

**STRATEGIC LEADERSHIP AND CHANGE MANAGEMENT
PRACTICES AT NATIONAL BANK OF KENYA LIMITED**

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DECLARATION

This research project is my original work and has not been submitted for examination to any other university.

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

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DEDICATION

I dedicate this project to my mother Monica Nairobi, the entire Nairobi's family and Agwata's family for a strong foundation for my education and their support.

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ABSTRACT

Change management is a structured approach for ensuring that changes are thoroughly and smoothly implemented, and that the lasting benefits of change are achieved. To succeed in marketplace, companies need to manage change more precisely in order to realize the full value of their transformation efforts. National bank of Kenya limited implemented new technology and takes other actions to keep themselves competitive in their chosen markets, they ensured that the changes they implement achieve the full scope of their technical, financial, and human objectives. The objective of this study was to establish of strategic leadership and change management practices at National bank of Kenya Limited. A case study research design was adopted. Data was collected using in depth interview technique and questionnaires on the available management staff and other staff who serve at National bank of Kenya total number of eight staff. The data collected was analysed using content analysis. The study found that NBK has embraced corporate governance as toll to enhance service delivery and improve performance. NBK has a board of directors that is committed to ensuring that the business of the Bank is run in a professional, transparent and equitable manner so as to protect and enhance shareholder value and also satisfy the interests of other stakeholders. The study found that leadership at NBK has been able to exhibit leadership competencies. The study found that in 2013, NBK re-branded as part of a new strategy to shed old under-performing image that has dogged it for years. One of the changes in the NBK structure was the creation of a Marketing & Corporate Communications Division. The NBK leadership also sought to create autonomy of distribution channels from businesses. The researcher also found that in response to a changing economic environment the NBK management implemented some operational changes. This involved changes in the way the customer interacted with the bank. These changes comprised of internet banking. The bank also rolled out new ATMs. The bank has now fully embraced the agency banking model. The researcher concluded that the management team at National bank of Kenya had adopted strategic management practices in response to a changing environment. The researcher also concluded that the strategic leadership practices enabled NBK remain sustainable at a time when the banking sector was facing many external changes. The researcher recommends that all senior managers in the banking sector should ensure that they are skilled in handling change management as the banking sector is dynamic. The researcher also recommends that employees should be involved in the planning and implementation of the change program; this would reduce any resistance to change. The government and policy makers should get insight from the study in formulating policies regarding regulatory requirements of the change management among banks to ensure balanced and stable economic growth. Management of strategic change is important in any organization because if not well managed, it may lead to failure of the organization to meet its strategic objectives.

ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
BFUB	BankFusion Universal Banking
CBK	Central Bank of Kenya
CIS	Credit Information Sharing
EMV	Europay, MasterCard and Visa
GoK	Government of Kenya
NBK	National Bank of Kenya
PIN	Personal Identification Number
RBV	Resource Based View
ROA	Return on Assets
SSA	Sub Sahara Africa

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Concept of strategic leadership and change management practices is not about starting a plan but organization's mission should be clearly understood by leaders and vision for the project must be described and known, values and ethics should be well defined. Strategic Leadership and Change Management practices concept is an approach to change that has been found to be useful in developing specific ideas for changes that lead to improvement.

Strategic Leadership is defined as a person's ability to anticipate, envision, maintain flexibility, think strategically and work with others to initiate changes that will create a viable future for the organization (Duane *et al*, 1999). Strategic leadership refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. Strategic leadership can also be defined as utilizing strategy in the management of employees (Pearce II *et al*, 2004). It is the potential to influence organizational members to execute organizational change. Strategic leaders create organizational structure, allocate resources and express strategic vision. Strategic leaders work in an ambiguous environment on very difficult issues that influence and are influenced by occasions and organizations external to their own.

One of the most influential perspectives within what are known as ‘planned approaches’ to change is that of Lewin(Elrod II P.D.&Tippett, 2002) who argued that change involves a three stage process: firstly, unfreezing current behaviour; secondly, moving to the new behaviour; and, finally, refreezing the new behaviour. The three-step model was adopted for many years as the dominant framework for understanding the process of organizational change(Todnem, 2005) Since its formulation, the theory has been reviewed and modified, with stages being divided to make more specific steps. Agency theory explains the relationship between principals, such as a shareholders, and agents, such as a company’s executives. Knowledge based theory is embedded and carried through multiple media such as organizational culture, policies, systems, and employees. Transactional and Transformational leader is another approach to analysis of leadership.

According to (Capon, 2008) transformational leadership often starts with developing a strategic vision for the future of the organization. A successful transformational leader needs staff to buy into the future vision, and for this to happen the vision has to excite and inspire people. Organization experiencing major upheaval or change practices can achieve great results seeking transformational leaders.

The Banking sector in Kenya has continued to grow in assets, deposits, profitability and products offering over the last few years. As part of part of strategy leadership and change management by appointment of the New Managing director who took leadership of bank in December 2012. National bank of Kenya Limited rebranded on 24th May 2013, changing its logo and colors from the predominately green to yellow. This is part of National Bank of Kenya Limited five year transformation strategy to become a top tier bank by 2017.

1.1.1 Concept of Strategic Leadership

According to (Burnes & Bernard, 1996), Strategic leadership is the process and focus moved to examining the interaction between leaders and followers and how leaders influence individual and groups to pursue a given goal. To remain competitive many organizations need to change their strategy. (Barbara & Jocelyne, 1996), defines leadership as a process of influencing people towards achievement of organizational goal. A number of traditions and social science disciplines are drawn by the theory and practice of change management.

Strategic leadership develop business growth strategies to align with organization's vision, mission and execute strategies to achieve your desired goals. Strategic leaders should continuous strive to be the designer of the perfect strategy by interpreting the market and its needs, placing it in line with the strengths, core purpose and competence of the organization and its workforce. Organizational leadership is inherent in the very nature of the organization. It arises from the peculiar relationships that form among people joined together in a collaborative effort.

The strategic leader focuses time on the process of change, goals and execution strategy that can be quantified and measured. Innovation becomes the key driver through good leaders by ensuring continuous change in terms of efficiency and effectiveness. Leadership involves the importance of communication process; clarity and accuracy of communication affect the behavior and performance of followers. The effective leader may have to deal with individual, group and organizational goals in terms of accomplishment of one or combination of these goals.

The main objective of strategic leadership is productivity and performance. Another aim of strategic leadership is to develop an environment in which employees forecast the organization's needs in context of their own job. Strategic leaders encourage the employees in an organization to follow their own ideas (Chase, 2008). Strategic leaders make greater use of reward and incentive system for encouraging productive and quality employees to show much better performance for their organization. Functional strategic leadership is about inventiveness, perception, and planning to assist an individual in realizing his objectives and goals. Strategic leadership requires the potential to foresee and comprehend the work environment. It requires objectivity and potential to look at the broader picture.

1.1.2 Concept of Change Management

Change in organization is greatly spoken about, yet all too often done in bits and pieces. Change can be about strategy, the direction an organization is headed, and on the right, about organization, the state it is in. Both have to be considered when changing an organization. The broadest but most abstract things you can change in an organization are vision and culture, the most specific, actual products and real people either by replacing the people who are there or by changing their behavior (Henry Mintzberg & Ghoshal, 1996).

Change management is a structured approach for ensuring that changes are thoroughly and smoothly implemented, and that the lasting benefits of change are achieved. The focus is on wider impacts of change from current situation to the new one particularly on people and how they as individuals and teams. For national bank of Kenya Limited to have achieved its potential the change in question could range from simple process change to major changes in policy or strategy needed.

To succeed in marketplace, companies need to manage change more precisely in order to realize the full value of their transformation efforts. Accenture organization change's holistic and integrated suite of solutions can help your business drive positive outcomes by supporting the full gamut of organization change. At a personal and organizational level the change management models we choose are motivated by the way we approach change. There is no right or wrong. Implementing change will differ depending on the model used, but there are basic steps that are essential to follow that are common to personal or organizational change.

Change must not be imposed upon people but involvement of people and teams need to be empowered to find solution and responses with support from the leaders and managers. National bank of Kenya purposeful ensured change management focuses on people, and ensuring change is thoroughly, smoothly and lastingly implemented in the bank. Change Management evaluates and plans the change process to ensure that, if a change is made, it is done in the most efficient way possible, following the established procedures and ensuring the quality of service at all times.

1.1.3 Strategic Leadership and Change Management Practices

The key service of organization performance is reflected by choice of strategy. Strategy serves as guide to on what to do and what not to do because mission is the overriding aim of the company and it is the rallying theme for coordinating diverse activities. There is no strategy is complete unless it is executed and this implementation should be closely matched to or exceed the strategy plan.

Effective leadership and management creates vision of the future that considers the legitimate long term interests of parties involved in the organization, develops a strategy for moving toward that vision, enlists the support of employees to produce the movement and motivates employees to produce the movement(Rue & Byars, 2009). In organization it is clear that both management and leadership occur and effective manager is often one who exhibits the ability to lead staff, meaning leadership is often viewed as a management role.(Capon, 2008).

1.1.4 The Banking Sector in Kenya

The banking industry in Kenya is governed by company's Act, the banking act that is the Central bank of Kenya act and various guidelines issued by Central Bank of Kenya. Central bank is the lender of last resort in Kenya and is the banker to all other banks. The Ministry of finance where CBK falls ensures proper functioning of Kenya financial system and solvency of Kenya Shilling. The overall financial performance of the banking industry improved in April 2007 compared with a similar period in 2006. This legislative function exercised by CBK essentially implies a stable and efficient financial system that underpins intermediation process for economic growth and development (Roseline, Esman & Kamau, 2011). The main challenges facing the Banking sector today include; New regulations; For instance, the Finance Act 2008, which took effect on 1 January 2009 requiring banks and mortgage firms to build a minimum core capital of KShs 1 billion by December 2012. This requirement hoped to transform small banks into more stable organizations. The implementation of this requirement has posed a challenge to some of the existing banks with some being forced to merge in order to comply.

Recently, there has been other legislation proposed by CBK with proposed amendments to several statutes including the Banking Act, the Finance Act and Central Bank of Kenya Act to include introduction of consolidated supervision, broadening the definition of banking business, liability of institutions for agents' acts or omissions and expansion of the credit information sharing mechanism (GOK, Economic survey 2013).

Other challenges include the rife competition of the banking sector especially with upcoming innovations and scramble for customer base, slow economic growth being registered which affects deposits mobilization, reduction in trade volumes and the performance of assets and declining credit sought by the public and private sector due to high interest rates. Over the years the banking sector in Kenya has continued to grow steadfastly with some financial institutions converting to fully fledged banks as a result of the country's economic growth and development.

There has also been entry of banks from the west who have established their branches in Kenya and also the emergence of banks that provide specialized needs. According to the Mara financial services report (2009), Regional integration is taking hold within Kenya's banking sector. The latest foray into Kenya by Nigeria's United Bank for Africa ("UBA") signifies West Africa's increasing appetite to participate in East African markets. UBA is the second bank from West Africa to enter into the Kenyan banking industry. Lome-based Eco bank entered Kenya last year after acquiring the same time as regional integration, institutions from outside the African continent are moving into the Kenyan market. There has been entrance also by institutions from the Gulf region with a unique product offering: Gulf African Bank and First Community Bank, each Islamic bank, which commenced operations in Kenya in 2008 offering Sharia-compliant banking services. Their combined operations now represent approximately 1 percent of Kenya's gross banking assets (CBK, 2007).

Currently there are there are forty three (43) licensed commercial banks ,one mortgage finance company ,five Representative Offices of Foreign Banks, one hundred and twelve (112) foreign exchange bureaus, eight (8) deposit taking micro finance institutions and two credit reference bureaus (RoK, 2013). Out of the 44 institutions, 31 are locally owned and 13 are foreign owned. The locally owned financial institutions comprise 3 banks with significant shareholding by the Government and State Corporations, 27 commercial banks and 1 mortgage finance institution. The banks have come together under the Kenya Bankers Association (KBA), which serves as a lobby for the banking sector's interests (CBK, 2011).

The increased competition from local banks and international banks, which some are new players in the country. The customers and shareholders have benefited mostly which has served the economy of Kenya. The growth of economy national and well being of millions of Kenyans has been contributed by banking in Kenya since before country's independence. Kenyan Banks have realised tremendous grow in the last five years and have expanded to the east African region. The banking industry in Kenya has also involved itself in automation, moving from the traditional banking to better meet the growing complex needs of their customer and globalization challenges (NBK, 2014).

The Credit Information Sharing (CIS) mechanism which was launched in July 2010, continues to be used by both commercial banks and individuals. The number of credit reports requested by institutions stood at 1,774,185 in June 2012 up from 1,542,988 reports in March 2012, representing an increase of 15.0 percent or 231,197 reports. Over the same period, the number of reports requested by customers increased from 7,603 to 10,032 reports. The introduction of the credit information sharing mechanism has further strengthened credit appraisal standards. Banks have now incorporated credit reference reports in the credit risk appraisal. It is also expected that credit referencing will go a long way in inculcating credit discipline in borrowers (NBK, 2014).

1.1.5 National Bank of Kenya Limited

National Bank was incorporated on 19th June 1968 and officially opened on Thursday November 14th 1968. At the time it was fully owned by the Government. The objective for which it was formed was to help Kenyans get access to credit and control their economy after independence. The Bank is listed on the Nairobi Securities Exchange.(www.nationalbank.co.ke).In 1994, the Government reduced its shareholding by 32% (40 Million Shares) to members of the public. Again in May 1996, it further reduced its Shareholding by 40 million Shares to the public. The current Shareholding now stands at: National Social Security Fund (NSSF) 48.06%, General Public – 29.44% and Kenya Government 22.5% (NBK, 2014).

An efficient change leader provide opportunity for employee to practice desired behavior repeatedly while personally modeling new ways of working and providing coaching and support as in the case of National bank. Leader is not necessarily someone at the top of an organization, but rather someone who is in a position to influence others. The leaders' role includes creating vision, empowering people, building teamwork and communicating the vision. National Bank participates in Corporate Banking, Business Banking, Retail Banking and Islamic Banking with an extensive portfolio of products and financial solutions tailored for the requirements of a broad spectrum of customer segments it serves. It offer solutions to Corporate, institutions, businesses and retail customers and are able to customize products and services to meet the needs of specific clients through various channels (NBK, 2014).

A wide spectrum of products are offered by the bank to meet customer needs including, Financing, Trade Services, Mortgages, Account Services, Custody Services, Islamic Banking, Cards Services, among others. The Bank has a Centralized Information Communication Technology System (also referred to as “branchless”) aimed at improving controls, efficiency and customer service.(www.nationalbank.co.ke).The experience in dealing with the Public and Private Sector Corporates and Institutions is extensive. Currently the bank provides banking solutions to over 95% of all Government Ministries, agencies and Parastatals in Kenya. The Bank has a growing network of 75 branch outlets across the country, 140 ATMs and electronic channels of Mobile and Internet Banking.

National Bank has taken a leading role in the issuance and promotion of modern delivery and payment systems. The Bank has also been involved in the stock market playing multiple roles as an arranger, underwriter and placing agent. The Bank is an appointed fiscal agent, registrar and market maker in the secondary market. National Bank operates one subsidiary Company; NatBank Trustee and Investment Services Limited incorporated in Kenya on 21st July 1995 with a Share Capital of Ksh.10 Million (NBK, 2014).

On 24th May 2013, the bank rebranded and changed its logo and colours from the predominately green to yellow as part of strategy. This is part of the bank's 5 year transformation strategy to become a top tier bank by 2017. The new slogan is "Bank on Better". This is a brand promise to customers, shareholders as well as stakeholders. The Bank is also embarking on set to increase coverage through branch network from current 75 to 120 and to boost the Agency Banking network to 2,000 agents by 2017. The operations of the entire Bank branch network are centralized with a real-time, online accounting system (NBK, 2014).

1.2 Research Problem

Strategic leadership and change management practices will be required for leaders who want to make things happen, the ability to embrace complexity and paradox, willingness to change leadership, a deep understanding of the organization problem and its context in a time of increasing uncertainty. Managing in an environment of change and uncertainty requires strategic leaders to consistently maintain a sense of direction, while simultaneously building ownership of goals and objectives for action within the teams they are responsible for leading.

National Bank of Kenya Limited embarked on appointment of new chief executive officer, various senior manager/top management teams, on rebranding as basis of changing the Bank's logo and colour surpassing customer expectations and also through employing of trained and experienced staff as strategy. National bank of Kenya limited implemented the changes though, the reality of the change becomes present and employees may either resist the changes or start to adjust to the changes depending on the person. National bank of Kenya limited implemented new technology and takes other actions to keep themselves competitive in their chosen markets, they ensured that the changes they implement achieve the full scope of their technical, financial, and human objectives.

As the theory was refined by subsequent authors, strategic leadership theory grew to address the larger question of how a top-level leader contributes to organizational performance. Relying on the constructive development theory of (Kegan, 1982), (Lewis & Jacobs, 1992) argued that a leader's capacity to construct meaning of the organizational environment was more important than other factors such as values or leadership style.

This theory was later linked with (Jaques & Clement, 1991) stratified systems theory, which asserted that the complexity of the leadership task escalates as one moves up the hierarchy. Taken together, these theories assert that in order to be effective, the developmental capacity of a strategic leader must be well matched to the complexity of the work (Lewis & Jacobs, 1992).

A considerable number of studies have been conducted on Strategic leadership and change management practices. (Rotich, 2012) Studied on change Management Practices by Commercial Banks on Kenya and concluded that bank exist in an extremely turbulent technological turbulent. Technology was key factor in contributing to change. (Munguti, 2009) also studied Factors Influencing Change Management Practices at CFC-Stanbic Bank and concluded change management of operations have resulted in motivational impact and gives employee a challenge and goal worthy of commitment. (Achitsa, 2013) Studied on leadership and management of strategic change at Equity Bank Ltd Kenya and concluded that organizations needed to align the organizational systems to support needed changes. (Muhoro, 2011) studied on the effect of leadership in strategic change implementation in Telkom Kenya he concluded from the study that leadership alone may be more crucial than we know when it comes to the effective change implementation.

This study sought to fill knowledge gap of Possibilities of technological advantages; upgrading of technological capability; ways of spreading risk; lowering and sharing costs; and in many cases, improving access to finance and answer the following: Is there an effect of strategic leadership and change management practices towards the performance of the bank?

1.3 Research objective

The objective of this study was to establish of strategic leadership and change management practices at National bank of Kenya Limited.

1.4 Value of the study

The importance of the study is to ensure a current understanding of why strategic leadership and change management practices should occur, and what this could mean to the National Bank of Kenya Limited. The management team would further understand effects of the strategic leadership and change management practices through the employees, customers and also their competitors.

The study is a guide to the bank as change becomes a mark of success through continuously shaped by interactions with customers and competitors to be able to spot the next business opportunity based on feedback from team members, which will make necessary changes to the strategy. It also seeks to empower managers and leaders in the banking industry with knowledge of various successful leaders role employ to manage change.

As discussed in the late 1940s by social psychologist Kurt Lewin, change is function of the forces that support or promote the change and those forces that oppose or resist the change Lewin referred to this approach as force field analysis. Change forces introduce something different about the organization over time. These changes in National Bank of Kenya Ltd includes; rebranding of colors, massive branch expansion, new products, and change of IT system from core banking to BFUB. The finding of study will enable the bank to interpret the market and its needs, placing it in line with the strengths, core purpose and competence of the bank and its workforce. The researcher will use the findings for future reference and studies

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter reviews sources of material and information and explores the aspects of strategic leadership and change management practices in organization. The information summarized from books, journals and other publications carried out in the same or closely related fields of study. The chapter covered theoretical and empirical review of literature.

2.2 Strategic Leadership Competencies and Power

Strategy is a plan and pattern that integrates the organization's major goals, policies or objectives and helps marshal and allocate resources into a unique and viable posture based upon its relative internal competencies and shortcomings, anticipated changes in the environment and contingent moves by the intelligent opponents (Pearce et al, 2007).

Johnson and Scholes (1999) define strategy as the directions and the scope of an organisation over a long term, which achieves advantage for the organization through its configuration of the resources within a changing environment, to meet the needs of the markets and fulfill stakeholders' expectation. Strategy is described as creating a fit between the external characteristics and internal organisation conditions to solve a strategic problem where a problem occurs when there is a mismatch between internal characteristics of the organisation and the opportunity existing in the external organisation (Mutugi, 2006).

Organizations need strategies to guide how to achieve objectives and how to pursue the organization's mission. Strategy –making is all about how to reach performance targets, how to outcompete rivals, how to seek and maintain competitive advantage and how to strengthen the enterprise's long term business position (Strickland and Thompson ,1993). Strategies are therefore guidelines as to how a business achieves its objectives. These guidelines have to be narrowed down from the top management to the subordinates in form of tasks and duties they perform on a daily basis so as to achieve overall organisational goals and objectives hence driving the organisation towards one direction.

A leader or manager's role is to understand the needs of employees and motivate employees toward attaining organizational objectives (Newstrom & Davis, 2002). The leader who is ready to lead his or her organization in a globalize market must be intelligent, sociable, and insightful. To be a successful leader of a global organization, a culture that embraces open, personal relations, focused development of human capital and processes, teamwork, and entrepreneurial spirit must be fostered (Bass, Jung, Avolio, & Berson, 2003; Newstrom & Davis). The role of leadership throughout the organization involves employing workable strategies to be effective and efficient.

According to Childress (2014) no one fulfills all these competencies and not every job in an organisation calls for these traits. But many of the lists of leadership competencies seen inside of organisations contain many (many) of these. Finding someone who displays even a fraction of these is a tough job. And they certainly all can't have the same level of importance, in fact it should be obvious that some traits matter more than others.

When individuals within the organization fail or achieve their performance standards, contingent reward and management-by-exception are strategies used for intervention purposes (Bass, 1990). Setting standards and targets within a confined framework is more of the tenets of leadership competencies. Bass posited, “transactional leader works within the framework of the self interests of his or her constituency” . The transformational leader drives employees to perform by clarifying performance objectives, spelling out evaluation criteria, and detailing reward. The performance of individual employees or their work group depends on their energy and the motivation derived from competencies of a strategic leader.

Power is the exercise of leadership and actually, it does not exist in isolation, because what we find are power relations. Thus, it is notable to question how power is exercised by a leader. There are eight forms of power which are power by coercion, reward, competence, legitimacy, information, persuasion, influence and charisma (Duane *et al*, 1999). The leader who is ready to lead his or her organization in a globalize market must be intelligent, sociable and insightful (Boal, 2007). The performance of individual employees or their work group depends on leadership influence and thus the need for strategic leaders to learn how to create value out of the human capital in the organization using power at their disposal.

Udegbe et al (2012) found that the extent to which companies practice effective business communication, affected to a reasonable extent, the level at which the companies achieved encouraging job satisfaction, sales turnover, reduction in cost, profitability, growth in customer/client base, customer/client satisfaction, improved market share, improved personnel/staff satisfaction, improved level of social responsibility,

Improved level of goods/services quality, improved level of sales volume, achievement of short- and long-term goals, satisfaction with company's business practices (with regard to attention to customers/clients, competitors, and gathering, using and responding to relevant information pertaining to customers/clients and competitors) and finally 'satisfaction with overall company performance in its business operations'. Effective communication is essential to the success of any organization. In order to practice good communication skills, you need to be able to understand what makes up good communication.

The realities of competition in the global economy demand a corporate focus on growth rather than on downsizing and cost reductions. (Duane *et al*, 1999) A variety of strategic approaches to allocation of resources can be used in pursuit of growth, including acquisition, human resource development, innovation and product development and concentration on product line extensions to provide customers with additional value (Duane *et al*, 1999).

Strategic leadership involves formulating strategies of efficient and effective running of the organization to achieve the vision and mission and clearly allocating resources to achieve the set vision (Gupta & Govindarajan, 2004). Managerial performance measures and metrics include financial, customers, business process, and employee learning and growth, which describe performance drivers used to achieve mission and strategic objectives of the organization. Quality leadership is that leadership that can articulate and clearly integrate resources to achieve desired results that are suitable to improving performance.

2.3 Theoretical Foundation

Academicians have come up with different theories to explain the phenomena of using strategic leadership and change management practices. Some of these theories include the following.

2.3.1 Resource Based View

Wernerfelt (1984) provide that resource based view (RBV) essentially argues that any form of sustainable competitive advantage that a firm may develop results from the unique resources endowment of the firm. Sanchez (2002) proposes that an analysis of a firm's internal strengths and weaknesses should address the four questions on the value and rareness of a resource, ease of imitability of a capability and resource, and organizations capability to exploit its resources. The organization determines the value, rareness, imitability to ensure sustainability of resources that are required during the period of strategy implementation process.

The key concept in the RBV framework is the identification of properties of resources that are necessary in creating a competitive advantage to ensure effective strategy formulation, implementation, growth, sustainability and earn above average profits. According to Peteraf and Barney (2003), firm's resources must be heterogeneous. The resources and capabilities that a firm develops, for its value creation and strategy implementation processes must be distinctive and different from the resources used by or available to other firms. Secondly, the heterogeneous resource that makes a firm successful must originate in imperfect factor of markets, which means that a competing firm either cannot acquire the distinctive resources that a successful firm posses or must pay such a high price for such a resource or capability to an economic profit.

The distinctive resources that make an organization successful must be imperfectly imitable and substitutable, so that the competing firm cannot imitate or substitute other resources in value creation process. Fourthly, the distinctive resources of a firm must be subject to imperfect mobility, so that the key resources of the firm cannot easily leave the firm and thus remain inside the firm.

Barney (2005), RBV approach recognizes that the resources inherent in the company's human capital represent one of the principal strategic factors that a firm currently possesses, particularly the so-called individual competencies of employees. The RBV exploits the distinctive competencies at work organization; its resources and capabilities. An organization resource can be divided into tangible, (Human, technological, Physical and financial) and intangible (brand-name, reputation and knowhow) resources.

2.3.2 Principal Agency Theory

This study is based upon Eisenhardt agency theory. According to this theory there is a best way to organize relationships. In this relationship one party called the principal determines the work to be done by the other party who is termed as the agent (Eisenhardt M. K., 1985).

The relationship between the principal and the agent is called the "agency," and the law of agency establishes guidelines for such a relationship. The formal terms of a specific principal-agent relationship are often described in a contract. A contract to be made by an agent on behalf of a principal is considered to be the contract of the principal and not that of the agent.

It allows the principal to authorize somebody to carry out her duties, either for a specific purpose or generally (i.e., to conduct many transactions) Inherent in the Principal-Agent relationship is the understanding that the agent will act for and on behalf of the principal. The agent assumes an obligation of loyalty to the principal that she will follow the principal's instructions and will neither intentionally nor negligently act improperly in the performance of the act. An agent cannot take personal advantage of the business opportunities the agency position uncovers. A principal, in turn, reposes trust and confidence in the agent. These obligations bring forth a fiduciary relationship of trust and confidence between Principal and Agent (Green, 2012).

It is clearly demonstrated that, there is need for both the agent and the principal to take care of each other's interests. The employer will be confident that the employee is doing exactly what is being paid for with maximum effort. At the same time the employee should be confident that the employer takes care of his/her professional welfare in the best way possible. Organization's top management can only put someone in the position of authority if they see that that particular individual represents their interest well.

Indeed, so entrenched is the notion of the need to keep the incentives of agents and principals aligned that the law frequently holds principals liable for the misdeeds of an agent. For a person or business to decide whether or not to contract with an agent, she must weigh the expected benefits of that relationship against its potential costs. The deviation from the principal's interest by the agent is called 'agency costs.

Various mechanisms may be used to align the interests of the agent with those of the principal. The first type of agency cost is expenditures by the principal in monitoring the agent. By monitoring costs, economists usually imply not only observing the behavior of the agent, but also “efforts on the part of the principal to ‘control’ the behavior of the agent through compensation policies, operating rules, etc” (Walker, 2003).

In this theory, the top management (principal) is persuaded to put someone at the helm if they know that the individual will protect their interests. At the same time, the employee (agent) will ensure that good governance is maintained if they know that their welfare is taken care of. The problem comes when the top management appoints people to take positions without regard for their competence and do not subject succession with commensurate benefits.

2.3.3 Stewardship Theory

The stewardship theory holds that the Chief Executive Officer being a strategic leader essentially wants to do a good job, to be a good steward of the corporate assets, that they have an inherent motivation, working diligently to achieve good corporate performance, with interests similar to those of the stakeholders (Brennan, 2010).

Thus stewardship theory holds that performance variations arise from whether the structural situation in which the executive is located facilitates their effective action (Donaldson & Davis, 1991). The board on the other hand contributes to the stewardship of the of the organization while giving unencumbered authority and responsibility to the management (Brennan, 2010).

Stewardship theory implies a more collaborative approach between management and boards. Under this approach, empowering managers (stewards) of the firm to exercise unencumbered authority and responsibility enhances board management ties and decision making. According to stewardship theory, executives responsibility may neutralize self interest behaviors derived from CEO to being much more devoted to advance corporate performance.

2.3.4 Knowledge-Based Theory

According to (Alavi M & Leidner, 2001) Information technology can play an important role in the Knowledge-based theory of the firm since information systems can be used to synthesize, enhance and expedite large-scale intra-firm and inter-firm knowledge management. The knowledge-based theory of the firm considers knowledge as the most strategically significant resource of the firm.

This knowledge is embedded and carried through multiple entities including organizational culture and identity, policies, routines, documents, systems, and employees. Knowledge-based resources builds on the resource based view which was promoted by Penrose (1959) by treating it as a special resource rather than a general resource as proposed by resource based view.

2.3.5 Strategic Leadership Theory

Strategic leadership is one of the most critical issues facing organizations. In a fast changing world leaders are faced with a bewildering array of complex and ambiguous information and no two leaders will see things the same way or make the choices.(L.Daft, 2011). Strategic leadership goes about forming great groups of top managers who accept their responsibilities for the organization's outcomes, seek to learn from multiple parties, and embrace information and knowledge acquisition.

Strategic leadership theory contends that top managers' values, cognitions and personalities affect their field of vision, their selective perception of information and their interpretation of information. Therefore, they see strategic leadership as very much a decision-making theory. Other studies dealt with style of leadership which included autocratic, laissez-faire and democratic. These styles are where the decision-making function rests. The autocratic leader makes more decisions for the group, laissez-faire allows people within the group to make all decision and democratic leader guides and encourage the group to make decision(Leslie & L.Byars, 2009).

Transactional and Transformational leader is another approach to analysis of leadership. Transactional leader takes approach that leaders engage in a bargaining relationship with their followers. Under this approach leader tells employees what need to do to obtain rewards and take corrective action only when employees fail to meet performance objectives.

Transformational leadership involves cultivation employee acceptance of group mission. The manager employees' relationship is one of mutual stimulation and is characterized by charisma on the part of the leader, inspiration by the leader, consideration by the leader of individual needs and intellectual stimulation between the leader and followers.(Leslie & L.Byars, 2009).

Transformational leadership style brings about continuous learning, innovation, and change. It has been shown to contribute to leader effectiveness, leader and follower satisfaction, follower efforts and overall organizational performance. (Robert N Lussier, 2009). Strong, inspiring visions have been associated with higher organizational performance and greater employee motivation and satisfaction.(L.Daft, 2011). The leaders encourage followers to explore new ways of doing things and new opportunities to learn. Transformational leaders keep the channels of communication open for the followers to feel free to share ideas and so that leaders can offer direct recognition of each follower's unique contribution. Inspirational motivation where transformational leaders have a clear vision that they are able to articulate to followers.

The path goal theory of leadership developed by Robert House attempts to define the relationships between a leader's behaviour and the subordinate's performance and work activities. Leader's behaviour influences the motivation of subordinates when it makes the satisfaction of their needs contingent on successful performance. In this theory, leaders behaviour falls into four basic category; Role classification, supportive, participative and autocratic.

Role classification lets subordinate know what is expected of them, give guidance as to what should be done and schedules and coordinates work among the subordinates and maintains definite standards of performance. Supportive leadership has friendly approachable leader who attempts to make the work environment more pleasant for subordinates. Participative leadership involved consulting with subordinates and asking for suggestions in decision making processes. Autocratic leadership comes from leader who give orders that are not to be questioned by subordinate(Leslie & L.Byars, 2009).

Responses to the research questions also suggest that a combination of leadership interventions and types are useful and necessary in strategic leadership. While not using these specific terms, participants made it clear that they considered both transformational and transactional leadership styles and tools were essential elements in effective strategic leadership.

2.4 Change Management Models

Change can be classified into three major categories: Organization's internal changes include budget adjustment, policy changes, diversity of adjustment and personnel changes (Leslie & L.Byars, 2009). Technological change which includes such things as new equipment and new processes. Environmental changes are new government regulations, new social trends and economic changes. Technological and environmental changes occur outside an organization and can create the need for internal change.

Lewin's change model consists of the three steps unfreezing, moving and refreezing. The unfreezing involves reducing the forces that are maintaining the status quo. Organizations accomplish unfreezing by introducing information that shows discrepancies between performance and actual performance. The leader must actively and effectively communicate the vision with a tone of urgency. Moving is the change process in which employees learn new, desirable behaviours, values and attitudes. While refreezing the desirable performance becomes the permanent way of doing things or new status quo.

It often takes place through reinforcement and support for the new behaviour.(Robert N Lussier, 2009). It is in this step that manager can play a crucial role by positively reinforcing employee efforts to change. Implicit in Lewin's three step model is the recognition that the mere introduction of change does not ensure the elimination of the prechange condition or that the change will be permanent.

Management and leadership are often seen as synonymous and it can be difficult to separate them; indeed one might argue it is not necessary to separate them. The leader who has grand to vision needs to be able to at least manage at strategic level.(Capon, 2008).Leaders are the drivers for change in organizations and managing change is the principle task confronting them. According to (Leslie & L.Byars, 2009) managers find themselves unable to cope with environment or organization that has become substantially different from the one in which they received their training and gained their early experience.

To be successful managers must adapt to a growing organization, changing customers' needs, changing competition, a new assignment and changing employee's expectation. Successful change implementation requires that managers make a conscious effort to lead change effort. In competitive environment managers at all levels should be constantly looking for improvement through change.

The process approach is more analytical and less prescriptive. It provides meaningful insights of change management process in complex settings where multiple variables interacts and could produce unpredictable results (Burnes & Bernard, 1996). Change management requires transformational leadership to establish and communicate what the goals and strategy mean for the organisation, and to develop the skills and capabilities to realise it. It also requires transactional leadership approaches to make explicit and reinforce required performance and to embed change in the organisation's systems.

2.5 Relationship between Strategic Leadership and Change Management Practices

Leaders are the drivers for change in organizations and managing change is the principle task confronting them (Kotter, 1995). Different approaches to leadership explained above are quite relevant in change context as well and have different implications for studying change in the organizations. There are few studies that have taken the holistic and dynamic perspective of strategic leadership and change management process.

Organizational change is the implementation of new procedures or technologies intended to realign an organization with the changing demands of its business environment, or to capitalize on business opportunities. National bank of Kenya Limited is not satisfied with past accomplishment; it constantly strives to develop new core competencies and profitable new business areas evolving environment, they thrive on and welcome change.

Leaders based approach tend to consider leader as the rallying point for change management and it is assumed that it can bring the comprehensive change, while, follower based approach focus on subordinates' capabilities and their initiatives for successful change. Similarly, relationship based approach considers leader-member relationship as prime factor explaining change. The procedure of setting objectives and monitoring your progress towards them should permeate the entire organization top to bottom. He predicted the rise of what he called the "knowledge worker" and explained the consequences of this for management. He said that knowledge work is non-hierarchical. Work would be carried out in teams with the person most knowledgeable in the task at hand being the temporary leader. (Peter Drucker & Row, 1954).

Change necessitates that organizations realistically move beyond antiquated processes, empower and retrain employees, and incorporate advances in IT into the everyday work setting. The creation and design of change processes within an organization is most often a role of the leaders within it. Change processes which encompass human resources, IT adoption and upgrades, tools and techniques, as well as the basic rules and controls within the organization are the mandate of leaders engaged in the management of change (Bainbridge, 1996).

Organizations are still and been changing radically. (Burnes & Bernard, 1996), organization cannot expect to achieve success unless those responsible for managing it understand the different approaches on offer and can match them to their circumstances and preferences. Change is one of the most irresistible issues and way of life for organizations today (Gray & Starke, 1984). Success is derived from effectively strategic leadership and continuous change management practices through improvements to both people and processes. All top management must have the tools necessary for strategy formulation and implementation, and they must be ready to use those tools at a moment's notice.

A study by researchers at university of Michigan (Likert, 1961) and (Kahn & Katz, 1989) crystallized mission-oriented and relationship-oriented leadership approaches and added participative leadership as a third approach. (Fiedler, 2005) Contingency theory utilizes versions of these two constructs to identify how ongoing leader characteristics interact with situational parameters to influence leader effectiveness.

Fiedler's Contingency Model helps explain why a manager may be an effective leader in one situation and ineffective in another; it suggests which kind of manager are likely to be most effective in which situation. (R. Jones & M. George, 2011). Managers in the organization have to be capable to manage the strategic changes practices being implemented in the organization, as change in an organization is a process and not an event as may be perceived by many (Strickland, A.J., & Thompson, 2008).

The strategic leadership literature in the academic contexts is replete with long lists of the knowledge, skills, and abilities needed by strategic leaders of the future (Wong *et al*, 2003). At the institutional level, the long lists make it difficult to focus an institution's attention and resources on leader development when the desired end state is so broad. Hence, the task of identifying the competencies of future strategic leaders becomes one of reducing the lists to a few competencies that will prove useful in directing leader development efforts in the process of producing leaders with strategic leader capability, and facilitating self-assessment by officers of their strategic leader capability (Wong *et al*, 2003).

Ongore (2013) states that financial performance analysis of commercial banks has been of great interest to academic research since the Great Depression in the 1940's. He states that in the last two decades studies have shown that commercial banks in Sub-Saharan Africa (SSA) are more profitable than the rest of the world with an average Return on Assets (ROA) of 2 percent (Flamini et al., 2009). One of the major reasons behind the high profitability in commercial banking business in SSA is the existence of huge gap between the demand for bank service and the supply thereof. Ongore (2013) adds that the performance of commercial banks can be affected by internal and external factors (Al-Tamimi, 2010). The internal factors are individual bank characteristics which affect the bank's performance. These factors are basically influenced by the internal decisions of management and board. The external factors are sector wide or country wide factors which are beyond the control of the company and affect the profitability of banks and thus the management must align and realign the organization to the factors in the external environment (Ongore, 2013).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter highlights the methodology used in the study research design, data collection methods and method of data analysis to enable the realisation of the research objectives.

3.2 Research Design

A research design is a detailed outline of how an investigation will take place. A research design will typically include how data is to be collected, what instruments will be employed, how the instruments will be used and the intended means for analyzing data collected.

This study applied a case study research design. This method allows researchers to gain in-depth understanding and insight into the topic as well as allowing a detailed and intense study of the case. A case study allows the researcher to observe the study subject under special conditions that make it possible to capture the particular characteristics that are being sought by the researcher. The aim of the case study was to establish the strategic leadership and change management practices at National Bank of Kenya Limited.

3.3 Data Collection

The study applied both primary and secondary data. Primary data was collected using in depth interview technique and questionnaires on the available management staff and other staff who serve at National bank of Kenya total number of eight staff. The interview guide contained open-ended questions to gather qualitative data. The interview guide enabled the researcher to obtain up to date information as well as bring-up information that could otherwise not been obtained through other data collection techniques.

The interview method of data collection was also preferred because it allowed for greater flexibility and control of the interview situation by the interviewer, as well as give an opportunity for the data collector to use probes and obtain a high response rate. The researcher obtained secondary data and materials from National Bank website. The executives to be interviewed included senior managers from National Bank depending on the time and availability, other executives who had not been mentioned above were also interviewed. The above executives were interviewed for the study because they lead and manage change at the bank.

3.4 Data Analysis

The data collected analysed using content analysis. According to Nachmias (1996) content analysis is a technique for making inferences by systematically and objectively identifying specified characteristics of messages and using the same approach to relate trends.

Content analysis is to make inferences by systematically and objectively identifying specific themes from the data representing strategic leadership and change management at National Bank of Kenya Limited. Content analysis involves systematic analysis as well as observation to identify the specific information content and characteristics of the data collected. The primary data collected was sorted, summarized so as to ascertain the appropriateness of the data collection instruments and hence the validity and reliability of the data collected.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of the study whose main objective was to establish effects of strategic leadership and change management practices at National bank of Kenya Limited.

4.2 Profile of National Bank of Kenya (NBK)

National Bank was incorporated on 19th June 1968 and officially opened on Thursday November 14th 1968. At the time it was fully owned by the Government. The objective for which it was formed was to help Kenyans get access to credit and control their economy after independence. It has since grown to be one of the largest commercial banks in the country with staff of 1700, a growing network of 73 branch outlets across the country, 125 ATMs and electronic channels of Mobile and Internet Banking.

In 1994, the Government reduced its shareholding by 32% (40 Million Shares) to members of the public. Again in May 1996, it further reduced its Shareholding by 40 million Shares to the public. The current Shareholding now stands at: National Social Security Fund (NSSF) 48.06%, General Public – 29.44% and Kenya Government 22.5%. In 2003, the bank increased its Share Capital to Ksh9 billion through the creation of 1,200,000,000 non-cumulative preference Shares of Ksh5 each. The current issued and fully paid up share capital is Ksh6.675 billion held by National Social Security Fund (NSSF) 48.06%, General Public – 29.44% and Kenya Government 22.5%.

National Bank offers Corporate Banking, Business Banking, Retail Banking and Islamic Banking with an extensive portfolio of products and financial solutions tailored for the requirements of a broad spectrum of customer segments it serves. A wide spectrum of products are offered by the bank to meet customer needs including, Financing, Trade Services, Mortgages, Account Services, Custody Services, Islamic Banking, Cards Services, among others. The Bank has a Centralized Information Communication Technology System (also referred to as “branchless”) aimed at improving controls, efficiency and customer service. The Bank is listed on the Nairobi Securities Exchange.

The bank's mission reads “We at National Bank of Kenya have recognized that each individual organization has unique needs and have therefore organized our business to suit the requirements of our corporate and institutional customers through a dedicated relationship management approach. We offer an extensive range of financial solutions which are tailored to meet the needs of our corporate customers”. The bank's charter is anchored on three pillars: Customer Focus: Shifting focus to personalized customer interactions to enhance service delivery. Competency: Building employee's strong knowledge of the company policies, products and services Convenience & Proactively: Friendly and convenient environment for customers.

4.3 Environmental changes affecting NBK

The researcher sought to find out the environmental changes that affected National Bank of Kenya thereby necessitating a change program. The study found that a host of environmental changes have taken place which have a direct effect on NBK. According to the respondents, increased competition is one of the factors affecting the bank. The participants added that this competition is not just from other commercial banks but also from other financial institutions such as Savings and Credit Cooperative Societies (SACCOs). There are currently 43 commercial banks in Kenya, 1 mortgage finance company, 6 deposit taking microfinance institutions, 4 representative offices of foreign banks, 112 foreign exchange bureaus and 2 credit reference bureaus.

According to the respondents, the Kenya Banking industry has over the past few years enjoyed exponential growth in deposits, assets, profitability and products offering, mainly attributed to automation of services and branch network expansion both locally and regionally. This growth has brought about increasing competition among players and new entrants into the banking sector. Thanks to the stiff competition, banks are now focusing on the diverse customer needs rather than traditional banking products such as over the counter cash deposit and withdrawal.

The study found that competition in the banking sector is not limited to customer base; there is also competition for skill in the labor market. According to the respondents the importance of technically qualified and competent staff to manage bank operations is provided for in the legal regulatory framework in Kenya through the banking Act.

This is because skills and competences are an integral part of an efficient functioning of the banking industry in Kenya. It is the desire of every bank to have skilled and competent management staff if they hope to compete effectively in their areas of operation. However, according to the participants, there is a skills shortage for preferred employees. There's a persistent shortage of candidates to fill high-demand specialty positions and worries about retaining highly qualified staff have been exacerbated by the growing need for regulatory expertise and operational changes in the financial sector. The dearth of talent is creating opportunities for mid-level professionals to take on roles of greater seniority, but that's also putting pressure on banks' labor costs and overall budgets.

The study also found that another environmental change affecting National Bank of Kenya is the technology boom. According to the respondents, technology is advancing at a rampant rate, which creates amazing possibilities but also incredible challenges for banks. The participants observed that technological advancements have transformed class banking into mass banking. With cost effective technologies banks were able to change the face of banking. ATMs, debit cards, credit cards, internet banking and phone banking have enabled customers to do banking without visiting the bank branch. Further, the business correspondent model and mobile banking depend on the latest technology to expand the banking network. Electronic transactions increased the speed of fund transfer considerably. Banks continuously innovate and update themselves with the latest technological advancements to make banking further easier and convenient to customers.

The study found that the growth of agency banking model has been another change that National Bank of Kenya has had to contend with. According to the participants, in 2009, the Central Bank of Kenya (CBK) commenced measures to open up banking channels to non-bank agents. An amendment to the Banking Act (passed as part of the Finance Act 2009) allowed banks to start using agents to deliver financial services. Using small shops, petrol stations, pharmacies and other retail outputs (essentially any profit-making entity that has been in business for at least 18 months and can afford to fund a float account to facilitate payment) as agents could have a dramatic impact on improving access to financial services, especially in rural areas.

Kenya's strategic plan dubbed Vision 2030 has implications for the financial sector which has a direct effect on National bank of Kenya. According to the respondents, developments within NBK are strongly guided by the medium-term objectives of the financial sector reform and development strategy embedded in the economic development blueprint, 'Vision 2030', which covers the period 2008-2030. The blueprint outlines the reforms in the banking sector which are intended to transform small banks in Kenya into larger, stronger ones. The 2030 vision for financial services is to create a vibrant and competitive financial sector that will create jobs and promote a high level of savings to finance Kenya's overall financial needs. It provides for the introduction of both legal and institutional reforms in the banking sector that will enhance transparency in all transactions, build trust and make enforcement of justice more efficient.

Regulation and continuous amendments to the regulatory framework in the banking sector stands out as another environmental change affecting National Bank of Kenya. According to the respondents, the Central Bank of Kenya(CBK) has been conducting a comprehensive review of the banking sector, legal and regulatory framework. There have been a number of proposed laws and regulations relevant to the sector put forward by the CBK. For instance, the Banking (Amendment) Bill, 2011 (the “Bill”) has been published to amend the Banking Act so as to put a cap on the rate of interest charged by banks and financial institutions for loans or monetary advances.

The Bill also proposes to fix the minimum rate of interest that banks or financial institutions must pay on deposits held in interest-earning accounts. The key areas of current regulatory focus in the banking sector include licensing of new institutions that wish to be licensed to conduct banking, mortgage or financial business in Kenya. The Prudential Guidelines have introduced some stringent requirements with regard to licensing of new institutions. The CBK has also sought to govern agency banking, because of the increased interest by banks in that sector.

The study found that cybercrime is another environmental change that cannot be ignored. According to the respondents, with the enhancement in technology, banking frauds have also increased likewise. Bank fraud is on the rise as cashless transactions; including internet banking, mobile money transfers, and credit card and check payments, continue to become more popular. Cybercriminals are using different means to steal one’s bank information and ultimately their money as well.

Cyber-terrorists, spies, hackers and fraudsters are increasingly motivated to target information communications technology ICT infrastructure due to the increasing value of information held within it, driven by the growing dependence on them and the perceived lower risk of detection and captures compared to more traditional crime.

4.4 Strategic Leadership at NBK

Banks in Kenya are governed by a board of directors. The Prudential Guidelines provide that: The board should possess, both as individual board members and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity.”Furthermore, professionals such as lawyers, accountants and valuers involved in the provision of professional services to a licensed institution are not eligible to be appointed as directors and senior officers and non-executive directors of a government regulatory body are similarly not allowed to be appointed as directors of an institution where there may be a conflict of interest.

All banks are required to have at least five directors. The Prudential Guidelines further provide that the board must have an appropriate number of directors that is commensurate with an institution’s complexity, size, scope and operations. The board should be composed of both executive and non-executive directors, with the chief executive being one of the board members. The non-executive directors should not be less than three-fifths of the total number of directors, in order to enhance accountability in the decision-making process. Nonexecutive directors could mitigate any potential conflict of interest between the policy-making process and the day-to-day management of the institution.

Independent directors should constitute not less than one third of the total members of the board. No person is permitted to hold the position of a director in more than two institutions unless the institutions are associated, subsidiaries or holding companies. This rule does not apply to government bodies that may be represented on an institution's board by virtue of their position as a shareholder.

The study found that NBK has embraced corporate governance as toll to enhance service delivery and improve performance. NBK has a board of directors that is committed to ensuring that the business of the Bank is run in a professional, transparent and equitable manner so as to protect and enhance shareholder value and also satisfy the interests of other stakeholders. The board comprises of 10 individuals: Mr. Mohammed Hassan, Mr. Sheikh Ahmed, Mr. Henry Rotich, Mr. Ricard Langat, Engineer Erastus Mwongera, Ms. Sylvia Kitonga, Ms. WnaguiMwaniki, Mr. Francis Atwoli, Mr. HabilWaswani and Mr. Robert Kibaara.

The principles and standards adhered to by the Board have been developed considering the internationally accepted good corporate governance principles and practices. In this regard the Board ensures that the Bank complies with all relevant legislation including provisions of the Banking Act and Prudential Guidelines issued by the Central Bank of Kenya. The Board fulfills its fiduciary obligations to the shareholders by providing policy direction and maintaining oversight over strategic, financial, operational and compliance risks of the Bank. In carrying out the above responsibilities the Board delegates its authority to the Managing Director to oversee the day to day business operations.

The study found that leadership at NBK has been able to exhibit leadership competencies. This was through setting standards and targets within a confined framework. The leadership drives employees to perform by clarifying performance objectives, spelling out evaluation criteria, and detailing reward. This was done through training in various department especially customer service. There are daily reports for review of processes in organization especially on day to day activity. The performance of individual employees or their work group depends on their energy and the motivation derived from competencies of the leadership. Leaders exert power to achieve individual, team, and organizational goals. They are able to influence the employees to achieve greater performance; their superiors and peers to make important decisions; and stakeholders to ensure the vitality of the organization.

According to the respondents, the realities of competition in the banking sector demand a corporate focus on growth rather than on downsizing and cost reductions. According to the respondents, the NBK leadership has adopted a variety of strategic approaches to allocation of resources can be used in pursuit of growth, including acquisition, human resource development, innovation and product development and concentration on product line extensions to provide customers with additional value.

4.5 Change Management Practices at NBK

To respond to changes in the environment, the study sought to find out what strategic responses the management of the bank has adopted. The findings indicate that the bank has adopted various strategic responses.

4.5.1 Organizational Structural Changes

The study found that in 2013, NBK re-branded as part of a new strategy to shed old under-performing image that has dogged it for years. On 24th May 2013, the bank rebranded and changed its logo and colors from the predominately green to yellow. The bank unveiled a new brand image and announced a five year growth plan meant to push it to be among the top tier banks. NBK aimed to grow its turnover from Sh8 billion to Sh31 billion by 2017 and become a diversified commercial bank with balanced corporate and retail businesses. It planned to open 30 new branches and grow its agency banking network to 2000 in five years. NBK also planned to hold a rights issue in 2014 to raise Sh10 billion to fund this transformational plan. The proceeds would go towards beefing up the capital base to support its ambitious balance sheet and revamp its infrastructure. The bank was also looking to expand footprint to South Sudan, Uganda, Tanzania and Somalia.

One of the changes in the NBK structure was the creation of a Marketing & Corporate Communications Division. According to the respondents, there was a need to ensure that the Banks Marketing and Corporate Communications role developed as well to matched the business ambition and support its market presence, communicate to all external stakeholder and drive the Corporate Social Responsibility (CSR) agenda.

The two Departments of Marketing and Corporate Affairs were brought together to have better synergies and led at Director level reporting into the CEO/MD. This new Unit was charged with the responsibility of supporting business growth and enhancing the visibility and profile of the Bank as a leading Financial Institution in the market.

The NBK leadership also sought to create autonomy of distribution channels from businesses. According to the respondents, an integrated distribution channels division, that is autonomous would bring all channels together, serve all the banks customers equally and facilitate the same service experience across all segments and products. It was also envisioned to enable the bank drive business growth through the Branches network by giving the Branch Manager a more comprehensive mandate of customer acquisition across Corporate, Retail, Business and Islamic segments and provide Service to all these customers. The Branches would also house any sales teams or Relationship Managers the Business Divisions wish to put in them.

According to the respondents, delinking of the branch service & operations teams from the sales teams was another structural change implemented by the NBK management. This would enhance the role of Branches as Customer Service and acquisition points, thus allowing the Businesses to run their separate sales models by a combination of Head Office based staff and Branch based staff. The delinking will further enable the Business Units to focus on their core mandate of Sales and Business Growth.

Another change involved the delink of technology and operations. Technology and Operations Departments were split into distinct Divisions of Operations and ICT. According to the findings, centralization of functions would be handled by operations whereas technology will on the other hand ensure we stabilize the existing core platforms (BFUB, Tranzware, Opics, TI etc) and at the same time implement new ones to support the business ambition (e.g. Internet Banking, Mobile Banking, Islamic Banking platform and Agency banking). The two Divisions therefore required strong leadership to will enable them better deliver on their distinct mandates of running the technology platforms and back office operations.

Last but not least the NBK management team directed the harmonizing of role titles. According to the findings, the uniform role titles would eliminate misperceptions that currently exist about seniority levels. It would also align to the industry practice of NBK's peers in the banking sector. All the key roles primarily reporting into the CEO & Managing were renamed Director and one level below those are now Heads of Units.

4.5.2 Operational Changes

The researcher also found that in response to a changing economic environment the NBK management implemented some operational changes. This involved changes in the way the customer interacted with the bank. These changes comprised of internet banking. The Bank upgraded the internet Banking (IB) and customers could hence access this service from the NBK website 24/7 anywhere and at anytime worldwide. According to the findings, the service has a host of services available to customers including transfers internally, local and international amongst many others.

The bank also rolled out new ATMs. National Bank had in the past been issuing ATM Visa Electron cards with two credit card options, that is, local and International credit cards which were previously on Mag stripe (black stripe at the back of the card). The bank changed that and is now issuing new cards that will have a new look and feel that resonates with the new bank colors. The new are EMV-compliant (Chip & Pin) and Pay wave enabled. The study found that the new chip and pin card provides for additional security while transacting with cards. By having the Debit and Credit cards EMV (Chip and Pin) compliant, the bank's customers would guarantee of enhanced security on each card transaction. The bank also introduced the Visa Pay Wave: this is the latest in secure, contactless technology. According to the findings, it would help customers spend less time at the payment till. The pay wave provided for additional security and convenience, the cardholder would not be required to display their card at the point of purchase but only to tap on the card machine and enter the secret PIN number.

The bank has now fully embraced the agency banking model. National Bank Agents are now operational and fully branded providing the following services; Cash Withdrawal, Cash deposit, Balance Enquiry, Mini statement issuance and School fees collection. According to the respondents, the objective was to offer the full range of banking services to customers without them having to visit a branch. This would provide the opportunity to access financial products and services at a location nearest to the customer, thus breaking down certain barriers to financial inclusion such as cost and accessibility. To the Bank, it was an opportunity to increase market share and revenue by tapping into the wider unbanked segment as well as decongest the banking halls.

4.6 Discussion of Findings

The study has found that various environmental changes have occurred which have forced National bank of Kenya to adopt a change program. These changes include adoption of vision 2030 goals, increased regulation by CBK, financial crises, growth of technology and cybercrime. These findings are in agreement with Rue and Byars(2009) who indicated that the environment in which organizations operate is dynamic and changes from time to time. Organizations are linked to the environment by strategy. They have to adopt strategies that match the environment in order to be successful.

The study found that the management team at National bank of Kenya had adopted strategic management practices in response to a changing environment. The study found that the management team had great potential to express a strategic vision for the organization and to motivate and persuade others to acquire that vision. This was seen in the ability of the management to communicate and change and to carry out appropriate resource allocation in the face of competition and changing environment. The findings are in agreement with Rue and Byars (2009) who found that effective leadership and management creates vision of the future that considers the legitimate long term interests of parties involved in the organization, develops a strategy for moving toward that vision, enlists the support of employees to produce the movement and motivates employees to produce the movement. The findings are also in agreement with Capon (2008) who viewed a strategic leader as one who has the potential to influence organizational members to execute organizational change, create organizational structure, allocate resources and express strategic vision.

The study also found that the NBK management has adopted some change management practices in response to a changing environment. These changes included corporate rebranding, adoption of a 5 year strategic plan, creation of new departments, merging of functions and human resource development. The bank also introduced various innovations such as more secure ways of transactions for example the Chip and Pin ATM card and VISA pay wave. The bank also sought to create more branches in terms of more banking halls, more ATMs and growth in agency banking.

The findings are therefore in agreement with Mintzberg and Ghoshal (1996) who found that the broadest but most abstract things you can change in an organization are vision and culture, the most specific, actual products and real people either by replacing the people who are there or by changing their behavior. On a theoretical level, the findings are in agreement with Lewin's change model which consists of the three steps unfreezing, moving and refreezing; the unfreezing involves reducing the forces that are maintaining the status quo.

CHAPTER FIVE

SUMMARY, RECOMMENDATION AND CONCLUSION

5.1 Introduction

This chapter discussion of the results, summary of the findings of the study as well as conclusion gathered from analysis of data. Finding have been summarized alongside objectives of the study, conclusion have been drawn and recommendation given. The case was a study of strategic leadership and change management practices at National bank of Kenya Limited. It was aimed at determining and evaluating the competitive strategies adopted by the National Bank of Kenya in coping with a changing environment.

5.2 Summary

The purpose of the study was to establish the strategic leadership and change management practices at National bank of Kenya Limited. A case study research design was adopted. Data was collected using in depth interview technique and questionnaires on the available management staff and other staff who serve at National bank of Kenya total number of eight staff. The data collected was analysed using content analysis.

The study found that a host of environmental changes have taken places which have a direct effect on NBK. According to the respondents, increased competition is one of the factors affecting the bank. The study found that competition in the banking sector is not limited to customer base; there is also competition for skill in the labor market.

The study also found that another environmental change affecting National Bank of Kenya is the technology boom. The study found that the growth of agency banking model has been another change that National Bank of Kenya has had to contend with. Kenya's strategic plan dubbed Vision 2030 has implications for the financial sector which has a direct effect on National bank of Kenya. Regulation and continuous amendments to the regulatory framework in the banking sector stands out as another environmental change affecting National Bank of Kenya. The study found that cybercrime is another environmental change that cannot be ignored.

On strategic leadership, the study found that NBK has embraced corporate governance as toll to enhance service delivery and improve performance. NBK has a board of directors that is committed to ensuring that the business of the Bank is run in a professional, transparent and equitable manner so as to protect and enhance shareholder value and also satisfy the interests of other stakeholders. The study found that leadership at NBK has been able to exhibit leadership competencies.

The study found that in 2013, NBK re-branded as part of a new strategy to shed old under-performing image that has dogged it for years. One of the changes in the NBK structure was the creation of a Marketing & Corporate Communications Division. The NBK leadership also sought to create autonomy of distribution channels from businesses. According to the respondents, delinking of the branch service & operations teams from the sales teams was another structural change implemented by the NBK management. Another change involved the delink of technology and operations. NBK management team directed the harmonizing of role titles.

The researcher also found that in response to a changing economic environment the NBK management implemented some operational changes. This involved changes in the way the customer interacted with the bank. These changes comprised of internet banking. The bank also rolled out new ATMs. The bank has now fully embraced the agency banking model.

5.3 Recommendations

The researcher recommends that all senior managers in the banking sector should ensure that they are skilled in handling change management as the banking sector is dynamic. The researcher also recommends that employees should be involved in the planning and implementation of the change program; this would reduce any resistance to change. The change program should also be monitored and evaluated to ensure that it is meeting its objectives and correct any stumbling blocks.

The researcher also recommends that National Bank of Kenya as well as other stakeholders in the banking place emphasis on technology as a tool in the change management practices. The growth of ICT and mobile technology presents a formidable business opportunity for banks to grow by reaching out to previously unbanked people.

5.4 Conclusion

The researcher concludes that the management team at National bank of Kenya had adopted strategic management practices in response to a changing environment. The researcher also concluded that the strategic leadership practices enabled NBK remain sustainable at a time when the banking sector was facing many external changes.

The study found that the management team had great potential to express a strategic vision for the organization and to motivate and persuade employees to acquire that vision. This was seen in the ability of the management to communicate and change and to carry out appropriate resource allocation in the face of competition and changing environment.

The researcher concludes that the formulation of a strategic plan as well as rebranding were the most significant change management practices at NBK. Adoption of a new logo and bank colours enabled customers see the bank in a different way. This was important as the bank had previously garnered a reputation of poor performance. The bank has since been able to reap the benefits of rebranding. A well-recognized brand simplifies consumer choice and when customers repeatedly purchase the brand, the organization is protected against competition from other firms and this increases sales volume and reduces promotion cost.

5.5 Limitations of the Study

The study was limited in getting the cooperation of the sampled population. It was hard to find managers with time to respond to the study questions. When conducting interviews some were cut short due to more urgent bank matters. This reduced the response rate. Also, some managers were reluctant to participate in the study in fear that the study was some kind of evaluation or audit of their activities.

The study was limited in that it was carried out in National Bank of Kenya and therefore generalization of findings to other commercial banks should be done with caution. The study was also time bound in that it had to be carried out within the researcher's university's academic calendar. Some respondents opted out of the study in fear that the information they gave would implicate their seniors.

5.6 Suggestion for Further Study

The current study focused on National Bank of Kenya. Future studies should be carried out in other commercial banks to better understand change management in the banking sector.

The current study was carried out in 2014; only one year after significant change management had occurred at National Bank of Kenya. Future studies should seek to establish the effectiveness of the change management practices in making NBK competitive and improving market share.

5.7 Implication of the study on Policy, Theory and Practice

The Kenyan banking sector players should use the study to benefit their organization by formulating change management strategies to counter the challenges of ever changing operating environment following increased globalization and growth of technology. The operating environment for the organization is ever changing calling for constant management of change so as to ensure the Institute meets its strategic objectives and delivers on its mandate.

The government and policy makers should get insight from the study in formulating policies regarding regulatory requirements of the change management among banks to ensure balanced and stable economic growth. Management of strategic change is important in any organization because if not well managed, it may lead to failure of the organization to meet its strategic objectives.

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APPENDICES

Appendix I: Introduction Letter

Dear Sir/Madam,

RE: INTRODUCTION LETTER

I am a postgraduate student at the University of Nairobi pursuing a course in Master of Business Administration, specialising in Strategic Management. In partial fulfilment of the course requirement, I am conducting a case study on Strategic leadership and change management practices at National Bank of Kenya Limited.

For the purpose of completing my research, i wish to collect data through the attached Interview guide. Any information gathered during this study shall be treated as confidential and shall be used solely for my research project. A copy of the final research report shall be availed to you upon request.

Yours Sincerely,

Olivia Kagwiria Nairoti

Appendix II: Interview Schedule

1. What is your position at National Bank Limited?
2. In your own assessment, does the bank's management act as successful change agents during the change management process?
3. How has the bank's Strategic leadership contributed to the success of the change management practices?
4. What Strategic leadership style does the management adopt during the process of change management?
5. How effective do you find the Strategic leadership style adopted?
6. What are the Strategic leadership attributes that have been most successful for the change management at National Bank Limited?
7. Has any aspects of transformational Strategic leadership been adopted during the change management at National Bank?
8. How well are resources managed during the change management process?

9. How often do the leaders delegate to other employees during the change management process?
10. How often are the change objectives met during the change practices?
11. How serious are issues of resistance to change during the change management practices?
12. Which Strategic leadership style do you find most effective in managing change at National Bank?
13. Does the personal characteristic of the leader contribute to the success of the change management practices?

Thank you for your time.

Appendix III: Letter of Authorization



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

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P.O. Box 30197
Nairobi, Kenya

DATE...18/09/2014

TO WHOM IT MAY CONCERN

The bearer of this letterOLIVIA KAGWIRIA NAIROBI

Registration No.....D.G.160031/2013

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

