MANAGING RESISTANCE TO CHANGE IN THE BANKING INDUSTRY IN KENYA: THE CASE OF EQUITY BANK

BY

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DECLARATION

This management project is my original work and has not been presented for a degree in any other University.
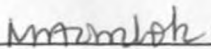
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This Management Project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

This project is dedicated to my six years old daughter Maria Wanjiku and my parents, Mr. and Mrs. Gervase R. Munga for their encouragement, patience, understanding and support.

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I would like to thank the almighty God and the people whose contribution was extremely valuable in the course of the study. My special thanks go to my supervisor Mrs. Margaret Ombok for her continuance guidance, devoted contribution, creative insights and advise during the course of the research project leading up to the successful completion of the project. Mrs. Ombok was always available for consultation and provided timely feedback and encouragement. I would also like to thank the University of Nairobi's panellist to whom I presented the project proposal for their insightful contribution. Their invaluable suggestions helped to shape my thinking in a very constructive way hence enhancing the quality of the project output.

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LIST OF ABREVIATIONS

CBK	-	Central Bank of Kenya
DFID	-	Britain's Department for International Development
EBS	-	Equity Building Society
EU-MESP	-	European Union - Micro Enterprise Support Programme
FDCF	-	Financial Deepening Challenge Fund
GSM	-	Global System for Mobile Communications
Kshs	-	Kenyan shilling
STG	-	Sterling Pound
SWOT	-	Strengths, Weaknesses, Opportunities, Threats
UNDP	-	United Nations Development Programme
USD	-	United States Dollar

ABSTRACT

The fast-changing global business environment has resulted in organisations having to change their business strategies and processes so as to remain competitive. As organisations implement the changes, they have been experiencing various forms of resistant to change. The resistance has been found to come from both the behaviours of individuals and/or groups of employees who want to protect themselves from the unknown or imagined outcomes of change. The other type of resistance to change is systemic resistance where the development of capability lags behind the strategic development. This arises from lack of appropriate knowledge, information, skills and managerial capacity. Organisations therefore have had to use various methods to minimise resistance to change.

This was a case study which covered various forms of resistance to change experienced by Equity Bank and how the bank has been managing the resistance in the course of implementation of strategic change. A semi-structured questionnaire was used to collect data from the respondents and content analysis was used to analyse the data collected.

The findings indicate that there was both systemic and behavioural resistance experienced by Equity bank in the course of implementation of strategic changes. The behavioural resistant to change included, both individual and group resistance to change by various employees. The employees feared loss of jobs as they imagined that the bank would undergo retrenchment during the turnaround in 1993 and during the change into a bank in 2004. They also did not understand why the institution wanted to change to a bank at the time. The systemic resistance to change included lack of necessary skills to implement the intended changes; lack of capital; lack of strategic change leaders and the prevailing unfavourable economic conditions that created negative forces of change. The findings indicate that Equity Bank managed to overcome these resistances and has now become a bank to recon with.

Findings show that the bank used the structure tree tool which considered the human capital as a key element in successful implementation of strategic changes in the Bank. On behavioural resistance, the tool was used to enhance employees' participation and to

impart knowledge hence reinforcing the acquired change. This helped in reducing resistance to change to minimum and create excitement on the part of employees and customers as they embraced change. The findings indicate that systemic resistance was overcome by incoming of strategic change agent and a strong change leader. Financial assistance from the donors like DFID and UNDP provided the necessary capital for change. According to the responses provided, there were other sources of financial assistance that came for the new bank directors as well as share capital from employees who purchased shares from the bank. As a result, the bank has in the recent past experienced tremendous growth in profitability and customer base.

It was recommended that the bank needs to sustain the employees and customers excitement otherwise the current growth momentum may not be sustainable. Further research can be conducted on the impact of the model used to manage resistance to change amongst employees and customers. A similar study can also be performed in another bank.

CHAPTER ONE

INTRODUCTION

1.1. Background

Globalisation of world economies has resulted in high environmental volatility coming in unpredictable ways (Achrol, 1991). Environmental changes such as technological and innovation, competition, globalisation, regulation and de-regulation and consumer behaviour have affected many organisations in that organisations have been forced to enhance their business processes in order to survive in an environment which has become increasingly competitive (Ansoff, 1987). Organisations are therefore undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organisation to that environment (Johnson and Scholes, 2002).

Competition amongst same businesses (Mbogo 2002) such as banks has brought about entry of new products, services and counterfeits as well. Consumer awareness has also increased and therefore organisations have to find new ways of attracting new customers and retaining old ones hence ensuring competitiveness in the market. Companies are therefore finding it difficult to continue using old and proven methods of sustaining growth in business as these are unable to provide solutions to today's and tomorrow's problems (Todd, 1999).

In order to cope with the external and internal pressures, organisations have been forced to become more innovative, anticipate change and drive it as well (Prosci, 2000). The capacity to anticipate change and manage adaptation to it in a timely and acceptable way is one of the key success factors for competitiveness and wealth creation of organisations and economies as a whole (Prosci, 2000). Organisations therefore have to accept change as a fact of life on the part of the individual and the organisation as a whole. Therefore leaders have to be willing to take time and build capacity to adapt work organisation, skills and competencies, organisational strategies and leadership styles to the environment. According to Coch and French (1948), the success of any organisation is measured by its success in responding and managing strategic change.

Todd (1999) argues that change management must be undertaken in a structured and synthesised approach in order to achieve a sustainable change in human behaviour within an organisation. However, there are various challenges that companies are encountering in their effort to manage change, the biggest challenge being resistance to change.

1.1.1. Resistance to Change

The most prevalent barrier to strategic change in organisations is resistance to accept and adapt to change (Zalman and Duncan 1977). Resistance to change occurs at both systemic and behavioural level. Systemic resistance arises from a lack of appropriate knowledge, information, skills and managerial capacity, while behavioural resistance to change is a combination of individual reaction to frustration with strong group induced forces (Coch and French 1948). This is observed in the employees' behaviour that is intended to protect an individual from the effects of real or imagined change (Zander 1950). According to Dent and Goldberg (1999) employees may not be resisting the change passé, but rather the loss of status quo, loss of pay, or loss of comfort. Therefore management must anticipate resistance when initiating any change process and learn to accept and work with employees' resistance.

There are four categories of barriers to strategic change as observed by Zalman and Duncan (1977) namely cultural, social, organisational and psychological barriers. For example cultural barrier may be as a result of incompatibility of a cultural trait with anticipated change. These barriers are the main causes of resistance to change. Zalman and Duncan (1977) reiterate that in order to overcome the obstacles to change, resistance must be confronted directly and should be embraced as a feedback.

If an organisation's management does not understand, accept and make an effort to work with resistance to change, it can undermine even the most well-intentioned and well-conceived change efforts (Bolognese 2002). Some of the broader consequences of resistance to change are low staff morale which may result in inefficiencies hence decline in organisation's profitability. The organisation may also end up failing in implementing change hence a waste in company's resources and time spent. Resistance must therefore be anticipated and well managed. Coetzee (1999) states that management's ability to

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achieve maximum benefits from change depends in part on how effectively they create and maintain a climate that minimises resistance behaviour and encourages acceptance and support.

1.1.2. The Banking Industry in Kenya

A bank can be defined as an institution that mainly deals with receiving money deposits from investors and lending money in form of short or long-term loans and advances to its customers at prearranged rates of interest (Mbogo, 2002). According to Marketing Intelligence (2002), there are 46 banks in Kenya which essentially takes deposits from individuals and organisations to invest on their behalf.

Banks have however experienced major challenges caused by both external and internal factors. The Kenya economy has been very unstable and there has been increased competition from other banks. Internal factors that have affected banks' performance were attributed to the fact that many banks were ill prepared to handle demands such as provision of diversified range of financial services, demands on liquidity, foreign exchange credit products and capital finance obligations. Other drivers of the industry's deteriorating rate in performance had been sighted as being heavy investments in information technology occasioned by the 'millennium bug'; increased customer awareness hence changes in customers' tastes and preferences; inflation; falling interest rates and the controversial Central Bank 2000 (Amendment) Bill referred to as 'Donde Bill' (Mbogo 2003).

In order to counter the challenges, the banks have responded by offering other financial services under the umbrella of universal banking institutions. These include, insurance brokerage licensing and insurance premium financing. Banks like Kenya Commercial Bank, Standard Chartered Bank and Equity Bank have in addition, have implemented changes which include but not limited to change in reporting structures hence creating flat structures; restructuring of some departments and divisions in order to centralise key operational areas; review of operational processes so as to improve efficiency and effectiveness; branch modernisation programmes so as to improve physical infrastructure and customer service and installation of automatic teller machines (ATMS) (Market Intelligence, 2002). Co-operative Bank of Kenya has responded to the challenges by

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coming up with new products and services (Kathuku, 2004) and Kenya Commercial Bank has responded to the challenges by improving internal resource capabilities through staff training and reviewing of operational processes as well, hence enhancing the bank's business processes (Mbogo, 2003).

In an effort to implement strategic change, banks have been experiencing resistance to change. The forces behind the resistance include corporate culture that is not in harmony with the new changes banks want to implement; inbreeding whereby banks operate in a constrictive culture, a bureaucratic environment and generic products and services offered to customers (Mbogo, 2003). It is evident that managers who are involved in strategic change and the employees have to change in order to respond to the new external forces such as changes in customer preferences and needs and there is need for a deliberate effort to create new brands and visual identity to engage and inspire all the banks' audiences differently. The change manager must have regard to both the systemic and the behavioural aspects of resistance to change (Zalman and Duncan, 1977). These banks have been able to successfully manage resistance to change by anticipating, preparing and using different methods of handling employee resistance in different circumstances. Broadly, the successful banks in implementing strategic change have in the past prepared well for the change and also used effective communication methods to manage change successfully.

1.1.3. Equity Bank

Equity bank started its operation in 1984 as Equity Building Society (EBS). The initial focus was to offer mortgage services mainly to low-income earners, but in the early 1990,s Equity Building Society changed its focus to micro-finance services, targeting low and middle income earners. EBS grew to become a leading micro finance institution providing a wide range of products and services (Equity Bank Website, 2005). The growth was not a smooth ride; EBS faced a lot of challenges as a result of changing environmental conditions in Kenya, mainly economic, political and growing customer tastes and preferences.

According to Coetzee, Kabbucho and Mnjama, (2002) report on the Re-birth of Equity Building Society, the Central Bank of Kenya established that EBS was technically insolvent

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and had poor board supervision and inadequate management in 1993. Non-performing loans were 54% of the portfolio and accumulated losses totalled to Kshs. 3 million. At this stage, deposits were being used to meet operating expenses. Its liquidity ratio stood at 5.8%, far below the required 20%. Equity had therefore to change radically in order to cope with the new environmental challenges (Coetzee, Kabbucho and Mnjama, 2002).

Since 1993, several strategic changes have taken place at EBS. The changes which can be categorised into four have had effect on the staff morale and performance. The first major category of change is on the market and the clients focus; the second one is on ownership and governance; the third one is on management and measurement, and the last one is the focus on the staff. These changes took place in four different phases. This proposal touches on the fourth category of change covering actual changes that have had effect on staff of EBS. The changes include but are not limited to long working hours as EBS experienced fast growth; transfers of staff to new branches outside their comfort areas; new mission and vision; new ways of serving customers which included use of computers as opposed to the old manual systems. Details are in *Appendix 5* (Coetzee, Kabbucho and Mnjama, 2002).

From the time EBS started, it has changed its marketing strategies several times from a product-driven to a market-driven approach of servicing its customers. EBS focus on low-income clients and their needs started from when it opened its doors hence mobilising individual customers on a one-on-one basis. Other changes that have taken placed and assisted the bank to grow include financial assistance from UN bodies and other European financial institutions (Coetzee, Kabbucho and Mnjama, 2002).

During the first 15 years, EBS relied entirely on its own resources and had no assistance from any international partners. From 1999, Equity Building Society started getting assistance from international organisations like EU-MESP, UNDP and Britain's DFID's Financial Deepening Challenge Fund FDCF, which supported the launch of mobile banking program in August 2001 and Africap provided financial assistance in 2003. The Mobile banking service uses GSM technology that provides on-line links between mobile units in remote villages and main branches for processing transactions. This enabled the building

society to turn around and offer a greater range of services (Coetzee, Kabbucho and Mnjama, 2002).

Equity Building Society's turnaround resulted in improved rating by the Central Bank of Kenya. The overall rating shortly after 1993 rating rose to marginal, then to fair and in 2002 to satisfactory (Coetzee, Kabbucho and Mnjama, 2002). Despite all these challenges, Equity Building Society has grown both in profitability and in clientele. A profile of the building society as of 2004 shows an institution that is consistently profitable, operates through 15 branches and 25 mobile units. In addition, EBS computerised all the business processes so as to enhance customer service. The building society's growth in business volume and outreach necessitated its conversion to a commercial bank.

On 31st December 2004 Equity Building Society converted to Equity Bank Limited (Equity Bank Website, 2005). The bank is now fully computerised and as at end of 2004, Equity had 384 staff members, 8 directors and 2,470 shareholders (World Bank, 2004). Equity Bank has also grown in profitability and in business performance as well. This has resulted in the bank profitability growing from Kshs. 35 million in 2000 to Kshs. 245 million by end of 2004. In addition, the amount of money disbursed in form of loans rose from Kshs. 433 million in 2000 to Kshs. 4.9 billion in 2004 and the customer base has grown from 79,000 in 2000 to 413,000 in 2004 (Equity Bank Website, 2005).

1.2. Research Problem

Banks play an important role in an economy. They are the major regulators of the monetary system as they deal with receiving money deposits from investors and lending money in form of loans and advances to customers (Mbogo, 2002). The banking industry in Kenya has been faced with several challenges ranging from economic, technological, legal and social coupled with stiff competition among banks. Equity Bank is no exception. In response to these challenges, the bank has undergone major strategic changes that involved a turnaround from bankruptcy to profitability in 1993; refocusing its business from product-driven to customer-driven; change of leadership; and conversion to a commercial bank in December 2004. It is clear that there was successful strategic change

management as shown by the bank's increase in profitability, growth and expansion over time (Coetzee, Kabbucho and Mnjama, 2002).

In undertaking strategic change in any organisation, resistance to change is inevitable. Resistance to change can be either systemic or behavioural resistance (Zalman and Duncan, 1977). The success of Equity bank indicates that the bank must have successfully managed resistance to change contrary to expectations whereby resistance to change results in reduced productivity hence decline in overall performance of the organisation (Prosci, 2000). The bank has seen constant growth in both market share and profitability. It has experienced growth in number of deposits, lending, attracted new customers and opened new branches countrywide hence increased revenues (Equity Bank Website, 2005).

Studies by Mbogo (2003), Rukunga (2003), Ogwora (2003), Kathuku (2004) and Njau (2000) which were mainly on how Kenyan organisations have responded to the changing environmental conditions did not focus on whether employees resisted change and how such change can be managed in organisations. Given that resistance to change is inevitable, there is need for organisations to put in place mechanisms that would minimise resistance to change. In the case of Equity bank, no information exists on the forms of resistance to change that the bank experienced and how such resistance was managed.

If resistance to change is not properly managed, it can undermine even the most well-intentioned and well-conceived change efforts (Bolognese, 2002). It was therefore necessary to conduct a study to determine the various forms of resistance to change EBS experienced and how the bank managed such resistance. The proposed study sought responses to the following research questions.

i.   What forms of resistance to strategic change has equity Bank been experiencing?
ii.   How has the bank managed such resistance to change?

1.3. Objectives of the Study

The objectives of the study were to;

i. Establish the forms of resistance to strategic change Equity Bank has been experiencing.

ii. Determine how Equity Bank has been managing resistance to strategic change.

1.4. Importance of the Study

i. The management may be in a position to assess whether they used proven methods of handling resistance to change and the impact to staff morale, productivity, effectiveness and efficiency. Besides, this may be a source of information should they be faced with similar problems in future;

ii. Potential investors in the bank may also benefit as the research will be a source of ready information for making sound decisions on how to manage resistance to change;

iii. The study may be useful to academicians who wish to carry out further research as it contributes to existing literature in the field of strategic change management.

iv. Other banks will learn from the experience of Equity Bank.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

In this chapter literature was reviewed on the various forms of resistance to change in organisations, why peoples resist change and possible ways of minimising resistance to change.

2.2. Meaning of Strategic Change

A business strategy articulates the business direction of the business. Johnson and Scholes (2002) define strategy as the direction and scope of an organisation over the long-term, which achieves advantage for the organisation through its configuration of resources within the changing environment. Strategy links the organisation to the environment thereby matching the resources and activities of an organisation to that environment (Johnson and Scholes, 2002). A business strategy must be updated regularly so as to align it to the changing environment. This would involve use of proven methods of strategic change.

Webster (1971) defines "change" as the action of making something different in form, quality and state. Change is stimulated by both internal and external sources. McCalman and Paton (1992) classifies the general causes of change into three; external changes that result from environmental disturbances; internal changes that result from internal triggers such as new products; and proactive changes that result from efforts by the organisation itself to anticipate or initiate change.

As a discipline, change is focused on increasing the organisation's capability to adapt and adopt new ways of doing things. Strategic Change can be defined as the deliberate and coordinated actions taken to transform an organization to achieve its objectives (Johnson and Scholes, 2002). Change does not happen by chance, there is a science to management of strategic change. According to Todd (1999) the concept of change management can be defined as a structured and synthesized approach to achieving a sustainable change in human behaviour within an organisation. Management of strategic change cannot be performed in an adhoc manner, but it is a more structured process of

managing the people, business processes and technology in response to the changing environment so as to align business strategies to the environment and enhance competitiveness in the market.

It has been determined that a primary issue in competitiveness and organisational adaptability to changing environment is that of organisational culture (Schein, 1985). The culture of an organisation manifests itself ultimately in its mission and vision, which is an embodiment of the collective philosophy of the organization. The environment within an organisation is the composite of particular values, beliefs, attitudes, practices, behaviour patterns and skills that are the manifestation of how the organisation does business. In order for the organisation to implement strategic change, the prevailing cultural norms and values must change. This change is known to trigger resistance to change. Resistance to change is therefore seen as a manifestation of cultural values and cultural norms that have been affected by change in the environment (Alcantara, 2001). Resistance to change must therefore be managed well so as to realise the intended strategic change in organisations. If strategic change is not well managed over time Prosci (2000) reiterates that organisations risk loosing business as a result of high turnover of valued employees and loss of valued customers.

2.3. Strategic Change Management Process

There exist various forms of strategic change management processes all of which tend to follow a similar pattern based on the following outline, despite the fact that they have their own differences.

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Figure 1: Generic Model of Strategic Change Management Process

1 → Appraisal of the current situation and current strategy SWOT Analysis

2 → Determination of desirable changes to objectives and/or strategies

3 → Search for suitable changes and choice of suitable course of action

4 → Implementation of changes

5 → Monitoring Progress; On-going appraisal
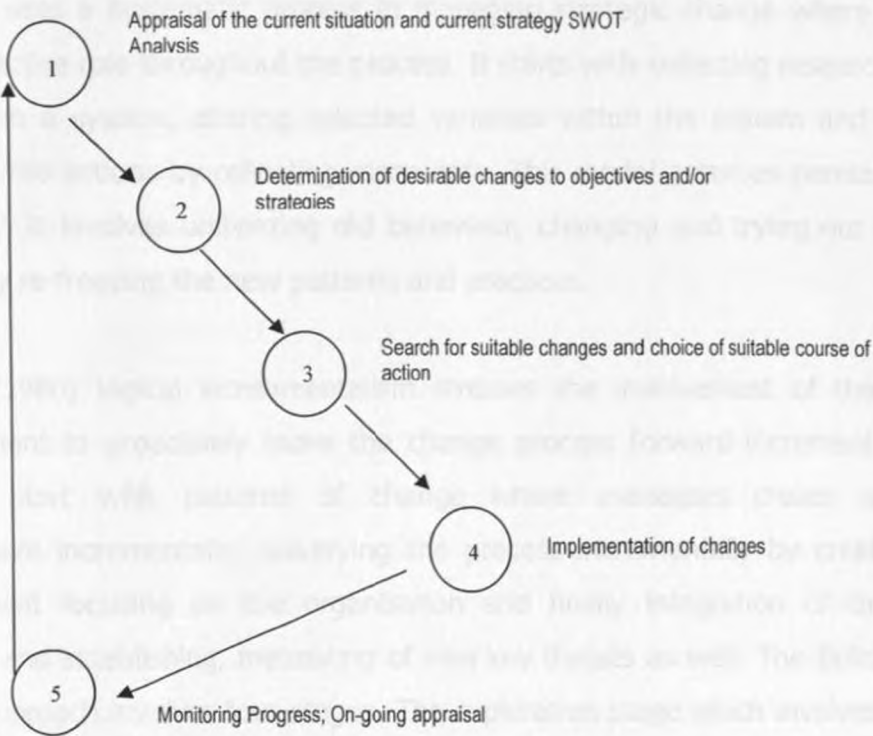
Source: Hofer and Shendel, (1978), 'Strategy Formulation: Analytical Concepts', Pg 17

The above diagram illustrates that for any strategic change to be effective, the process must be managed in a certain way. An organisation must first perform a current state analysis looking at its strengths, weaknesses, threats and opportunities in the market. Ones all these are documented, the organisation should determine which changes to perform. The changes should focus on reducing the threats, taking advantages of the opportunities and exploiting their strengths to achieve growth and compete better in the market. After identifying the desirable changes to make, the organisation should select the most suitable courses of action and then implement the selected changes. The entire process calls for monitoring and continuous appraisal at every stage (Hofer and Shendel, 1978).

Strategic change management entails thoughtful planning and sensitive implementation, and above all, consultation with, and involvement of, the people affected by the changes (Prosci, 2000). There are numerous approaches that have been used in managing strategic change.

Lewin (1946) model assumes that a consultant is involved in the change process. The approach uses a systematic process in managing strategic change where the consultant takes an active role throughout the process. It starts with collecting research data, feeding the data in a system, altering selected variables within the system and evaluating the results of the actions by collecting more data. This model assumes permanent change in behaviour. It involves unfreezing old behaviour, changing and trying out new behaviour and finally re-freezing the new patterns and practices.

Quinn's (1980) logical increamentalism stresses the involvement of the organisation's management to proactively move the change process forward incrementally. The steps involved start with patterns of change where managers create awareness and commitment incrementally; solidifying the process incrementally by creating pockets of commitment focusing on the organisation and finally integration of the process and interests and establishing, measuring of new key thrusts as well. The Bullock and Battern (1985) approach involves four stages. The exploration stage which involves awareness for the need for change; planning phase which involves understanding the problem, collecting information, setting change goals and designing a plan; action phase involving arrangements for managing change and finally the integration phase which involves consolidating and stabilizing change and reinforcing new behaviour as well.

According to David and Roberto (2005) change leaders should start the strategic change process by running effective persuasion campaigns that must begin weeks or months before the actual turnaround plan is set in concrete. This is intended ensure that employees will actually listen to tough messages, question old assumptions, and consider new ways of working. This approach has four phases of a persuasion campaign; setting the stage which involves convincing employees that radical change is imperative and demonstrating why the new direction is the right one; creating the frame which involves positioning the frame preliminary plan, gathering feedback and announcing the plan; the third step is managing the mood where employees' mood must be managed through constant communication; and finally reinforcing good habits where behavioural guidelines are reinforced so as to avoid backsliding.

Kotter (1996) eight steps to leading successful change start with establishing a sense of urgency where the market is examined thoroughly, identifying and discussing crises, potential crises and potential opportunities; the second step is to form a powerful guiding coalition where groups with enough power to lead the change effort are assembled and encouraged to work together as a team; the third step is creating a vision so as to help direct the change effort and develop strategies for achieving that vision; the fourth step is to communicate that vision where every vehicle possible is used to communicate the new vision and strategies, teaching new behaviour by the example of the guiding coalition; the fifth step is to empower others to act on the vision hence getting rid of obstacles to change; change systems and structures that seriously undermine the vision; encourage risk taking and non-traditional ideas, activities and actions; the sixth step is to plan for and create short-term wins whereby visible performance improvements are planned for; create those improvements; recognising and rewarding employees involved in the improvements; the seventh step is to consolidate improvements and produce still more change whereby increased credibility is used to change systems, structures and policies that do not fit the vision; hiring, promoting and developing employees who can implement the vision; reinvigorating the process with new projects, themes and change agents; and finally institutionalising new approaches whereby the connection between the new behaviour and the success of the organisation is articulated hence developing the means towards leadership growth and succession.

2.4. Resistance to Change

Resistance to change is proportional to the degree of discontinuity in the culture and/or the power structure introduced by the change (Ansoff, 1988). Zander (1950) defines resistance to change as the behaviour, which is intended to protect an individual from the effects of real or imagined change. Employees want to maintain the status quo in the face of pressure to alter the status quo (Zaltman and Duncan 1977). According to Folger and Skarlicki (1999), employee will always want to challenge, disrupt, or invert prevailing assumptions, discourses, and power relations when faced with change.

There are two main types of resistance to change namely systemic and behavioural resistance. Systemic resistance refers to the passive incompetence's of the organisation. It is proportional to the capacity required for the new strategy to work and the capacity to

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handle it. Systemic resistance arises from a lack of appropriate knowledge, information, skills and managerial capacity. It occurs whenever the development of capacity lags behind strategic development. This can be illustrated as follows: -

Figure 2: Capability gap

Environment E_1 ──────────────────────────▶ E_2

Strategic Response S_1 ──────────────────────────▶ S_2

Systemic gap

Internal Capability C_1 ──────────────────────────▶ C_2
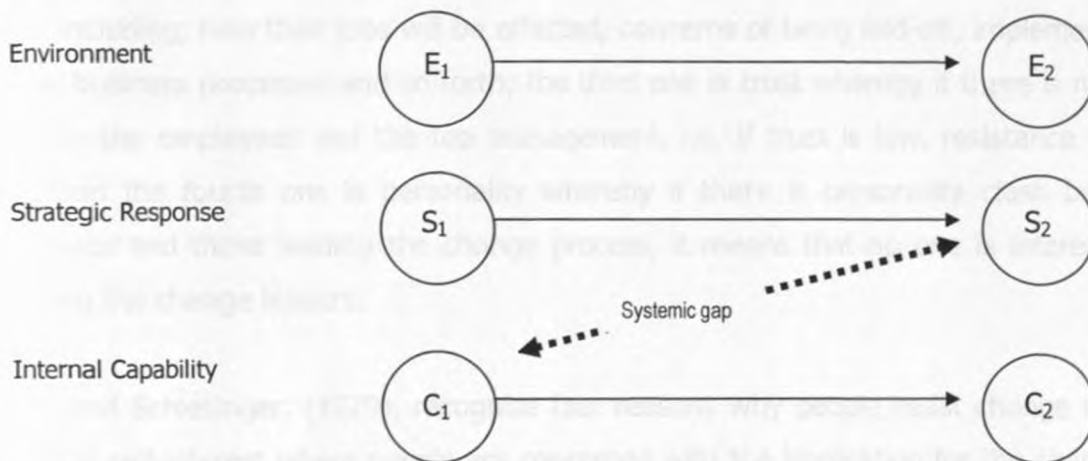
Source: Ansoff and McDonnel (1990), 'Managing a Firm's Adaptation to Environment', page 33

Behavioural resistance is brought about by both individuals who resist change and/or groups of staff members sharing common tasks, example are the Unions in companies. Naturally, people do not like to change the way they do things and change is usually unwelcome in organisations. Coch and French (1948) acknowledged that aggression and frustration in employees as the emotional factors that caused undesirable behaviours and resistance to change. Zander (1950), offers six primary reasons for employee resistance to change namely; if the nature of the change is not made clear to the people who are going to be influenced by the change, they will resist the proposed change; if the change is open to a wide variety of interpretations, people may get different meanings from the proposed change hence resist it; thirdly, if those influenced feel strong forces deterring them from changing, they will tend to resist it; fourthly, if the people influenced by the change have pressure put on them to make it instead of having a say in the nature or the direction of the change. In this case, people feel that they are being forced to accept the change, hence they will tend to resist it; also, if the change is made on personal grounds, people will tend not to trust the new change, hence feeling threatened; and finally, if the change ignores the already established institutions in the group.

According to Strategic Connections Inc (2004), there are four main sources for individual resistance to change; the first one is lack of context and direction where employees do not understand the business drivers, market place and future vision of the organisation; the second one is emotion resistance which stems from fear of the change being promoted or implemented. In this case, peoples fears will be driven by their lack of understanding of issues including; how their jobs will be affected, concerns of being laid-off, implementation of new business processes and so forth; the third one is trust whereby if there is no trust between the employees and the top management, i.e. if trust is low, resistance will be high; and the fourth one is personality whereby if there is personality clash between employees and those leading the change process, it means that no one is interested in following the change leaders.

Kotter and Schlesinger, (1979), recognise four reasons why people resist change namely parochial self-interest where people are concerned with the implication for the change for themselves and how it may affect their own interests; the second reason is misunderstanding due to communication problems or inadequate information; the third one is low tolerance to change where certain employees are more keen on stability and security in their work; and the fourth one is where people have different assessments of the situation whereby some employees may disagree on the reasons for the change and on the advantages and disadvantages of the change process.

The results of resistance to change by employees as identified by Ansoff (1988) include procrastination and delays in triggering the process of change; unforeseen implementation delays and inefficiencies which slow down the change and make it cost more than anticipated; there may be efforts within the organisation geared to sabotaging the change or to 'absorb' it in a welter of other priorities.

2.5. Managing Resistance to Change

Change introduces and leads to emotional turmoil to those affected which could be either positive or negative. It may be resisted passively or be aggressively undermined. Resistance to change is a multifaceted phenomenon, which introduces unanticipated delays, costs and instabilities into the process of strategic change (Ansoff, 1994).

One of the biggest threats to successful recognition of implementation of strategic change in organisations is the resistance of people to change. In the management of their environment, people prefer to stick to trusted and proven coping techniques. Change means that they have to find new, perhaps less successful, ways of managing their own environment (Morris and Rabin 1995). According to Strategic Connections Inc. (2004), the first step in overcoming resistance is to understand various forms of resistance to change various forms of communication and relationship building with employees hence countering resistance to change as shown in *table 1* below;

Table 1: Countering Resistance to Change

Type of change	Actions	
1. Lack of context and direction	Presentations; Employee forums; Newsletters; Change and vision maps; Question and answers	Compelling vision of the future Special publications Financial Information Competitor information
2. Emotion	Face to face communication – manager/supervisor with employee formal and informal Dialogue; Conversation	Change experience courses Active listening Acknowledgement of fear
3. Trust	Relationship building; Active listening; Openness and honesty	Active listening; Planned communication; Walk the talk
4. Personality	Relationship building; 360 survey	Interpersonal skills development

Source: Strategic Connections Inc, 'Understanding and Overcoming Resistance',http://www.strategicconnections.com/resistance.htm , 2004

Effective communication with employees in order to counter resistance involves convincing them to accept change where management should take pronounced steps such as cleaning up the balance sheet and creating a huge loss for the quarter; selling corporate headquarters and moving into a building that looks more like a battle command centre; making 50% of the top pay for the top 10 officers based on tough product-quality targets for the whole organisation; allowing errors to blow-up rather than being corrected at the last minute; talking regularly to unsatisfied customers; holding honest discussions on company problems; telling your business that they have 24 months to be market leaders with the penalty of failure being divestiture or closure. These can be received either positively or negatively by employees. There can be loss of key staff members and valued

customers as well (Kotter 1996). Therefore, in order to prevent resistance, management should use good strategies to manage resistance to change.

Resistance to change may not be completely prevented but can be minimised to a manageable level hence allowing strategic change to be successful. Various strategies exist that can be used to minimise resistance to change. Morris and Rabin (1995) suggest that the first step is to identify and develop dissatisfaction with the current state. This involves managing the change events and activities in such a way that the people are allowed to experience for themselves the need for change; the second step in the process is encouraging participation by employees in planning and implementing change. Several researchers have found that participation in change tends to increase excitement, reduce resistance, build ownership and thus motivate people to make the change work (Coch and French, 1948; Vroom, 1964; Kotter and Schlesinger, 1979). The third strategy is to build in rewards whereby the desired behaviour is supported both during the transitional state and the future state with a reward system. If people perceive that they will be rewarded for some action, they are more likely to do it; allow time and opportunity to disengage from the present state. People feel a natural attachment to the way things are. They should therefore be provided with the appropriate time for letting go and the opportunity to express their feelings in small group discussions.

According to Kotter and Schlesinger, (1979) there are six different approaches that can be used to prevent, decrease, and minimise resistance to change in organisations. The first approach is education and communication which may be used where there is lack of information or inaccurate information and analysis. This is used to educate people on the change process beforehand. Upfront communication and education that helps employees to see the logic in the change effort is used hence reducing unfounded and incorrect rumours about the change in the organisation. The second approach is participation and involvement which may be used where the initiators do not have all the information they need to design the change and where others have considerable power to resist. This approach involves employees in the change process hence reducing their likelihood to resists the change as they are part of the change.

The third approach, according to Kotter and Schlesinger (1979) is facilitation and support which may be used where people are resisting because of adjustment problems. Organisations may offer incentives to those resisting change. Managerial support is also essential to employees so as to cope with the change. The fourth approach is negotiation and agreement which may be used to convince someone or some group with considerable power to resist, on need and benefits of the change. The fifth approach is manipulation and co-optation which may be used where other tactics will not work or are too expensive; and the sixth approach is explicit and implicit coercion which is normally used where speed is essential and the change initiators possess considerable power. Employees are forced to accept change or risk loosing their jobs.

The above strategies are used to ensure success in strategic change in organisations. If strategic change is not properly managed, it can have negative impact on the organisation's performance. Argyris (1985) suggested four activities that can be carried out in order to counter the negative impact of resistance to change. They include; starting small whereby one or two relatively clearly defined technical or organisational problems that will require the reduction of the defensive routines if they are to be solved effectively are worked on after obtaining commitment for the programme; the second one is to start at the top as the management has the greatest power to encourage and nurture power and to monitor it and take responsibility for the direction and pace of development as well; the third activity is to start with an important problem by first identifying tough problems where there is a high probability of success; and the fourth one is to start with clearly defined change processes whereby the nature of change and activities therein are stated unambiguously at the outset. Ambiguity may result in uncontrollable and unending change program. The activities should firmly pace the responsibility for the direction and pace in the hands of the people facing the change process to establish ownership. The people involved should be made aware of the defensive routines that various groups are likely to follow, enabling them to recognise and counteract them.

Employees can be assisted to cope with change as implementation of strategic change takes place. The ADKAR model, developed by Prosci, (2000), is used in managing strategic change and focuses mainly on managing employees during strategic change implementation hence enabling them to move smoothly from one phase of change to another. The model is very useful in managing employees' resistance to change (Prosci,

2000). The figure below shows the five steps of the ADKAR model mapped to enablers and management activities.

Figure 3: ADKAR Model Mapped to Enablers and Management Activities

Employee phases of change			Enablers
	A	Awareness of the need for change	• Management communications • Customer input • Marketplace changes • Ready-access to information
	D	Desire to participate and support the change	• Fear of job loss • Discontent with current state • Imminent negative consequence • Enhanced job security • Affiliation and sense of belonging • Career advancement • Acquisition of power or position • Incentive or compensation • Trust and respect for leadership • Hope in future state
	K	Knowledge on how to change	• Training and education • Information access • Examples and role models
	A	Ability to implement required skills and behaviors	• Practice applying new skills or using new processes and tools • Coaching • Mentoring • Removal of barriers
	R	Reinforcement to sustain the change	• Incentives and rewards • Compensation changes • Celebrations • Personal recognition

Source: 'Change Management'; Prosci's Change Management Learning Centre, (http://www.change-management.com/Resistance-mod1.doc.pdf)

Awareness stage involves relying key messages to employees, building awareness through various channels; providing the information at the right time and selecting the best communicator of the message. This is the most critical stage as it is the beginning of the change process (Prosci, 2000). At this stage, employees need to know why they need to change and how the change will affect them. If the message is not communicated well, there can be mistrust amongst employees hence resistance to change.

The second step in the ADKAR model is to build the desire for change and motivate employees to support change. Employees need to have the desire to participate and support the change. The desire for change can be created by using Prosci's top-10

methods namely; listen and understand the objections; focusing on the 'what' needs to be changed; removing barriers to change; providing simple, clear choices and consequences; creating hope; showing the benefits in a real and tangible way; making a personal appeal; converting the strongest dissenters into advocates; creating a sacrifice by removing a key employee that is demonstrating resistance to change so as to send a strong message to the whole organisation and using money or power (Prosci, 2000).
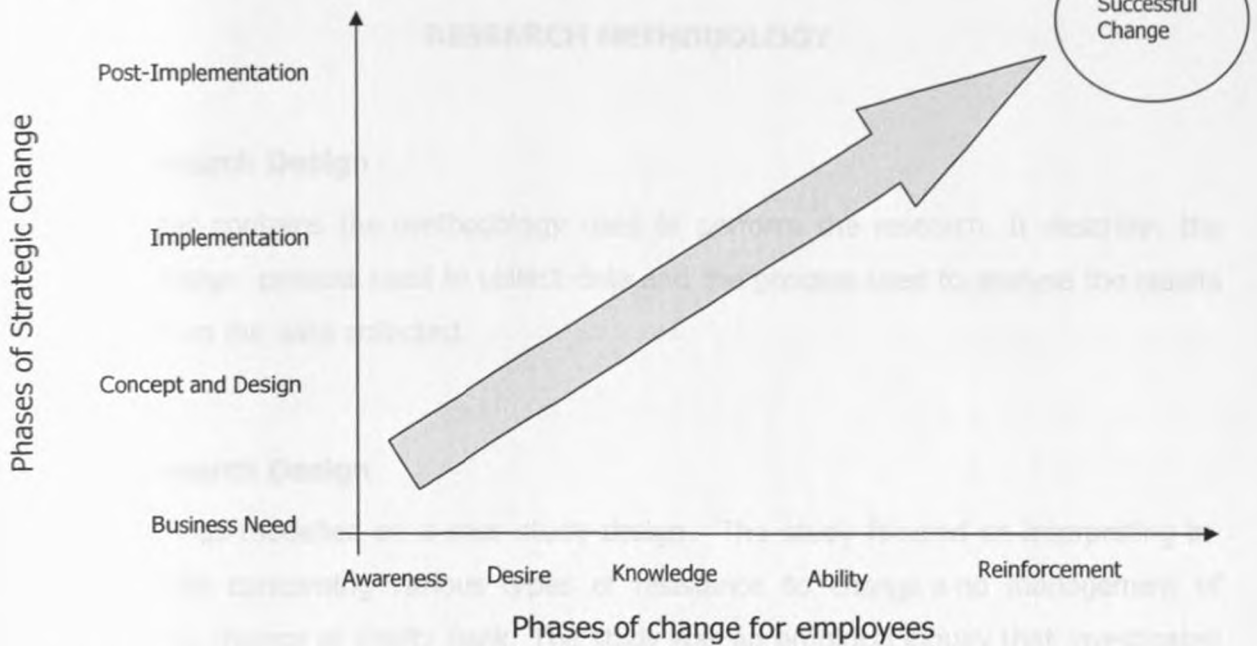
The third step is the role of knowledge of "how to change" during the change process. It is the learning process which includes learning about the change and information about how to change. If knowledge is withheld during a time of crisis, that failure would create animosity, distrust and extreme resistance (Prosci, 2000).Knowledge should be shared with employees through any of the communications channels including formal training and education, observations and examples especially from role models and mentors.

The fourth step is in developing the ability to change and overcoming obstacles to ability. Ability is the degree to which a person can perform the required skills and act on the knowledge about how to change. It means acting differently and/or working in a new way. It enables employees to act and behave as expected in the new situation. In developing the ability, employees are expected to develop new or different physical capabilities, approach work differently and apply new working methods. There are three steps for developing ability to change; coaching and mentoring; diagnose the root cause or obstacles and intervening at the right time (Prosci, 2000).

The final step in the ADKAR model is in reinforcing the change. Reinforcement is important to keep the change in place. Employees require motivation to keep the newly acquired behaviour. This can be implemented through personal recognition, rewards, compensation and/or celebration (Prosci, 2000).

Strategic change must take place in both people and business dimensions simultaneously in order for it to be successful (Prosci, 2002). Figure 4 below illustrates how the two dimensions must work together.

Figure 4: Business versus People Dimensions of Strategic Change

The business dimension of change includes the typical project management elements such as identification of business needs or opportunities, project definition (scope and objectives), designing business solutions (new processes, systems and organisational structure), development of new processes and systems and lastly implementation of the solutions in the organisation. The people dimension of change is how employees experience the change process. Research shows that problems with the people dimension of change are the most commonly cited reason for failures in project management such as management of strategic change (Prosci, 2000). A study with 248 companies carried out by Prosci in 2002 showed that effective change management with employees was one of the top-three overall success factors for the project. Helping managers to be effective sponsors of change were considered the most critical success factor overall. Effective management of the people dimension of change requires managing the five phases that form the basis of the ADKAR model illustrated in figure 4 above.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Research Design

This chapter contains the methodology used to perform the research. It describes the research design, process used to collect data and the process used to analyse the results obtained from the data collected.

3.2. Research Design

The study was modelled on a case study design. The study focused on interpreting in-depth details concerning various types of resistance to change a nd management of resistance to change at Equity Bank. The study was an empirical inquiry that investigated a contemporary phenomenon within its real-life context. The results provided insight as to how companies should prepare themselves to cope with the change, hence minimising resistance.

3.3. Data Collection

Personal interviews were conducted and open-ended questions were used to avoid subjectivity resulting from limiting the respondent's answers to questions. This facilitated a more in-depth interaction with the respondents who comprised of Equity Bank's Head of Business Growth and Development and two of the thirteen bank managers. The interviews covered various forms of resistance to changes that Equity bank had been experiencing in the course of implementing strategic change and how the bank had been responding to these resistances. The interview guide covered how Equity Bank managed both systemic and behavioural resistance to change.

The systemic resistance to change questions covered general management and functional management capabilities areas while behavioural resistance to change questions were based on the five steps of the ADKAR model as proposed by Prosci (2000). The five steps stand for Awareness, Desire, Knowledge, Ability and Reinforcement. According to Prosci

(2000), the model has been used to manage employee transition during strategic change in an organisation, focus conversations about strategic change, resolve conflicts, and identify corrective action so as to minimise resistance by employees to strategic change.

3.4. Data Analysis

Content analysis was used to analyse the data collected. This can be described as a systematic qualitative description of the composition of objects or material of study. It involves observation and detailed description of objects, items or things that comprise the study (Mugenda, 1999).

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1. Introduction

This chapter contains the results of the interviews conducted. The interviews were unstructured and involved discussions on the past and current state of the bank in relation to managing resistance to change. There people were interviewed; the head of business growth and development and two of the thirteen managers.

4.2. The Organisation

Equity Bank has been implementing various strategic changes since inception. Implementations of the major strategic changes commenced in 1993 and are continuing to-date. The institution opened its doors in 1984 as a mortgage services company focusing on the low-income earners in central Kenya. In the 90's, the institution changed its focus to provide micro-finance services to both low and middle income earners. However, the bank experienced financial difficulties in early 90's and was at the verge of collapse as per the report from Central Bank of Kenya (CBK). This necessitated an immediate turnaround. Financial assistance from donors and incoming of shareholders in late 90's marked the start of the institution's major strategic changes. Below are the responses to the interviews on the forms of resistance to change experienced by the bank and how the bank has managed the resistance to-date.

4.3. Barriers to Change and Assessment of Nature of Resistance to Change at Equity Bank

This section covers the main barriers of change and the nature of resistance to change at Equity Bank as per the responses by various respondents to the questionnaire.

4.3.1. Main Barriers and/or Areas of Resistance to Change

From the literature review, it is clear that from the time the EBS was at the verge of collapse in 1993, management made concerted effort to revive the institution and bring it back to profitability. According to the respondents, Equity Bank's management anticipated resistance to change and therefore ensured that efforts were made to handle it as it came. This is as recommended by Bolognese (2002) that organisations should always anticipate resistance to change as this is inevitable.

According to the respondents, there were different types of resistance to change that the bank experienced from the inception of the institution. In 1993, there were two main systemic resistances to change, financial and the skills/knowledge (capability) necessary to implement the intended changes. From the responses, it was clear that the biggest of the systemic resistances at the time was financial. The second systemic resistance was lack of the appropriate knowledge, skills and leadership to lead the change process.

Based on the discussions with the respondents it was evident that as more strategic changes were communicated to various stakeholders, staff and customers, the bank experienced behavioural resistance to change from staff, customers and other stakeholders. The main types of behavioural resistance to change experienced by the bank were; doubt from individuals, groups of employees and some loyal customers. There was fear emanating from customers due to the uncertain future. Customers would ask 'why change now?' Employees feared job loss. This fear was caused by the general trend in the industry whereby other banks at the time had resulted to downsizing and retrenchments as the banks implemented strategic changes. The observed types of behavioural resistance at Equity Bank are similar to the six primary reasons for employees' resistance to change as described by Zander (1950). A third major resistance to change was the culture emanating from the thinking of a small institution. The bank had now to change in order to compete favourably with multi-nationals like Standard Chattered Bank and Barclay's Bank especially in services such as giving loans to customers.

4.3.2. Assessment of the Nature of Resistance to Change Prior to Implementing Strategic Change

From the responses to the interviews conducted, it is clear that Equity anticipated resistance to change by employees. Contrary to Lewin's (1946) model which recommends performing research and analysing data prior to performing strategic changes, the assessment on the forms of resistance to change was not performed prior to implementing strategic changes. However, some aspects of resistance to change were captured during the skills and change management needs assessments that were carried out for the entire organisation. The results of the assessments indicated that employees and other stakeholders as well required knowledge and skills in order to accept and participate in the intended changes.

According to the respondents two surveys were performed that captured issues that could possibly cause resistance to change although in a small way. These were the image survey carried out by both the staff and Micro-Save Africa to determine customer perception on the changes; and the customer perception survey that was carried out by Steadman Associates to listen to the customers and capture what they needed and anticipated from the converted entity. The surveys support Lewin (1946) model which recommends collecting research data and analysing it prior to performing strategic changes as far as image and customer perceptions are concerned but not when it comes to resistance to change.

4.3.3. Main Capability Gaps

According to the discussions with the respondents, the main capability gaps included lack of finances to fund the intended changes; lack of change leaders to steer-on the process and lack of managerial skills. There was also lack of adequate information as the customers did not understand where the organisation was headed and the employees feared job losses. This resulted in some directors opting out of the institution. These gaps were addressed in the process of implementing strategic changes.

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4.3.4. Solutions to the Capability Gaps Problems

According to the respondents, the institution responded to the capability gaps by employing two key persons in the mid-90s, who brought new ideas as to how the bank could be turned around to profitability. The financial systems specialist who is the current Chief Executive Officer (CEO), through his contacts with the then CEO, deposited Kshs. 3.4 million with the institution and an additional Kshs. 4 million from his associates, which saved the building society from eminent collapse due to cash flow problems.

From the responses, the managerial skills challenge was resolved by two-person consultant team of the financial systems specialist and the human resources specialist, who were hired to conduct a needs assessment and provide the management with a strategy for meeting the identified needs. The two-person team provided invaluable training and technical assistance in streamlining systems and procedures, and in defining and popularising a mission and vision for Equity Building Society. A change agent was later hired to assist in conversion of the institution into a bank in 2004. This is in accordance with Lewin's (1946) model which assumes that a consultant is involved in the change process. From the responses, staff capability building was performed through leadership training form managers; problem solving teams training for all managers and officers and quality management training for all second level managers and officers.

4.4. Awareness of the Need to change

According to the respondents Equity Bank ensured that employees were involved in the change process. As recommended by Prosci (2000), the change initiators communicated the intended changes through training, mentoring, message boards and various bulletins. From the responses, it was evident that customers were also informed of the need for change in advance through organised forums by the bank's management. The forums were organised in various offices and hotels depending on the category of participants. Management and employees forums were conducted in head office in Nairobi and in branches country-wide, while customers and director's forums were conducted in hotels such as Safari Park Hotel. The facilitators of these sessions was mainly the finance director, now the CEO and the head of business growth and development who performed the presentations by use of visual aids such as Microsoft PowerPoint, to illustrate the needed changes and the projected future as well. This procedure used to create

awareness supports Prosci's (2000) and Kotter's (1996) models which support training, communication and employees' empowerment for successful strategic change.

4.4.1. Kind of Resistance to Change by Employees

According to the responses, the employees would refuse to be transferred to different locations country-wide; some of them refused to attend training that took place over the weekends and morning briefs as well. Others resisted long working hours and hence changed jobs to other companies/institutions. This is in accordance to Bolognese's (2002) assertion that employees' must resist change.

4.4.2. Sources of Resistance to Change by Employees

From the responses it was evident that the Bank employees feared job loss due to the fact that other banks were retrenching at the time, so Equity Bank's employees felt that the changes would also result in retrenchment. Secondly, the employees were not clear on why the bank wanted to change and what the outcome of the changes would be. According to Kotter (1996) lack of information or unclear information may be misinterpreted by the employees hence leading to resistance to change.

4.4.3. Causes of Resistance to change by Employees

From the responses, there was eminent fear and doubt from the employees as to what the institution was changing into and what the consequences of the change would be in the long run. There was fear from some bank's management that the institution risked loosing existing customers and key managers.

4.5. Creating the Desire for Change

Based on the discussions with the respondents it was evident that the management first of all performed needs assessment in order to understand the staff's and customers' point of view and the needed requirements for change. The CEO then illustrated the current status in terms of business, competition, financial and customer issues to all stakeholders during various forums in order to create the desired understanding as to the current state of affairs and the intended desired future that the institution envisioned. The respondents

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stated that this was performed during various forums with the staff, customers and the directors of the banks. During these forums, the consequences of not changing and the future benefits of the intended change were communicated as recommended by Prosci (2000). For instance, the customers, staff and other stakeholders were reminded of the fact that the bank was going to close doors in 1993 if radical changes were not implemented; secondly, the participants were provided with information on the changing customer desires and preferences and how other banks had responded to them. The need to remain competitive in the market was also communicated to the participants. This enabled the staff, customers and stakeholders share the vision with the management hence they were able to support the change and participate in the strategic change process. From the discussions with respondents, it was evident that Equity Bank used known procedures in creating desire for strategic change among the staff and customers as advocated by Prosci (2000).

4.6. Knowledge Management during the Change Process

According to the respondents, the employees learnt about the change from the CEO. The bank used the structure tree tool to impart the required knowledge and to implement the strategic change as well. The structure tree tool with its central root depicting the vision; one of the other roots depicting the mission; the trunk depicting the critical success factors and the main branch depicting the measures of success was used to impart knowledge on the change process to staff.

Based on the discussions with the respondents, the bank was clear of where the institution was headed from the beginning. According to David and Roberto (2005) change leaders should start the strategic change process by running persuasion campaigns weeks or months before the turnaround. The issue of the institution transforming from a building society into a bank was clear and was communicated to both staff and customers early enough. The bank invited an external change agent who assisted in the change process. This is in accordance with Lewin's model which assumes that a change agent is always involved in strategic change to provide guidance. Various change management committees comprising of senior managers and branch managers were formed. Frequent training and brainstorming sessions named World Café Sessions, were held and employees were encouraged to come up with ideas to various issues that were discussed. According

to Kotter (1996), employees' participation in the change process is important in order to minimise resistance and enhance employees' buy-in to the change process.

According to the respondents, there were various teams which were constituted to perform various roles in the change process; training was also conducted for various groups of staff. The staff capacity building sessions were conducted through various training sessions. These were on leadership skills for all managers and officers. During the discussions with the respondents it was revealed that problem solving teams consisting of managers and officers were constituted to handle any problems arising from the change process. There was also a quality management team comprising of second level managers whose role was to ensure that quality standards were maintained.

Based on the responses, the structure tree tool was used by both individuals and groups of individuals to come up with critical success factors for their current jobs. These were presented to other staff members during various forums whereby the listeners would ask questions on the presented critical success factors (CSFs). This enabled the presenter to refine their CSFs. The CSFs were continuously cascaded by individual units and presented to the rest of staff. As a result, there has been improved presentation skills across the board, in-depth understanding of the critical success factors and successful buy-in by staff members.

The critical success factors were communicated to board members where staff provided their views on their experience in working with the structure tree tool and the use of critical success factors to guide them in performing their daily tasks. During the forum, improvements were made on the critical success factors. The critical success factors and the use of the structure tree tool were completely cascaded to 100% staff by end September 2004. This ensured that all stakeholders were well equipped with the necessary knowledge on how the future in the making would look like and how this would benefit both the individuals and the bank as a whole by ensuring that they understood the new business direction, new business processes, enabling technology and tools and their new job roles, skills and expected behaviours.

4.7. Ability to Change

From the responses, it was evident that the employees of Equity bank were involved 100% in the change process. First of all, staff were trained and mentored during the change process as advocated by Prosci (2000). The use of the structure tree tool involved all employees across the board whereby they brainstormed during the World Café sessions and came up with reasonable critical success factors for their respective duties that were in line with the vision and mission of the bank.

According to the respondents, the CEO and the Head of Growth and Development facilitated the sessions for senior managers and the branch managers. A second level process was later formed where the managers would facilitate the sessions for the rest of the staff members. As the bank implemented the changes, updates were performed during morning briefs where key issues affecting the bank were discussed. A cause and effect matrix was used to analyse issues at hand for the different groups. Currently, CSFs are reviewed and shard through the CEOs bulletin. According to Coch and French (1948), Vroom (1964), Kotter and Schlesinger (1979), participation in change tends to increase excitement, reduce resistance, build ownership and thus motivate people to make the change work. This is evidenced by the sessions at Equity Bank which created teamwork and excitement amongst staff as they saw themselves as part of the change process.

Other training sessions on the new products and services were performed to various staff member throughout the country. The respondents explained that the training also included customer relationship management where skills such as problem solving, customer care, business management, interpersonal skills, teams' dynamics, sales and marketing were provided. After the training sessions, employees were assisted in utilising the leant skills in the real working situations. This was performed, and is still being performed, by the banks' officers and supervisors.

Based on the discussions with the respondents it was found out that that during the process of changing from a financial institution to a bank in October 2004, a cross-functional team was formed to champion the conversion of Equity Building society into a commercial microfinance bank. The establishment of rationale, process and benefits of conversion formed the objectives of the team. The team came up with the mission, vision,

objectives and strategies for the bank. This resulted in coming up with a new name for the bank and change of logo. Little resistance to change was experienced during this process as the staff and customers were informed well in advance on the strategic changes and they were assisted to participate in the process.

4.8. Reinforcing the Change

According to the respondents, it was revealed that in February 2005, Equity Bank celebrated one year since the inception of the structure tree tool project. Based on the discussions with the respondents, it was found out that during the strategic change process over the years, employees were encouraged to brainstorm, share new ideas, and to own the change process as well. The critical success factors they came up with during World Cafes brainstorming sessions were used as their job descriptions. "Equity Bank is a work in progress bank. We cannot have typical job descriptions as this will pipe people's minds hence stagnation of the continuous change process" said the Head of Business Growth and Development during the interview.

From various responses, it was evident that the leadership style of delegating responsibility, creating incremental challenges and rewarding performance enhanced the morale of senior managers and branch managers as well. Lower staff cadre was not left behind; they were also rewarded for good performance, dedication and long service. This ensured that there was personal recognition and appreciation for work done by each staff member as advocated by Prosci (2000) whereby incentives, rewards and celebrations help in reinforcing and sustaining the change. According to the respondents, measurement of good performance was and still is performed using the structured tree tool and feedback provided to respective staff members. From the responses, it is evident that Equity Bank endeavours to change continuously as the business environment changes so as to remain competitive and achieve its vision. The core guiding values for the bank are **P**rofessionalism, **I**ntegrity, **C**reativity & innovation, **T**eamwork, **U**nity of purpose, **R**espect and dedication to customer care, and **E**ffective corporate governance. These stand for the word PICTURE.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1. Introduction

The objectives of this study were two-fold; the first one was to determine the forms of resistance experienced by Equity Bank during implementation of strategic changes; and the second one was to establish how the bank managed the resistance. Having analysed the data, this chapter discusses the research findings, conclusions drawn from the study, recommendations, limitations of the study and suggestions for further research.

5.2. Discussion

This project had two objectives. The first objective of the study sought to determine various forms of resistance to change experienced by the bank in the course of implementing strategic changes over the years. The second objective was to determine how Equity Bank has been managing these resistances to change over time.

Broadly, there are two main forms of resistance to change namely systemic and behavioural resistance. Systemic resistance refers to the passive incompetence's of the organisation. It is proportional to the capacity required for the new strategy to work and the capacity to handle it. Systemic resistance arises from a lack of appropriate knowledge, information, skills and managerial capacity. It occurs whenever the development of capacity lags behind strategic development. The findings indicated that there was resistance to change at Equity Bank but the management anticipated it and proactively sought strategic change processes that minimised resistance to change. According to Bolognese (2002) and Coetzee (1999), organisations must anticipate resistance and make efforts to work with it.

The findings indicate that Equity bank experienced both forms of resistance to change, namely, behavioural and systemic resistance. Behavioural resistance was as a result of employees' resisting new changes such as relocation to newly opened branches and performing the daily tasks using new procedures especially after computerisation of the

bank's business processes. Systemic resistance was mainly caused by lack of strong leadership and lack of adequate funds to implement the desired changes especially after the Central Bank of Kenya report on performance of 1993 coupled with the desire to grow the institution as well.

Equity Bank used various methods to overcome the resistance to change. The top management communicated the intended changes to the employees well in advance. The need for change was emphasised and made clear to al staff. A structured approach to imparting the needed change was used with the help of an external consultant. Morris and Rabin (1995) suggest that the first step is to identify and develop dissatisfaction with the current state. Equity used this approach by letting the employees and customers as well know that the bank was at the verge of collapse in 1993 and if the bank did not start the change process at the time, closure of the institution was inevitable. Employees were trained and assisted to adopt the required skills and practises during the change process. This is in line with recommendations by Kotter and Schlesinger (1979) who suggest education and communication is important when implementing change in an organisation so as to equip the employees with the necessary knowledge required to adopt the new ways of doing things.

In order to assist employees to embrace change, the bank used the structured tree tool which enhanced employees' involvement and participation during the change process hence enhancing ownership of the change. This was performed through effective communication of the current status and the desired future by top management. The employees' ability to change was enhanced by coaching and mentoring provided by senior management. This was reinforced by use of incentives and promotions for outstanding performers.

Systemic resistance was overcome through change of leadership and training of staff. The bank obtained financial assistance from various donors like DFID and UNDP. The financial assistance was necessary to help the bank stabilise financially and be in a position to implement the required changes like computerisation, perform training for both employees and customers, and in creating awareness of the new developments to the public so that

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the public can gain confidence in the revival of the institution. This resulted in gaining customer confidence hence retaining the old customers and attracting new ones.

From the start of the strategic change process, the bank had developed a clear vision and mission which were communicated to staff by the chief executive officer well in advance. Staff and customers were continuously trained and mentored during the change process hence making it easy for them to embrace the change and remain loyal to the institution. This is in line with recommendations by Kotter and Schlesinger (1979) whereby effective communication is essential while minimising resistance to change as it provides the necessary information about the intended change.

The fact that the financial institution almost shut doors in 1993, coupled with the fact that it had the burning desire to transform to a bank in future, made all the concerned stakeholders embrace the new changes and participate in implementing them. The board of directors (BoDs), managers and officers were instrumental in assisting staff during the change process hence minimising any resistance that arose from time to time.

5.3. Conclusion

Equity bank successfully managed to reduce resistance to change by ensuring that the employees, customers and other stakeholders were fully committed to the change process at every step of the process; planning, implementation and evaluation stages of the change. This is inline with recommendations by David and Roberto (2005) whereby the bank's management convinced both the employees and customers alike on the need for change and the direction for change. Effective communication was used to manage resistance along the process of change through feedback and constant reinforcing of acquired habits and behaviours. According to the respondents, the management provided a clear vision to the stakeholders through financial security, increased earnings potential, clarified specific and personal benefits during discussion forums, involved those affected in the entire process, recognised the past and present ways as a foundation to build on, focused on enhancements, got direct involvement from all stakeholders, demonstrated how direct involvement was necessary and advantageous for all and related the change to broad organisational goals of the bank. This gave the stakeholders a clear view of the big picture hence seeing their role as part of the change and the gains therein.

In conclusion, the results form the respondents indicate that, Equity Bank has demonstrated that the management of resistance to change is extremely important for growing organisations in order to succeed in implementing strategic changes. According to Bolognese (2002), if resistance to change is not properly managed, it can undermine even the most well-intentioned and well-conceived change efforts. Equity has as a result succeeded in refining its products, expanding its branches, installing new systems, increasing productivity and holding the attention and the excitement of both staff and customers. Most of this has been driven from senior management level with very good support from the Board of Directors.

5.4. Recommendations

The biggest challenge at Equity Bank is to consolidate and to keep up the current pace of response to the rapidly changing environment. However the respondents confirmed that the bank is keen to keep changing with the changing environment. The structured tree tool will be in use even in future to continuously update the critical success factors that are used as job descriptions for the staff. The second recommendation is that Equity Bank need to continuously perform staff and customers surveys in order to gauge their changing needs and respond to them on time hence minimising possible resistance in future.

5.5. Limitations of the Study

This study was limited to the issues on resistance to strategic change at Equity Bank. The study did not cover views from the bank's employees on the impact of strategic changes implemented in the bank on the staff. Secondly, evaluation was not performed on the effectiveness of the structure tree model used on managing different forms of resistance to change. Thirdly, the study was performed on one bank which may not necessarily be a good representative of all the banks as far as forms of resistance to change banks experience during the strategic change processes and how they have been responding to them.

5.6.   Suggested Areas for further research

Given the above limitations, a study should be performed to look at the effectiveness of the structured tree tool in managing behavioural resistance to change. Secondly, views from the staff on the impact of the strategic changes on the employees of the bank should be performed. Thirdly, a replication study can also be performed for another bank or institution to evaluate various forms of resistance to strategic change and how such banks or institutions managed the resistance. In addition, the study can be taken further to determine the relationship between business performance and resistance to change.

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APPENDICES

Appendix I: Letter of Introduction

Date: 15th September 2005

Dear Respondent;

I am a post graduate student at the University of Nairobi studying Master of Business Administration in the Faculty of Commerce. I am currently conducting a case study at Equity Bank in the area of managing resistance to strategic change.

The purpose of this letter is to request you to respond to the attached interview guide. The interview guide is unstructured and is designed to gather information on the management of resistance to strategic change experienced by the bank in an effort to implement strategic changes over time in response to environmental challenges. The guide also covers the forms of resistance to change that the bank has been experiencing.

The information you provide will be treated in strict confidence and at no time will your name be referred to directly. The information gathered will be used for academic purposes only.

Kindly cooperate,

Yours sincerely,

Lucy M. Munga   **Mrs. Margaret A. Ombok**
MBA Student   **Supervisor**

Appendix II: Interview Guide

Section A: General Information

Interviewee Name (Optional):_____

Position/Designation: _____

Department:_____

Section B: Barriers to change and assessment of nature of resistance to change at Equity Bank

1. What were the main barriers and/or areas of resistance that had to be overcome; at organisation level? (List the top five)

    i.   .

    ii.   .

    iii. .

    iv.   .

    v.   .

2. Did management perform an assessment of nature of resistance to change prior to implementing strategic changes? (Yes/No)

    If so,
    What did the bank use to assess this?
    Was the assessment performed throughout the bank?
    What were the results of the assessment? i.e. assessment results pertaining to resistance to strategic changes at the bank.

    i.   .

    ii.   .

    iii. .

    iv.   .

    v.   .

3. List the main capability gaps that the bank experienced as it implemented strategic change.

i. .

ii. .

iii. .

iv. .

v. .

4. What were the solutions to the capability gap problems, i.e. in order to close the capability gap? *(Use the following as a guide).*

   Interoperability
   Burden sharing
   Obtain financial assistance
   Training and mentoring

Section C: Awareness of the need for change

4. Did Equity Bank create awareness of the need for change amongst employees? (Yes/No)

   If Yes;
   How did the bank create awareness of the need for change amongst employees?
   What channels of communication were used to pass the messages to employees?
   How did the bank handle timing and audience?
   Who were the communicators of change?

5. Was there resistance to change by employees? (Yes/No).

6. What kind of resistance to change by employees was experienced at this (initial) stage?

7. What were the sources of greatest resistance to change by employees?

8. What caused the resistance to strategic changes by employees?

Section D: Creating the desire for change

9. How did the bank create the desire to participate and support change in employees? *(Use the list below as a guide to answering the question).*

Listen and understand objections
Removing barriers or obstacles
Providing clear choices and consequences
Creating hope
Showing benefits in real and tangible way
Making a personal appeal
Converting the strongest dissenters
Creating a sacrifice
Using money and power

Section E: Knowledge management during the change process

10. How did the employees learn about the change and what information about "how to change" was provided to them? (Use *the list below as a guide to answering the question*).

Training and education programs
Open and ready access to information
Role models and mentors

Section F: Ability to change

11. What methods were used to enable employees develop ability to change the following and counter obstacles to the ability? (*Use the list below as a guide to answering the question*).

Change:
Develop new and different physical capabilities (motor skills)
Approach work differently and apply new work methods (analytical and cognitive ability)
Interact differently with co-workers, customers and suppliers (changes in behaviour)

Methods:
Practice and coaching
Diagnosing the root cause of obstacles
Intervening and implementing the intervention

Section G: Reinforcing the change

12. How did the bank ensure that the change is reinforced and there will be no fall-back? *(Use the list below as a guide to answering the question).*

    Incentives and rewards
    Compensation changes
    Celebrations
    Personal recognition

Thank you for taking time to respond to the questions.

Appendix III: Strategic Changes at EBS Since 1983

The Formative Phase, 1983 - 1992

- Lack of salary increments to staff during the first 10 years of the EBS and long hours of working.
- Departure of 3 of the 5 initial board members leaving 2 in late 80's.
- Culture change within management and staff as EBS changed its client service, vision and market focus. In early 90's when the bank was faced with hard times, EBS management had to strive to maintain the culture of teamwork and staff dedication by revising, improving and entrenching it. The culture of client service and client focus was also strengthened.

The Turnaround Phase, 1992 - 1995

- Incoming of a management and financial systems analyst, (the finance director) and a training specialist in mid 90's. This resulted in staff training and long working hours over weekends for EBS managers and staff.
- Board members also managing the operations of EBS.

The Executive Management Phase, 1995 - 2000

- Creation of a mission statement stating, "We, Equity Building Society, will mobilise savings and term deposits for the timely provision of loan facilities to generate sufficient and sustainable profits. This will enable us to contribute to the members' (clients') welfare and to the national economy. Equity recognises the importance of staff members and their contribution to the institution and will avail them of opportunities for growth and job security".
- Change of focus to microfinance in 1995 and creation of a new vision stating;
  - o 1995–2000: To become the biggest microfinance provider in Kenya in terms of funding, loan portfolio and profitability
  - o 2001–2005: To be the dominant microfinance provider in Kenya by the year 2005
  - o 2005–2020: To become the microfinance provider of choice in Kenya and the region
- Sensitising staff to learn and internalise the mission and vision.

The Governance Board Phase, 2000 - Present

- Incoming of additional board members hence increasing the number to seven. The additional members brought in more capital through share offers.
- Share offers to EBS's customers, staff and directors.
- Restructuring of the marketing department to perform market research and the redesigning of marketing focus from product-focused to client-focused approach.
- Ownership and governance changes over time – several changes at board level especially the leadership style from the new managing director who was the finance director. He brought with him new vision and management style. Initially, employees did not distinguish the role of the finance director and the chief executive officer. This was resolved by appointing the finance director as managing director who assumed leadership of operational management. The appointment of James Mwangi as Board member and Finance Director resulted in the executive management taking over full control of the organisation (Coetzee, Kabbucho and Mnjama, 2002).
- Computerisation in June 2000 which resulted in employees changing from manual system to computerised system.
- Change of leadership by creation of new vision and mission with the ascent of finance director to managing director in 2002.
  - MISSION - "We mobilize resources and offer credit to maximize value and economically empower the micro-finance clients and other stakeholders by offering customer-focused quality financial services"
  - VISION - "...to be the preferred micro finance service provider contributing to the economic prosperity of Africa..."
  - MOTTO - "...growing together in trust..."
- Change of management style to delegating responsibilities and new challenges to management,
- Management team changes - by recruiting senior managers from outside Equity Building Society which has assisted the bank to enhance on staff training and marketing by bringing new skills. These efforts were geared towards turning EBS around, (World Bank, 2004).
- Establishing, communicating and maintaining a staff incentive system.