which control is retained by the center of the MNC, the supranational hierarchical levels above the foreign subsidiary, conditions the impact the host country may have on its foreign investors.

According to Cangemi (2005), international business-level strategies are similar to the generic business strategy types: international low cost, international differentiation, international focus, and international integrated low cost/differentiation. International corporate-level strategies are classified into three types. A multi-domestic strategy focuses on competition within each country in which the firm operates. Firms employing a multi-domestic strategy decentralize strategic and operating decisions to the strategic business units operating in each country so each can tailor its goods and services to the local market. A global strategy assumes more standardization of products across country boundaries. Therefore, competitive strategy is centralized and controlled by the home office. A transnational strategy seeks to combine aspects of both multi-domestic and global strategies in order to emphasize both local responsiveness and global integration and coordination. Although the transnational strategy is difficult to implement, environmental trends are causing all multinational firms to consider the needs for both global efficiencies and local responsiveness, Most large multinational firms, particularly those with many diverse products, may use a multidomestic strategy with some product lines and a global strategy with others.



Dymsza, (1984) observes that one of the most important developments in management has been the much greater emphasis that multinational companies have placed on strategic planning as a framework for decision making. Over the years the process of strategic planning has been refined and fine-tuned by multinational companies to make it more significant in decision making. Confronted with rapid-often discontinuous-changes and with greater uncertainty in their business across the world, managements of multinational companies have developed a more analytical framework for planning as a basis for making decisions. These managements want to anticipate and adapt to future changes and uncertainties rather than be victims of them. They want to employ their corporate resources-management, personnel, technologies, business know-how, funds, and other assets-in a more efficient and productive way to attain their corporate objectives. They want to explore global opportunities for profits and service to their consumers, to reduce threats, uncertainties, and exposure to risk, and to achieve greater competitive efficiency, along with profitability objectives around the world. As a result, multinational companies are making greater use of strategic planning as a key management process.

Dymsza, (1984) indicated that even though many aspects of international strategic planning are similar to those of domestic business planning, some important differences do exist, creating uniqueness and complexity. For example, the types of decisions that strategic planning should help a multinational company to make are as follows: In what region and what countries and when should a company expand its international commitments in funds, technology, management, know-how, and personnel? Should it enter a new country? What type of entry should it undertake in countries with opportunities: exporting, licensing, direct investments, management contracts, other arrangements? What are the opportunities/risks in various

countries in different modes of entry? In what countries should it expand its 'existing plants, undertake new investments, 'make acquisitions? What product adaptations should it make and what new products should it introduce in various countries? To what extent should it change its marketing and product mixes in different countries? What should the company do about exchange risk, political vulnerability, and adverse governmental controls and regulations? Should it disinvest or phase out business in certain countries? Where should it raise funds for its worldwide operations? Should it go into joint ventures with private firms or government enterprises abroad, and under what conditions? What management development programs should it undertake at headquarters and its affiliates abroad? The differences between strategic planning for international business and domestic operations arise from complexity of undertaking business in foreign countries with different and changing political, regulatory, economic, sociocultural, business and other environments. Further, risk dimensions in international business vary, often change, and are difficult to ascertain precisely.

Dymza. (1984) observes that multinational companies engage in 2 basic types of planning: 1) strategic or long-term planning, and 2) operational or tactical planning. Strategic planning involves a time dimension of 3 to 7 years (often 5 years) and is the most significant type of planning in establishing the future directions and major courses of action for the multinational corporation. Strategic planning involves formulation of key objectives and 'goals for the corporation and its global system of enterprises, including the determination of strategies that allocate corporate resources among units in various countries to achieve the established objectives. Operational planning, on the other hand, encompasses highly detailed plans, procedures, and budgets for the company and its international units, usually for a period of one

or 2 years. The operational plans serve as a framework for day-today decision making and also as a basis for the monitoring and control systems. Some multinational companies may also have very long-range plans of 15 to 20 years (for example, to develop new high-technology products); certain petroleum companies may project supply-demand in oil for 2 decades or longer as part of their planning, but the strategic planning with a time period of 3 to 7 years (often 5 years) and the operational planning (usually for a year) constitute the basic types of business planning that are crucial for management of multinational corporations.

According to Dymza (1984), strategic planning constitutes a major responsibility of top management at headquarters because nothing less than the future of the multinational corporation is at stake. Executives of divisions, regional offices, and national subsidiaries are generally also involved. Under operational planning, on the other hand, not only the top but also the middle layer managers and the functional staff of country affiliates, regional offices, and divisions of the corporation participate in the process. The operational plans of all units should be interrelated with the strategic plans and approved by the top management of the multinational corporation. A typical model for comprehensive strategic planning for multinational corporations begins with a reevaluation of company philosophy, mission, or definition of business and then moves to a managerial audit of the strengths and weaknesses of all units and the total enterprise, an assessment of competition in national markets, and an evaluation and projection of key political, legal, economic, cultural, regulatory, technological, and business factors in major countries and regions. After an analysis of major opportunities and risks and specification of key strategic issues by major units around the world, the multinational company formulates objectives and global strategies for the corporation, divisions, and national

subsidiaries, with contingency plans to deal with changing and unexpected developments, and action programs to achieve implementation of the strategies.

On the basis of the strategic plan, the units of the corporation determine the operational plans, including detailed budgets. A control system regularly monitors performance against targets in the tactical plans and budgets. From time to time (for example, annually), the corporation revises and recycles its strategic plan to adapt to changes that have taken place. This model brings out the components that comprise a comprehensive system of international strategic planning. This represents one of many possible models.

Multinational corporations vary considerably in the scope, format, emphasis, and process of their strategic planning. Some corporations have highly comprehensive systems of strategic planning that vary in major ways from the model, while other companies have simpler processes of planning. Yet, this model depicts many aspects that are widely found in strategic planning systems of multinational corporations, and should be considered as a dynamic model in a highly interdependent process. Each phase and all components have many interactions, forward flows, and feedbacks involving much vertical and lateral communication between top management, corporate staff, the planning officers and international managers.

According to Dymsha, (1984), a major challenge in international strategic planning is the extent to which the planning process should be structured in a formal manner. The alternative would be to have a less structured, more flexible strategic planning process. Some companies, such as a major international pharmaceutical company, opt for a less structured process, since the top

management believes that such a process provides for more innovative planning with room for more entrepreneurial decision making and initiative. On the other hand, most multinational corporations find that structured strategic planning works more effectively in involving management at all levels, including the staff officers along with the planning officials. A structured planning process can also encourage innovation, creativity, and initiative by key country, regional, division, and corporate levels. The model for strategic planning is a multidimensional one involving corporate headquarters, groups, divisions, regional offices, and national subsidiaries in a top-down and bottom-up process of planning. In other words, it represents a combination of centralized and decentralized planning in which all units of the enterprise around the world participate.

The major responsibility for strategic planning rests with the line managers of all units, with assistance from planning and functional staff officers at all levels. The top management of the multinational corporation, however, has the primary responsibility for determining the overall global directions and objectives and for coordinating the strategies of all units worldwide. This model provides for major flexibility in the needs of companies for integrated or adaptive planning and some balance between the two. Integrated planning involves global unification of functional, product, or other strategies, and centralization of decisions, particularly in production, finance, R&D, and investments. Adaptive planning comprises differentiation and responsiveness to diversity of country environments (Dymza, 1984).

Dymza (1984) points out that multinational corporations characterized by high technology or rapid technological change, complex sourcing, and high economies of scale often require integrated planning. On the other hand, firms with somewhat limited economies of scale, mature

products in the product cycle, and major emphasis on marketing, and those facing diversity in consumer tastes and government regulations need considerable adaptive planning. Most multinational corporations have to achieve some balance between integration and adaptation in their strategic planning and operational decisions. The strategic planning process and resource allocation based on it can be used as a catalyst to achieve convergence among managers on key decisions and consensus-building among executives whose priorities and perceptions vary widely. It can create pressures for interaction among managers, for convergence of views, and for conflict resolution. A reward system for effective participation in the planning process and for achievements of goals and subgoals fosters such a business climate. The model also coordinates the international control system with operational and strategic planning of the enterprise and its units around the world. This fosters implementation of strategic and operational plans. Implementation is also fostered by deep involvement of top management in the planning process, dissemination of key aspects of corporate plans, and rewards to managers for effective strategic planning and implementation.

Noung (2003) indicates that a lot of multinational corporations do their production work in Lesser Developed Countries (LDCs) or "developing economies". In developing countries the comparative standard of living is lower, so multinational corporations can pay workers less than they'd have to in the West. This arises due to a number of reasons, the first being a usual lack of laws regarding minimum wages, unionisation and safety standards. The second is that in less developed countries there is a great deal of labour and not many jobs. Because these countries are usually based on an uncertain agrarian base, people like the stability of wage labour. The opportunity cost of being employed by one of these companies isn't too high, so people are

willing to do it. This international investment brings money to an economy and gets things going. When people are paid wages, they have to spend it somewhere, which fuels the growth of the service sector (retail outlets, hairdressers, book publishers, public houses). This is called the multiplier effect, because the money which has been ejected into the economy is spent and re-spent on things which further fuel economic growth. The wages paid in these countries aren't always massive though, because companies tend to base the high-paying stuff (R&D, high-level planning) in the West somewhere, because people there are better educated. But the net result is wealth flowing into the country, even if it's just small amounts, and this increases the standard of living.

Noung (2003) points out that there are also problems associated with MNCs. There are areas that can have problems when companies pull out, especially if that company hasn't been too careful on the sustainable development front. They might have used resources up, repatriated a lot of the wealth they made, and left a big stinking pile of waste and pollution. This isn't good for the country it took place in, and the governments of LDCs have some responsibility in stopping this happening. One of the other main problems is corruption, which can often be a fairly big factor when multinational corporations move into 'nasty' places. Companies aren't known for their scruples and might be perfectly willing to co-operate with dictators and help these people grow rich. Governments might not ensure the property rights of their citizens are respected. MNCs are owned by shareholders who expect annual returns or dividends in compensation for funds they make available for the firm's production and sales activities. It is to enable MNCs to pay such dividends that their managers seek out the most efficient workers for the wages they pay, buy materials at the cheapest costs possible, seek to produce in countries

paying the lowest profit taxes, and sell in markets where they can earn the highest revenues after costs.

Change as a prescription, the situation that parented firms (subsidiaries of multinational corporations) are faced with, is poses a number of challenges. These include the fact that the change may not be relevant to the host country, delays in communicating the change to the subsidiaries as well as delays in implementation. Decisions on the change are made at the corporate headquarters, hence the subsidiary management's input is unlikely to be taken into account. There may also be circumstances in the host country that may hinder implementation of the change. This may include things like labor laws, trade laws, socioeconomic and political pressure.

### **1.1.3 Procter & Gamble East Africa Limited**

Procter & Gamble East Africa Limited (PGEAL) is a subsidiary of the US based Procter & Gamble Company (P&G), a Fast Moving Consumer Goods (FMCG) company. P&G formally entered the Kenya market and established a legal entity, P&G East Africa Limited in 1991. This was as a result of P&G's global acquisition of the Richardson Vicks company that had presence in Kenya since 1961

Procter & Gamble (P&G) is one of the most well-known consumer goods companies in the world. William Procter and James Gamble founded P&G as a partnership in 1837 in Cincinnati, Ohio by merging Procter's candle making company with Gamble's soap business. P&G had been a late globalizes but after World War II, P&G began its international expansion in right earnest,



and by the mid-90s, over half of its sales came from outside US. As its global expansion progressed, P&G continued to modify its structure and internal processes to maximize global leverage. Various initiatives were launched to facilitate exchange of knowledge and best practices across the company (P&G, 2006).

In the late 1990s, growth was hard to come by for P&G. In an attempt to spur growth in mature markets, P&G CEO Durk Jager initiated the Organization 2005 program, conceived as a set of far-reaching initiatives to accelerate the company's growth. It involved comprehensive changes in organizational structure, work processes and culture to make employees stretch themselves and speed up innovation. Organization 2005 also sought to leverage P&G's global presence. The program was intended to boost sales and profits by introducing an array of new products, by closing plants and by eliminating jobs. Jager believed that rapid restructuring was necessary to create new growth opportunities for P&G (P&G, 2006).

P&G estimated that Organization 2005 program would result in an acceleration of annual sales growth to 6-8% and of annual earnings growth to 13-15%. Organization 2005 envisaged the transformation of P&G from a geographically based organizational structure to one based on global product lines. The program had five key elements; One of the elements was Global Business Units (GBU). P&G moved from four business units based on geographical regions to seven GBUs based on global product lines. By putting the responsibility for strategy and profit on brands, instead of geographic regions, P&G hoped to spur greater innovation and speed. Then there is Market Development Organizations (MDO) in which P&G established eight MDO regions whose objective was to tailor global marketing programs to local markets. Another

element was the Global Business Services (GBS). This involved overhead functions such as human resources, accounting, order management, and information technology. These were consolidated from separate geographic regions to one corporate organization that would serve all GBUs. With regards to corporate functions, most of the corporate staff were transferred to one of the new business units. Then there was reforms involving company culture, where P&G redesigned reward systems and training programs to improve result orientation amongst employees.

Organization 2005 change program estimated that approximately 10,000 positions would be eliminated through fiscal 2001 with a further 5,000 cut after 2001. P&G indicated that approximately 42% of total workforce reduction would occur in Europe, Middle East and Africa; 29% in North America; 16% in Latin America; and 13% in Asia (P&G, 2006).

As prescribed in the change program, PGEAL became part of the Sub-Saharan Market Development Organization (MDO) in 2001, and in December the same year, the manufacturing plant was closed down, leading to significant downsizing of its work force to a mere dozen employees.

## **1.2 Statement of the Research Problem**

Managers of global companies make decisions across a range of firm and plant level activities encompassing activities associated with traditional functions such as finance, marketing and production, as well as those associated with less traditional actions such as international business-government relations and international accounting (Finn, 2003). Although it is difficult

) define a homogeneous set of management principles that harmonize the heterogeneous set of activities ongoing in a global organization, it is possible to identify several core and common concerns. In particular, two broad concerns arguably define the main dimensions within which multinational management decisions are made. They define tradeoffs with respect to two considerations: (1) to what extent should specific actions be standardized or differentiated across the product and geographic markets in which the firm participates? (2) to what extent should responsibility for specific actions be centralized within headquarters, either global or regional, or decentralized to smaller, international affiliates? (Finn, 2003).

According to Cray, (1984), for any large complex organization, the problem of ensuring that its constituent parts act in accordance with the overall policy is a central and continuing concern. In addition to the differentiation stemming from functional specialization, the organization is subject to divisive tendencies in the form of departmental interests, competing functional goals, and differential demands from the environment, that lead subunits to pursue their own strategies (Karpik 1978, Pfeffer 1978). To overcome these centrifugal forces, the leaders of the organization must maintain a system of integration that minimizes overlap and conflict among its varied subunits while allowing them the necessary flexibility to adapt to their particular environments,

Subunits in a Multinational Corporation must relate to a Corporate center with a certain mandate, authority and power. Thus the Corporate Center has a legitimate role in directing and influencing subunits regarding the adoption of organizational management strategies. This means that Strategic Change and its management, including decision making in subsidiaries of

/INCs (or parented firms) is heavily influenced or determined by the overall corporate strategy. K thus strategic change management practice in parented companies differs, a great deal, from heir domestic counterparts. There is no local empirical work done in the area of change management practices in parented firms, thus the reasons behind the choice of Procter & gamble East Africa Limited for the case study.

Studies have been carried out by several scholars in relation to strategic change management. These include Maingi 2005, Rukunga 2003, Ogowora 2003, Nyamache 2003, Mbogo 2003, Wahome 2003, Mwambingu 2002 and Bwibo 2000. These studies have given insights into the challenges and responses of some Kenyan organizations in the change management process. However, to the best of the Researcher's knowledge, no study has been done on strategic change management in local subsidiaries of multinational organization, also referred to as parented firms, hence a gap exists in understanding the drivers of change and how these changes have been managed in parented organizations.

A case study involving a local subsidiary of a multinational organization offers itself as a suitable avenue in developing and in-depth understanding of change management process in parented organizations.

### 1.3 Objectives of the Study

- i) To establish the change management practices adopted by Procter & Gamble East Africa Limited in their change program.

- ii) To identify the challenges faced by Procter & Gamble East Africa East Africa in the implementation of the change program.

#### **1.4 Significance of the Study**

The study will be useful to the senior management and staff of Procter & Gamble East Africa Limited, other local affiliates of multinational companies and the Ministry of Foreign Affairs, as they will have an opportunity to gauge the progress, direction and benefits of the change effort. It will also be a source of information should they be faced with similar situations in future.

For academicians and other researchers wishing to carry out further research, it will contribute to existing literature in the field of strategic change management.

The study will also be of importance to similar organizations undergoing change process or that seek to improve organization performance through strategic change management practices as it will be a source of information on strategic change management practices in parented firms.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Concept of Strategy and Strategic Management**

Strategy is concerned with the means to meet ends, that is, it is concerned with achieving objectives. A strategy is also a set of rules for guiding decisions about organizational behavior. Strategies may be explicit or implicit, kept within the senior management team or pervading the organization to produce a sense of common direction (Newcomb, Langford, and fellows, 2006). Strategic management is a systematic approach to major and increasingly important responsibility of general management to position and relate the firm to its environment in a way which will ensure its continued success and make it secure from surprises. Strategic management is concerned with deciding on strategy, and planning how that strategy is to be put into effect. It can be thought of as having three main elements within it. There is strategic analysis, in which the strategist seeks to understand the strategic position of the organization. There is strategic choice which is to do with the formulation of possible courses of action, their evaluation and choice between them. Finally there is strategic implementation which is concerned with planning how the choice of strategy can be put into effect. The three elements of the strategic management are often seen as sequential in traditional texts, but actually they overlap and interact so that partial implementation may modify strategic choices for example (Newcomb, Langford, and fellows, 2006).

The concept of business strategy can be traced very far back in history to many situations, including the context of war (Bracker 1980; Chandler 1977; Fahey and Christensen 1986; Huff

and Reger 1987; McCraw 1998; McKiernan 1997; Miller and Cardinal 1994; Mintzberg 1994; Prahalad and Hamel 1994; Schendel and Hoffer Schendel 1979). Strategy in war is obviously important, given the decisive role it plays in shaping the outcomes of battle. As Clausewitz (1800, 390) put it, "Strategy...[gives] an aim to the whole.... [It] maps out the plan of the war, and in relation to the aforesaid aim, it affixes the series of acts which lead to [the object of war]." This quotation echoes the central purpose of strategy, that is, to provide the blueprint by which the aim can be attained under conditions of direct combat. This is true whether the "war" is actual military conflict or market competition. Just as the significance of strategy rises with the threat of war, so too does the import of business strategy when rivalry intensifies.

Strategy became a primary concern for business managers at the time in history when competitors gained sufficient market power to be capable of affecting the prospects of their rivals, which, for the most part, occurred well within the twentieth century. The true importance of strategy then is observed during conditions of combat and competitive threat within markets, and strategy is a relative concept. It is pursued largely as a counter response to the concept of strategy actual and expected actions and capabilities of rivals. More specifically, strategy specifies the ways that competitors hope to gain advantage over one another. In addition, approaches to gaining advantage can only be deduced by examining the variety of factors that together shape the means and intensity by which competitors react to perceived market threats. The factors include, broader environment, market structure, conduct/behaviors of rivals, Internal competencies of one's organization and of competitors (Clausewitz, 2000).

Each of these factors places conditions on the degree to which and the ways by which organizations pursue and ultimately gain advantage. The factors constitute the analytic grist of strategy analysis. They are the ingredients most likely to be considered by an organization when deciding how to gain advantage or when evaluating a strategy. Most competitors will investigate all four of these but might find only one or two to be particularly pertinent to their choice of strategy (Clausewitz, 2000).

Strategic thinking and analysis require a clear understanding of the concept of strategy. However, such a simple truth has not always been appreciated in the field of strategy. In fact, only a little over 20 years ago, healthcare strategy authors Schendel and Hoffer Schendel (1979) proclaimed strategy to be the centerpiece of strategic management: Today the policy field is in need of a new paradigm that can end the continual and pointless redefinition of concepts used in both practice and teaching. The new paradigm is that of 'strategic management,' and it rests squarely on the concept of strategy.

According to Henry Mintzberg (1994, 23-29), the field has moved beyond defining strategy as a formal "plan" (as Mintzberg concluded as well). Strategy may be the centerpiece or the object of a plan, but it is not a plan per se. A "ploy" may appear somewhat synonymous with strategy, but it is a narrower concept that perhaps corresponds more with tactics than with strategy. "Perspective" is an interesting concept. As used by Mintzberg, the term refers broadly to a firm's overall purposes and focus. As such, closely associating perspective with missions and values seems more appropriate than listing it as a possible definition of strategy.



nother concept offered by Mintzberg is "position," which is closest to being a major constituent of strategy. Established market positions represent organizations' successful efforts to imbue their products with distinctive value and embed that value in the minds of consumers. If they are successful in achieving distinctiveness and that position indeed is perceived to have value, then the position will likely generate competitive advantage and serve the interests of strategy. On the other hand, efforts to restrict the definition of strategy to positioning have generated considerable debate. The fifth conceptualization of strategy offered by Mintzberg is "pattern." Here, Mintzberg addresses an important aspect of strategy formulation, that it is more the product of organizational learning than a onetime decision. Although insights into the processes and patterns of organizational learning are helpful and important, they provide little direction to the actual meaning of strategy. Processes are just that, processes. They represent the steps through which strategies pass as they move from great ideas to seasoned implementation. They do not constitute the essence of the concept itself. The emphasis on strategy as pattern flows directly from Mintzberg's groundbreaking research into the role that organizational learning plays in strategy formulation.

Despite residual wrangling over the concept, the field of business strategy appears to have come to the same conclusion: strategy specifies a means to a critically important end. This is a far better approach than defining strategy in terms of administrative byproducts (published plans), procedures (patterns), or organizational rules (policies). Significantly, the field also appears to have reached a consensus on the primary end of strategy: to attain competitive advantage in the marketplace (Barney 1991; Gluck, Kaufman, and Steven 1980; Montgomery and Porter 1991; Porter 1985). This end is achieved through some means, which in effect are the intended and/or

zed strategies of organizations. This leads to a means-end definition: Strategies are those key concepts and ideas that organizations use (or have used) to achieve and sustain competitive advantage over their rivals. However this definition is worded or phrased, it clearly captures the ideas that lead organizations toward increased competitive advantage.

In strategy formulation, the means and ends of strategy are for the most part conceptual. They are the ideas leaders associate with how they hope to win at competition. These ideas become the conceptual bases for marshalling an organization's resources and for focusing the attention of its members on the goal of gaining advantage. Such ideas might lead an organization to commit itself to making dramatic moves, such as engaging in merger and acquisition activities to build market share and, possibly, market dominance. In this case, merger would be the intended means to achieve the end of market dominance. The means of strategy need not always involve major commitments of new resources. An organization can conclude, for example, that it already has enjoyed a considerable advantage in the market; therefore, its strategic idea might be to hold the course, and emphasize mere refinements of what that organization is currently doing. In this case, the means is to stick to the knitting (so to speak) and the end to sustain established market advantages. In sum, whatever an organization conceives as its basis for gaining and sustaining advantage becomes the essence of the organization's strategy (Henry Mintzberg, 1994).

Strategy is more than the sum of new ideas that point to future actions and investments. It includes also the cumulative effects of past actions and investments in capabilities, resources.

positions, acquisitions, and so forth, at least to the extent that such contribute to competitive advantage. By melding together past with future decisions and investments, strategies become eminently integrative. Merely gaining an advantage is often insufficient in this world of rapid change (D'Aveni 1994). Competitors will not likely sit on the sidelines while their rivals maneuver to gain advantage. Rather, they will actively search for ways to imitate or indirectly counter and erode.

Wikipedia (2006) defines strategic management as that set of managerial decisions and actions that determines the long-run performance of a corporation. It includes environmental scanning, strategy formulation, strategy implementation and evaluation and control. An organization's strategy must be appropriate for its resources, environmental circumstances, and core objectives. The process involves matching the company's strategic advantages to the business environment the organization faces. One objective of an overall corporate strategy is to put the organization into a position to carry out its mission effectively and efficiently. A good corporate strategy should integrate an organization's goals, policies, and action sequences (tactics) into a cohesive whole, and must be based on business realities. Business enterprises can fail despite 'excellent' strategy because the world changes in a way they failed to understand. Strategy must connect with vision, purpose and likely future trends.

Strategy formulation involves doing a situation analysis, both internal and external as well as micro-environmental and macro-environmental. Concurrent with this assessment, objectives are set. This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organization gives itself in society), overall corporate objectives

(both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives. These objectives should, in the light of the situation analysis, suggest a strategic plan. The plan provides the details of how to achieve these objectives. This three-step strategy formulation process is sometimes referred to as determining where you are now, determining where you want to go, and then determining how to get there. These three questions are the essence of strategic planning (Wikipedia, 2006).

Strategy implementation involves: Allocation of sufficient resources (financial, personnel, time, technology support), establishing a chain of command or some alternative structure (such as cross functional teams), assigning responsibility of specific tasks or processes to specific individuals or groups and managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes (Wikipedia, 2006).

Strategy formulation and implementation is an on-going, never-ending, integrated process requiring continuous reassessment and reformation. Strategic management is dynamic, it involves a complex pattern of actions and reactions. It is partially planned and partially unplanned. Strategy is both planned and emergent, dynamic, and interactive. Strategic management operates on several time scales. Short term strategies involve planning and managing for the present. Long term strategies involve preparing for and preempting the future.

Marketing strategist Derek Abell (1993), has suggested that understanding this dual nature of strategic management is the least understood part of the process. He claims that balancing the temporal aspects of strategic planning requires the use of dual strategies simultaneously. Strategic Management is a solid foundation or a framework within which all the functioning managerial operations are bundled together. This is the highest level corporate activity that sets the terms and goals for a company that it should follow for prosperity.

In general terms, there are two main approaches, which are opposite but complement each other in some ways, to strategic management: The Industrial Organization Approach, based on economic theory and deals with issues like competitive rivalry, resource allocation, economies of scale and assumes rationality, self discipline behaviour, profit maximization, and the Sociological Approach that deals primarily with human interactions and assumes bounded rationality, satisfying behaviour, profit sub-optimality. Strategic management techniques can be viewed as bottom-up, top-down, or collaborative processes. In the bottom-up approach, employees submit proposals to their managers who, in turn, funnel the best ideas further up the organization. This is often accomplished by a capital budgeting process. Proposals are assessed using financial criteria such as return on investment or cost-benefit analysis. The proposals that are approved form the substance of a new strategy, all of which is done without a grand strategic design or a strategic architect. The top-down approach is the most common by far. In it, the CEO, possibly with the assistance of a strategic planning team, decides on the overall direction the company should take (Newcomb, Langford, and fellows, 2006).

In most (large) corporations there are several levels of strategy. Strategic management is the highest in the sense that it is the broadest, applying to all parts of the firm. It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Under this broad corporate strategy there are often functional or business unit strategies. Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies. Many companies feel that a functional organizational structure is not an efficient way to organize activities so they have reengineered according to processes or strategic business units (called SBUs). A strategic business unit is a semi-autonomous unit within an organization. It is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting. An SBU is treated as an internal profit centre by corporate headquarters. Each SBU is responsible for developing its business strategies, strategies that must be in tune with broader corporate strategies.

The "lowest" level of strategy is operational strategy. It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategy was encouraged by Peter Drucker in his theory of management by objectives (MBO). Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies. Business strategy, the aggregated operational strategies of single business firm or that of an SBU

in a diversified corporation, refers to the way in which a firm competes in its chosen arenas. Corporate strategy, then, refers to the overarching strategy of the diversified firm. Such corporate strategy answers the questions of "in which businesses should we compete?" and "how does being in one business add to the competitive advantage of another portfolio firm, as well as the competitive advantage of the corporation as a whole?"

Although a sense of direction is important, it can also stifle creativity, especially if it is rigidly enforced. In an uncertain and ambiguous world, fluidity can be more important than a finely tuned strategic compass. When a strategy becomes internalized into a corporate culture, it can lead to group think. It can also cause an organization to define itself too narrowly. An example of this is marketing myopia. Gary Hamel (2000) coined the term strategic convergence to explain the limited scope of the strategies being used by rivals in greatly differing circumstances. He lamented that strategies converge more than they should, because the more successful ones get imitated by firms that do not understand that the strategic process involves designing a custom strategy for the specifics of each situation.

## **2.2 Strategic Change Management**

Organizational change is an empirical observation in an organizational entity of variations in shape, quality or state over time (Van de Ven and Poole, 1995), after the deliberate introduction of new ways of thinking, acting and operating (Schalk, Campbell and Freese, 1998). The general aim of organizational change is an adaptation to the environment (Barr, Stimpert and Huff, 1992; Child and Smith, 1987; Leana and Barry, 2000) or an improvement in performance

(Boeker, 1997; Keck and Tushman, 1993). This definition encompasses many situations that should be distinguished by applying certain dimensions to establish 'typologies of change'.

Evolutionary, incremental, or first order changes are described as small changes that alter certain small aspects, looking for an improvement in the present situation, but keeping the general working framework (Blumenthal and Haspeslagh, 1994; Goodstein and Burke, 1991; Greiner, 1972; Levy, 1986; Mezias and Glynn, 1993; Nadler and Tushman, 1989; 1990). The second type of changes are strategic, transformational, revolutionary or second order ones. They are radical transformations, where the organization totally changes its essential framework (Blumenthal and Haspeslagh, 1994; Ghoshal and Bartlett, 1996; Goodstein and Burke, 1991; Marshak, 1993; Nadler and Tushman, 1989, 1990), looking generally for a new competitive advantage (Hutt, Walker and Frankwick, 1995) and affecting the basic capabilities of the organization (Ruiz and Lorenzo, 1999).

Niania (2002), observed that all organizations exist and depend on the environment for inputs and outputs. Organizations consume resources, transform them through the various processes and then release the output to the environment. The environment is important for the success and survival of the organizations. In the recent past, the global environment has been increasingly turbulent, competition in all sectors continues to increase, consumer tastes and preferences are changing fast. This has increased the need for application of strategic change.

Hamel & Prahalad (1989) say that companies that have risen to leadership invariably began with ambition that were out of proportion to their resources and capabilities. But they created an obsession with winning at all levels. Hamel and Prahalad (1989) term this obsession "strategic



intent". The concept of strategic intent encompasses an active management process that includes focusing the organizations attention on the essence of winning, motivating people by communicating the value of the target; having room for individual and team contribution; sustaining enthusiasm by providing new operational definitions as circumstances change; and using intent consistently to guide resource allocations. They sum up strategic intent as capturing the essence of winning; it provides consistency to short term action while having room for re-interpretation as new opportunities emerge.

According to Hamel and Prahalad (1989), many companies are more familiar with strategic planning than they are with strategic intent. They say that planning typically acts as a "feasibility sieve". Strategies are accepted or rejected on the basis of whether managers can be precise about "how" as well as "what" of their plans. Are the milestones clear? Do we have the necessary skills and resources? How will competitors react? Has the market been thoroughly researched? They see inflexibility in managements thought pattern as a drag to strategy, they say, "in one form or another, the admonition "be realistic" is given to line managers at almost every turn. While strategic intent is clear about ends, it is flexible as to mean strategic intent implies sizeable stretch for an organization. Current capabilities and resources will not suffice. This forces the organization to make the most of limited resources.

Johnson & Scholes, (2002) observes that understanding the strategic position of an organization and considering the strategic choices open to it is of little value unless the strategies managers wish to follow can be turned into organization action.

In Wikipedia, (2006), Organizational change management is described as the process of developing a planned approach to change in an organization. Typically the objective is to maximize the collective benefits for all people involved in the change and minimize the risk of failure of implementing the change. The discipline of change management deals primarily with the human aspect of change, and is therefore related to pure and industrial psychology. Change management can be either 'reactive', in which case management is responding to changes in the macro environment (that is, the source of the change is external), or proactive, in which case management is initiating the change in order to achieve a desired goal (that is, the source of the change is internal). Change management can be conducted on a continuous basis, on a regular schedule (such as an annual review), or when deemed necessary on a program-by-program basis. Change management can be approached from a number of angles and applied to numerous organizational processes. To be effective, change management should be multi-disciplinary, touching all aspects of the organization.

Hofer (1984) considers management of change as a process, which deals with fundamental organizational renewal and growth with development of strategies, structures and systems necessary to effectively manage the strategy formulation process. What organizational change ultimately requires is that people develop not just new skills and knowledge but a whole new way of looking at things. It puts them through a whole internal re-orientation. William Bridges of the respected Leading Organizational/Individual Transition Program focuses on the crucial transition aspect and contends that, unless this reorientation process is handled successfully, things will essentially remain the same. If people don't go through the inner process of transition, they will not develop new behavior and attitudes the change requires.

According to Organizational Change Leaders, managers and supervisors can learn basic transition management strategies. With such strategies, they can bring employees through even far-reaching and wrenching changes with renewed energy and purpose. When they do that the organization is strengthened not only by the improvements resulting from the change, but also by the renewal and realignment that comes from the transition. The goals of the changes on which the organization's future depends are often threatened by the effects of the changes on the people who must carry them out and the environmental forces.

Warren, N. A. M.; Ruddle, K.; and K. Moore, K. (1999) highlight that management's first responsibility is to detect trends in the macro environment so as to be able to identify changes and initiate programs. It is also important to estimate what impact a change will likely have on employee behaviour patterns, work processes, technological requirements, and motivation. Management must assess what employee reactions will be and craft a change program that will provide support as workers go through the process of accepting change. The program must then be implemented, disseminated throughout the organization, monitored for effectiveness, and adjusted where necessary.

In general terms, a change program should describe the change process to all people involved and explain the reasons why the changes are occurring. The information should be complete, unbiased, reliable, transparent, and timely. It should also be designed to effectively implement the change while being aligned with organizational objectives, macro environmental trends, and employee perceptions and feelings. Further, the change program should provide support to

employees as they deal with the change, and wherever possible involve the employees directly in the change process itself.

### **2.3 Models of Strategic Change Management**

Like many other concepts in the field of management, there are many approaches to strategy but none is universally acceptable, Stacey, (2003). Furthermore, in order to cope with the wide variety of types of change, there is need for a corresponding variety of approaches to strategy development and change management. It follows that a key role for organizations and their managers is to understand the approaches on offer, identify their own circumstances and needs, and choose the approach that is most appropriate for their circumstances.

Effective change requires 'buy-in' of the individuals in an organization. Rogers (1995) identified a five-stage process individuals go through as they adopt a change. The process includes gaining knowledge, persuasion, making a decision, implementation and confirmation. This process allows individuals to 'reduce uncertainty' about the change. He also pointed out that if the decision to adopt a change was made by the organization, rather than the individual, the adoption process was more complicated. He viewed the "organization as a system in which the change decision occurs, and warned that if the implementation of a change is too rapid, it often leads to "disastrous results": The more radical a change, indexed by the amount of knowledge that organizational members must acquire in order to adopt, the more uncertainty it creates and the more difficult its implementation (Rogers, 1995).

Rogers (1995) also noted that adopting a change changes the organization itself. He maintained that the process of implementation should aim for "dynamic equilibrium". This refers to change at a rate that allows the system to adjust also. Implementing strategic change in an organization is therefore a fluid process that has to take account of the uncertainties due to change. Verwey and Comninos (2002) recommended a similar approach. They were concerned with how to effectively manage 'fuzzy' business projects. They used the term fuzzy to describe the intangible characteristics of many projects such as business process improvements, customer service improvements, organizational restructuring, etc. These are characterized by a need to address "changes in people's actions, organizational culture and stakeholder perceptions". De Wit and Meyer (1999) claimed that a logical loop must exist, linking strategy to the activities in an organization and constant feedback to inform strategic planning. The projects set up therefore have to be considered in the context of the achievement of the strategic goals of the organization, not just a narrow project focus.

Pettigrew (1985) suggested that organisational strategy be examined by dividing strategic aspects into categories of context, content and process. It provides a conceptual guide for implementing strategic change, which should be regarded as a continuous process occurring in given contexts. The three essential dimensions necessary to an understanding of strategic change are content, context and process, which aligns with Pettigrew and Whipp (1993) and De Wit and Meyer's (1994) rational systems thinking. The model is multi-directional and represents three central aspects of strategy implementation. The implication of the model presents that strategy change does not move forward in a linear direction, nor through easily identifiable sequential phases, it incorporates a multi-directional approach. (Pettigrew and Whipp, 1993).

Context is a type of situation of an organisation in terms of configuration. Although there are various kinds of organisations, they share a number of basic common characteristics. The context of organisations can be divided into two categories: internal context and external context. Internal context includes the organisation's structure, culture, distribution of power, skills base, internal resources and so on. External context includes wider elements of an organisation's environment such as the economic, legal, environmental and social context within which the organisation operates. If the external context is changing, then the internal context needs to respond concurrently. Chakravarthy (1987) suggests that the lack of fit between a strategic plan and its contexts could result in strategic plans tending not to be subjected to corrective action. Thus, different contexts do have different impacts on strategy implementation.

Technology availability is one of the major factors to differentiate various contexts. In another aspect, Mintzberg and Quinn (1998) claim that there are various internal contexts appropriate to manage strategies in terms of organisational configuration. Those contexts are entrepreneurial, mature, professional, innovative, diversified, and international. The entrepreneurial organization has a simple structure, loose division of labour, and a small managerial hierarchy. Decision making is flexible and informal, with a highly centralised power system allowing for rapid response (Millett, 1998 and 1998(1); Mintzberg and Quinn, 1998). Leadership is creative, innovative, self-confident, and willing to take risks. It is determined by the personality perspective and vision of the entrepreneur, which aligns with Stumpfs (1992) life cycle perspective of entrepreneurship models. Although this type of leadership allows flexibility to elaborate and rework the vision when necessary, it also avoids or destroys the formalisation of strategic activities such as details strategy planning and implementation. Thus, an autocratic

form of entrepreneurial organisations appear. Formulation of strategy implementation must cope with the uncertainty and risk of that period of an entrepreneurship's development due to the undefined competitive and unsettled industry structure. (Porter, 1980).

Implementation of the innovative project is difficult to control, because no marketing information system can be relied upon to provide complete and unambiguous results. (Mintzberg and Quinn, 1998) Thus, an innovative organisation cannot pre-determine precise patterns in its activities and then impose them on its work through implementation planning process. Therefore, a strategy implementation plan cannot be extensively relied upon in these organisations. A strategy may fail in practice, if the design of the organisation context is inappropriate for effective implementation and control of the strategy. (Jocumsen, 1998) Harper and Orville (1990) also claim that an organisation's strategy should be compatible with the internal structure of the business and its policies, procedures, and resources. The corporate strategies must be compatible with its internal structure, otherwise implementation and performance are constrained. Therefore, the strategy implementation must be carefully monitored to ensure that the project is completed according to specifications, on schedule and within budget. Technological changes are true innovations and have placed the company as a market leader. Indeed, new technological change is a high expenditure project. Thus, most organisations tend to favour product modification or adaptation approaches.

In addition, Viljoen (1994) identifies an extra context of strategic management, which is ethical context. He claims that the success of an organisation is measured in terms of its contribution to society. In fact, an organisation has ethical responsibilities towards its multiple stakeholders,

such as employees, shareholders, financiers, customers, distributors, suppliers, competitors, government, local communities and society in general. Ultimately, every organisation should be operated under ethical context and governed by ethical standards. With a clear understanding of and familiarisation with the organisation context, top managers can plan the most suitable actions and activities to ensure the success of strategy implementation, so that the organisation can operate more effectively.

Before making any strategic decision for an organisation, it is essential to be thoroughly familiar with the context of the organisation, such as resources, structure, systems, people and history. (Miles and Snow, 1984 cited in Viljoen, 1994). With this understanding, top managers can make decisions on strategy content in terms of internal logic, and not just possess some external logic like market opportunities.

In analysing strategic management, the function of managers as organisational leaders need to be understood. Bass (1985) and Burns (1978) suggest the concept of transformational change in organisations is usually identified with leadership. Mullins (1996, p.246) claimed that leadership is "a relationship through which one person influences the behaviour or action of other people". With a shared strategic vision and commitment to that vision, people will motivate themselves to learn, (Braham, 1995) which also helps to identify the strategic objective to be accomplished by the organisation. Strategic leadership, to maintain the balance of the socio-technical system, will influence employees attitudes of behaviour and motivation, and thereby the level of organisational performance and strategy effectiveness. (Beer, 1980; Mullins, 1996). Leadership



is one of the many factors which can impact upon the development and implementation of strategy.

Strategy implementation is more likely to be effective with a participative style of managerial behaviour. If staff are kept fully informed of change proposals, they will be encouraged to adopt a positive attitude and have personal involvement in the implementation of the change, and thus a greater likelihood of their acceptance of the change, (Dunphy and Stace, 1988; Reed and Buckley, 1988; Wallace and Ridgeway, 1996). With the participative style of leadership, a significant advantage is that once the change is accepted, it tends to be long lasting because each person tends to be more highly committed to its implementation. It encourages all level of managers to transform their own units in a way that is consistent with the vision and strategy. (Yukl, 1994) highlighted that a disadvantage of this style of management is that it tends to be slow and evolutionary. (Gray and Starke, 1988; Hersey and Blanchard, 1988) confirmed that in certain situations, it may be necessary for management to make use of hierarchical authority and attempt to impose change through an autocratic style of behaviour. With the autocratic style of management, a major advantage is speed. The disadvantages of this strategy are that it tends to be volatile and result in animosity, because the autocratic leader is not usually concerned with employees attitudes toward the decision. (DuBrin, 1997; Hersey and Blanchard, 1988) point out that an inappropriate leadership style will suffer strategies implementation. However, there is no single style of leadership appropriate to all situations.

After the analysis and discussion of various organisational context and strategy content issues, the final stage of the conceptual model of strategic implementation is process. Mintzberg (1989)

claims that an understanding of the context of an organisation and the forces it is experiencing can lead to a greatly improved change in management. Management of strategic changes has been regarded as a core process in strategy implementation, which is about the 'how' aspect of translating strategy into action. Millett (1998) differentiated the perspectives on strategic change in three ways; the logic of strategy implementation, the life cycles of organisations, and the core competencies involved in strategic change.

Johnson and Scholes (1997) view strategic change management as a set of logical processes. This prescriptive approach involves resource planning, organisational structure and design, and managing strategic change. The logic of implementation is designing structures with resources required which appropriates to carry through the strategy and using them as mechanisms of managing strategic change. Implicitly, strategy implementation is regarded as a process underpinned by objective analysis and planning. This is the logical process that needs to be mapped out in order to identify and deal with problems proactively (Millett, 1998).

A more content-based change model which recognizes that different organizations might need to approach change differently, is sensible. For example, an organization whose future depended upon improving customer service should, logically, adopt a change model which focuses on improving processes which have a direct bearing on that objective, and removing obstacles which prevent its achievement. A disjunction between the objective and the mechanism (as with a policy with a poorly-chosen causal design) would result in untoward or unwanted results. For example, in his account of change in the Department of Health and Human Services in Montgomery County, Maryland, Durant, (1999) found that the failure to link administrative,

accountability and accounting structures (the DHMS approach) produced disappointing results in the short term and certainly did not help the department achieve its desired outcomes. Durant's conclusion was that 'process performance measures, not outcomes measures, are the archimedean points of leverage for ensuring that structure follows strategy' (Durant, 1999, 314). But even when process was the focus of the change strategy, process 'funnels' could still develop, requiring constant effort from change agents to overcome.

The various different approaches to change management include traditional, academic, and Army approaches. An early model of change developed by Kurt Lewin (1951) described change as a three-stage process. The first stage he called "unfreezing". It involved overcoming inertia and dismantling the existing "mind set". Defense mechanisms have to be bypassed. In the second stage the change occurs. This is typically a period of confusion. The third and final stage he called "refreezing". The new mind set is crystallizing and one's comfort level is returning to previous levels.

Transformation approach adopted by the US Army involves the following phases; Initiation phase, whose purpose is to define business case, scope and obtain resource approvals for the Enterprise Resource Planning (ERP) or Continuous Business Process Improvement (CBPI) program. The Acquisition phase, whose purpose is to prepare the up front work needed to acquire software for an ERP program. Implementation phase in which project management practices are established, the project team is trained in the selected methodology, the project plan is constructed, and project risks are assessed, and finally the Post Go-Live phase which provides direction and guidance to program managers and teams so they are aware of options

and best practices to support the ERP application and/or business process. Five interrelated activities are identified in the change management guide and cross all change management phases. The activities should not stand alone - only by leveraging all activities together will the full benefits of a change management initiative be achieved. The activities are change management planning, Leadership and stakeholder management, communication, organizational alignment and learning.

Elizabeth Kubler-Ross (1969) developed a model of personal change after spending time analyzing the emotional responses to grief by terminally ill patients. This academic model is relevant to any Army core business mission going through either an ERP or CBPI change program because it provides a context for the human response to change management. The model identifies the human emotional response to change over time that includes denial, anger, bargaining, depression and acceptance.

Another change management model is the Commitment to Change Model. This model appreciates that building commitment is an essential part of any transformation initiative. However, most organizations involved in large-scale change have not taken the time to understand what commitment is, what must be done to prepare for it, how it is developed, and how it can be lost (Murphy, Robert M, Ph. D. (2003)). In order to provide a cognitive map of how commitment is generated, the "Change Management Continuum" model was developed as a traditional model for change. This model is presented as a grid with the vertical axis displaying the degree of support for change and the horizontal axis indicating the passage of time and amounts of effort it may take to involve people in a change. The model consists of three

developmental phases, that is inform phase, the phase that forms the foundation for later development of support for the change. It prepares people for changing their behavior. It consists mainly of making people aware of change and why it is occurring. The educate phase that phase marks a passage into an understanding of what the change means for them. This enables people to begin making decisions about whether to accept or reject the change. During this phase, the stakeholders begin to understand how the change will directly impact them and their routines; and, it will be necessary to present information about the change that promotes a positive perception and finally the commit phase during which the change is implemented.

The commitment models involves seven commitment stages which are: Contact, the earliest encounter an individual or group has with the fact change is taking place (e.g., an announcement or memo). Awareness in which individual or group has a working knowledge of the change, understanding, where the individual or group demonstrates comprehension of the nature and intent of the change (i.e., what will be expected of them), positive perception during which the individual or group develops a positive view and disposition toward the change, adoption at which stage the change has been used long enough to demonstrate its worth and impact on the organization. Another stage in this model is institutionalization, during which the change has durability, and continuity, and has been formally incorporated into the routine operating procedures of the organization and finally internalization stage where organizational members are highly committed to the change because it is congruent with their personal interest, goals or value system. Understanding the stages of commitment can help an ERP or CBPI program recognize where the program is on the change management continuum. It will also assist

program managers to take the necessary steps to move an ERP or CBP1 program through the stages identified in the Change Management Continuum.

Another change management model is John Kotter's transformation process. John Kotter (1995) says that the change process takes time and goes through several different phases in a successful change effort and that a mistake made during any phase of the change effort can have a negative impact on the organization. Kotter outlines an eight step process with suggestions to help organizations transform. The steps are as follows:

Establishing sense of urgency; crucial in gaining the needed corporation. It involves examining market and competitive realities, identifying and discussing crisis, potential crisis, or major opportunities, providing evidence from outside the organization that change is necessary.

Building the guiding team; this step involves assembling a group with enough power to lead the change effort, attract key change leaders by showing enthusiasm and commitment and encourage the group to work together as a team. Develop a vision and strategy; create a vision to help direct the change effort develop strategies for achieving that vision. Communicating for Buy-in; Use every vehicle possible to communicate the new vision and strategies, keep communication simple and heartfelt, teach new behaviors by the example of the guiding coalition. Empowering action; This involves getting rid of obstacles to the change, changing systems or structures that seriously undermine the vision, encouraging risk-taking and non-traditional ideas, activities, and actions. Create short term wins; involves planning for visible performance improvements, create those improvements, recognize and reward personnel involved in the improvements. Consolidate gain and have more change; change all the systems,

structures and policies that do not fit in the transformation vision, recognize and reward personnel involved in the improvements. Make Change Stick; Articulate the connections between the new behaviors and corporate success, develop the means to ensure leadership development and succession.

The POMC Model; In March of 2005, members of AEIOO went on a fact finding visit to the Army War College and met with Dr. Robert Murphy, Professor of Management in the Department of Command, Leadership and Management . Dr. Murphy taught a seminar on Leading and Managing Change. The primary purpose of the visit was to gain insight into some of the concepts taught in the Leading and Managing Change Seminar. Dr. Murphy presented the Planning, Organizing, Motivating and Controlling (POMC) model (also known as the universal management organizational process during the fact finding visit. The four activities included in the model are defined below: Planning; setting the organizations goals and deciding how to best achieve them; Organizing; determining how best to group activities and resources, including staffing; Motivating; motivating members to work in the best interest of the organization; Controlling; monitoring and correcting ongoing activities to facilitate goal attainment.

The POMC model taught in Dr. Murphy's seminar and other learning institutions evolved from Henry Fayol's 16, a 19th century French mining engineer, experience searching for the factors that contribute to an organization's success. The factors known as Fayol's "14 Principles" are division of work, authority, discipline, subordination of interest to the general interest, remuneration, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative, and esprit de corps. The POMC model provides a process to help any organization

focus its energy on a common goal. This model is relevant because it provides a framework for change management initiatives to support an Army ERP or CBPI program vision and strategy.

The Cultural Indicator Tree Model: An important aspect of undertaking a change management initiative is to have a clear understanding of an organization's culture. Culture can be defined as "the way we do things around here," the unwritten rules of what constitutes intelligent behavior in an organization. The Cultural Indicator Tree Model provides a reference for program managers to identify cultural indicators and how indicators can be leveraged to build support for an ERP or CBPI program. The cultural indicators include: Rites, rituals, ceremonies; an elaborate formalized activities that dramatically communicate a cultural expression of the organization (orientation, promotion, celebration, reward, retirement). Stories, legends, heroes; a narrative description of a wonderful historical event, embellished with fictional details, that describes the actions taken by an organizational member dramatizing a fundamental philosophy of the organization. Rules, policies, and slogans; Formal written statements of organizational philosophy authorized by organizational leaders and intended to summarize and guide the activities and decisions of the members of the organization. Language and behaviors; the common and consistent utterances and actions taken by organizational members that serve as actual expressions of the organizational cultures (customers come first, never volunteer, image is everything). Control systems; the means by which members of the organization are monitored and controlled in the performance of their jobs give insight into the culture. What actions are rewarded? Which are sanctioned? How tight is the control? What mechanisms are used; and Symbols and artifacts - The physical setting, arrangements, and objects in view can signify status, cultural philosophy, and organizational values. Where does the real work take



place? How are people arranged? How much space is provided? What messages do objects on wall convey? (US Army, 2006)

## **2.4 Forces of Change**

Companies no longer have a choice, they must change to survive. Unfortunately, people tend to resist change. It is not easy to change an organization, let alone an individual. This puts increased pressure on management to learn the subtleties of change (Comstock, 2006). Organizations encounter many different forces for change. These forces come from external sources outside the organization and from internal sources.

Comstock, (2006) points out that external forces for change originate outside the organization. Because these forces have global effects, they may cause an organization to question the essence of what business it is in and the process by which products and services are produced. There are four key external forces for change: Demographic characteristics - the workforce is more diverse and there is a business imperative to effectively manage diversity. Organizations need to effectively manage diversity if they are to receive maximum contribution and commitment from employees. Technological advancements; both manufacturing and service organizations are increasingly using technology as a means to improve productivity and market competitiveness. Manufacturing companies, for instance, have automated their operations with robotics, computerized numerical control (CNC), which is used for metal cutting operations, and computer-aided design (CAD). CAD is a computerized process of drafting and designing engineering drawings of products. Companies have just begun to work on computer- integrated manufacturing (CIM). This highly technical process attempts to integrate product design with

product planning, control, and operations. In contrast to these manufacturing technologies, the service sector of the US economy is using office automation. Office automation consists of a host of computerized technologies that are used to obtain, store, analyze, retrieve and communicate information. Market changes; the emergence of a global economy is forcing US companies to change the way they do business. Companies are having to forge new partnerships with their suppliers in order to deliver higher quality products at lower prices. Consider how Thomas Stalkamp, Chrysler Corporation's vice president of purchasing, uses a win-win approach to lower suppliers' costs. Social and Political pressures; these forces are created by social and political events. Managers thus may need to adjust their managerial style or approach to fit changing employee values. Political events can create substantial change. For example, the collapse of both the Berlin Wall and communism in Russia created many new business opportunities. Although it is difficult for organizations to predict changes in political forces, many organizations hire lobbyists and consultants to help them detect and respond to social and political changes (Comstock, 2006).

Internal forces for change come from inside the organization (Comstock, 2006). These forces may be subtle, such as low morale, or can manifest in outward signs, such as low productivity and conflict. Internal forces for change come from both human resource problems and managerial behavior/decisions. Human Resource Problems/Prospects stem from employee perceptions about how they are treated at work and the match between individual and organization needs and desires. Dissatisfaction is a symptom of an underlying employee problem that should be addressed. Unusual or high levels of absenteeism and turnover also represent forces for change. Organizations might respond to these problems by using the various

approaches to job design, by implementing realistic job previews, by reducing employees' role conflict, overload, and ambiguity, and by removing the different stressors. Prospects for positive change stem from employee participation and suggestions. Managerial Behavior/Decisions - excessive interpersonal conflict between managers and their subordinates is a sign that change is needed. Both the manager and the employee may need interpersonal skills training, or the two individuals may simply need to be separated. For example, one of the parties might be transferred to a new department. Inappropriate leader behaviors such as inadequate direction or support may result in human resource problems requiring change. Leadership training is one potential solution for this problem. Inequitable reward systems are additional forces for change.

Kotter (1995) lists the major economic and social forces driving change as; the increasing pace of technological changes that is hinged on the information technology and a more developed transport network, greater international integration through greater liberalisation and reduction of trade barriers, maturing of markets in the developed countries and stagnation of growth hence the trend towards seeking international/global markets for opportunities. The fall of communism and socialism also catalysed more privatisation and heralded competition. The resultant effect according to kotter has been globalisation and increased competition. Globalisation has diminished the shield or insulation that firms formerly enjoyed. Peters (1994) sees the ensuing change as going beyond tradition.

Kanter (1984) talks of the phenomenal change in the environment as originating from such sources as ; the labour force, patterns of world trade, technological changes and political realignment. The forces mirror those advanced by Kotter (1995) with the only difference being

that Kanter adds the people's dimension (labour), this may be for good reason given that she appears focused on the response to the changes. Her solution lies in the people to make decisions in response to the changes. Interestingly even though Kanter's observations were made in 1984 - at least five years before the collapse of communism and socialism that were central to the cold war, the mention of political forces by Kanter, gives credence and concurrence to the reason advanced by Kotter (1995) on the influence of politics on business.

Kazmi (2002) sums up the business environment as being complex, dynamic, multi-faceted with far-reaching impact. Kazmi adds that the traditional approach to strategic management has had its emphasis on control, order and predictability. But the environment is proving to be more unpredictable, uncertain and non-linear. The environment can be summarised as characterised with ever-recurring changes and herein lies the challenge for business managers.

Burnes (1996) says the magnitude, speed, unpredictability and impact of change has become greater than ever before. New products and processes are appearing in the market at an increasing rate. Boundaries are shrinking as globalisation takes centre stage. The source of the next competition may not even be within imagination. Burnes says that protected markets are opening up while public bureaucracies and monopolies are changing hands to private sector or having the competitive market culture transferred to them.

## **2.5 Resistance to Change**

Warren, N. A. M.; Ruddle, K.; and Moore, K. (1999) point out that attitudes towards change result from a complex interplay of emotions and cognitive processes. Because of this complexity

everyone reacts to change differently. On the positive side, change is seen as akin to opportunity, rejuvenation, progress, innovation, and growth. But just as legitimately, change can also be seen as akin to instability, upheaval, unpredictability, threat, and disorientation. Whether employees perceive change with fear, anxiety and demoralization, or with excitement and confidence, or somewhere in between, depends partially on the individual's psychological makeup, partially on management's actions, and partially on the specific nature of the change.

Many authors (Lawrence, 1954; Maurer, 1996; Strebel, 1994; Waddell and Sohal, 1998, among others) stress that the reasons for the failure of many change initiatives can be found in resistance to change. Resistance to change introduces costs and delays into the change process (Ansoff, 1990) that are difficult to anticipate (Lorenzo, 2000) but must be taken into consideration. Resistance has also been considered as a source of information, being useful in learning how to develop a more successful change process (Beer and Eisenstat, 1996; Goldstein, 1988; Lawrence, 1954; Piderit, 2000; Waddell and Sohal, 1998). Undoubtedly, resistance to change is a key topic in change management and should be seriously considered to help the organization to achieve the advantages of the transformation.

According to Johnson and Scholes (2004), knowing or envisaging change does not in itself mean that people will make it happen. There will be tendency towards inertia and resistance to change; people will tend to hold on to existing ways of doing things and existing beliefs about what makes sense. Managing strategic change must therefore address the powerful influence of the paradigm and the cultural web on the strategy being followed by the organization. If change is to be successful, it has to link the strategic and the operational and everyday aspects of the

organization. Thus the importance of not only translating strategic change into detailed resource plans, critical success factors and key tasks, and the way the organization is managed through control processes, but also how change is communicated through everyday aspects of the organization. The approach to managing change will also be context dependent, varying from situation to situation and from one type of organization to another.

On one hand, resistance is a phenomenon that affects the change process, delaying or slowing down its beginning, obstructing or hindering its implementation, and increasing its costs (Ansoff, 1990). On the other hand, resistance is any conduct that tries to keep the status quo, that is to say, resistance is equivalent to inertia, as the persistence to avoid change (Maurer, 1996; Rumelt, 1995; Zaltman and Duncan, 1977). So, inertia and thus resistance are not negative concepts in general, since change is not inherently beneficial for organizations. Even more, resistance could show change managers certain aspects that are not properly considered in the change process (Waddell and Sohal, 1998).

Change starts with the perception of its need, so a wrong initial perception is the first barrier to change. This can also be referred to as 'distorted perception, interpretation barriers and vague strategic priorities'. It includes: (a) myopia, or inability of the company to look into the future with clarity (Barr et al., 1992; Kxuger, 1996; Rumelt, 1995); (b) denial or refusal to accept any information that is not expected or desired (Barr et al., 1992; Rumelt, 1995; Starbuck et al., 1978); (c) perpetuation of ideas, meaning the tendency to go on with the present thoughts although the situation has changed (Barr et al., 1992; Itruger, 1996; Rumelt, 1995; Zeffane, 1996); (d) implicit assumptions, which are not discussed due to its implicit character and

therefore distort reality (Starbuck, Greve and Hedberg, 1978); e) communication barriers, that lead to information distortion or misinterpretations (Hutt et al., 1995); and (f) organizational silence, which limits the information flow with individuals who do not express their thoughts, meaning that decisions are made without all the necessary information (Morrison and Milliken, 2000; Nemeth, 1997). The second main group of sources of resistance deals with a low motivation for change. Fundamental sources include: (a) direct costs of change (Rumelt, 1995); (b) cannibalization costs, that is to say, change that brings success to a product but at the same time brings losses to others, so it requires some sort of sacrifice (Rumelt, 1995); (c) cross subsidy comforts, because the need for a change is compensated through the high rents obtained without change with another different factor, so that there is no real motivation for change (Rumelt, 1995); (d) past failures, which leave a pessimistic image for future changes (Lorenzo, 2000); and (e) different interests among employees and management, or lack of motivation of employees who value change results less than managers value them (Waddell and Sohal, 1998). The lack of a creative response is the third set of sources of resistance.

There are three main reasons that diminish the creativeness in the search for appropriate change strategies: (a) fast and complex environmental changes, which do not allow a proper situation analysis (Ansoff, 1990; Rumelt, 1995); (b) reactive mind-set, resignation, or tendency to believe that obstacles are inevitable (Rumelt, 1995); and (c) inadequate strategic vision or lack of clear commitment of top management to changes (Rumelt, 1995; Waddell and Sohal, 1998). Sources of Resistance and Inertia in the Implementation Stage is the critical step between the decision to change and the regular use of it at the organization (Klein and Sorra, 1996). In this stage, two more resistance groups can be found. The first of them deals with political and cultural

deadlocks to change. It consists of: (a) implementation climate and relation between change values and organizational values, considering that a strong implementation climate when the values' relation is negative will result in resistance and opposition to change (Klein and Sorra, 1996; Schalk et al., 1998); (b) departmental politics or resistance from those departments that will suffer with the change implementation (Beer and Eisenstat, 1996; Beer et al., 1990; Rumelt, 1995); (c) incommensurable beliefs, or strong and definitive disagreement among groups about the nature of the problem and its consequent alternative solutions (Klein and Sorra, 1996; Rumelt, 1995; Zeffane, 1996); (d) deep rooted values and emotional loyalty (Kriiger, 1996; Nemeth, 1997; Strebel, 1994); and (e) forgetfulness of the social dimension of changes (Lawrence, 1954; Schalk et al., 1998).

Last but not least, a set of five sources of resistance with different characteristics have been bunched together around the last group of sources of resistance: (a) leadership inaction, sometimes because leaders are afraid of uncertainty, sometimes for fear of changing the status quo (Beer and Eisenstat, 1996; Burdett, 1999; Hutt et al., 1995; Kanter, 1989; Kriiger, 1996; Maurer, 1996; Rumelt, 1995); (b) embedded routines (Hannan and Freeman, 1984; Rumelt, 1995; Starbuck et al., 1978); (c) collective action problems, specially dealing with the difficulty to decide who is going to move first or how to deal with free-riders (Rumelt, 1995); (d) lack of the necessary capabilities to implement change - capabilities gap - (Rumelt, 1995); and (e) cynicism (Maurer, 1996; Reichers, Wanous and Austin, 1997).



## **2.6 Overcoming Resistance to Change**

Wikipedia, (2006), it is indicated that an individual's attitude toward a change tends to evolve as they become more familiar with it. The stages a person goes through can consist of: apprehension, denial, anger, resentment, depression, cognitive dissonance, compliance, acceptance, and internalization. It is management's job to create an environment in which people can go through these stages as quickly as possible, and even skip some of them. Effective change management programs are frequently sequential, with early measures directed at overcoming the initial apprehension, denial, anger, and resentment, but gradually evolving into a program that supports compliance, acceptance, and internalization.

Comstock, (2006), highlighted that before recommending specific approaches to overcome resistance, there are three key conclusions that should be kept in mind. First, an organization must be ready for change before it can be effective. Second, organizational change is less successful when top management fails to keep employees informed about the process of change. Third, employees' perceptions or interpretations of a change significantly affect resistance. Employees are less likely to resist when they perceive that the benefits of a change overshadow the personal costs. At a minimum then, managers are advised to (1) provide as much information as possible to employees about the change, (2) inform employees about the reasons/rationale for the change, (3) conduct meetings to address employees' questions regarding the change, and (4) provide employees the opportunity to discuss how the proposed change might affect them.

According to Jones, J; Staub. C & Powers E. (2004), four strategies can mitigate the emotional and cultural challenges of achieving strategic transformations in organizations: Bring employees face to face with the external pressures to change - Staff can be energized to participate in a change initiative if they understand how their work contributes to the company's success; Engage change zealots - People who "own" and drive the change can serve as role models. A clear best practice is to identify the zealots early and encourage them to drive the changes. Some will have influence because of their positions or titles; among them will be early adopters and resisters of change, and both will affect the way people around them think. Others will be in the cultural center of the organization. Still others are leaders not because of their titles or positions, but because of their connections and ability to persuade or influence others. Finally, some, whom we call found change agents, are already demonstrating the behavior, values, and capabilities crucial to the future operating model; Manage employee feelings - Help people deal with their emotional reactions to change and decide whether they can thrive in the new environment. Booz Allen Hamilton research on severance package acceptance rates, for example, shows that when the magnitude of layoffs and the scope of change are clearly communicated, 10 to 30 percent more employees accept voluntary severance than is the case in firms with less developed programs. Support the change with new tools and systems - The top team needs to communicate that employees who cannot change will need to either move into new positions or leave the company. Companies often say that their employees are their greatest asset. Yet the very attributes that make them valuable — their commitment and passion, and the satisfaction, identity, and pride they derive from their work and the company's success — also create formidable barriers to change. With these four techniques, companies can break down

these barriers and make change happen, while still treating their employees with dignity and respect.

## **2.7 Evaluating Strategic Change**

According to Dressel (1976), evaluation is both a judgment on the worth or impact of a programme, procedure or individual and the process whereby that judgment is man made. In the context of this study, evaluating the organization growth at P & G East Africa Limited, is the process of analyzing the information that constitute the various episodes in the growth, development and diversification in the company. It is therefore critical to take stock of the various stages of development that the organization has experienced since inception. There are various forms of evaluation including internal and external evaluation (Kipsang, 1997). Internal evaluation such as the one being undertaken in this study is normally done by a member of staff. However, although internal evaluation may be more conversant with functions of the organization, they may be influenced by lack of objectivity and other conflicts of interest (morant, 1981). Mathur (1980) observed that mechanisms must be established for periodic monitoring of outputs of change. Qualitative and quantitative evaluation of individual and organizational impact assessment should take place.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Research Design**

The research problem in this study is researched using a case study, in this case, Procter & Gamble East Africa Limited, a subsidiary of the US based Procter & Gamble Company. The firm was chosen to document Strategic change management practices in local subsidiaries of Multinational Organizations in response to the reforms initiated by the corporate headquarters of the multinationals. The case study method was chosen because it gives an in-depth understanding of the behaviour pattern of parented firms.

### **3.2 Data Collection**

An interview guide (Appendix 1) was used to collect data by way of interviewing the Managing Director, Finance Manager and Sales Manager. These top managers were and are still intimately involved in the change efforts at P&G East Africa Ltd and provided incisive information on the management perspective of change.

Secondary data was collected from various sources including financial statements and change program reports prepared during planning, implementation and evaluation stages.

### **3.3 Data Analysis**

Data was analysed using conceptual content analysis. This type of analysis is suitable in that it does not limit the respondents on answers and has potential for generating more information with more details. Analysis of primary data collected from the interviews and secondary data

sources was guided by variables such as forces of change, approach to change management, change content and achievements of the reforms. The content was thematically compared to determine the extent to which it collaborates or contradicts. Findings were then summarized into a report, discussed and conclusions made.

## **CHAPTER FOUR: FINDINGS AND DISCUSSIONS**

### **4.1 Introduction**

This chapter discusses the findings of the study based on the analysis and interpretation of both primary and secondary data collected from various sources. Findings of the study focused on four main themes, namely; forces of change, approach to change management, content of the change and the overall achievements of the reforms.

### **4.2 Profile of Procter & Gamble East Africa Limited**

Procter & Gamble East Africa Limited is located in the industrial area of Nairobi, Old Embakasi Road, off Mombasa Road. The company was established in Kenya in 1991, following the global acquisition of Richardson Vicks by The Procter & Gamble Company. In 2001, the Procter & Gamble East Africa changed from being a limited liability trading company - manufacturing and selling of consumer goods, to a services company - providing marketing and sales support for its product portfolio, a change that arose from the Organization 2005 change program. With the change program, the organization has, since 2001, become part of the Procter & Gamble's Sub Saharan Marketing Development Organization (MDO) whose head office is in Johannesburg, South Africa. The other two constituents of the MDO are West Africa (with offices in Lagos, Nigeria), and South Africa.

Among the brands marketed by Procter & Gamble East Africa Limited are well known and leading brands such as Always Sanitary Pads, Ariel Detergent, Vicks throat drops and Pampers baby diapers. Also, more recently, with the global acquisition of Gillette by the parent company,

Procter & Gamble East Africa Limited added the Gillette range of products into their product portfolio during year 2006. The Gillette products include Duracell batteries, Oral B dental care products, and Gillette skin care and shaving products.

The organizations has not localized the overall corporate vision, mission and objectives and as a result, pays cognizance to the overall company vision and mission which are as follows:

Vision: 'Be and be recognized as the best consumer products and services company in the world';

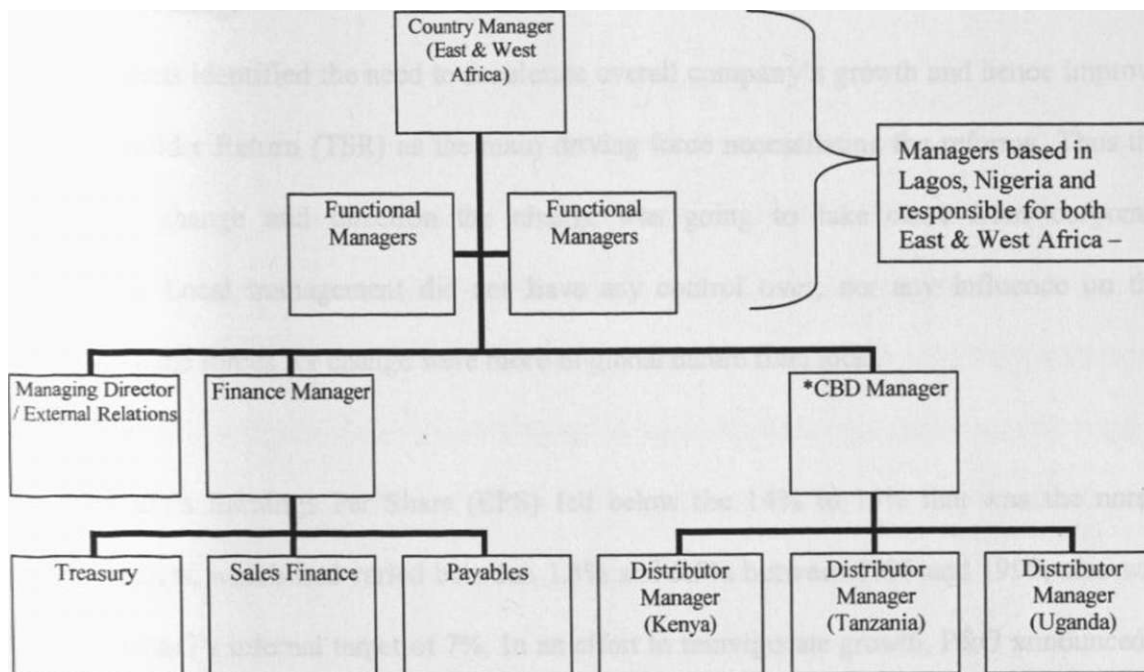
I Mission: To provide branded products and services of superior quality and value that improve the lives of the world's consumers. As a result, consumers will reward P&G with leadership sales, profit, and value creation, allowing P&G people, shareholders, and the communities in which P&G people live and work to prosper;

Objectives: To drive sales growth, improve trade margins and better asset utilization.

Procter & Gamble East Africa has adopted a very unique and flat management organization structure, with all the local managers having two reporting lines - one to their respective functional managers responsible for East & West Africa and based in Lagos, Nigeria, and the other to the Country Manager for East and West Africa, based in Lagos, Nigeria. The position of Managing Director, who is a Kenyan citizen is purely for compliance with local regulations. According to those interviewed, the role of the MD is confined to building external relations,

signing of contracts, government relations and representing the organization in forums that require senior level management. It was however noted that the law on the MD requirement has been amended recently so as to allow non Kenyan citizens to hold the position, and hence it is foreseen that the position of the MD is likely to be merged with that of the Country Manager.

**Figure 1: Organization Structure of Procter & Gamble East Africa Limited**



CBD = Customer Business Development

Procter & Gamble East Africa Limited has two fully fledged departments; i.e. Finance department headed by the Finance Manager, with three direct reports, and the Customer Business Development (CBD) department, headed by the CBD Manager, with three employees reporting to him. There is no position for a marketing manager and marketing activities are managed by the East & West Marketing Associate Director based in Lagos, Nigeria. However,



there is a marketing assistant on the ground to follow up on the various agencies involved in media, advertising and promotional activities. A similar structure exists for the Customer Services and Human Resources Managers positions. There are two customer services coordinators and one Human Resources coordinator on the ground, reporting to Managers based in West Africa, for Customer Services and South Africa, for Human Resources.

### **4.3 Forces of change**

The respondents identified the need to accelerate overall company's growth and hence improve Total Shareholder Return (TSR) as the main driving force necessitating the reforms. Thus the pressure for change and direction the change was going to take came from corporate headquarters. Local management did not have any control over, nor any influence on the change. Thus the forces for change were more of global nature than local.

In 1998, P&G's Earnings Per Share (EPS) fell below the 14% to 15% that was the norm. Revenue growth, which had varied between 1.4% and 5.5% between 1995 and 1999, also was well below P&G's internal target of 7%. In an effort to reinvigorate growth, P&G announced a corporate restructuring program, named Organization 2005, in September 1998. The goal of the program was to improve P&G's competitive position and generate operating efficiencies through more ambitious goals, nurturing greater innovation and reducing time-to-market. This was to be accomplished by substantially redesigning the company's organizational structure, work processes, culture and pay structures.

The above notwithstanding, the respondents indicated that the local organization's performance was equally poor, with the company having reported net losses since inception in 1991. Key drivers of the poor performance included, high cost of production, inefficient production process, obsolete product production technology, and a very high operating expenses driven by factors such as a blotted workforce, high proportion of expatriate senior managers (all 6 departments, i.e. Production, Sales, Marketing, Finance, Human Resources and General Administration were headed by expatriates).

In addition, with the formation of Common Market for Eastern and Southern Africa (COMESA) in December 1994, it became much cheaper and more competitive to import better quality products from Egypt, who enjoyed economies of scale, rather than manufacture locally. COMESA also brought with it import duty exemption for products imported from COMESA member countries. With this incentive, the company could afford to avail better superior quality products at a more consumer affordable prices than those made locally. Further more, the East Africa market size / demand was too small to sustain a local manufacturing facility.

Since Organization 2005 change program was intended to boost sales and profits by introducing an array of new products, by closing plants and by eliminating jobs, the above environmental conditions under which Procter & Gamble East Africa Limited was operating in made it an easy target for the restructuring program as prescribed in the corporate change program, unlike other African subsidiaries such as Nigeria, Morocco and Egypt.

## **4.4 Change Management Practices**

### **4.4.1 Approach to change management at Procter & Gamble East Africa Limited**

The respondents concurred that planned approach to change management was dominant in the initial stages. The top-bottom approach, where change activities are decided at the top, in this case. Corporate Headquarters and passed down for implementation. The change decisions and activities were passed down from corporate headquarters, to regional headquarters and finally to the local management for onward communication to the employees. However, as the reform processes progressed, and especially after closure of the local manufacturing plant and retrenchment of excess staff in all departments, the emergent approach started to take root.

Emergent approach emphasis is on four features in change management; structures, culture, organization learning and managerial behaviour. This creates an enabling environment for the organization to be change ready. The remaining staff, selected on the basis of performance, and ability to take on additional work responsibilities, were allowed to identify areas that required to be reformed and initiated the reforms on a continuous basis, on condition that the reforms were inline with the theme of the Organization 2005 change program. The managers' role is of facilitators and not doers. Their focus is on information gathering, communication, and coaching. They were also charged with the responsibility of ensuring smooth progress of the implementation of the Organization 2005 change program as prescribed by the company and as revised as the change program progressed.

#### **4.4.2 Change management model**

Experts have proposed a number of change management models. Some of these were discussed in section 2.3 of this study report. Critically looking at these models, they seem to share common features that change management must entail. Though not quite distinct, the researcher could remotely pick out the John Kotter's Transformation Process model for parented company change management.

John Kotter's Transformation Process model comprises of the following; increase urgency, build the guiding team, get the vision right, communicate for buy-in, empowering action, create short term wins, consolidate gain and have more change and make change stick.

Though he proposed eight action steps in managing change, the following was evident and the respondents concurred: Increase urgency, As evident from the drop in global earnings per share and revenue, the company needed to undertake a reform to turnaround its performance and sustain shareholder confidence, as well as avoid any risk of acquisition by competition. Equally, the local organization's performance was poor, and there was urgency to undertake reforms to make it a positive contributor to the overall corporate performance. In addition, the respondents indicated that the local organization's debts were no longer going to be funded by corporate headquarters, it was either it becomes self-sustaining or it ceases to exist.

The Procter & Gamble East Africa's senior management (functional heads, most of whom were expatriates) were the guiding team for the reforms locally. They engaged in off-site meetings to articulate the reforms and align on how best the local organization would be restructured to fit in

with Organization 2005 change program in view of the proposed corporate recommendations and action steps required, communication strategy and within what timeframe among other reform activities.

The organization rolled out a more pragmatic vision and mission which were geared towards at motivating the employees to strive the drive the company to be the best in the areas and categories in which it operates. To motivate the employees to live this vision and mission of the company, the International Stock Ownership Plan (ISOP) was rolled out in 1999. The objective was to make the employees be part of the shareholders of the company. ISOP allowed employees to buy company shares via monthly deductions from their salaries, and addition to this was an initial grant of one hundred future shares grant for all employees worldwide. With this, the employees felt they owned the company and hence worked in the best interest of the company's growth which in return translated to improved earnings per share.

The local management team, once they were clear on the action steps for the local organization in line with corporate recommendations they engaged the employees in initial organization communication meeting, followed by departmental and one-on-one meetings with the employees to explain the need for the reforms and how they were going to affect the local organization as well as the employee as individual. This was an on-going process as the Organization 2005 reforms progressed companywide. In addition, there was continuous updates to employees via email and the company intranet site. This kept them updated on the progress of the reforms companywide.

"The theme of the organization 2005 change program was 'stretch, speed and innovation'. This ->\*as communicated to all employees in all subsidiaries via the company email and intranet systems. This was geared towards creating excitement and sense of urgency among the employees. Employees were encouraged to employ the culture of risk-taking and non-traditional ideas, activities, and actions were encouraged. This further motivated those employees who survived the restructuring to perform to their utmost ability.

Creating short term wins was demonstrated via deployment of an on-the-spot reward and recognition system, for the employee who had demonstrated excellent performance during the quarter. In addition, in June 2002, when Procter & Gamble East Africa broke even for the first time in its history since inception in Kenya, the employees were rewarded by way of a company sponsored holiday with their families to the Maasai Mara game reserve. Since then, as the company has continued to report improved performance year on year, the employees are taken to exotic venues during the annual strategic planning exercise.

The company financial year runs from July to June of every year. At the beginning of every financial year, the company receives targets - turnover and profit, from the corporate headquarters via the regional office. The targets are set so as to ensure continuing growth year to year for both the corporate as well as for the subsidiary. The subsidiary then comes up with action plans to achieve the set targets. At the end of the performance period, those individuals who have excelled in their area of responsibility and contributed significantly to the overall subsidiary performance are awarded recognition shares to further motivate them and their

colleagues to continue putting in their best effort. Also promotions and relocations to other more advanced subsidiaries are based on continuing excellent performance.

As part of the succession planning, a number of middle level managers were posted to more advanced subsidiaries in Africa and Europe to help them acquire the necessary skills to lead the local subsidiary as the change reform came to an advanced stage. This is the case for the current senior management i.e. the Managing Director, the Customer Business Development (CBD) Manager and the Finance Manager. This is proof that the company did have a succession plan in place for its critical management positions. In addition, the current employees are continuously undergoing training. Additionally, the continuing company growth and improved share price and share earnings that directly accrue to the employees are a testimony for them that the success of the organization accrues to them, and hence the motivation for them to act in the best interest of the local subsidiary, which in turn, as they now understand, contributes to the overall corporate performance.

Other changes undertaken in the organization included the following closure of the local manufacturing facility in December 2001, resulting in a major retrenchment in which nearly 100 employees lost their jobs. In addition, there was the strategy to import all products from Egypt, that in addition to being in the COMESA region, enjoyed economies of scale, provided for competitive pricing on much more superior quality products. Thus the subsidiary was able to launch better quality products at much more affordable prices. In addition, and part of the reforms, the subsidiary dropped from its product portfolio, those products, such as Vicks

Triangles, Lemon plus and Vaporub, that were not global focus products as they were not going to continue receiving any production and marketing support.

**Table 1: Product portfolio before and after the reforms**

Product portfolio before July 2001	Current product portfolio
Always Sanitary Pads	Always Sanitary Pads
Pampers Baby diapers	Pampers Baby diapers
Vicks Kingo lozenges	Vicks Kingo Lozenges
Vicks Vaporub ointment	Ariel Detergent
Vicks Kingo Cough Syrup	
Vicks Lemon Plus lozenges	
Vicks Triangles	
Ariel Detergent	
1	

The focus on the global brands ensures that there is continuous product support which eventually translates to continuing product upgrades and hence continued consumer satisfaction and ensures the products stay well ahead of competition. For instance, since 2001, the Always, Ariel and Pampers brands have undergone at least one major product upgrade each. Furthermore, the Sales department reforms involved restructuring the department from one focused on actual selling, to one focused on developing customer business. Focusing on training customers on how sale more and better, and maintain customer.



The finance department was restructured to have focus on customer finance aimed at ensuring the distributors were efficient in how they managed their operations and understood which areas of their processes could be run more efficiently and cost effectively. Another section of the department was focused on optimizing procurement and internal controls and a last one on managing profit by brand and tracking brand profitability. Each of the sections had one employee to managing the respective operations.

Marketing operations such as advertising, media buying and promotions were outsourced to agencies. Production of TV and radio commercials was centralized for East Africa, West Africa and South Africa was centralized. The commercials for the three markets are produced in South Africa, to take advantage of better quality of production and cheaper cost of production than producing the same in East Africa. The fact that commercials / advertisements are produced for the three Sub Sahara market also makes the cost of production incurred by individual subsidiary much more cost effective, compared to earlier when each subsidiary produced its own independent advertisements. This further added to reduction in operating costs.

The subsidiary, inline with the corporate recommendation, has adapted the aspect of corporate approved advertising agencies. Thus, corporate directed which agencies should be used for which category of brands, and only subsidiaries of these could be used for the respective brands anywhere else in the world. In addition, corporate directed that Advertising Agencies would be paid on commission basis as a percentage of total sales of the brands they are responsible for (see table 1 below). The commission was decided from corporate headquarters, and payment is channeled from corporate headquarters to the local advertising agency via their corporate

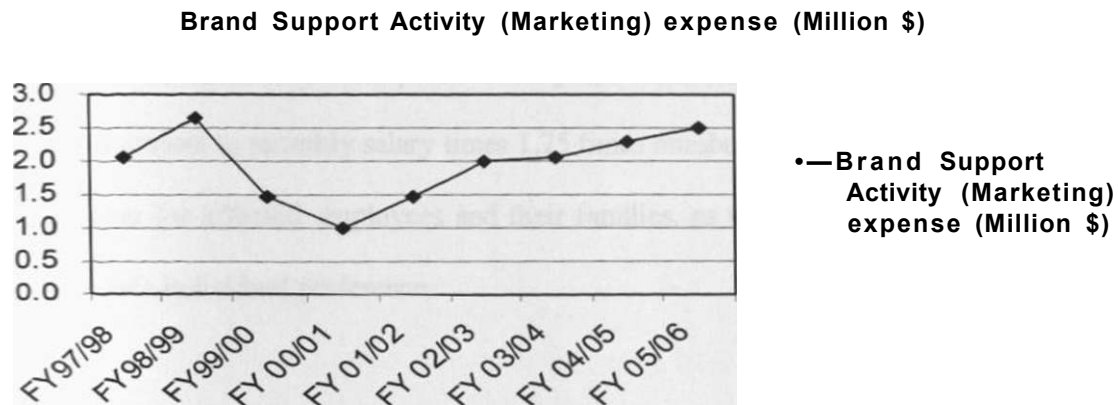
headquarters at the end of the financial year. This helped further helped drive sales as the agencies are motivated to generate creative ideas that will accelerate sales.

**Table 2: Current Advertising Agency compensation rates by brand**

Category	Brand	Advertising Agency	Annual compensation rate (% of local sales)
Baby Care	Pampers	Saatchi & Saatchi	0.3%
Fabric & Homecare	Ariel detergent	Saatchi & Saatchi	0.57%
Feminine Care	Always sanitary pads	Leo Burnett	1.04%
Healthcare	Vicks throat drops (Vicks Kingo)	Leo Burnett	1.84%

Having streamlined the product portfolio to focus on profitable and products with potential for growth based on market survey and product performance at the time (volume and profitability), and made the products fairly affordable, the subsidiary invested in marketing and promotion of its products. This is reflected in the increased marketing budget year on year which positively contributed to the sales growth. The re-investment in marketing is for fewer brands, four products, compared to eight in 1998. The company, globally, also invests in continuous upgrading of the current portfolio to ensure retained consumer loyalty, satisfaction and stay ahead of competition.

**Chart 1: Marketing expense trend**



Unlike before, employees were encouraged to take risks, think out of the box and empowered to make decisions in their respective areas of responsibility. This resulted in highly motivated and skilled workforce, encouraged teamwork and improved efficiency and optimized asset utilization, with employees treating the company assets as if they were their own. The interaction between the subsidiary and other subsidiaries and regional head office in Geneva have since been strengthened, and there is constant exchange of key learnings and exchange of best practices between the respective functions to better improve the local performance.

#### **4.5 Challenges faced by Procter & Gamble East Africa in the implementation of the reforms**

The biggest challenge was addressing the issue of retrenchment from a public relations and government point of view. Ahead of the retrenchment, the senior management involved government officials in consultative forums to explain to them the need for the massive restructuring, and gain their support and approval to implement the change. They were

successful in gaining governments support as the clearly indicated the need for the change, how it was positively going to affect the country's economy, and the fact that the retrenchment package was far better than that prescribed by the local laws. The package included a cash payment equivalent to monthly salary times 1.75 times number of years worked, plus a one year medical cover for affected employees and their families, as well as training package based on the employee's individual preference.

The above notwithstanding, there was still negative media coverage on the event on the day the retrenchment was announced, and senior management had to put an extra effort in managing this.

Another challenge was dealing with employees morale, those who were remaining due to the psychological impact of the seeing their colleagues leave, and also getting them to stretch themselves to add on additional responsibilities. For those who were leaving, there was a period of three months of lethargy and negativity, hence senior management had to constantly deal with this on a daily basis.

Part of the learning stage that brought a challenge was the importation of products from Egypt. The Cairo plant had never had an experience in shipping products out of Egypt. This resulted in out of stocks and long lead time in arrival of goods, including wrong goods being shipped. This took nearly six months to fix, via constant daily teleconferences with the Egyptian customer service teams.

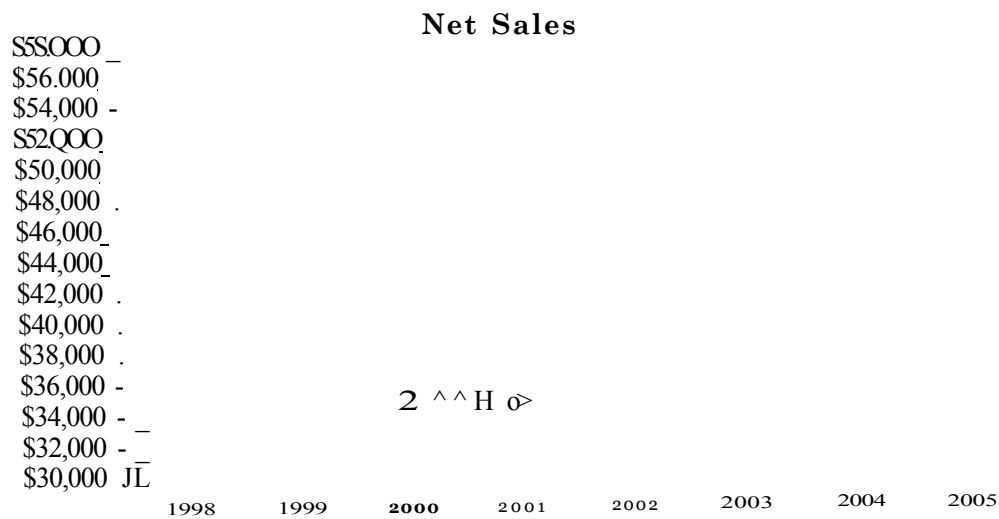
The resourcing came with high inventory build up, and hence the challenge of high stock carriage and hence financial management challenge.

#### 4.6 Achievements of the reforms

From the respondents, the performance of the both the local subsidiary and the corporate has improved tremendously compared to 1998/99 period as is evident from the following features;

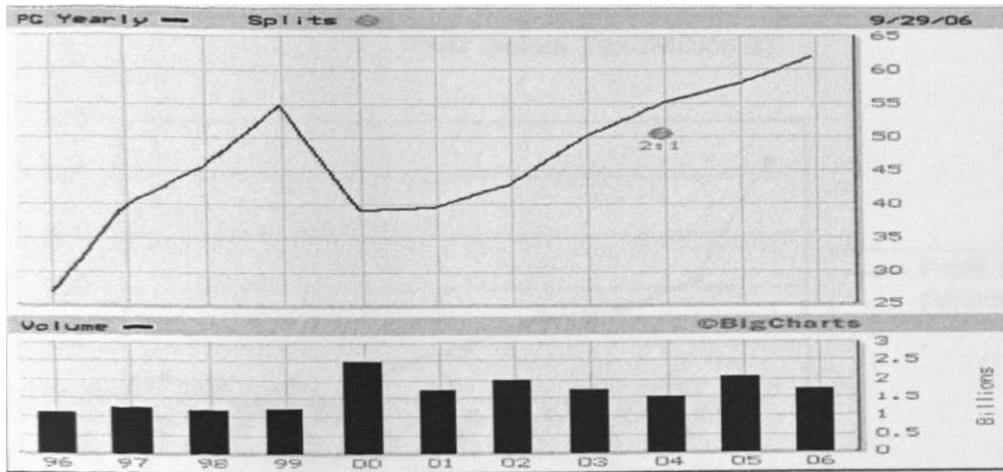
The corporate turnover improved from S37 billion in 1998 to \$56 billion during the period ended June 30<sup>th</sup> 2006, as illustrated in chart 1 below.

Chart 2: Corporate gross turnover trends - Net sales



In addition, the share price moved from the ranges of \$50s per share to well over \$100 per share in 2004, during which year a share split was effected (see chart 3 below).

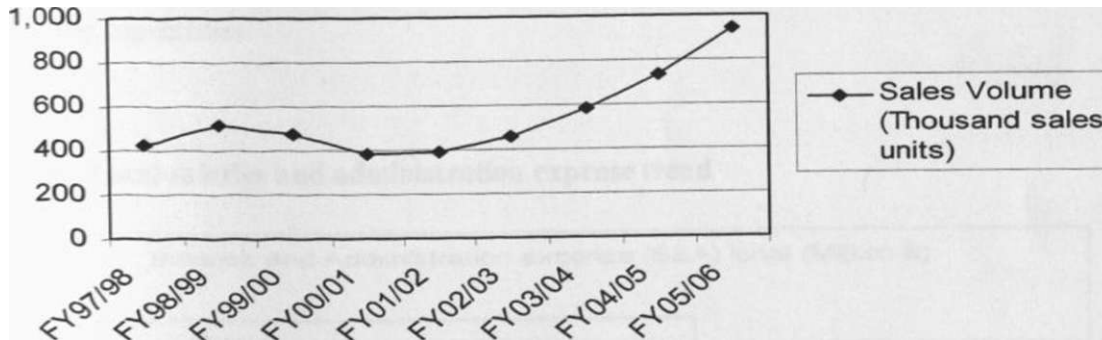
**Chart 3: Stock price trend**



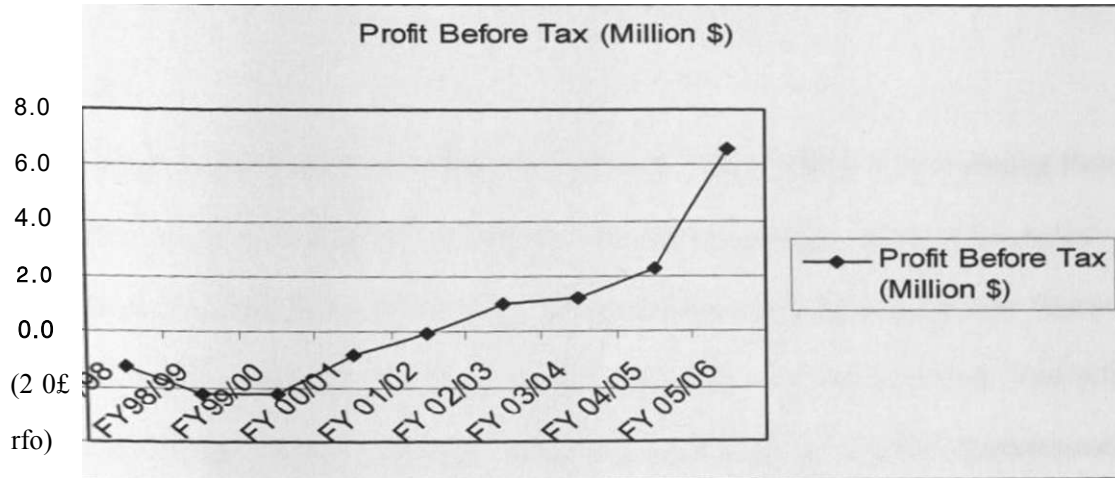
From a local subsidiary perspective, the organization moved from a loss making subsidiary to a profit making one and continues to realize double digit growth year on year, in both revenue and profit since 2001/2002 financial year.

**Chart 4: Local sales turnover trend**

**Sales Volume (Thousand sales units)**

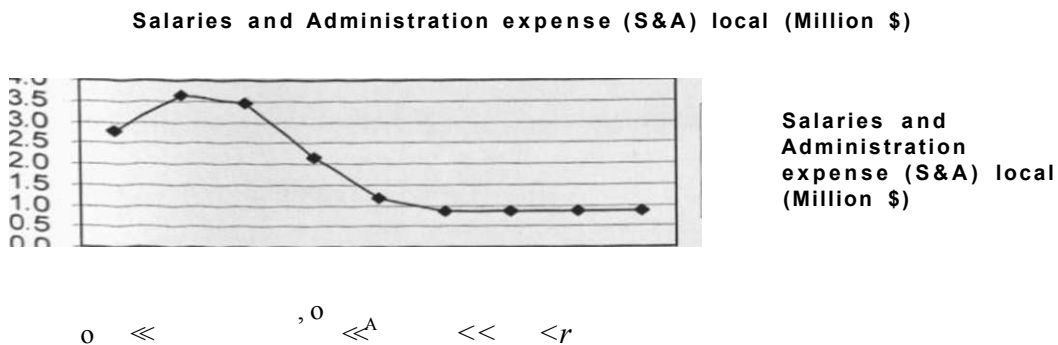


**Chart 5: Local subsidiary financial performance - Profit before tax**



The growth on revenue and profit has been driven by the following effects of the reform; With the closure of the local manufacturing facility and restructuring of all the departments of the local subsidiary, P&G East Africa realized a substantial decrease in overhead expenses. In addition to retrenchments, the functional / department heads who previously were expatriates were replaced with much cheaper managers who are Kenyan citizens. Departments' head counts for the support functions were trimmed to a bear minimum, driven by the need to optimize on employees capabilities.

**Chart 6: Local salaries and administration expense trend**



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

### **5.1 Summary**

The management has endeavored to bring out the best in every employee, encouraging them to be innovative in their respective department, implement strategic plans with speed and excellence and encourage them to take risks. The management also encourages cross functional team work for optimal performance and for the common good of the subsidiary. The reform process involved four phases; planning phase, communicating the reforms, implementation, monitoring and evaluation phase.

### **5.2 Conclusions**

The changes are still taking place, but most of the changes as prescribed in the Organization 2005, change program have been effected. The reform process is largely said to be a success. From a loss making subsidiary, the organization now boasts of double digit growth (in percentage terms) year on year on both revenue and profit. Because of cross functional team work, and frequent updates on the company performance and plans for future, the employees are all pulling towards the same direction. The subsidiary brands have reclaimed market leadership in East Africa, and growing tremendously. This should be encouraging especially to other subsidiaries of multinationals that are likely to undergo a similar process of change prescribed from corporate headquarters, since change is inevitable and from the respondents, the future is bright for those local subsidiaries who will embrace these reforms.



### **?3 Recommendations**

The position of the Managing Director does not bear the authority and power in line with the expectations, Procter & Gamble East Africa should speed up the implementation of the current plan of integrating the position of the Country Manager with that of the MD to give the holder of the position the necessary power and authority.

The firm should localize the ownership of setting product pricing strategy. Currently it is done from South Africa for Gillette Products, and from Geneva for the other products. Only the local organization can best understand the competitive forces on the ground and hence set right product pricing in view of the environmental factors.

The company should speed up the fight for duty exemption on Vicks Kingo drops, a pharmaceutical product that should be duty and VAT exempt, yet the Customs have declared the product dutiable at 35% duty and 16% VAT, as they claim it is a candy. This has been a pending issue since 2002 when customs started charging duty & VAT on the product. Right categorization of the product will further drive product profitability and possibly grow sales.

The firm should finalise the transition to a services company inline with what is happening on the ground. Procter & Gamble Services Company is now registered since July 2006, yet the company continues to import products for the local distributor. This is in contravention to the newly registered format of the firm.

### **Suggestion for further research**

The change program at Procter & Gamble East Africa is on going. It is recommended that an evaluation of the change process be conducted in future for comparability. The study was designed to cover Procter & Gamble East Africa Limited, a subsidiary of an FMCG company, however, there are many subsidiaries of multinational companies in various industries such as Banking, Petroleum, Pharmaceutical, IT, in Kenya. It would be interesting to carry out a cross sectional study involving local subsidiaries of multinationals across the industry sectors to include their experiences on change reform management.

### **5.5 Limitations of the study**

The study depended largely on the interviews and discussions with respondents who were in top management. It would be important to validate the findings with resources from interviews with employees to get their perspective.

Secondly, it would have been of value to obtain the views of other stakeholders such as the distributors, suppliers, and agencies to get their perspective of the change.

The study looked at the period 1999 to June 2006, where as changes are still being implemented, it would be important to validate if the results achieved so far are sustainable.

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**APPENDIX 1:**

**INTRODUCTION LETTER**

Anastasia Nyalita  
PO Box 5075  
00506 Nairobi

The Managing Director  
Procter & Gamble East Africa Limited  
Po Box 30454  
Nairobi

Dear Sir,

**RE: REQUEST FOR USE OF PROCTER & GAMBLE EAST AFRICA LIMITED  
INFORMATION**

I am carrying out a Management Research Project as a requirement in partial fulfillment of the degree of Masters in Business Administration, University of Nairobi. My area of study is process of Strategic Change Management.

To enable me do the research, I am requesting the use of your organization's information through interviews with yourself, Finance Manager, Sales Manager and Customer Services Manager. Please note any information used will be highly confidential and will be used for academic purposes only.

A copy of the research project will be availed to you on request.

Your cooperation will be highly appreciated.

Yours faithfully,  
v/

**Anastasia Nyalita**

**NB**

The information obtained from this interview guide will be treated confidentially and will not be used for any other purpose other than academic.

**A. To be answered by the Managing Director.**

1. What is the organization's vision?
2. What is the organization's mission?
3. What are the objectives of the organization?
4. What were the changes introduced and in what time line?
5. What necessitated the change?
6. Who initiated the change effort?
7. How were employees informed and involved in the change?
8. How was urgency built to get employees to cooperate and participate in the reform?
9. Have external consultants been involved in the change program? Please explain their involvement if at all.
10. What role did the corporate headquarters play in the change program?
11. Has the change programmes affected structures, systems, processes, services or behaviour?
12. What specific elements of change are / have affecting strategies, structures, systems, processes, services and behaviour?

13. Were specific teams mandated the responsibility to implement the changes? Please provide details
14. What steps have you taken to ensure that the change momentum is achieved and maintained?
15. Did you have short-term targets to monitor the changes? Please provide details
16. Where those who achieved such targets rewarded? Please provide details
17. What levels of resources were allocated?
18. How does top management / corporate and / or regional headquarters indicate their support for the change programme and activities?
19. What has / is the change effort achieving and do you think the changes will last? Please explain.
20. What lessons have you learnt from change management so far?
21. Who are the major stake holders?
22. Where the major stake holders involved in the identification, formulation and implementation of the change process?
23. What challenges have you faced since introducing the change?
24. How have you responded to the challenges?
25. How has the regional / corporate HQ participated / assisted in responding / managing the challenges?
26. Are there some challenges you have not responded to? Please provide details
27. What is the desired change destination and what future plans do you have for the organization?
28. Who has determined the change destination and the future plans?

**B. To be answered by the Finance Manager**

1. What was your response initially and now when informed of the intended changes?
2. What were the changes introduced to your department?
3. What specific elements of change have / are affecting strategies, structures, systems, processes, services and behaviors in your department?
4. How has the change affected the performance of the organization's Finance performance?  
Please give details
5. How do the operations of your department relate to / work with finance departments in other affiliates, regional headquarters and corporate headquarters?
6. What challenges have you faced in your department since introduction of the changes?
7. How have you responded to these challenges?
8. Are there some challenges you have not responded to? Please give details.
9. How do you intend to respond to them?
10. What has / is the change effort achieving and do you think the changes will last?
11. What lessons have you learnt from change management so far?
12. What is your evaluation of the change and what do you foresee in the future?

**C. To be answered by Sales Manager**

1. What were the changes introduced to your departments?
2. What specific elements of change have / are affecting strategies, structures, systems, processes, services and behaviors?
3. How has the change affected the performance of the organizations Sales performance?  
Please give details
4. How do the operations of your department relate to / work with sales departments in other affiliates, regional headquarters and corporate headquarters?
5. Where and how are the organizations sales and marketing support plans determined from and what is the role of the local organization.
6. What challenges has your department faced since introduction of the changes?
7. How have you responded to these challenges?
8. Are there some challenges you have not responded to? Please give details.
9. How do you intent to respond to them?
10. What has / is the change effort achieving for your department and do you think the changes will last?
11. What lessons have you learnt from change management so far?
12. What is your evaluation of the change and what do you foresee in the future?

**APPENDIX III: PROCTER & GAMBLE EAST AFRICA LIMITED HISTORICAL  
PERFORMANCE**

**PROCTER & GAMBLE HISTORICAL PERFORMANCE (JULY 1997 TO JUNE 2006)**

<b>Year</b>	<b>FY 97/98</b>	<b>FY 98/99</b>	<b>FY 99/00</b>	<b>FY 00/01</b>	<b>FY 01/02</b>	<b>FY 02/03</b>	<b>FY 03/04</b>	<b>FY 04/05</b>	<b>FY 05/06</b>
<b>Sales Volume (Thousand Sales units)</b>	<b>425</b>	<b>519</b>	<b>478</b>	<b>384</b>	<b>392</b>	<b>462</b>	<b>580</b>	<b>736</b>	<b>944</b>
Index vs YA	115	122	92	80	102	118	126	127	128
<b>Net Outside Sales (NOS) (Million \$)</b>	<b>8.8</b>	<b>10.9</b>	<b>8.6</b>	<b>8.5</b>	<b>9.1</b>	<b>10.3</b>	<b>11.5</b>	<b>15.9</b>	<b>26.4</b>
<b>Total Delivery Cost (TDC) (Million \$)</b>	<b>5.2</b>	<b>6.9</b>	<b>6.1</b>	<b>5.3</b>	<b>5.5</b>	<b>5.6</b>	<b>6.5</b>	<b>9.5</b>	<b>15.6</b>
<b>Total Delivery Cost (TDC) (Thousand \$/su)</b>	<b>12.14</b>	<b>13.21</b>	<b>12.80</b>	<b>13.73</b>	<b>14.08</b>	<b>12.10</b>	<b>11.27</b>	<b>12.96</b>	<b>16.53</b>
<b>Gross Spread (Gross Profit) (Million \$)</b>	<b>3.61</b>	<b>4.0</b>	<b>2.7</b>	<b>3.1</b>	<b>3.6</b>	<b>4.7</b>	<b>5.0</b>	<b>6.36</b>	<b>10.84</b>
<b>Salaries and Administration expense (S&amp;A) local (Million \$)</b>	<b>2.8</b>	<b>3.6</b>	<b>3.5</b>	<b>2.1</b>	<b>1.2</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>S&amp;A international expense (Million \$)</b>				<b>0.8</b>	<b>0.9</b>	<b>0.7</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>
<b>Total S&amp;A (Million \$)</b>	<b>2.8</b>	<b>3.6</b>	<b>3.5</b>	<b>3.0</b>	<b>2.0</b>	<b>1.6</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>
<b>Brand Support Activity (Marketing) expense (Million \$)</b>	<b>2.1</b>	<b>2.6</b>	<b>1.5</b>	<b>1.0</b>	<b>1.5</b>	<b>2.0</b>	<b>2.1</b>	<b>2.3</b>	<b>2.5</b>
<b>Other Income/Expense (Million \$)</b>			<b>(0.2)</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Profit Before Tax (Million \$)</b>	<b>(1.2)</b>	<b>(2.2)</b>	<b>(2.2)</b>	<b>(0.8)</b>	<b>(0.0)</b>	<b>1.0</b>	<b>1.22</b>	<b>2.32</b>	<b>6.60</b>