

**MANAGING STRATEGIC CHANGE AT GEOTHERMAL DEVELOPMENT
COMPANY IN KENYA**

BY

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**A RESEARCH PROJECT SUBMITTED IN THE PARTIAL FULFILLMENT
OF THE REQUIREMENT FOR THE AWARD OF DEGREE OF MASTER OF
BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS, UNIVERSITY OF
NAIROBI**

NOVEMBER, 2013

DECLARATION

STUDENT'S DECLARATION

I confirm that this work submitted for examination is my own and has not been submitted to any other University for award of a degree.

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SUPERVISOR'S DECLARATION

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ACKNOWLEDGEMENTS

I take this opportunity to thank God for taking me through this study and for giving me the strength to go through the whole programme. I owe my gratitude to all individuals who assisted and supported me during the time I worked on this research paper.

First, I am ever grateful and proud of my dear parents, brothers, sisters and especially my husband Henry and my sister Edna for the underlying encouragement and moral support he gave me. Secondly, I am indebted to my dedicated advisor and Supervisor Prof. Evans Aosa for offering invaluable input, patience and guidance in conducting and completing this proposal.

Special mention to GDC Management team for allowing me to carry out this study in the Company. This would not have been possible without your support. I would also like to register my appreciation to the entire body and management of University of Nairobi for giving me the opportunity to undertake my studies at the institution. To all those I may not have specifically mentioned, but who have contributed to making the research successful, Thank you.

DEDICATION

I gratefully dedicate this research work to my dear Husband Henry, my daughter Lulu, my mother Mrs. Sally Tallam and the Geothermal Development Company for making it possible for the success of this research work.

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ABBREVIATIONS AND ACRONYMS

BPR	Business Process Re-engineering
CEO	Chief Executive Officer
CRM	Customer Relationship Management
CSFs	Critical Success Factors
ERP	Enterprise Resource Planning
GDC	Geothermal Development Company
GoK	Government of Kenya
IT	Information Technology
KPLC	Kenya Power and Lightning Company
LCPDP	Least Cost Power Development Plan
MRP	Materials Resource Planning
MWE	Mega Waltz of Electricity
PPM	Process Phase Model
RBV	Resource Based View
SAP	System Application and Products
SCA	Sustainable competitive Advantage
SCM	Supply Chain Management Systems
TQM	Total Quality Management

ABSTRACT

Strategic change management is the process, tools and techniques to manage both micro and macro environment in an organization to achieve effective results in the long run. Strategy change is one of the components of strategic management and refers to a set of decisions and actions that result in the formulation and implementation of long term plans designed to achieve organizational objectives. The study sought to investigate management strategic change at Geothermal Development Company. The study was conducted through a case study research design. Primary data was collected using an interview guide based on Organization Structure, top management commitment and approach to change organizational strategies and communicating change strategies. The research was administered to senior management team; Legal affairs, Commercial Services, technical Services and Business Development divisions in GDC. Data was analyzed using content analysis technique. From the findings, organizational Structure is supportive of strategy implementation in GDC as evidenced both upwards and downward dissemination of information. From the findings, the divisional heads have positive and receptive approach to change; understand strategy change management processes; though there is little involvement of support staff. On top management commitment to change, the findings indicated that the training and preparedness prior was well done, provision of financial support; supporting policies on strategy change were in place; and communicating changes to all the staffs as well as appointment of competent staffs enhanced management of strategic change in GDC was well structured. From the findings, strategy change management is communicated mainly through electronic mails; in house publications (magazines, daily briefs, bulletins, memos, newsletters, weekly staff meetings; and training/workshops. The study recommends a devised and clear change management plan with continuous monitoring and evaluation; enhancing awareness and provision of adequate human resource support; as well as comprehensible communication of vision and strategies and staff involvement from the onset. This study recommends review of GDC policies to be conclusive in nature in order to support the strategic change management through clear communication channels and full staff involvement. Further research add value to both policy formulation at GDC as well as expound on the companies response to Porters Five Industry Forces.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A brilliant strategy that cannot be implemented creates no real value. Effective implementation begins during strategy formulation when questions of “how to do it?” should be considered in parallel with “what to do?” Effective implementation results when organization, resources and actions are tied to strategic priorities, and when key success factors are identified and performance measures and reporting are aligned (Deloitte and Touche, 2003). Implementation of strategy calls for alteration of existing procedures and policies. In most organizations, strategy implementation requires shift in responsibility from strategists to divisional and functional managers (Kazmi, 2002). It is therefore important to ensure that there is a shift in responsibility to ensure successful implementation. The implementers of strategy should therefore be fully involved in strategy formulation so that they can own the process. This can be done by conducting management training (Aosa, 2011; Kiruthi, 2001; Sabatier and Weible, 2007).

Managing change in strategy is central to the execution of the organization's strategy. The theoretical framework of organization structures which influence modalities of decision making in strategic change management are anchored on decisions on the outcome, impact, cultural perspectives. Some of the theories that make the basic concept of managing strategic change are resource based view and institutional perspective. Strategic change forms part of the coordination of risk assessment and during strategy development, it is assured that both internal and external stakeholders consistently manage organizational challenges effectively and efficiently.

1.1.1 The Concept of Strategic Change Management

According to Dess, Lumpkin and Taylor (2005), Strategic change management consists of the analysis, decisions, and actions and organization undertakes in order to create and sustain competitive advantages. Dess et al (2005), argue that this definition captures two main elements that go to the heart of the field of strategic management.

First, the strategic management of an organization entails three ongoing processes: analysis, decisions, and actions. It is also concerned with the analysis of strategic goals (vision, mission, and strategic objectives) along with the analysis of the internal and external environment of the organization.

Strategic change management is hence both a skill and an art. Good strategic change management requires both clear thought and sound judgment. It is the formal and structured process by which an organization establishes a position of strategic leadership. Strategy development and change is a multidimensional process that must involve rational analysis and intuition, experience, and emotion. But, whether strategy formulation is formal or informal, whether strategies are deliberate or emergent, there can be little doubt as to the importance of systematic analysis as a vital input into the strategy change process. Without analysis, the process of strategy change management, particularly at the senior management level, is likely to be chaotic with no basis for comparing and evaluating alternatives. Moreover, critical decisions become susceptible to the whims and preferences of individual managers, to contemporary fads and to wishful thinking (Hill and Jones, 2001).

1.1.2 The Energy Sector in Kenya

The three main sources of electricity generation in Kenya are hydropower, diesel thermal and geothermal plants, along with several minor sources such as wind energy. From 2004 to 2011, increase in electricity supply generally came from fossil fuels and geothermal. Geothermal has shown the greater proportional increase in installed capacity (58% compared to 45% fossil), despite the fact that set-up costs are significantly higher than for fossil fuels. Launched over 50 years ago, geothermal energy is only now emerging as a significant electric power resource for the Kenyan economy. Assessments of geothermal hotspots indicate an estimated potential of 7,000–10,000 MW in the Kenyan Rift Valley. By 2030, the GoK intends to tap into its rich geothermal potential, drastically increasing geothermal capacity to twice that of fossil fuels. Hydropower production is projected to remain relatively stable (Climate and Development Knowledge Network, 2013).

Total current power generation in Kenya amounts to 1,479MW, with an access rate of less than 25 percent and per capita electricity consumption of 1.47 kWh (122nd in the world). The generation mix includes: 50% hydro, 35% thermal, 13% geothermal, 2% cogeneration, and others. The average retail tariff is of 15 cents/kWh, which compares well with neighboring countries (for example, Rwanda 20 cents, Ethiopia 3 cents, Uganda 12 cents, Tanzania 8 cents). The system has been expanding at 4.2% per annum between 2002-2011. Under the Vision 2030's Least Cost Power Development Plan (LCPDP), the ambition is to develop geothermal 5,000+MW, wind 2,000+MW, an expansion of 9.3% per annum with USD 23 billion in renewable energy generation, USD 4.5 billion in transmission (World Economic Forum, 2012).

According to Otieno (2008) the unique implementation challenges in developing countries such as Kenya related to economic, cultural and basic infrastructure issues. These challenges include: Integration and staff turnover issues; High cost further escalated by extensive Customization; Poor strategic change management. In the attempt to leverage and realize the benefits of information systems such as ERP; Change management strategy has been a change due to unreliability of vendors and poor quality of some ERP systems; Lack of skills by both users and consultants; Complexity of ERP system further compromising its security.

In the past five years, a number of companies in Kenya have implemented Enterprise Resource Planning systems in their organizations. Since Kenya Power and Lighting Company (KPLC) implemented the SAP R/3 system in 1997, a number of other companies have also implemented similar products. In 2006, three government corporations namely: Kenya Ports Authority, Telkom Kenya Ltd., and Kenya Pipeline embarked on ERP implementation. There are many others that also may be planning to implement these systems for their operations. The major focus is on large ERP and inventory management systems. JD Edwards has carried out a few ERP implementations in Kenyan companies, primarily in the petroleum, soft drinks and manufacturing sectors. ERP-SAP has been implemented in a large number of companies primarily in the power, transport and petroleum sectors. The smaller ERP systems include Navision, ACCPAC, Great Plains, and Sun Accounts systems.

1.1.3 Geothermal Development Company

Geothermal Development Company (GDC) which is the case study for this research is a 100% state-owned company, formed by the Government of Kenya as a Special Purpose Vehicle to fast track the development of geothermal resources in the country (GDC Report, 2012).

The company is in the process of changing its strategy by implementing SAP ERP system that was acquired a couple of years ago. The SAP R/3 ERP 6.0 Enhancement Packages that was acquired from Deloitte Consulting Ltd include the following modules; Treasury Management, Financial Controlling, Plant Maintenance, Human Capital Management, Medicare, Material Management and Project Management.(The Steam magazine, 2010).This research is therefore aimed at investigating ERP-SAP strategic change management at Geothermal Development Company.

1.2 Research Problem

Seventy percent(70%) of change initiatives in organizations and businesses fail (Kotter, 1996). Kotter (1996) argues that the reasons that major change initiatives fail include; poor leadership and change management, tendencies toward an inwardly focused culture, paralyzing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes and the general human fear of the unknown. Change management, as postulated by Jian(2007), is the very mechanism by which contemporary organizations deliver their strategy and remain competitive. Change management initiatives or efforts, as observed by (Kotter, 1995), have gone under many banners: total quality management, reengineering, right sizing, restructuring, cultural change and turnaround. Effective strategic change management is crucial for the sustainability of organization.

GDC is a wholly owned government parastatal and has been tasked with the development of geothermal resources in the country. GDC is in the process of implementing strategic change of SAP- ERP system but has faced countless challenges which have seen the delay of completion of the ERP system for over two years.

Various studies have been done on managing strategic change. This includes a study by Aiko (2009) who investigated strategy change implementation at GlaxoSmithKline and found out that as competence, coordination, commitment and political turbulence may well be the single most important issue facing implementation process. Karani (2009) researched on strategy implementation at Kenya Electricity Generating Company and established that implementation of strategic decision as an on-going process that requires monitoring and evaluation at all stages to determine the best alternatives in the process. Ongeru (2010) researched on strategy implementation at Citibank, Kenya and established that in the case of Citibank just like in any other player in the banking industry; implementation of strategies should be fast, consistent and should be adaptable on many fronts simultaneously.

Nderitu (2010) researched on strategy implementation at East African Cables Limited and found out that organizational culture, resource allocation and organizational structure were found to be the important drivers of strategy change implementation. Aosa (1992) conducted an empirical investigation of aspects of strategy formulation and implementation within large private manufacturing companies in Kenya. In another study Awino (2001) investigated the effectiveness and problems of strategy implementation of financing Higher Education in Kenya and cited resource based factors as well as cultural factors as inhibitors to strategy implementation.

The findings from different studies on strategic change relate to different contexts. Since there is no universal approach to strategy change management, there may exist a set of critical factors that may influence the management of strategic change in GDC, Kenya. GDC operations are unique in its nature and hence the need to carry out this study. How is strategic change managed at Geothermal Development Company?

1.3 Research Objective

This research project aimed at investigating the management of strategic change at Geothermal Development Company.

1.4 Value of the Study

The study findings guided policy formulation and contributed to informed deliberations of the Management Team of GDC when reviewing the policy to reflect the best practices of strategic change management. The same policy shall be used in similar concept in future.

From a practical point of view, the findings of the study is important to GDC, as it guides to identify and analyse changes that are aimed at increasing organisational efficiency, increase initiative and manage strategic change better in the future.

From a theory point of view, the study acts as a guide in coming up with frameworks of critical factors that influence strategic change management. Such frameworks are available for future theory building and empirical testing.

The result of the study is also invaluable to researchers and scholars, as it forms a basis for further research. The result adds value to the literature available in implementing strategic change initiatives especially in public sector in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews the academic and practitioner's literature published Strategic Change implementation as one of the biggest tasks an organization may be involved in. This does not only require a significant amount of funding but also require unappealing commitment throughout the whole business component. The theories behind strategic change management are discussed first followed by a review of empirical literature.

2.2 Theoretical Perspective

The change management strategic framework required addresses the current needs that will be impacted by various variables. Two theoretical perspectives that may provide guidance in identifying the components that make up a strategic framework to change management practices will be discussed.

2.2.1 Resource Based View

Resources of the right quality and quantity are important for strategy implementation (Aosa, 1992, Machuki and Aosa, 2011). Resource based view of the firm starts with the assumption that the desired outcome of managerial effort within the firm is a sustainable competitive advantage (SCA). Achieving a SCA allows the firm to earn economic rents or above-average returns. In turn, this focuses attention on how firms achieve and sustain advantages. The resource-based view contends that the answer to this question lies in the possession of certain key resources, that is, resources that have characteristics such as value, barriers to duplication and relevance.

A SCA can be obtained if the firm effectively deploys these resources in its product-markets. Therefore, the RBV emphasizes strategic choice, charging the firm's management with the important tasks of identifying, developing and deploying key resources to maximize return.

Resources comprise three distinct sub-groups, namely tangible assets, intangible assets and capabilities. Tangible assets refer to the fixed and current assets of the organization that have a fixed long run capacity. Intangible assets include intellectual property such as trademarks and patents as well as brand and company reputation, company networks and databases (Williams, 1992). Capabilities have proved more difficult to delineate and are often described as invisible assets or intermediate goods (Itami, 1987). Essentially capabilities encompass the skills of individuals or groups as well as the organizational routines and interactions through which all the firm's resources are coordinated (Grant, 1991).

2.2.2 Institutional Perspective

Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Although the ostensible subject is stability and order in social life, students of institutions must perforce attend not just to consensus and conformity but to conflict and change in social structures (Meyer and Rowan, 1991).

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (McAdam and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding organizations and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment (Scott, 2004).

2.3 Strategic Change Management Process

A typical strategic change management often involves some degree of business process re-engineering (BPR) and systems customization. Arifet al. (2005) states that if a company is not already conducting its business in the manner assumed to be the best practice according software package they acquire, then the organization must reengineer its business processes, operations and practices. Therefore, BPR can be considered as a key practice in change management process.

In BPR the goal is to replace the existing business processes with ones that are much more effective for both the customer and the organization itself. Therefore, BPR can be conceived as a technique for restructuring business operations to achieve

improvements. Improvement of business operations can also be achieved through TQM or process improvement, but with BPR the targeted improvements will be more significant and radical. Eardley et al. (2008) states that the aim of TQM or process improvement approach is to streamline the system operations in the organization's value chain in order to add value incrementally.

2.4 Change Management Factors

The context factor refers to the organization's external and internal environments, such as a changing political environment or the institutionalization of a public organization (Philippidou et al . 2008). The content factor focuses on the content of the change, including the organisation's strategies, structures and systems (Armenakis and Bedeian 1999). An example of a content issue in the public sector could be New Public Management (NPM), a world-wide reform trend in the public sector (Pollitt and Bouckaert 2004).Third, Armenakis and Bedeian (1999) mention the process factor, which describes the interventions and processes that are involved in the implementation of change.

Generally, both the management and public administration literature distinguish between radical and emergent change processes. Fourth, Armenakis and Bedeian (1999) raise criterion variables, referring to the outcomes of change, including the attitudes, behaviors and experiences of those involved with the change. An additional factor we include in our frame relates to the leadership of change, which has been receiving increasing attention in the change management literature (Higgsand Rowland 2005).

2.5 Critical Success Factors

The identification of 'success factors' was first proposed by Daniel (1961) in an article on Management Information Crisis. It was later refined by Rockart (1979) who used the term 'Critical Success Factors' (CSF) to mean the limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance in an organization.

Research on managing strategic change have focused on critical success factors in order to advise managers about which of the factors are most critical for the organization (Somers and Nelson, 2001). The study by Umble et al. (2003) has categorized the key factors under 10 main points namely: clear understanding of strategic goals, commitment by top management, excellent implementation project management, great implementation team, successful coping with technical issues, organizational commitment to change, extensive education and training, data accuracy, focused performance measures, and multi-site issues resolved.

As noted by Robey et al. (2002), while these findings are useful in predicting the successful outcome of projects, they offer few insights beyond conventional wisdom because they do not adequately explain why the investigated business outcome occurred. In light with their observation, we argue that these studies are not without benefit because they highlight important issues for consideration and point to the complexity of software project initiatives. Organizations and researchers may find consulting a list of a priority 'factors of success' beneficial, such items are not in-themselves keys to a preferred outcome. Rather, they tend to focus attention on controlling and simplifying innately complex situations. Most of the studies carried on

critical success factors areas lack theoretical basis that successfully link the critical success factors to implementation outcomes of any kind. Besides, there is no consensus on critical success factors owing to difference in context between implementing organizations (Leopoldo and Otieno, 2005).

2.5.1 Macro and Industry Specific Factors and their Influence in Managing Strategic Change

Macro and industry specific factors may influence the management of strategic change in an organization. Environmental turbulence is a critical success factor in the implementation of strategic change. The level of turbulence may influence whether a certain strategic implementation effort succeeds or not. Strategic management views the environment as an important contextual factor that has a strong impact on a firm's strategic direction (Hamel and Prahalad, 1994). Strategy literature supports the view that both owners and top managers need to deal with the impact of the environment (Hough and White, 2004; Chung, 2008; Aapo and Tomas, 2008).

The information uncertainty perspective maintains that greater environmental dynamism will lead to greater environmental uncertainty and increased difficulty in decision-making (Sanders and Ritzman, 2004). Lumpkin and Dess (1995) argue that organizations that are able to respond appropriately to varying levels of environmental uncertainty will be more effective. Porter (1986) is of the view that globalization potential depends on industry characteristics and particularly on specific industry drivers, for instance, such as market forces, cost factors, technology, government policies and competitive factors (Porter, 2004, Awino et al, 2010, Machuki and Aosa, 2011). It is therefore importance to identify a set of macro environment and industry (competitive environment) and micro environmental (firm specific) factors that influence the success of ERP base strategy implementation.

2.5.2 Micro Environment Factors and their Influence in Managing Strategic Change

According to Jones and Hill (1997), implementation of strategy is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership.

Leadership may affect change management. Leadership is widely described as one of the key drivers of effective strategy implementation (Pearce and Robinson, 2005). However, a lack of leadership, and specifically by the top management of the organization, has been identified as one of the major barriers to effective strategy implementation (Hrebiniak, 2005). Leadership is defined as “the leader’s ability to anticipate, envision, and maintain flexibility and to empower others to create strategic change as necessary” (Hitt, Ireland, & Hoskisson 2007: 375). Leadership is multifunctional, involves managing through others, and helps organizations cope with change that seems to be increasing exponentially in today’s globalized business environment. Identifiable actions characterizing leadership that positively contributes to effective strategy implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization’s resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

Organization structure may affect change management. Organizations should be structured in such a way that it can respond to pressure to change from the environment

and pursue any appropriate opportunities which are spotted (Lorsch, 1967). Thompson and Strickland (1980) notes that strategy implementation involves working with and through other people and institutions of change. It is important therefore that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward should be considered. Structure is the means by which the organization seeks to achieve its strategic objectives and implement strategies and strategic changes. Strategies are formulated and implemented by managers operating within the current structure.

Successful strategy implementation depends on a large part on how a firm is organized. Owen (1982) agrees that strategy and structure need to be matched and be supportive of each other in order to achieve objective set. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objective. It also provides managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and at the same time enhance the firm's capacity to achieve superior efficiency, quality, innovation and customer responsiveness (Pearce and Robinson, 2007). One reason strategy implementation processes frequently result in problems or even fail is that the assignments of responsibilities are unclear. The organization structure therefore should fit with the intended strategies (Birnbaum, 2000).

Resource allocation may impact on change management. Strategy can be best understood if it is viewed as an element of an organization that includes proper resource allocation. The causes of breakdown in strategy implementation relate to the capabilities, processes and activities that are needed to bring the strategy to life. Effective resource allocation calls for unique, creative skills including leadership,

precision, attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear and concise ways throughout the organization and to all its stakeholders. Successful strategy implementation is due to the design, development, acquisition, and implementation of resources that provide what is needed to give effect to the institution's new strategies (Judson, 1991).

The organization need to have sufficient funds and enough time to support the implementation process. True costs include realistic time commitment from staff to achieve a goal, a clear identification of expenses associated with a tactic, or unexpected cost overruns by vendors. Resource allocation is important and equitable resource allocation and sharing is an important activity that enhances strategy execution. The resources include financial, physical, human, technological and good will resource. The strategic plan is linked to the annual business plan i.e. the budget (Birnbaum, 2000).

Non-involvement of employees is a challenge facing change management. One frequent problem is the exclusion of human factors from the process of innovation strategy. Staff who are not involved in the creation of an innovation strategy, they do not get sufficient information about the objectives innovation strategy, are not thoroughly familiar with the intentions of firm's innovation activities, may be in some activities passively. As a useful tool in this analysis can help managers create their own business model of innovation relationship management (Bartók&Ješka, 2006).

Birnbaum (2000) indicates that strategy implementation requires the transfer of information from one person to another. Communication allows sharing of ideas, facts, opinions and emotions and above all provides feedback. In organizational strategy implementation, information flows in all directions; downwards, upwards and literally. The management of the organization therefore thinks about communication needs that to be articulated during strategy implementation.

Culture may affect change management. Organizational culture can be cited as a key factor contributing to the success of or the failure of organizations. Organizational culture can be defined as a pattern of beliefs, norms or social expectations shared by individuals in organizational systems (Pavitt, 2006). These beliefs and expectations, although produced by the interaction between individuals and groups in organizational systems, influence back (through a retroactive feedback loop) the behavior of these same individuals and groups and nothing more than a representation of a socially constructed reality in which individuals and groups know what is important, what is acceptable and how to behave in specific situations.

For culture to promote change and increase the capacity of individuals, groups and organizational systems to innovate, it needs to ingrain in individuals the capacity to continually question their assumptions to reflect on the appropriateness of their actions in the light of unfolding events. Such a culture will be in a continual construction through learning, more specifically double loop learning (Argyris, 1976). As Kofman and Senge (1993 pg. 67) stated that “Those contexts that display their precarious nature, those contexts that invite revision and recreation are inherently better than those which hide their precarious nature and fight revisionist attempts. They will be in a continual state of becoming.” Even culture will need to be in a continual state of becoming to evolve with the organizational system, its individuals, its structure and other elements. Organizational systems fostering such cultures can become learning organizations where interdependence, capacity for feedback, balance and adaptation are valued. In such systems, what individuals know is not as crucial as what they could know through learning and answers are always less important than questions.

Organization politics may affect change management. Organizational politics is another factor affecting strategy implementation. Organization politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interests (Hill and Jones, 1999). Ford and Ford (2009) states that it is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power. Top-level managers constantly come into conflict over what correct policy decisions would be and power struggles coalition building is a major part of strategic decision making. According to them, the challenge organizations face is that the internal structure of power always lags behind changes in the environment because in general, the environment changes faster than organizations can respond.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides the pathway through which the objective of this study was achieved. It sets out various stages and phases that were used in the study. In this stage, most decisions about how research was executed and how questionnaires were administered, as well as when, where and how the research was conducted is addressed. Specifically the research design, data collection method and procedures and data analysis are included.

3.2 Research Design

This study adopted a case study since the unit of analysis was biased to one organization that is GDC. It aimed at getting detailed information regarding managing strategic change in GDC with this information coming from top level management staff of the corporation.

According to Yin (1994), a case study allows an investigation to retain the holistic and meaningful characteristics of real life events. It involves a careful and complete observation of social units. It is a method of study in depth rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other interrelations.

3.3 Data Collection

The study used primary data, original information was collected from a first-hand experience. Primary data can be received first hand from instruments such as interviews where a person collecting the data sits face to face with the respondent.

The data collection instrument used in this study was the interview guide. An interview guide is a set of questions that the interviewer asks when interviewing. They vary from highly scripted to relatively loose and help to know what to ask about and in what sequence. An in-depth interview allows more interaction between interviewer and interviewee.

The respondents interviewed were the top management team of GDC who steer strategic change management in the company. These were the five (5) divisional heads of Commercial Services, Systems Management, Technical Services, Legal Affairs and Business Development Divisions. The five (5) afore mentioned were considered as the key informants for this research.

Face to face interviews were carried out and all target participants cooperated with the researcher in availing information. Prior to that, permission was sought from the organization and consent from individual heads of divisions was also requested through a formal letter.

3.4 Data Analysis

The qualitative analysis was adopted in this study because the researcher is able to describe, interpret and also criticize the subject of the research since it is difficult to do so numerically. The qualitative analysis was done using content analysis.

Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Hsieh and Shannon, 2005). It involves observation and detailed description of objects, items or things that comprise the object of study. The themes that were used in the analysis are informed by the variables identified in literature. The data obtained from the interview guide was analyzed qualitatively. Qualitative data analysis made general statements on how categories or themes of data are related.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter consists of findings and discussion on the data gathered to address this study. The study findings were in line with the objective of the study; investigating the management of strategic change at Geothermal Development Company.

4.2 General Information

The respondents in the interview included the five (4) divisional heads, Commercial Services, Systems Management, Technical Services, legal Affairs and Business Development Divisions. The Legal Affairs has worked for Geothermal Development Company for a period of six years, with the Heads of Systems Management, Technical Services and Business Development having a working experience in GDC for a period of five years. These results show that GDC offers a good working environment with relevant experience in their areas of jurisdiction. Long term serving employees tend to reuse their success formulas. The results also show that there is good understanding and communication in the corporate level of the organization.

Results also show that the head of divisional heads are well educated with the Commercial Services Manager is pursuing PhD while the others are holders of post graduate and graduate degrees. These show that the management comprises of highly knowledgeable and highly professional individuals. The respondents have been receiving training on strategic management change, monitoring and evaluation of the same from external training institutions such as the Kenya School of Government(KSG), Federation of Kenyan Employer (FKE) and Institute of Human Resource Management (IHRM). The latest training received on Strategic change

management was from FKE. These results show how dedicated the managerial staff are on ensuring effective strategic change management. Change can arise from the way the organization does its routine work, upgrading of staff skills through training or shifts in departments where the employees' skills fits best among other changes deemed necessary for the organization's success and long term growth.

4.3 Managing Strategic Change.

Responses from the interviewees in the Geothermal Development Company revealed that strategic change management is very important for the growth and success of the company. They explained the importance of strategic management change as to increase project success because of staff support. It is true that change in most organizations can be constrained by employees who tend to be resistant to change, as per the answers from the respondents; staff in GDC does not resist change as the management communicates the strategic change management as and when it is implemented. Restructuring and operational changes forced GDC to embark on offering good packages to its employees to increase their morale and as such, this acts as a retention strategy. Responses from the Chief Manager, Business Development division showed that clear information is cascaded down to employees whether its positive or negative.

Investigation showed that Management in GDC does not ignore existing circumstances as current situations shape the future. Change in GDC is triggered by external environment factors such as, political climate, state regulations, and changes in technology especially in energy development. A need for recruitment and staff training as a result of changes in technology and other technical operations is essential.

Strategic management change is important especially when the company wants to meet international standards in green energy development as well as meeting the rapid changes within Ministry of Energy & Petroleum and also in International Renewable Energy Agency. Change is more significance when the company is facing stiff competition from its rivals with the objective of gaining a competitive advantage in the market. Strategic management change in GDC also leads to motivation and skill improvement thus its importance.

All Divisional Heads in the company participates fully in strategy formulation and change management. Respondents indicate that strategy formulation follows after the analysis of the situation(s) that require need for strategic change. Strategy change management involves modification of current objectives and strategies in ways to make the organization more successful. Strategy Change management in GDC are of three types; corporate level strategy, business level strategy and functional level strategy. Corporate level strategy is concerned about the overall organization's direction and operation in the long term. Changes management are done on the overall objective of the company with alteration on the vision and mission of the company. Business level strategy on the other hand involves GDC deciding on best strategies to combat competition with an objective of having cost leadership and competitive advantage opportunities. Functional level strategies include strategies that affect divisions in the company thus the involvement of other Heads of the department in strategy formulation and implementation and evaluation.

Strategic change in the functional level requires all heads of divisions to participate fully in the strategy formulation, implementation and evaluation. However in corporate level and business level strategy GDC excludes some divisional heads in the evaluation process. The inclusion in evaluation of the change strategy implemented

depends on the division which the change affects most. For example if there is need for strategic change on technology, the Head of Systems and Technical Services have to participate in evaluation. Therefore, participation in the evaluation of implemented strategy depends on the division that change affects most.

Respondents agreed that competitive industry factors greatly influence strategic change management. These changes tend to affect business operations with the objective of becoming successful. GDC aligns its change according to Porter's five forces in industry analysis which include; intensity of competitive rivalry, threat from new entrants, threat from substitutes, bargaining power of buyers and bargaining power of suppliers. The threat of new energy companies entering the market results GDC to review its operations and make changes where necessary to avoid losing their position in the market. Change strategy in this situation GDC would consider repositioning itself to provide the best defense, reduce operational costs and focus at future reduced cost per unit than the set standard prices of the new entrant or coming up with attractive package for the investors in terms of share price and dividend share.

Intensity of competitive rivalry and threat from substitutes from upcoming drilling companies such as Tullow Oil, pushes GDC to change management in its technology and technical operations to ensure that they are far better than other players in operations. Bargaining power of suppliers at times causes GDC to have a change in the way they get their materials. Bargaining power of consumers is another major force that results to strategic change in GDC. The analysis of responses indicated that all heads of divisions influenced strategic change at different capacities.

On the question of whether GDC influences change, responses indicate that the leaders in the organization; Technical and Systems Management as well as head of

commercial services greatly influence change. Strategic management change requires adequate amount of resources to make the change a success. The culture of the organization influences strategic change management in a positive way. The GDC organization members are more inclined to embrace change since organization's culture is aligned with the mission and goals of the company. The Business development division, however points out that shifting a culture that has to some extent moved away from the values established by its founders is always a challenge because organization change also results to change in the culture. Culture change is illusive, requires lengthy interventions, and, for many GDC, it is either too costly or too time-consuming thus making successful transformation problematic.

In GDC one objective that has been made is on development of the geothermal wells to build a power plant soon. The Legal Advisor and Business Development Chief Manager recommended on more deployment of resources to meet changes in strategy and that the strategies implemented should be sticky ones, those which will not require constant changing. Further, they recommended on forecasting on change to avoid abrupt and quick strategy formulation, implementation that serves a current situation. Another recommendation that Commercial Services Chief Managers gave to other managers that seek to adopt strategic changes in their organization should quit office politics. Office politics such as ego centric managers, jealousy feelings among the management and competition to win certain managerial positions may affect organization's performance greatly. Structuring an organization in a way that it can respond to changes in the environment such as competition, natural calamities, security instability is vital in any organization was another recommendation given to GDC management. Results also show that GDC analyses critical success factors in the implementation of strategic change. This is part of their step by step procedure

prior formulation of their strategies. Analysis of key success factors places the organization at a better level to mitigate expected and unexpected challenges. There is also sufficient and great leadership in GDC Company which is demonstrated by good communication skills among the management.

4.4 Discussion

Change in GDC is triggered by external environment factors such technology, government regulations and other energy regulatory bodies in Kenya and internationally.

4.4.1 Comparison with Theory

Strategic management change in GDC requires time, adequate resources that are financial and human capital to make the change a success. This finding is supported by Birnbaum (2000) who states that the organization needs to have sufficient funds and enough time to support the implementation process. The resources include financial, physical, human, technological and good will resource. The strategic plan is linked to the annual business plan i.e. the budget. The findings further agree to the Resource theory the right quality and quantity are important for strategy implementation (Aosa, 1992, Machuki and Aosa, 2011). Resource based view of the firm starts with the assumption that the desired outcome of managerial effort within the firm is a sustainable competitive advantage (SCA). Achieving a SCA allows the firm to earn economic rents or above average returns. In turn, this focuses attention on how firms achieve and sustain advantages. The resource-based view contends that the answer to this question lies in the possession of certain key resources, that is, resources that have characteristics such as value, barriers to duplication and relevance.

The results in this study also agree with the statements of Judson (1991) that resource allocation may impact on change management. Strategy can be best understood if it is viewed as an element of an organization that includes proper resource allocation. Effective resource allocation calls for unique, creative skills including leadership, precision, attention to detail, breaking down complexity into digestible tasks and activities and communicating in clear and concise ways throughout the organization and to all its stakeholders. The culture of the organization influences strategic change management in a positive way. This finding agrees with Pavitt (2006) where organizational culture can be cited as a key factor contributing to the success of or the failure of organizations.

Organization structuring in a certain way may affect change management. Structuring an organization in a way that it can respond to changes in the environment such as competition, natural calamities, security instability is vital in any organization. These were the recommendations from the corporate managers in GDC. Their recommendations confer with Lorsch (1967) where organization structure may affect change management. Lorsch states that organizations should be structured in such a way that it can respond to pressure to change from the environment and pursue any appropriate opportunities which are spotted. Further, Thompson and Strickland (1980) second Lorsch by noting that it is important therefore that in designing the structure and making it operational, key aspects such as empowerment, employee motivation and reward should be considered. Structure is the means by which the organization seeks to achieve its strategic objectives and implement strategies and strategic changes. Strategies are formulated and implemented by managers operating within the current structure. Successful strategy implementation depends on a large part on how a firm is

organized. Owen (1982) agrees that strategy and structure need to be matched and be supportive of each other in order to achieve objective set. The structure helps an organization identify its activities and the way in which it will coordinate them to achieve the firm's strategic objective. It also provides managers with a vehicle to exploit fully the skills and capabilities of the employees with minimal costs and at the same time enhance the firm's capacity to achieve superior efficiency, quality, innovation and customer responsiveness (Pearce and Robinson, 2007). One reason strategy implementation.

Another recommendation that corporate managers gave to other managers that seek to adopt strategic changes in their organization should quit office politics. Office politics such as ego centric managers, jealousy feelings among the management and competition to win certain managerial positions may affect greatly organization's performance. This recommendation from GDC management is in line with Hill and Jones (1999); Ford and Ford (2009) where organization politics are tactics that strategic managers engage in to obtain and use power to influence organizational goals and change strategy and structure to further their own interests. Ford and Ford (2009) states that it is important to overcome the resistance of powerful groups because they may regard the change caused by new strategy as a threat to their own power. Top-level managers constantly come into conflict over what correct policy decisions would be and power struggles coalition building is a major part of strategic decision making. According to them, the challenge organizations face is that the internal structure of power always lags behind changes in the environment because in general, the environment changes faster than organizations can respond

4.4.2 Comparison with other Empirical Study

According Philippidou et al (2008), the context factor refers to the organization's external and internal environments, such as a changing political environment or the institutionalization of a public organization. The results in this study confer with those Hamel and Prahalad (1994) who state that the level of turbulence may influence whether a certain strategic implementation effort succeeds or not. According to them strategic management views the environment as an important contextual factor that has a strong impact on a firm's strategic direction. Strategy literature supports the view that both owners and top managers need to deal with the impact of the environment (Hough and White, 2004; Chung, 2008; Aapo and Tomas, 2008).

GDC analyses critical success factors in the implementation of strategic change. This is part of their step by step procedure prior formulation of their strategies. Analysis of key success factors places the organization at a better level to mitigate expected and unexpected challenges. The above confer with Somers and Nelson whose research on managing strategic change have focused on critical success factors in order to advise managers about which of the factors are most critical for the organization. The above findings are further supported by Hamel and Prahalad (1994) whose analyses indicate that macro and industry specific factors may influence the management of strategic change in an organization. In their opinion they believe that environmental turbulence is a critical success factor in the implementation of strategic change.

The level of turbulence may influence whether a certain strategic implementation effort succeeds or not. GDC views the environment as an important factor that has a strong impact on a firm's strategic direction. Strategy literature supports the view that both owners and top managers need to deal with the impact of the environment (Hough and White, 2004; Chung, 2008; Aapo and Tomas, 2008).

Porter (1986) is further of the view that globalization potential depends on industry characteristics and particularly on specific industry drivers, for instance, such as market forces, cost factors, technology, government policies and competitive factors (Porter, 2004, Awino et al, 2010, Machuki and Aosa, 2011). It is therefore importance to identify a set of macro environment and industry (competitive environment) and micro environmental (firm specific) factors that influence the success of ERP base strategy implementation.

On the question of whether strategic management change in GDC is important, the responses received cited how critical the same is. Results from the GDC show that there is a high level of commitment by top management, great skill and knowledge of the change management team and active participation of the team in strategy formulation, implementation and evaluation. This finding supports study by Umble et al. (2003) who has categorized the key factors of strategic change under 10 (ten) main points namely: clear understanding of strategic goals, commitment by top management, excellent implementation project management, great implementation team, successful coping with technical issues, organizational commitment to change, extensive education and training, data accuracy, focused performance measures, and multi-site issues resolved.

Results from the study reveal that apart from the change management team in GDC being active participants in decision making on change strategies, their also exist good flow of communication as strategic change management process is discussed by all the heads to share ideas and agree on the best change strategies for the company when necessary. This finding support Birnbaum (2000) who indicates that strategy implementation requires the transfer of information from one person to another through specific channels.

Further findings indicate that there is sufficient and great leadership in GDC Company which is demonstrated by good communication skills among the management. This finding supports Pearce and Robinson (2005) which states that lack of leadership, and specifically by the top management of the organization, has been identified as one of the major barriers to effective strategy implementation (Hrebiniak, 2005). Leadership is defined as “the leader’s ability to anticipate, envision, and maintain flexibility and to empower others to create strategic change as necessary” (Hitt, Ireland, & Hoskisson 2007: 375). Leadership is multifunctional, involves managing through others, and helps organizations cope with change that seems to be increasing exponentially in today’s globalized business environment. Identifiable actions characterizing leadership that positively contributes to effective strategy implementation are determining strategic direction, establishing balanced organizational controls, effectively managing the organization’s resource portfolio, sustaining an effective organizational culture and emphasizing ethical practices.

Additional results also indicate that is good employee participation in strategic change in the company. Employees in GDC tend to embrace change which makes it easier for management to implement necessary changes for the benefit of the organization. These results confer with those of Bartók & Ješka 2006 who indicates that non-involvement of employees is a challenge facing change management. One frequent problem is the exclusion of human factors from the process of innovation strategy. Staff who are not involved in the creation of an innovation strategy, they do not get sufficient information about the objectives innovation strategy, are not thoroughly familiar with the intentions of firm's innovation activities, may be in some activities passively. As a useful tool in this analysis can help managers create their own business model of innovation relationship management.

Strategy formulation follows after the analysis of the situation(s) that require need for strategic change. GDC implements strategies that are fit for the organization for success. GDC have employees who do not resist change, as most change strategy are also tied to good compensation, benefits to act as motivation to the dedicated staff. The findings in this study support that of Jones and Hill (1997) which states that implementation of strategy is a way in which a company creates the organizational arrangement that allows it to pursue its strategy most effectively. Formulating appropriate strategy is not enough. For effective strategy implementation, the strategy must be supported by decisions regarding the appropriate organization structure, reward system, organizational culture, resources and leadership.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

From the analysis and data collected, the following discussions, conclusions and recommendations were made. The responses were based on the objectives of the study. The researcher had intended to investigate how change is managed at Geothermal Development Company.

5.2 Summary

This section dwelt on the summary of the findings generated from data analysis. The summary was done along the objective of the study. The objective of the study was to investigate management of strategic change in Geothermal Development Company. From the study, the researcher found that GDC change management as a critical decision making for the institution. For instance, on the question of the level of participation of management in formulation, implementation and evaluation of the company results shows that there is commitment in the managers in ensuring strategy change process is a success.

The results indicate that competitive change strategies by GDC are derived from an understanding of the industry analysis as outlined in Porter's five forces; intensity of competitive rivalry, threat from new entrants, threat from substitutes, bargaining power of buyers and bargaining power of suppliers. The ultimate goal of competitive strategy is to manipulate these factors in GDC's favor.

Results also indicate that leadership in GDC strongly influences change. GDC were greatly influenced by resources as technology and structural changes require a lot of resources. The culture of the organization influences strategic change management in a positive way. The GDC organization members are more inclined to embrace change since organization's culture is aligned with the mission and goals of the company. The CEO however points out culture change is illusive requires lengthy interventions, and resources thus making success achievement difficult.

Results indicate that all heads of divisions carry out research on improvements that can be effective in their divisions and the organization as a whole then organizing for a meeting to discuss the findings and the significance attached to the change, which later if viable the change is implemented. In a nutshell the leadership in GDC strongly influences change. GDC are greatly influenced by resources as technology and structural changes require a lot of resources. However, the business development division carries out proper plans to ensure that the changes to be implemented do not constrain the company financially. Resources also include availability of human capital, as from the responses GDC has sufficient human capital to manage change and additional of new skill in the company impacts positively the change management.

Change strategies that GDC has been able to implement to elude competition includes; increasing renewable energy in Kenya to meet demand especially in those areas that lack electrification. The change was through introduction of green energy with more focus on geothermal. Geothermal has numerous advantages over other sources of power as it is not affected by drought and climatic variability. Another major strategic change undertaken successfully by GDC was the establishment of a

Geothermal Training Institute formed in partnership with Iceland to offer technical training in geochemistry, geophysics and drilling engineering, whereby staff can be trained further on the technical issues and emerging issues in the geothermal power. The same training institution offers opportunities to the public for those interested to be trained in the field at a fee.

5.3. Conclusion

The findings of the study show that there is high level of cooperation and understanding in GDC when formulating, implementing and evaluating change strategy. The strategies that all heads of the company formulate and implement together are corporate level and business level strategies, since both strategies are overall decisions that ought to be made about the company. These strategies concern the growth and overall objective of the company. Organizational leaders in GDC seem to carefully revisit and make decisions about the growth objectives and the fundamental strategies the organization will use to achieve them. In some organizations growth strategies selected tend to fail this is a result of pushing a growth strategy when a company is not in the capability of growth or when the leaders in a company greed for ego and fame. This is however not the case in GDC as the managers who act as the leaders in that organization tend to resist such temptations and focus on selecting a growth strategy appropriate for the organization. Change management means to plan, initiate, realize, control, and finally stabilize change processes on both corporate and personal levels. Change may cover such diverse problems as, for example, strategic direction or personal development programs for staff.

Findings from the study also indicate that GDC analyses critical success factors in the implementation of strategic change. This is part of their step by step procedure prior formulation of their strategies. Analysis of key success factors places the organization at a better level to mitigate expected and unexpected challenges. There is also sufficient and great leadership in GDC Company which is demonstrated by good communication skills among the management.

The head of Business Development division at GDC explained how change in the company is an ongoing process which needs training in order to successfully carry out the change in the organization. The main aim of change activities in GDC are well thought through before implementation and changes initiatives are controlled internally. The success of a project is not only related to good strategy or good technical management.

Motivation and skills of the team are also important. Change management is of strategic importance, without which companies cannot exist. Their ability to change and adapt quickly brings enormous market advantages. Porters' five forces of the industry analysis help companies to understand the different competitive forces that push them to come up with strategies to manage the changes that results from the industry forces to their advantage. GDC response to strategic management change is well prepared for and organized. Employees are engaged in the change process to avoid constraints in achieving organizations success. The company comes up with strategies that will also not constraint finances and man power during the change. Change management in GDC is a critical factor that receives management cooperativeness and commitment.

5.4. Recommendation

Management should address the challenge of insufficient resources to facilitate strategy implementation. The management of GDC should also be forecasting on the long term strategic change and minimize creation of short term forecasts that requires change that will not take them to the forecasted long term objectives. However, GDC seem to be a company that critically analyses changes and the entire organization embraces changes therefore future forecasts will not be so much a challenge to them. Companies should be structured in such a way that it can respond at all times to pressure to change from the environment and pursue any appropriate opportunities which are spotted

One major reason why strategic changes in some organizations fail as a result of staff resistance to change. The time taken to convince the staff to accept the change makes the organization lag behind in addressing important development. GDC, a company whose employees embrace change should not lag behind in maintain its employees through up to date training on operations as well as important organizational matters as a way of maintaining the employees who from the study do not resist change. This also includes good compensation to the employees, provision of a good working environment and working conditions

5.5. Limitation of the Study

There are two (2) limitations to this study. First, the research investigated one organizations leaving out other comparators within the energy sector. Secondly, the study focused mainly on the top management team. Longitudinal research on different resistant programmes will give more in-depth information on how to manage user resistance across the organizations

GDC has been in operations for less than seven (7) years and therefore the finding might not be sufficient to advise organizations that have been in existence for years. However, the results of this study may be applicable to new startup companies. It would be necessary to test the framework in other Organization who have been in operations for more the fifteen years and with different cultural backgrounds.

5.6. Further Research Study

Having looked at how GDC manages change strategy, suggested area of study can be on evaluating the challenges that GDC faces when implementing change strategies. Further research should be done on the other organizations in the public sector to get comprehensive overview and experiences on how the other players in the sector are managing strategic change.

A replica of the same study can be done by analyzing management of strategic change specifically in the energy sector to get a wider scope of findings that would add value in the policy formulations at GDC. In addition, it will expound on the companies responses to Porters Five industry forces.

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APPENDICES

APPENDIX I: Introduction Letter

Dear Respondent,

INTERVIEWS FOR ACADEMIC RESEARCH

I, **Tallam Rebecca Jepchirchir**, a student of Master of Business Administration at University of Nairobi's carrying out an research study on "MANAGING STRATEGIC CHANGE AT GEOTHERMAL DEVELOPMENT COMPANY IN KENYA".

This is to kindly request you to participate as a respondent in this research with a view of obtaining your input from your experience in the recently completed ERP strategic change management at GDC. Your answers will be handled with confidentiality and your name as a respondent shall not be revealed.

Regards,

Tallam Rebecca Jepchirchir

APPENDIX II: Interview Guide

1. How long have you worked for GDC?
2. What is your level of education?
3. Have you been trained strategic change management?
4. How important is strategic change management to GDC?
5. To what extent have you participated in strategy formulation?
6. To what extent have you participated in strategy implementation?
7. To what extent have you participated in strategy monitoring and evaluation?
8. To what extent do you think competitive/industry factors influenced strategic change management?
9. To what extent do you think GDC leadership influenced strategic change management?
10. How do you rate the participation and involvement of support staff?
11. Did resources influence the strategic change management at GDC? Explain your answer
12. Did organization culture influence the strategic change management at GDC? Explain your answer
13. To what extent do you think the strategic change management objectives were achieved? Give your recommendations on areas of improvement.

THANK YOU.