CHANGE MANAGEMENT PRACTICES AND ORGANIZATIONAL TRANSFORMATION AT TELKOM KENYA LTD.

BY

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DECLARATION

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

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This research project has been submitted for examination with my approval as the candidate's University supervisor.

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DEDICATION

To my parents, Professor Harrison Bwire Muyia and the late Mwalimu Emma Nyangweso Bwire, two Kenyan pioneer academicians, whose respective academic achievements, humbleness, humility and kindness to humanity is a rich source of inspiration.

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ABSTRACT

Corporate bodies operate within the environment. This environment is continuously changing and those within it have to make constant efforts to keep pace with the changes. As this happens, situations do occur when revolutionary adjustments have to be made in order to effect far reaching changes to some organizations within the environment in order to make them survive, turn them around back to profitability, make them attractive for sale etc. Such drastic changes are also called corporate transformation.

This research project reviews briefly the history of Telkom Kenya the sole provider of telecommunications services in Kenya up to 1999, its privatization process and the corporate transformation practices employed in helping the company transform its corporate image. Prior to the liberalization of the telecommunications industry, Telkom, a wholly Government owned body, enjoyed monopoly in the market, had a bloated work force peaking at 24000 workers which it carried comfortably until the industry was liberalized. The monopolistic set-up bred complacency, poor service delivery and poor management practices.

The liberalization of the industry in 1999 came with unprecedented challenges to Telkom Kenya. Firstly the new mobile technology was quickly gaining ground. It was versatile, quick to acquire and perceived a savior to the many frustrated customers Telkom was unable to cater for satisfactorily. The Government delinked the mobile telephone department from Telkom, named it Safaricom and sold it separately. This marked the beginning of Telkom's diminishing performance and hence its sale and need for corporate transformation.

This research therefore reviews the transactional process before the privatization and the transformational practices being employed to change the image of the company and turn it around back to profitability.

This research was conducted as a case study with the focus on senior managers at Telkom as the respondents. Content analysis was used to analyze the qualitative data. (Mugenda and Mugenda).

The research established that the privatization of Telkom was conducted well except for the final phase which was rushed and done outside the privatization Act. The company has also undertaken measures to redeem its image and improve services to customers. This study recommends benchmarking with other similar operators before privatization, a review of the TKL Vision and Mission statements and action by Government to stop cable theft.

The study also recommends further research in the privatization of public institutions with the view of establishing reasons for failure and /or success

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Corporate change is a transformational process that seeks to move workers or work processes from a given state to a different desired state in the future. This change is normally informed by the need to change in order to keep the organization relevant, profitable, and modern or to ensure survival.

Corporate change or the implementation thereof may seek to transform whole aspects of an organization or sections of it. Where a complete overhaul is desired, it may involve the change of name, vision, mission, strategy and the operational functions of the organization. However depending on the desired results, only the target aspects of change may be implemented.
Corporate change seeks to have all the stake holders and particularly members of staff embrace and accept a new way of doing things for the sake of improving the efficiency, profitability, relevance or sheer survival of the organization.

Corporate change may involve the restructuring of the organization in which case whole departments may be affected as they may be split or merged with others. Restructuring may also involve job cuts through downsizing. In such cases retrenchment occurs and some members of staff may be forced out of the organization.

Corporate change or transformation is therefore a delicate process that requires a diligent and focused change management process that will help the organization transform itself to the desired end. Mistakes in the change management process may result in undesired outcomes that may include the collapse of the organization.

1.1.1 Corporate Change

Change is a transformation, to undergo alteration, modification, substitution, innovation or revolution. These refer to the movement from a present state to another. Corporate change thus refers to the transformation corporate bodies undergo in the process of renewing whole or partial aspects of their operations.

1.1.2 Types of Corporate Change

Change comes in three forms, planned, unplanned and emergent. When organizations take deliberate steps to make changes within them, this is referred to as planned change. Planned change is deliberate and is geared towards achieving certain intended goals. When dealing with the issue of corporate transformation, this is the type of change that is on the people's mind. Planned change comes out of needs that have been identified and evaluated as requiring varying or removing altogether. Planned change usually has timelines and chronological steps that need to be followed and monitored. This brings in the need to have a manager or a team of appointees to oversee the change process.

Unplanned change, as the name suggests, comes abruptly and in many cases is as a result of happenings outside the organization. Its occurrence often elicits a reactionary approach by the organization. The extent of success in managing unplanned change is dependent on the type of change in question and the resources available to address the unexpected occurrence.

Emergent change on the other hand is the change that emerges and manifests itself to the ongoing planned or unplanned change. It includes the associative issues that are usually not included in the planned version of change. As emergent change occurs, the organization conversely has to adjust to the new emergent issues.

1.1.3 Organizational transformation

Firms operate in both internal and external environments that are prone to continuous changes. Whereas firms may have some control of the events dictating their internal environments, the same does not apply to external environmental factors. For this reason firms must scan the environment and adjust in order to remain relevant or profitable. If an organization does not respond to change it will become extinct, (Johnson, 2002).

Corporate changes may take many forms, all dependent on the desired transformation. Some changes may be driven by technological shifts, customer satisfaction considerations, profitability etc. If for example the desired changes are due to technological shifts, the firm may require hiring new staff or retraining the current ones on the new technology. If changes are necessitated by changing customer preferences then the firm must adjust or simply loose out to their competitors.

Firms employing large numbers of staff have often fallen victims of technological shifts. Technology has a tendency to provide cheaper and less labor intensive alternatives that often result in leaner staff levels. Downsizing thus takes center stage when firms have to reduce their staff numbers

Corporate change in the context of my intended research is much bigger and very widely encompassing since it involved a giant corporate body, an enormous radical staff reduction, re-engineered processes and a significant technology shift.

The purpose of the change management process is to ensure that, standardized methods and procedures are used for efficient and prompt handling of all changes, business risk is managed and minimized, and all authorized changes support business needs and goals. Changes should be managed to reduce risk exposure and minimize the severity of any impact and disruption.

The need for change arises both proactively and reactively for a variety of reasons such as seeking business benefits in reducing costs, improving services, or increasing the ease and effectiveness of support; or reactively as a means of resolving errors and adapting to changing circumstances. Some types of changes are process changes, product changes, application changes, hardware/software changes, network changes and environmental changes.

There are four major roles involved with the change management process, each with separate and distinct responsibilities. In the order of their involvement in a normal change, the roles are Change initiator, Change manager, Change advisory board and Change implementation team.
The change initiator is the person who initially perceives the need for the change and develops, plans, and executes the steps necessary to meet the initial requirements for a Request for Change. Some examples of change initiators are a product manager in a line of business desiring a new or changed feature on a product, a network architect replacing obsolete network hardware with newer-generation hardware with improved functionality, a network engineer upgrading the

capacity of a device or link to handle increased traffic, a service manager who discovers a change in vendor contacts or procedures and must update documentation, a support engineer who needs to replace a defective part in a network element or a security manager requesting a configuration and documentation change in response to a newly discovered vulnerability.

Larger organizations require a dedicated change manager who is responsible for updating and communicating change procedures, leading a team to review and accept completed change requests with a focus on higher risk changes, managing and conducting periodic change review meetings, compiling and archiving change requests and auditing changes to ensure that change was recorded correctly with work matching the request for change.

The change committee (CC) is a body that exists to support the authorization of changes and to assist change management in the assessment and prioritization of changes. When a CC is convened, members should be chosen who are capable of ensuring that all changes within the scope of the CC are adequately assessed from both a business and a technical viewpoint. The CC also ensures that there is congruence and commonality of purpose in the intended changes.
The CC may be asked to consider and recommend the adoption or rejection of changes appropriate for higher-level authorization and then recommendations will be submitted to the appropriate change authority.

To achieve this, the CC needs to include people with a clear understanding across the whole range of the organization. The change manager will normally chair the CC. Typically, there are standing members on the CC, and the change manager will recruit others as needed in order to ensure stakeholder representation.

Potential members include, customers, user managers, user group representatives, applications developers/maintainers, specialists/technical consultants, services and operations staff, facilities/office services staff (where changes may affect moves/accommodation and vice versa), contractors' or third parties' representatives, in outsourcing situations, for example and other parties as applicable to specific circumstances (such as marketing if public products are affected).

No change should be considered unless the change initiator or requestors in the potentially impacted areas review the change. It is important to emphasize that the change committee includes representation from all stakeholder groups and, will be composed according to the changes being considered, may vary considerably in makeup even across the range of a single meeting, should involve suppliers when that would be useful, should reflect the views of users and customers, is likely to include the problem manager and service-level manager and customer relations staff for at least part of the time (Cisco, 2008).

The model of the organizational change set-up discussed above relates to internal process changes. It is not standard for all organizations and may vary depending on the needs and circumstances of each organization. It however serves well as a generic starting point for medium and large organizations seeking internal process transformations.

1.1.4 Telecommunication Industry in Kenya

The telecommunications Industry in Kenya dates back to the colonial era with the first basic telecommunication infrastructure coming with the construction of the railway line in the late 19th century. East African Cable and Wireless a subsidiary of British Telecom was established early in the 20th century and this gave birth to the East African Posts and Telecommunications Corporation (EAP&T C). Following the break-up of the East African Community in 1977 Kenya Posts and Telecommucations Corporation (KP&TC) was born. This Corporation operated as a monopoly until 1999 when it was restructured an action that also coincided with the liberalization of the sector.

The liberalization of the telecommunications industry in Kenya coupled with the onset of mobile telephony in Kenya saw the birth of other players in the sector. Initially players in the liberalized sector were regulated to operate only the specified services in their licenses. This, for example, meant that those licensed to operate fixed line telephone services could not deal in mobile telephony and vice versa. However with time the licenses were merged making it possible for players to have a multiple service platform.

In terms of customer base, Safaricom is the leading player. Airtel takes second place while Telkom Kenya is third. Other players include YU, Kenya Data Network plus a host of other smaller players. The industry is very vibrant and versatile owing to the generational adoption of IT, mobile telephony and internet services as a way of life.

1.1.5 Telkom Kenya Ltd

Corporate change may be triggered by external or internal factors or a combination of both. In the case of Telkom Kenya, external factors included, the emergence of mobile telephony, a convenient and easy to obtain service that came as a relief to the many TKL dissatisfied customers, the liberalization of the data service and fixed line telephone services thus attracting competition, the delay by GOK, Telkom's sole shareholder to effect requisite changes in light of the liberalized market, Government policy on the initial separation of mobile and fixed line operation, and the increasing theft of telephone transmission lines leading to shrinkage of the company's fixed telephone network.

Internally, Telkom had bloated work force of 17000, many of whom lacked the required skills. They had suffered many years of uncertainty over looming retrenchment, were disenchanted and de-motivated. Telkom also had the burden of maintaining a large fixed line network that required a lot of manual operations, lack of proper strategic maneuvers to counter the emerging threats in the industry and monopolistic complacency among other reasons.

In 1999 the Kenya Posts and Telecommunications Corporation (KP&TC) with a work force of 24000 employees was split into three entities namely the Communications Commission of Kenya, the Postal Corporation of Kenya and Telkom Kenya Ltd .The three bodies were charged with the responsibilities of Regulatory affairs, Postal service provision and Telecommunication service provision respectively.

The government of Kenya (GOK) allocated 100, 3900 and 21,000 employees respectively to the three new entities. Thus Telkom Kenya ended up with whooping 21,000 strong work-force. The rationale then was that TKL, a monopoly, had a strong financial base to shoulder the big work force. Time saw this workforce reduced to 17000 due to natural attrition and other causes.

As time would tell, many other factors were coming into play and posing a host of challenges to TKL, hitherto a monopoly in the Telecommunication sector. Among these were the entry of mobile telephony in the market, the liberalization of the fixed line telephony leading to the emergence of Regional Telecom Operators to compete with TKL, the entry of Data Network Service providers, the delay by GOK to restructure TKL thereby leaving it with the burdensome 17000 work force, diminishing revenues that were now threatening to get below the company's break-even point etc.

Change was inevitable. The envisaged change was to invite a strategic partner on board by selling the majority share holding to the partner. However, before this was done, the company had to be made attractive by shedding off excess staff through retrenchment. This was done between 2006 and early 2008 leaving a staff load of 4000. Orange came on board in late 2007 and further reduced the staff to 2500.

Four years down the line and TKL the former monopolist in the telecommunications sector in Kenya is now ranked a distant third in terms of customer base; it is struggling to pay its bills and has at least once been bailed out of serious financial problems by GOK, its co-shareholder.

1.2 Research Problem

The concept of corporate transformation has become part and parcel of the evolution process in the corporate world. Often corporate bodies find themselves in situations that require them to transform themselves in order to remain profitable, relevant or to simply survive. The environment is continuously changing, making it imperative for organizations within it to adapt to these dynamic changes or perish (Ansoff, 1987). The transformation process can however be challenging depending on various environmental factors. Coulson-Thomas (2011), conducted a research on why some companies are more successful than others in similar circumstances in the corporate change process. His main focus was to establish what such firms may have overlooked or done wrong. He also sought to know what the winners did differently.

Isern, McKinsey and Wilson (2008) in their research on Corporate Transformation observed that only 40% of the corporate transformation efforts were successful. They further established that transformations that were proactively initiated to achieve a breakthrough in organizational performance were more likely to succeed at 47% than those conducting reactive transformations at 34%. They identified successful organizational transformation as the having of clear targets, a clear post transformation structure and the maintenance of energy during the transformation process.

Various researchers have made studies on Telkom Kenya. Among such researchers are Wanjohi, (2007). Her research titled 'Implication of redundancy on surviving employees - the case of Telkom Kenya' centred on the effects of redundancy on the employees who survived the big retrenchment exercise undertaken at Telkom Kenya. Kitiabi (2006), in her research on Telkom Kenya focussed on the privatization process at Telkom Kenya. Telkom having been one of the giant government owned corporations is a classical case for study on privatization. Kinanu, (2007), in her research study on Telkom Kenya focussed on the employee perception of the change processes at the corporation. She limited her study to what employees thought of the change processes. Chebbet, (2008), did research on the effects of globalization on Telco operators with Telkom Kenya as his case study. Waitharu, (2008) researched on the importance of customer care taking Telkom as a case study.

My research was centred on change management practices and organizational transformation at Telkom Kenya. It sought to fill the gaps left by those who have previously made studies on Telkom Kenya as none of their researches covered the two aspects of change management practices and organizational transformation at the corporation. The filling of these gaps justified the importance of my research.

My research sought to evaluate "Change management practices and organizational transformation at Telkom Kenya Ltd." Telkom Kenya Ltd (TKL) is a former parastatal which is undergoing change that is aimed at turning it around back to profitability. The current phase of change started in 2006 and peaked in December 2007 when the majority shareholding in the organization was bought by, Orange, a leading French telecoms operator. As mentioned above, TLK is former monopolist in the telecommunication industry in Kenya. It now occupies distant 3rd position in customer share at 2.5 million customers compared to the leader, Safaricom, at 17.2 million customers in 2011. My research seeks to answer the question- 'Are effective Change

Management Practices being followed to realize effective Corporate Transformation results at Telkom Kenya'?

1.3 Objectives of the study

The objectives of this study were:

i. To determine the change management practices within Telkom Kenya.

ii. To determine how such practices have contributed to the transformation of Telkom Kenya Ltd.

1.4 Value of the Study

My research is of value to scholars of management, specifically those studying strategic management of corporate change as it serves as a case study on a local enterprise whose results may be used as a reference point in the corporate change process.

The research is also of value to the Telkom Kenya management as it serves as an independent, evaluation of the management's performance in so far as they have steered the change process. It serves as an independent and positive critic on processes that may not have been implemented properly.

My research is also beneficial to the GOK privatization of quasi governmental bodies. The findings of my study may help them avoid mistakes that may have been made in the past during the privatization of government parastatals such as Kenya Airways, Kenya Railways and Telkom Kenya. My research is of good information to the Privatization Commission, a Government body established to take charge of the privatization of parastatals.

My research is also beneficial to foreign governments that may still be holding onto major public service provision entities in the league of Telkom Kenya as it sheds light on how best they can go about privatizing them if or when the need arises. Lessons learnt from the ongoing TKL process are valuable in mapping the best path to be followed when restructuring or transforming such organizations.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

In this chapter I have examined the conceptual context of corporate change and organizational transformation by reviewing literature on these topics.

2.1 Concept of Corporate Change

For several years now, there has been a strong tendency to adopt change strategy to deal with the economic pressures in the environment. First witnessed in the private sector, this approach has now spread to all levels of government and knows no sectarian or geographical bounds. For example in Kenya, among the private firms to have adopted this strategy include East African Breweries Ltd., Bata Shoe Company, Shell BP and Agip among others. Others are government parastatal bodies including Kenya Railway Corporation, Kenya Power and Lighting Company, Kenya Airways, Kenya Tea Development Authority and Kenya Commercial Bank. In the civil service, various ministries have undergone corporate change since 1994 in an effort to reduce costs and increase efficiency.

Thus this phenomenon no longer represents one of the many consequences of economic upheaval but has instead taken a life of its own according to Gosselin, (1994). Once seen as a short-term measure, corporate change and in particular downsizing, has become the way to increase or retain profitability. For most organizations labour costs account for a large part of expenditure and since these organizations generally enjoy a certain amount of latitude in terms of their payroll, they are tempted to cut salaries first to achieve immediate economic benefits as studies by (Dupuis, Boucher, and Clarel, 1996) show.

Corporate change is not a new phenomenon. Workforce reductions, closure of branch offices, regions etc has been going on since the great depression of the 1930's and is part of the normal economic business reorganization process. But something new is happening at the moment in terms of the magnitude, scale, the target involved and the causes and effects of the downsizing (i.e. change in business environment) as opposed to the traditional causes where it arose out of normal business cycles.

Downsizing in modern day practice comes as a major component of the corporate change management process especially for firms that are undergoing major technological transformation. The telecommunication sector now generally referred to as the ICT sector has undergone an amazing technological revolution over the past few decades.

Downsizing for the sake of cost reduction alone has been castigated intellectually as short sighted and neglectful of what resources will be needed to increase the revenue stream of the future (Hamel and Prahalad, 1994). By some measures, downsizing has failed abjectly as a tool to achieve the main reason, which is, reduced costs. According to a Wyatt company survey covering the period between 1985 and 1990, eighty nine per cent of organizations, which engaged in downsizing, reported expense reduction as their primary goal while only 42 per cent actually reduced expenses (Wyatt . 1993)

A true and fuller understanding of the forces shaping and thrusting downsizing forward today comes from an appreciation of increased global competition, and changing technologies, which in turn are profoundly impacting the nature of work, increasing availability of contingent work (Fierman, 1994) and shifting balance of power among organizational constituents away from rank and file employees and in the direction of shareholders and chief executives who serve as their proxy.

Because of its negative connotation of giving people the “axe”, it is not a term that many management consultants use. Many would rather use friendlier terms such as re-engineering, rightsizing, reinventing etc. On the other side of the spectrum, there are researchers who are concerned that downsizing has become too closely associated with the process of organizational decline and its naturally negative effects. Cameron for example defines downsizing as a positive and purposive strategy: “a set of organizational activities undertaken on the part of management of an organization and designed to improve organizational efficiency, productivity and/or competitiveness.’’ (Cameron, 1994).

Downsizing thus falls into the category of management tools for achieving desired change, much like “rightsizing” and “re-engineering". Downsizing may and very likely will impact or impinge on systematic change efforts such as the introduction of "Total Quality Management (TQM)" "Reengineering" or "Reinventing" initiatives.

Downsizing is defined in this effort simply as a reduction in the size of the work force. This definition provides some analytical clarity because it does not imply a value, either positive or negative and encompasses a wide range of possible approaches. Thus downsizing does not necessarily imply a reduction in the assets of the organization. For example, an organization may contract out a function that was previously done by permanent employees. The elimination of jobs of the employees constitutes downsizing. In general, researchers use the term to mean a deliberate organizational reduction in labour force. This can be proactive (planned in advance and usually integrated with a larger set of objectives) or reactive (typified by cost cutting as a last resort after prolonged period of in-attention to looming problems of management (Kozlowski et. al. 1996)

2.2 Change Management Practices

Organizational transformation has already been mentioned above to refer to the voluntary actions of an organization to reduce expenses (Burke and Greenglass, 2000). It refers to an array of initiatives implemented by an organization in response to a decision to reduce headcount. It must also be acknowledged that downsizing is sometimes the price paid for mismanagement and strategic errors at the top of the organization (Kets de Vries and Balazs, 1997)

The outcomes that organizations seek from restructuring may include increased productivity, improved quality, enhanced competitive advantage, and potential regeneration of success (Hoskison and Hitt, 1994). In addition, organizations hope to achieve lower overheads, less bureaucracy, more effective decision making, improved communication, and greater innovation according to (Burke and Greenglass, 2000).

Although we might like to think that the reasons for downsizing are well thought out, many of the reasons are purely social ones. Mckinley, Sanchez and Schick (1995) proposed that the three social forces that precipitate downsizing efforts are constraining forces, cloning forces, and learning forces. Constraining forces place pressure on executives to do the "right thing" in terms of legitimate managerial actions. Cloning forces are the result of imitation or benchmarking.

Learning forces that bring about downsizing efforts take people through educational institutions and professional associations. Cost accounting methods encourage downsizing as a legitimate business activity.

Organizations thus choose to downsize for a variety of reasons, some of them economic and some of them social. The rationale for downsizing is an integral part of the issue of whether downsizing efforts are effective or whether they fail. Cascio, (1993) points out that downsizing would continue, as overhead costs remain non-competitive with domestic and international rivals. Many companies say they turn to layoffs as a last resort. In a survey by Right and Associates(2006), eighty per cent of respondents indicated that they would rather see all employees of their firm take a ten per cent wage cut than lay off ten per cent of the workers to cut expenses and stay in business (Burke and Greenglass, 2000).

There are other reasons for downsizing, which we may not be able to cover exhaustively in this paper. However, in most cases, majority of firms downsize when this is the only last option left for them.

2.3 Organizational Transformation

Most organizations have in the 1980's and 1990s' gone through mergers, acquisitions, downsizing, restructuring, re-engineering, culture change and leadership successions. Many have several of these activities overlapping. These events have not only changed organizational systems but also have had a major effect on workers, mostly negative (Ferrie etal. 1998, Kivimaki etal, 1997).

Organizational transformation or renewal seeks to retain organizations' profitability and thus keep them in business. In other cases, transformation is required in order to turn around organizations back to profitability. Organizations also effect changes in order to modernize their operations by adopting present day technologies that support efficiency and cost reduction.

Benefits that may arise from corporate change include having standardized methods and procedures, minimization of risk exposure and the support of business needs and goals. All these benefits are meant to realize the ultimate goal – profit maximization.

As much as possible change should be pre-defined and the applicable actions effected as and when they are planned to occur. Such a model provides a framework that defines the chronological process that helps handle the changes consistently, efficiently and in line with the desired timelines. The change management process should include issues such as exceptions, the possible emergence of unplanned events, the assignment of responsibilities, the escalation procedures and levels and the requisites approvals.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

In this chapter the research methods and procedures that were used in my study are discussed. These include the Research design, Data collection and Data analysis.

3.2 Research Design

This research was conducted as a case study. A case study gives an in-depth analysis of the subject under study (Mugenda and Mugenda, 2003). The study was exploratory as it sought to establish the extent to which success has been achieved in the organizational transformation process at Telkom Kenya. The study also sought to identify the challenges Telkom faces in its transformation process.

The case study design was considered the most suitable in this research as the sample size was limited to the top management of Telkom Kenya who to gave detailed accounts of their observations and experiences during the implementation of corporate transformation of the firm.

3.3 Data Collection

In line with the objectives of this study, both primary and secondary data was collected. Primary data was collected through direct interviews. An interview guide was used to maintain a near uniformity of the information sought from the respondents (Mugenda and Mugenda, 2003). This method of data collection affords the researcher the advantage of follow-up through probing, seeking clarifications on unclear responses and obtaining more in-depth data because of the cooperation and the rapport that can be established between the researcher and the respondent. Secondary data was collected through the review of relevant memos, reports newsletters or other relevant literature on the subject. Statistical data obtained from the Communication's Commission of Kenya website was helpful in drawing comparison especially on customer base shareholding, connectivity etc.

3.4 Data Analysis

The content analysis approach was used to analyse the qualitative data. Content analysis involves a systematic description of the composition of the objects or materials of the study. It also involves the observation and a detailed description of the objects or items involved in the study (Mugenda and Mugenda). The variables involved were broadly classified into factors that have had an influence on the transformation/renewal process at Telkom Kenya

Qualitative analysis is a research for general statements about relationships and their underlying themes (Strauss & Corbin, 1997) while data analysis involves the application of reasoning to understand and interpret data that has been collected (Zikmund, 2003).

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter summarizes my research findings after interviews with some of the senior Telkom Kenya staff. I was not able to get audience with all the intended staff. However the number interviewed in my view is sufficiently represents of the targeted cadre. The interview guide attached was useful in breaking the ice and creating leading paths to deeper relevant discussions. My findings are largely qualitative in nature and where quantitative indicators are mentioned, they were sourced from the Communications Commission of Kenya website which houses all relevant data on Telecommunication Operators in Kenya. The findings are categorized under the following subheadings:-

4.2 Timing of the Privatization of Telkom Kenya

The Government of Kenya following recommendations of sessional paper No 5 of 2006 embarked on the privatization of parastatals with the aim of passing control and participation in the management of some of those entities to the public. This was however being done cautiously as some of the parastatals were considered strategic to the country's security and public interest.

Telkom Kenya was privatized in December 2007 two years after the presidential assent had been given to the Privatization Act which was however inexplicably delayed for gazettment by the Ministry of Finance. The privatization Act was operationalised in January 2008; days after Telkom had been privatized. This chronology of events elicited public outcry and concern.

Respondents noted that there had been a delay in privatization process of Telkom Kenya due to uncertainty, indecisiveness and bureaucracy in Government. This, they observed, worked against Telkom as a lot of technological changes were occurring that the company needed to be on the frontline of keeping pace with. This was however being hampered by the government bureaucratic process.

4.3: The privatization process

A majority of the respondents felt that a more detailed due diligence ought to have been carried out. They were however near unanimous on the process of privatization expressing the opinion that it was generally carried out well. They observed that there should have been a "Human Resource strategy on head count that was more selective." They agreed with the suggestion that the staff retrenchment exercise should have been less indiscriminate. This, they noted, had resulted into more staff being laid-off even after the main retrenchment exercise in order to create room for the hiring of the desired caliber of staff. They were affirmative that not all the staff who survived the main retrenchment exercise were suitable for retention and yet a good number of those who had been retrenched would have been suitable for retention.

Responding to the enquiry as to what their opinion was on the Government's decision to delink the mobile arm from Telkom before selling it, most of the respondents were non committal stating that the decision depended on what GOK had in mind then which was yet unclear. However two respondents thought that for the sake of Telkom's future financial health, the decision was a strategic mistake. Parallels were drawn against other bigger Telcos that had embraced the advent of mobile telephony such as AT&T, British Telecom (BT) and France Telkom (Orange) noting that these giants embraced the new technology and took it onboard rather than creating separate entities to deal with the new technology. This in turn helped them realize the financial windfall that the new technology brought in. They felt that had the mobile service been preserved under Telkom, the firm would have fetched a better price on sale apart from being more financially stable. The later standardization of the Telecommunication operator license and the belated introduction of mobile service by Telkom gave credence to this.

4.4 Challenges facing Telkom after privatization

The respondents felt that the major post – privatization challenges Telkom faced were cultural transformation in relation to customer service, commercial awareness in terms of product range availability and performance orientation.

The belated introduction of the mobile service after Orange took over the mantle was not as successful as should have been because other players were already offering the service and Telkom was trying to do the catching-up.

4.5: Effects of Retrenchment on staff morale of the survivors

The respondents felt the retrenchment exercise prior and after privatization caused insecurity of service and in turn affected staff productivity. The exercise also robbed staff of the sense of commitment and belonging as it made them feel un-important and inconsequential in decisions made about them by management.

4.6: Effects of Telephone cable vandalism on service delivery

The respondents noted that the vice of telephone transmission cable vandalism has seriously affected the delivery of fixed telephone services. The cables which are stolen for copper extraction have been vandalized in many parts of the country rendering certain towns inaccessible by fixed telephone. The customer base for this service has dwindled from over 500,000 customers in 2006 to just over 80,000 today. It did not help that this was happening when Telkom was restructuring and attempting to regain its leadership in the industry. The respondents thought that the Government did not do enough to stop the menace. The exceedingly drastic decay in terrestrial fixed line subscription however seems to have been caused by a combination of other factors as well.

The respondents indicated that this vice causes interruptions to service delivery, customer dissatisfaction and is expensive to the company in terms of replacement of the stolen cables and provision of security on the cable routes.

4.7: Strategies applied in the Corporate Transformation process

The respondents indicated that the company had embarked on steps to improve its image and service delivery. This includes cultural transformation that is performance based. The company has also embarked on service improvement efforts by offering quality service and introducing new products such as mobile telephone and money transfer services.

The company has made deliberate efforts to shade the old image and portray a new image. This was done through the introduction of the international brand name 'Orange', the crafting of a new vision and mission statements, the rejuvenation of the customer service desks through the deployment of youthful, appealing and customer focused staff.

The company also undertook to completely re-brand itself with the 'Orange' colors on its buildings, motor vehicles and stationery and promotional items such as T-shirts, umbrellas, gift bags etc.

The corporate transformation initiative undertaken by Telkom as discussed above has been done in line with the corporate transformation practices reviewed in chapter two. It is noted that the company has adopted the new mobile technology; it has drastically downsized its staffing levels and also attempted to re-brand itself. The company however has yet to come up with an inspiring Vision and Mission statement to suit its effort to transform itself

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.

5.1 Introduction

This chapter lays out a summary of the research findings. It also gives conclusions made out of those findings and offers recommendations to both the government of Kenya and Telkom Kenya in areas that I feel need to be revisited and stream lined. It also offers recommendations on areas of possible future research.

5.2 Summary of findings

The research revealed that though the privatization of Telkom Kenya had been on the cards for a long time, inexplicable delays were witnessed in carrying out the exercise thereby occasioning anxiety and uncertainty among staff. When it was eventually decided to restructure the organization, proper due diligence was done and sufficient data availed to interested bidders.

The research revealed that the final stages of the sale of Telkom were rushed and done outside the privatization Act which had received assent two years earlier but had not been put into operation. The respondents were however unhappy with what they termed as "insufficient due diligence on the human resource strategy", which they felt should have been less discriminate.

The separation of Safaricom from Telkom Kenya prior to the privatization of both organizations was according to a good number of respondents a strategic mistake as it put Telkom at a disadvantage in terms of being able to effectively compete with the mobile service providers. A proper prediction and forecast of the market behavior in light of the introduction of mobile telephone technology appears not to have been done or followed.

These respondents felt that this was at a variance with what similar but more established players had done when the new mobile telephony technology came on board.

My findings revealed that Telkom Kenya had undertaken a number of steps and strategies to achieve its corporate transformation. These include cultural transformation that is performance based, the introduction of new services such as the money transfer service on its new mobile platform, rebranding by adopting the "Orange" brand, the rejuvenation of the customer care function through cultural change and the deployment of youthful and focused staff. The company also changed its colors to the orange brand. New vision and mission statements were crafted and introduced.

As this happened, the study observed that the company still had to deal with major challenges on its hands. This include the menace of telephone cable vandalism which had occasioned huge losses to the firm and also contributed to the loss of about 85% of its fixed line customers. The company also has the challenge of catching up with the now more established mobile service providers.

5.3 Conclusion

From the responses received, the privatization process at Telkom Kenya was satisfactory although it was done outside the Privatization Act as this had not been gazetted and was therefore not operational at the time the firm was partially sold.

Deliberate measures have been taken to improve the image of the company by re-branding and adopting a new and more focused approach to customer service. A result oriented reward scheme is in place and this is a good motivator for staff whose efforts are recognized and rewarded accordingly.

The company introduced a mobile telephone service and is now competing with the pioneering firms through the introduction of value added services such money transfer and internet. The company also offers bulk data services to other service providers.

It must be noted however that the menace of telephone cable vandalism has dealt serious challenges to the firm as it has occasioned reduced fixed line subscribers and also brought service interruptions and huge losses to the firm.

The firm is also faced with the challenge of catching up with its rivals in the mobile telephone industry having introduced this service after its competitors.

5.4 Recommendations

My study revealed that the decision to delink Safaricom once a department of Telkom from the mother firm occasioned a serious disadvantage to Telkom when it was privatized. This apparent strategic error appears to stem from insufficient benchmarking efforts prior to separating the two firms.

I would recommend to those involved in the privatization of firms in a similar setting to do through studies and bench markings so as to avoid making decisions that would grossly affect the future well being of the firms intended for privatization.

Telkom Kenya is no doubt making all efforts to redeem its name and place in the telecommunication industry. It is however apparent that the corporate transformation process is seriously compromised by the cable vandalism problem. I recommend to the government to come up with clear policies and actions to stop this vice. The ban on the export of scrap copper and heavy penalties to those apprehended would suffice.

The final stages of the privatization of Telkom Kenya drew public concern as it appeared to have been rushed in order to be done outside the privatization act. Future privatizations of public institutions should be seen to be above board and transparent.

Telkom Kenya has crafted new vision and mission statements. These however do not appear inspirational and professional. A more professional effort should be made to craft statements that are in line with modern strategic management practice.

5.5 Recommendations for future study

The restructuring and resultant corporate transformation of a number of former government owned parastatals has happened in Kenya. Studies have also been carried out on individual privatized bodies such as Kenya Airways, Kenya Railways and Telkom Kenya – specifically on their transformation process. The three examples quoted here have various historical versions of what transpired when they were privatized which may be broadly be classified as very successful poor and successful respectively. I recommended future studies that sample a number of former public bodies that have been privatized to determine the indicators that may have contributed to their respective current status. Such indicators once established would a useful point of reference in the process of corporate transformation. The shrinkage of the terrestrial fixed telephone lines from around 500,000 to 80,000 between the years 2006 and 2012 is of strategic management's interest and concern and needs a follow-up study.

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INTERVIEW GUIDE ON THE CHANGE MANAGEMENT PRACTICES AND ORGANIZATIONAL TRANSFORMATION AT TELKOM KENYA LTD

SECTION A – RESPONDENT'S PARTICULARS

NAME____________________________ RANK____________________________________

LENGTH OF SERVICE_____YEARS DEPARTMENT____________________________

SECTION B - RESPONSES

1. What is your opinion on the timing of the privatization of Telkom Kenya?

---2. What are the challenges Telkom Kenya is faced with after its privatization?

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3. What is your rating of performance of TKL against its competitors before and after privatization?

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4. What are your comments on the privatization process of Telkom Kenya? Was it done right?

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5. Was the separation of Safaricom from Telkom prior to the privatization appropriate?

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6. How has the problem of cable vandalism affected service delivery to fixed line customers?

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7. How did the retrenchment exercise during the transformation affect staff morale of the survivors?

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8. What strategies have been put in place for TKL to improve its market shareholding?

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9. What is your rating of TKL's success in its corporate transformation effort?

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10. Please give any other information on the transformation process at Telkom Kenya

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P O Box 581, Code 00206, KISERIAN.

Thursday, 27 September 2012

Managing Director,

Telkom Kenya Ltd,

P O Box 30301,

NAIROBI.

Dear Sir,

RE: REQUEST TO CONDUCT RESEARCH AT YOUR ORGANIZATION

I am a former employee of Telkom Kenya currently undertaking my MBA degree at the University of Nairobi. I am specializing in the Strategic Management option.

I am currently doing the research phase whose proposal has been approved by the Panel. It is titled **'Change Management Practices and Organizational Transformation at Telkom Kenya Ltd'**. Telkom Kenya is among the large public bodies that have lately undergone far reaching change and organizational transformation in Kenya. My research seeks to evaluate the change management practices employed to effect the change and also to review the corporate transformation process at your organization. The research seeks to examine the challenges that Telkom Kenya faced or still faces in the change and transformation process. My research seeks to fill the gaps that other researchers have not covered in their study of Telkom Kenya. The research will be of benefit to, among others, Telkom Management as it will be an independent evaluation of the corporate change process.

This is to therefore seek your authority to interview the following officers:-

- Managing Director
- Deputy Managing Director
- Chief Human Resources Officer
- Chief Finance Officer
- Chief Marketing and Strategy Officer
- Chief Corporate Communications Officer
- Chief Mass Market and Customer Care Officer

Yours faithfully,

Eric Muyia