MANAGEMENT OF STRATEGIC CHANGE AT RIFT VALLEY RAILWAYS (KENYA) LIMITED

By

Susan Akinyi Amenya

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DECLARATION

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

Signed:.............................

Susan Akinyi Amenya
D61/P/9075/04

Date: 20/11/2008

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

Signed:.............................

Prof. E. Aosa
School of Business
University of Nairobi

Date: 25/11/2008

DEDICATION

This project is dedicated to a very special person, my dear mother Wilfrida Amenya, for her inspiration to succeed, encouragement to forge ahead, patience to endure, cheerfulness to withstand negative criticism and motivation to rise to the challenge of completing my MBA degree course. I am most grateful for her continued emotional, spiritual and financial support without which I would not be where I am today.

God bless you.

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ABSTRACT

In the business environment, there are many factors that drive and escalate the pace of change within organisations. According to Scribner (2000), managers must develop a systematic approach to looking at the changes in the internal and external environment that confront the organisation. Strategic change management provides managers with wide variety of models to initiate, manage, control and direct the change. However, the choice of model used will depend upon the nature of the organization in terms of its resources and problems, and must be adapted to that organisation (Nadler and Tushman, 1997). Whereas strategic change may cause resistance due to disruption of the momentum of organizational processes, sound change management practices can help in overcoming or mitigating this resistance.

On taking over operations of the railway network from the insolvent Kenya Railways Corporation in November 2006, Rift Valley Railways Kenya Limited inherited a company that was inundated with a myriad of problems. These included massive investment needs, poor management structures, mismanagement of finances, a bloated workforce, and lack of clear strategies for future success. As a result of the poor performance exhibited by the previous railway operator, there were several factors that compelled the top management of RVR(K) to make strategic changes. Consequently, the reaction by management of the company was to make concerted efforts to initiate processes for implementing, managing and controlling the results of these changes for the successful operations of the company.

The two objectives in this study were to determine the factors that necessitated the strategic changes that occurred at RVR(K) and to identify the model of change that was employed in managing these changes. A case study research design was used in this study, whereby interactive personal interviews were carried out with six respondents who were involved in managing the strategic changes at RVR(K). A questionnaire with open ended questions was employed as the interview guide to gather primary data.

The study found that there were several external and internal factors that created necessity for changes at RVR(K). These included requirements for technological

upgrades, political interference, economic effects, industry and customer demands, employee unrest, cultural challenges and restructuring requirements. The study also found that management practices employed by top management at RVR(K) were closely borrowed from the Content, Context and Process model of managing strategic change. Some of the factors which hampered successful implementation of change at RVR(K) included resistance to change, failure to plan for change, failure to ensure effective communication by management and lack of participation and involvement of employees in implementation of change in the company.

Throughout the study, there were a number of limitations that were identified. The inability to use detailed information from the Kenya Concession Agreement due to its confidentiality was a major drawback. Other limitations include the delay in collection of primary data from the respondents due to their initial unease with the subject and inability to access documented departmental strategic plans.

This study on management of strategic change at RVR(K) could provide the basis for carrying out future research on the importance of competence in managing strategic change as well as the use of the Balance Scorecard as a tool for strategic change management. The effects of undertaking change management as a business function at RVR(K) could also be another topic for further research.

CHAPTER ONE: INTRODUCTION

1.1 Background

Strategic management is a process for developing and enacting plans that will ensure that an organisation reaches its long-term goals. It takes into account both internal and external factors. Strategic management encompasses an integrated, future-oriented managerial perspective that is outwardly focused, forward-thinking and performance-based (Scribner, 2000). It is the mechanism through which an organization can understand and constructively manage strategic changes and the process for reinventing or renewing the organization.

1.1.1 Strategic Change Management

Strategic change management is the process by which an organization gets to its future state, i.e. its vision. While traditional planning processes describe the steps on the journey, strategic change management actually attempts to facilitate that journey. Strategic changes are deliberate actions undertaken today to shape and prepare organisations for addressing the challenges and demands facing the organisation now and in the future. Strategic change also enables the organisation to take advantage of important opportunities and to cope with consequential environmental threats (Worley, 1996).

Creating strategic change starts with creating a vision for change and thereafter empowering individuals to act as change agents to attain that vision (Lorenzi, 2000). Empowered change management agents need methodical plans that are future oriented and provide a total-system approach. Strategic change management encompasses effective strategies and programs that will enable change agents to achieve the vision of the organisation.

Management of strategic change employs the use of systematic methods to ensure that the organisation and its employees move from old unwanted behaviours to new desired behaviours for the survival of the organisation, while retaining some key components.

One of the goals of strategic change management is to limit the risks associated with the introduction of new elements or processes. Another goal is to ensure rapid recovery from change-related problems when they arise (Spafford & Swanson, 2007). Strategic change management also seeks to understand the sentiments of the target population and work with them to promote efficient delivery of the change and enthusiastic support for its results. It is concerned with winning the hearts and minds of the participants and the target population to bring about changed behaviour and culture.

Managing change in public and private sector organisations is seen as a daunting task that requires efficient strategies. Mink et al (1993) observed that in today's business environments, learning about change, planning for and implementing major changes must be considered highest priority for the long term survival and prosperity of an organisation. This is because management of strategic change is a complex process, which according to Larkin and Larkin (1996) many organisations get wrong.

Sound management of organisational change has proved to be a useful tool to facilitate successful cultural transformations by helping people deal with 'unknown territory', or as Bridges and Mitchell (2000) put it, the 'neutral zone' to ensure that the outcome of the change initiative is positive.

1.1.2 The Transport Industry

The transport industry in Kenya consists of five modes of transport. These are road, air, pipeline, maritime and railways. These modes of transport integrate several manufacturing, market and population centres and facilitate mobility in both rural and urban areas throughout the country (Ministry of Transport, 2008).

Air transport is the main mode of transport for tourists, business people, high value exports, imports and perishable cargo. It is managed by Kenya Airports Authority (KAA) and Kenya Civil Aviation Authority (KCAA). Kenya's three international airports are Jomo Kenyatta International Airport (JKIA) in Nairobi, Moi International Airport in Mombasa and Eldoret International Airport. The smaller but significant airports include Kisumu and Wilson airports. JKIA is the hub for all International airlines and is currently undergoing expansion to increase its capacity from the current 23 large flights handled at a time to 46 (Kenya Airports Authority, 2008). In 2006, JKIA handled in excess of 4.4 million passengers, and cargo handled at the airport increased to about 230,000 tonnes (Airport Technology, 2008).

Transport by the pipeline is managed by Kenya Pipeline Company (KPC). Pipelines are the chief transporters of petroleum products. The Kenya pipeline stretches from Mombasa to Nairobi, Eldoret and Kisumu. The Mombasa to Nairobi pipeline is 450 kilometres long with four pump stations at Changamwe, Maungu, Mtito Andei and Sultan Hamud. It is used to transport refined white oil (i.e. petrol, kerosene and diesel) to various parts of the country. In 2007, KPC estimated that the volume of crude oil transported per month was about 2.75 million cubic metres (Kenya Pipeline Company, 2008).

Maritime transport is also referred to as the waterways. It is managed by Kenya Ferry Services (KFS) and the Kenya Ports Authority (KPA). Mombasa port is the principal sea port. It handles all types of ships and cargo services for Kenya and the neighbouring landlocked countries of Rwanda, Burundi, and Democratic Republic of Congo among others (Ministry of Transport, 2008). Kenya's port traffic climbed to 14.4 million metric tonnes in 2006 (Library of Congress, 2007). The piers along Lake Victoria play a vital role of linking Kenya to Uganda and Tanzania, thus enabling the transportation of both passengers and goods across the lake.

Roads are the most commonly used mode of transport in Kenya and account for almost 90% of land freight and passenger traffic. It is managed by Transport Licensing Board (TLB) and the Department of Road Transport of Kenya Revenue Authority. Road transport is encompassed in the Ministry of Roads and Public Works which is charged with responsibility for design and maintenance of the entire road network in Kenya. The most important road is the Northern corridor highway which starts from Mombasa and runs through to Busia and Malaba. The importance of this road is that it serves the Great Lake countries (Ministry of Transport, 2008).

Railways are the second most significant mode of transport in Kenya and account for about 10% of cargo freight and passenger transport. The railway network is managed by Kenya Railways Corporation and operated by Rift Valley Railways Kenya Limited. The railways provide the cheapest mode of transport for bulky goods as well as passengers. Most Kenyan towns are located along the railway line and owe their origin to its construction. The railway greatly contributes to the development of the economies of the East African region. The Ministry of Transport in Kenya has a Railways Division which is responsible for the Railways Sub-sector. Annual railway freight performance in 2007 was estimated at about 1,734,800 tonnes (RVRK, 2008).

Over the past 15 to 20 years, the world has seen a wave of railway restructuring, privatisation and concessioning. Forms of privatisation tried in the past two decades range from small-scale involvements to complex types of concessions for large railway businesses. According to Bullock (2005), African railways that have been concessioned operate more efficiently and more competitively. In those concessions, investments have been largely funded by multilateral and bilateral loans at concessional rates. Although concessions have revitalized many railways systems in Africa, they may not ensure long-term survival without further injections of public investments.

The history of the railways in Kenya dates back to 1896 when the construction of Uganda Railway started in Mombasa. The railway was intended to facilitate the opening of the hinterland for export trade in cash crops such as coffee and tea, as well as raw materials to Western countries especially Britain. The railway eventually reached Port Florence in 1901 and in 1927, the Kenya-Uganda Railways was renamed the Kenya-Uganda Railways & Harbours. In 1948, the company was amalgamated with that of Tanganyika and became known as the East African Railways & Harbours.

On June 1st, 1969 the three East African countries formed the East African Community to oversee the common services in the region and this gave birth to the East African Railways Corporation. The East African community eventually broke up due to financial problems in 1976 and this led to the formation of Kenya Railways Corporation (KRC). KRC was legalized by an Act of Parliament Cap.397 of the laws of Kenya on January 20th, 1978.

In the early 1980's, the performance of KRC was at its best. The company was able to carry more than double its then volume of freight traffic of about 1.6 million tones. However, due to mismanagement of funds and overstaffing coupled with breakdown in systems and procedures and declining capital investment, KRC incurred unnecessarily high operating costs, losses, negative cash flow and inability to sustain operations (Ministry of Transport, 2008).

Agarwal (2007) observed that after 1983, the rail business under the management of KRC began a steady decade-long slide into insolvency as maintenance and investment lagged, revenues dropped, but workforce continued to expand. Liberalisation of the Kenyan economy was carried out in 1992 and consequently exposed KRC to competition, thus ending its era of monopoly. Following the poor performance of KRC, the Kenyan government came up with the idea of concessioning as the only solution to revamping the railway sector.

In 1998, the Kenya Government announced that the Kenya railway system would be concessioned and appointed the International Finance Corporation (IFC) as the Lead Transaction Advisor for the privatisation program. Several discussions between the Governments of Kenya and Uganda followed thereafter and a strategic decision was taken to jointly concession the Kenya and Uganda Railways. The joint concessioning was as a result of the dependency of the two networks on each other.

In December 2006, the Kenya-Uganda rail concession reached financial closure after seven years of preparation. Adverts for bids were then placed in local and international print and electronic media, and eventually the two Governments selected the Rift Valley Railways Consortium as the concessionaire. The company that was formed to take over operations of the Kenyan section of the concession was known as Rift Valley Railways Kenya Limited (RVRK).

On taking over operations of the railway network from KRC in 2006, RVR(K) inherited a company that was inundated with a myriad of management related problems and poor management structures. For instance, due to poor planning and failure to source for the requisite financial resources to upgrade infrastructure, locomotives, rolling stock, plant and maintenance equipment, the railway system became dilapidated and badly in need of refurbishment for smooth operations. Coupled with rampant vandalism and sabotage of railway materials, annual railway freight performance steadily reduced from 2,357,193 tonnes in the financial year 1999/2000 to 1,958,138 tonnes in the year 2005/2006 (RVRK, 2008).

With regards to responsiveness to changes, top management of KRC were not proactive in capturing the opportunities offered by changing technology. The company made little or no effort to upgrade information and computer technology systems. In addition, there was hardly a plan for investment in new rail, nor was there any investment in new models of trains and wagons that would ensure safer trains, speed and comfort.

The human resource capacity of KRC grew over the years to over 4,000 employees in 2006, yet less than 3,000 of them were essentially required to work in various stations across the country. There were also no evident plans to rationalise and streamline this number of employees. Furthermore, the working culture was plagued with negative traditions such as tribalism, nepotism and lack of motivation to attain efficiency in service delivery. Many of the employees of KRC lacked the necessary tools and the professional skills to be more efficient in their specific jobs resulting in low morale to achieve success. Apparently, this status quo had been in existence for several years and was now entrenched in their working culture.

KRC was also focused on many tertiary businesses which were far off from the key business of running trains from Mombasa to Kisumu. The much needed financial resources and manpower was put into non-core related activities like furniture shops, housing estates, land acquisition and provision of catering services at presidential luncheons yet modern business principles dictate that a successful company must concentrate on its core business activities.

KRC top management did not appear to have prioritized turnaround strategies that would improve these trends. They lacked organizational strategies since they were political appointees who were changed frequently and put in for political reasons by key Government officials to satisfy political goals.

1.1.3 Rift Valley Railways (Kenya) Ltd

Rift Valley Railways Kenya Limited signed an agreement to be the official concessionaire of the Kenya section of the Kenya – Uganda railway network on January 23rd 2007, although the company commenced rail operations in November 2006. The company was formed by a group of companies led by South Africa's Sheltam as the lead investor, Australian Babcock & Brown, and Kenyan Trans-century and Centum Investments (formerly ICDC Investments). In July 2008, a strategic decision was made by the Board of RVR(K) to add Mirambo Holdings and Primefuels Kenya Limited to the list of shareholders.

After RVR(K) was awarded the concession contract, KRC became the conceding authority responsible for monitoring the Kenya Concession Agreement (KCA), and to ensure that the concessionaire complied with operating standards and safety regulations specified in the agreement. RVR(K) provides transport solutions for conventional, liquid and bulk products as well as containers.

The Kenya Concession Agreement (KCA) was signed for a period of 25 years where the railway assets such as infrastructure, locomotives, rolling stock, plant and maintenance equipment and some selected property assets were conceded to RVR(K). According to KCA (2007), the new railway operator was mandated to make a minimum investment of US$ 5 million in the railway network for the first 5 years. A total of US $390 million was to be invested in the upgrading of track infrastructure and rolling stock over the life of the concession agreement. RVR(K) was also required to pay an annual concession fee of 11.1% of freight revenues and US$ 1 million per annum to KRC for each of the 5 years as per the passenger service concession agreement (KCA, 2007) .

Since concessioning in November 2006, top management at RVR(K) have had to make strategic decisions to change processes and business procedures in the company. Although, identifying the needs for change was important, the key challenge was in the company's ability to successfully implement, manage and monitor effects of the change.

1.2 Statement of the Problem

Successful change management practices involve a clear focus on streamlining operations and thus result in better outputs with fewer resources, modernizing structures and processes, while also aligning organizational goals and new goals with outcomes. Burke and Trahant (2000) observed that in order for management to be successful in implementing change, they need to be very vigilant in their business environment. Vigilance involves careful monitoring and analysis of the external environment to identify and analyze changes that could significantly alter the "rules of the game" and indicate a need for alterations in change processes within the organization.

In strategic change management, a wide variety of models have been developed to initiate and manage the change and to control and direct change caused by unplanned disruptions. Many of the most popular models outline processes that are focused on achieving quality improvements, addressing worker concerns, and enhancing flexibility by changing organizational structure, processes, people and culture. Nadler and Tushman (1997), Lawler et al. (2001) and other scholars emphasize that the choice of approach or model depends upon the organization's nature, resources, and problems, and must be tailored to the specific contest and organization.

The concessioning of the Kenya railway network had all the features that had already driven these kinds of deals into virtual extinction, i.e. an insolvent rail utility with US$ 280 million in outstanding debt, massive investment needs required to upgrade a rail service dependent on poorly maintained track, wagons and locomotives averaging 40 years in age with virtually no maintenance, a bloated workforce with about 5,000 unnecessary employees, parochial operations, colossal revenue leakages, rampant vandalism, and two government owners with all of the associated political and regulatory complications (Agarwal, 2007).

Following the poor performance exhibited by the previous railway operator, there were several factors that compelled RVR(K) top management to make strategic changes since they took over operations of the company. Consequently, the reaction by management of

RVR(K) was to make concerted efforts to initiate processes for implementing, managing and controlling the results of these changes for the successful operations of the company.

Several studies have been carried out in Kenya by various scholars on the subject of change management. They include Gathua (2006), Nyalita (2006), Nyororo (2006), Nyamache (2003), Ongaro (2003) and Ogwora (2003). All their studies provided valuable insights into the challenges and responses of various Kenyan organisations. However, to the best of the researcher's knowledge, no studies had been carried out on the management of strategic change at Rift Valley Railways (Kenya) Limited and thus there existed a knowledge gap which this case study sought to fill.

The emerging research questions of this case study were:- What factors necessitated the changes at RVR(K)? Which model of change management was employed in implementation of the changes at RVR(K)?

1.3 Research Objectives

The following were the objectives of the case study.

i) To determine the factors that necessitated changes at RVR(K).

ii) To determine the model of change management that was adopted in implementation of change strategies at RVR(K).

1.4 Scope of Study

Rift Valley Railways (Kenya) Limited is a major player in the provision of transport services in Kenya. The company currently enjoys a favourable business environment as a result of the none-existence of significant competition in the railway transport industry. This case study on RVR(K) was therefore undertaken to determine the changes and change management processes that were carried out since the company took over as concessionaire of Kenya railway operations.

1.5 Importance of Study

The findings of this case study will be useful to the top management of RVR(K) Ltd as they will have an opportunity to gauge the progress, direction and benefits of their change management efforts. The study will also be used as a source of information for future comparisons of change management strategies as well as the resultant performance trends.

The findings of the study will also be useful to employees at RVR(K) who have been directly involved in change management practices and implementation of strategies in the organisation, as it will provide them with information to monitor their performance before and after the changes occurred.

The findings of this study will also contribute as a primary source of information for change management consultants and experts in Kenya, who are involved in managing change processes in other organisations and may seek to improve organisational performance through benchmarking of strategic change management processes.

Academicians and researchers will also find the information from this study useful for purposes of carrying out further research. The study will also contribute to the existing literature in the field of strategic change management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Strategic Change

Strategic change is a proactive, structural approach to address the people and organisational risks inherent in any change effort that will optimise the realisation of business benefits and sustain long term performance (Worley, 1996). Strategic changes are deliberate actions undertaken today to shape and prepare organisations for addressing the challenges and demands facing the organisation now and in the future.

Strategic change also enables the organisation to take advantage of important opportunities and to cope with consequential environmental threats. Worley (1996) refers to this as integrated strategic change which is a deliberate coordinated process leading radically or gradually to systemic realignments between the environment and the strategic orientation of the firm.

Change and responses to change are ongoing processes. Organisational change enables an organisation to move from its current position and state towards some future position as a way of increasing its overall effectiveness (Jones, 2001). Change is inevitable and the manner in which organisations respond to and manage change makes the difference between survival and death. Seeing the need for change and having ready resources for implementation is one thing, but the process of actually implementing change is another. Organisations must therefore make the necessary efforts to adopt sound change management practices in order to achieve competitive advantage in their rapidly changing business environments.

According to Spafford and Swanson (2007), change can be particularly difficult to achieve in organisations which have long established and largely settled patterns of operation. The implementation of organizational change involves often structural as well as cultural changes in a company. Rose and Lawton (1999) inferred that change has become an enduring feature of organisational life. They continue to say that few people in public or private sectors can claim to have been untouched by either the pace or direction of organisational change in recent years. Managers in both sectors are increasingly finding it difficult to make sense of business environments in which they operate. One of the reasons is the speed of change (Johnson & Scholes, 2002).

Niania (2000) argued that organisations exist and depend on the environment for inputs and outputs and will therefore consume resources, transform them through various processes and then release the outputs to the environment. The environment is therefore an important factor when considering the success and survival of organisations. According to Aosa (1992), strategy is all about creating a fit between the external characteristics and the internal conditions of an organisation in order to solve a strategic problem. In recent periods, the need for strategic change has been necessitated by changes in the global environment which has been increasingly turbulent and awash with increasing competition and changes in consumer tastes and preferences.

Management of an organisation is usually undertaken in uncertain and dependent circumstances which change with the passing of time. According to Burnes (2004), uncertainty arises from inability to understand and control events fully, both inside and outside the organisation and consequently, forecasting becomes an inexact activity. Similarly dependence of management on the goodwill and support of others both internally and externally could make the organisation vulnerable and could threaten its very existence. The levels of dependence will vary but can never totally be eliminated and must therefore be taken into account when designing organisational change programs, structures and procedures. Thompson (1967) argued that organisational effectiveness is not only contingent on the level of environmental uncertainty, but also on the degree of internal dependence present.

Resistance to change is often seen as an obvious reaction to significant change. Significant change is a disruption in our expectations of the future and is viewed as a loss of control (Marshall & Conner, 1996). People are not likely to change the way they have been successfully working, especially when it is not clear what the goal of the whole operation is and who will benefit from the changes (Doppler and Lauterburg, 2000). Strategic change has therefore to be carefully planned and the change process has to be managed well for successful results.

2.2 Types of Change

Organizations typically respond to the challenges of new technologies, new competitors, new markets, and demands for greater performance with various programs, each designed to overcome obstacles and enhance business performance (Luecke, 2003). These programs fall into one of the following four categories.

In the structural change program, the organization is treated as a set of functional parts and is sometimes referred to as the "machine" model. During structural change, top management, aided by consultants, attempt to reconfigure these parts to achieve greater overall performance. Mergers, acquisitions, consolidations, and divestiture of operating units are all examples of attempts at structural change.

Cost cutting is another program whose focus is on the elimination of nonessential activities or on other methods for squeezing costs out of operations. Activities and operations that get little scrutiny during profitable years draw the attention of cost cutters when times are tough.

Process change programs are programs which focus on altering how things get done. Examples include re-engineering a loan approval process, the organisation's approach to handling customer warranty claims, or how decisions are made. Process change typically aims to make processes faster, more effective, more reliable and less costly.

Finally, cultural change programs focus on the "human" side of the organization, such as a general approach to doing business or the relationship between its management and employees. An example of cultural change is a shift from command-and-control management to participative management. The same applies to any effort to re-orient an organisation from an inwardly focused "product push" mentality to an outward-looking customer focus.

2.2.1 Planned and Emergent Change

Experts propose various approaches to the types of change management. Predominant among these are the planned and emergent approaches to change. According to Burnes

(2004), the planned approach to change was popular in the 1980s as a process of moving an organisation from one fixed state to another through several pre-planned steps. At the core of planned change, stress is placed on the collaborative nature of the change efforts, i.e. managers and consultants jointly diagnose problems and thereafter plan and design the implementation of specific change.

The emergent approach views change as a continuous open ended and unpredictable process of aligning and re-aligning an organisation to its changing environment. The emergent approach puts emphasises on a bottom-up approach to change. This is because organisational change is so rapid and complex that it is impossible for a small number of senior managers to efficiently identify, plan and implement necessary organisational responses (Burnes, 2004).

2.2.2 Interrupted and Continuous Change

Interrupted change, according to Weick and Quinn (1999) is infrequent, discontinuous and intentional. Sometimes termed as radical or second-order change, interrupted change often involves replacement of one strategy or programme with another. Continuous change, in contrast, is ongoing, evolving and cumulative (Weick and Quinn, 1999). It is also referred to as first order or incremental change and is characterised by people constantly adapting and editing ideas they acquire from different sources. At a collective level, these continuous adjustments made simultaneously across units can create substantial change.

The distinction between interrupted and continuous change helps clarify thinking about the future development of an organisation and evolution in relation to its long-term goals. Few organisations are in a position to decide unilaterally that they will adopt an exclusively continuous change approach. They can, however, capitalize upon many of the principles of continuous change by engendering the flexibility to accommodate and experiment with everyday contingencies, breakdowns, exceptions, opportunities and unintended consequences that punctuate organisational life (Orlikowski, 1996).

2.2.3 Incremental and Transformational Change

Most researchers differentiate between two main change strategies, namely, incremental and transformational change. Stark (1999) described incremental change as change that does not challenge existing assumptions and culture, but instead uses existing structures and processes. It is therefore a slow process that is low in risk.

Transformational change, however, is one that aims to change existing structures, the existing organisation and the existing culture. Moreover, a difference is made if the change comes from inside the organisation (proactive) or if the change is forced from outside the organisation (reactive).

2.3 Theoretical Foundations of Change Management

The roots of change management can be found in the science of psychology. Many of the techniques helping people to deal with traumatic emotional issues have been applied to help stakeholders deal with dramatic changes in how they earn their livelihoods. Thus many theorists and practitioners alike propose the utilisation of change management techniques to successfully deal with the change process.

According to Burnes (2004), there are three schools of thought that form the basis on which change management theory stands. The first school of thought is the individual perspective school, which involves learning how behaviours are acquired. In this school of thought there are two camps of supporters. One camp of supporters is made up of 'behaviourists' who view behaviour as resulting from an individual's interaction with their environment. They view all behaviour as learned, and all individuals are the passive recipients of external and objective data. Learning takes place through external stimulus such as rewards, punishment and reinforcement. Beyond stimulus, there has to be reason, which is the ability to interpret the stimulus. In order to change behaviour, it is necessary to change the conditions that cause it (Skinner, 1974).

The other camp is made up of 'Gestalt-Field psychologists', who argue that an individual's behaviour is the product of environment and reason (Burnes, 2004). Here learning is a process of gaining or changing insights, outlooks, expectations or thought patterns. Behaviour is not just a product of external stimuli, but rather it arises from how the individual uses reason to interpret these stimuli. Proponents seek to help individual members of an organisation change their understanding of themselves and their situations, and this essentially changes their behaviour.

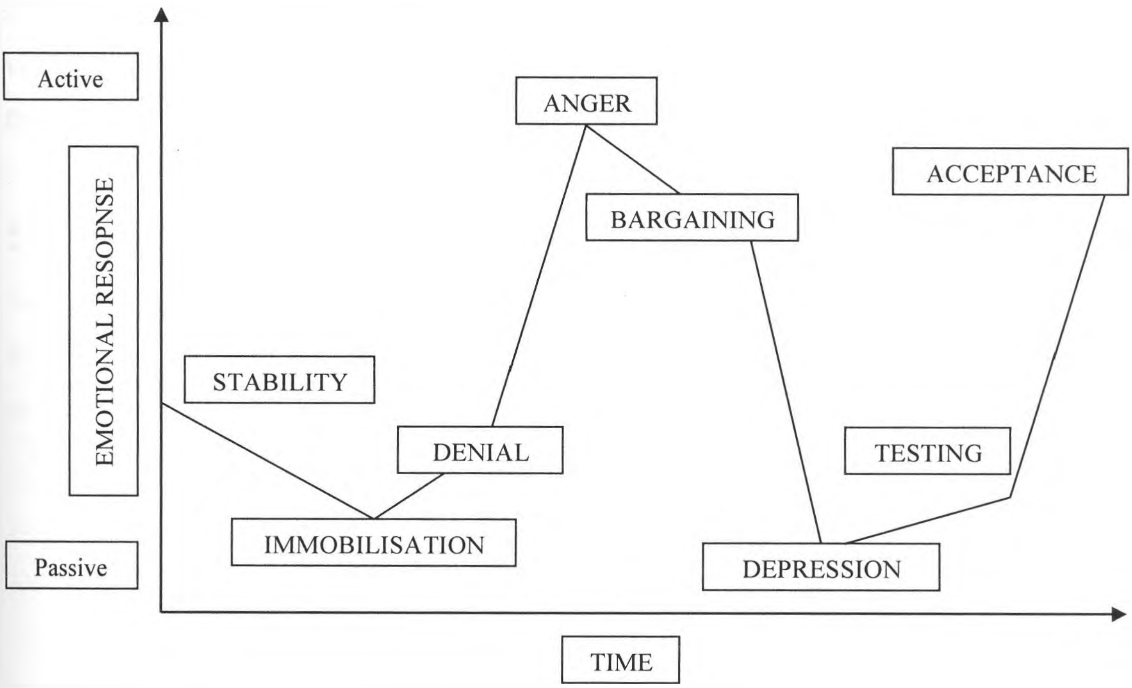
Secondly, there is the group dynamics school of thought. It suggests that group behaviour is an intricate set of symbolic interactions and forces that not only affect group structures, but also modify individual behaviour. It also emphasises on bringing about organisational change through teams of work groups, rather than individuals (Bernstein, 1968). In order to bring about change, it is useless to concentrate on changing behaviour of individuals. The focus on change must be at the group level and should concentrate on influencing and changing the group's norms, roles and values (Smith et al, 1982). Thus the group dynamics school of thought is seen to be very influential in developing both the theory and practice of change management, and this fact is evident in the way organisations view themselves as comprising of groups and teams and not just a collection of individuals.

The third school of thought is the open systems school. By nature, organisations are open systems and this school of thought views them as being composed of a number of interconnected sub-systems. It then follows that any change in one sub-system will have an impact on the other parts of the system, and consequently, on its overall performance.

The objective of the open systems approach is to structure the functions of a business in such a manner that through clearly defined lines of coordination and interdependence, the overall business objectives are collectively pursued (Burnes, 2004). There are four major sub-systems in organisations, as suggested by Miller (1993). They consist of the goals and values subsystem which defines the purpose of existence of the organisation through a strategic plan, policies and regulations. The technical subsystem is concerned with conversion of inputs to output while the psychosocial subsystem is the generally accepted way of doing things in the organisation, i.e. the organisational culture. The managerial subsystem has a co-ordination role whereby it coordinates all other sub-system in the organisation to ensure that they work optimally.

Conner (1998) developed the model shown in figure 1 which depicts the nature of change. It describes the emotional response during a change process that is viewed as negative, but which can also be applied to organisational change.

Figure 1: The Nature of Change



Source: Conner, D.R. (1998). *Managing at the speed of change.* John Wiley and Sons Ltd, Chichester, England.

This model was based on a study done by Kuebler-Ross (1969) who researched the stages that a terminal patient and their families go through.

2.4 Models of Change Management

Different models, methods and tools have been developed to deal with the process of managing strategic change. Such tools and methods are often dependent on the change that is required. A typical change process moves through several phases that are accompanied by typical reactions of the people who are involved, and must be met by different change management methods. After announcing a change initiative, confusion increases, possibly due to inability to cope with the new patterns or as a result of the old rules overlaying the new rules.

Communication and early participation of the people affected by change play an important role to address the initial fears and concerns and to build trust. Coaching people during the change process and facilitating learning of the skills that are needed to deal successfully with the new environment is also essential (Paton et al, 2008). In a world of accelerated and constant change, the capacity of an organisation to change is viewed as more of a critical success factor and is a more important corporate asset than the type of change model adopted by the company.

2.4.1 Congruence Model of Organisational Behaviour

Nadler and Tushman (1979) came up with the congruence model of organisational behaviour as contained in figure 2. The main point of this model is that all elements need to be in alignment in order for it to work.

Figure 2: Congruence Model of Organisational Behaviour

Input	Transformational process	Output
Environment	Interaction among org.	Goal achievement
Resources	components	Resource use
History	Task	Group performance
	Individual	Individual behaviour
	Informal org.	

Source: Nadler, D.A., & Tushman, M.L. (1979). A congruence model for diagnosing organizational behaviour. In D. Kolb, I. Rubin & J. Mc Intyre, *Organisational Psychology: A book of Readings, (3rd edition).* Prentice Hall, Englewood Cliffs, N.J., USA.

From figure 2, the main inputs into the system of this model are the environment, the resources available and the strategy and history of the organisation. In considering the use of this model, a comprehensive evaluation of the drivers of change in the environment should be part of the initial analysis. Employees who will be affected by change should be involved at the outset in the identification of the drivers of change in the environment. Training should be provided to improve employee skills but there also needs to be support in terms of coaching, mentoring, focus groups, monitoring customer feedback and in some instances, recruiting new staff into the organisation with real expertise in the area of focus. Research by Garvin and Roberto (2005) found that successful change programmes were based on the manager doing significant work in advance to ensure staff will consider new ways of working. This is essential to the success of all change programmes.

The transformational process is made up of four key components. These include the work to be done by the organisation, the individuals who do the job, the formal structures and processes in place to motivate performance and the informal arrangements such as communication and influence, which characterise how the organisation functions. A reward system should be set up and monitored to ensure the right behaviours are being encouraged. Key dates and targets need to be agreed upon in advance of the change so that the success of the transformation process can be assessed as the project progresses.

Outputs include how the goals of the organisation are achieved, how resources are used, how people adapt to the change process, and overall, how successful the change initiative has been. Performance goals are an essential element to successful change initiatives and according to Walsh (2000), these goals need to be an integral part of the design of a change initiative. When behaviours change, the manager needs to recognise that results can be achieved through feedback and praise. There is a need to keep the momentum for change going, so that behavioural change is not short term.

2.4.2 Tichy's TPC Framework

Tichy's (1983) TPC framework outlines how strategic change involves making technical, political and cultural decisions about the new organisational state as shown in figure 3. When an organisation only focuses on one or two of these elements, the change is dysfunctional.

Strategic management is the task of keeping the three of these strands from becoming unravelled in the face of problems in one area. This model presents three basic sets of managerial tools for aligning the technical, political and cultural systems in the organisation. These tools are the mission and strategy of the organisation, the structure and the human resource management procedures.

Figure 3: Tichy's TPF Model

	Mission	Structures	HRM
Technical system	- Assess needs of customers - Define the organisation mission - Consider extra resources which may be needed	- Structure needs to support strategy - New roles needs to be integrated - Structures to support change are needed - Regular feedback staff	- Do existing staff all fit the new role? - How will people be measured in the new role? - What development plans are needed to make it work?
Political system	- Get core staff to influence mission and strategy - Manage behaviour around strategic decisions	- How will power be distributed? - Staff need to feel empowered in their new role	- How will staff be inducted into the new role, both existing and new staff - Design reward system to support the change - Manage the appraisal politics
Cultural system	- What are new values? - How will change strategy affect how the organisation does business? - Develop culture in line with mission and strategy	- Develop a managerial style in line with the new culture - Develop subcultures to support the new role - Highlight the new corporate identity	- Select new people to support the change - Manage rewards to shape the new culture - Consider the training and development needed to ensure staff adapt to the change

Source: Tichy, N.M. (1983). *Managing strategic change: Technical, political and cultural dynamics*. Wiley & sons, New York, USA.

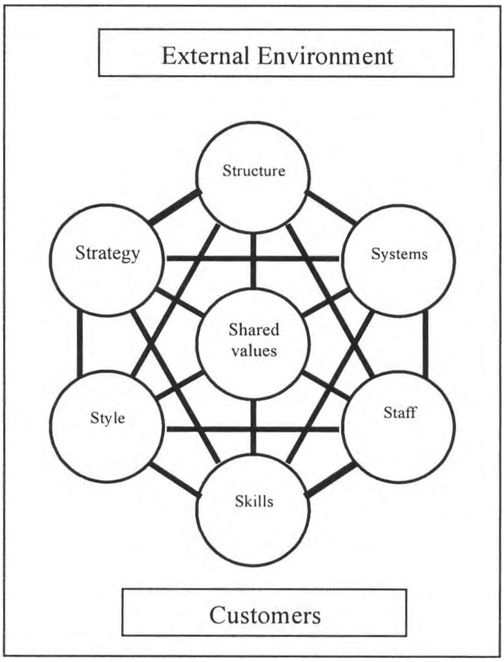
An effective organisation is one where there is a good strategic alignment between the mission, the structures and the subsequent human resource management policies and procedures which support people in achieving the goals of the organisation. Therefore, the technical, political and cultural elements of the organisation must be aligned.

Focus on culture should be part of any successful change management process and the gap between the current and desired culture needs to be bridged. Employees need to identify the new values required and highlight how this shift can happen. It is vital that as the culture starts to change, success is celebrated along the journey towards the new vision.

2.4.3 Mc Kinsey's 7-S Model

According to Peters and Waterman (1982), McKinsey's 7-S model established that the success of any organisation was dependent on the organisation keeping seven critical areas in balance. The model presented in figure 4 shows that there are seven aspects of an organisation that need to be harmonised with each other, to point in the same direction like the needles of seven compasses. These seven aspects are the strategy, style, systems, skills, staff, structure and shared values.

Figure 4: McKinsey's 7S Model



Source: Peters, T. & Waterman, R. (1982). *In search of excellence*. Harper and Row, New York.

This model centres on balancing staffing, structures and the objectives of the organisation. In many cases, the strategy may already exist, but a key area of failure is that of getting the employees to buy into the process. Sadler (1998) observed that focus groups should be considered together with interviews of staff to establish how they feel about their current roles, as well as identifying what needs to change for the future.

These seven areas outlined in this framework provide a lens by which all aspects of the change can be considered as part of the process. Each area is connected to the others, with a change in one causing a reaction in some, or all of the others.

2.4.4 PESTELI Model

This model is a checklist for analysing the environment of an organisation or its sub-unit. Initially, the acronym PEST was devised (Iles and Sutherland, 2001). The first letter in this acronym represents political factors and influences that could affect the performance or the options open to the organisation. The second letter represents economic influences, which refers the nature of the competition faced by the organization or its services, and financial resources available within the economy. The third letter stands for sociological trends, which imply the demographic changes and trends in the way people live, work, and think. Finally, the fourth letter stands for technological innovations, which refer to new approaches to doing new and old things, and tackling new and old problems. These, however, do not necessarily involve technical equipment but novel ways of thinking or of organising.

More recently the list has been expanded to PESTELI, and it now includes ecological factors which define the wider ecological system of which the organisation is a part and consideration of how the organisation interacts with it. There are the legislative requirements that were originally included under 'political', but now relevant legislation requires a heading of its own. Industry analysis is represented by the final letter in the acronym. This is essentially a review of the attractiveness of the industry of which the organisation forms a part. The PESTELI model is therefore used to analyse which factors in the environment are helpful to the organisation, and which ones may impede progress to the organisation's aims.

2.4.5 Content, Context and Process Model

This model of strategic change was originally developed by Pettigrew and Whipp (1991) as a means of generating insight into why some private sector organisations were better able than others in managing strategic change and improving their competitive performance. The model was based on empirical case studies and was subsequently developed and extended in the context of health care by Pettigrew et al (1992) in their study of shaping strategic change. This model serves a reminder that change takes place in a historical, cultural, economic and political context.

The model proposes that there are five interrelated factors that are important in shaping a firm's performance. These include the environmental assessment, human resources (as assets and liabilities), linking strategic and operational change, leading change and overall coherence. This model suggests that successful change is a result of the interaction between the content or *what* of change (objectives, purpose and goals), the process or *how* of change (implementation), and the organisational context of change (the internal and external environment).

2.4.6 Kotter's 8-step Change Model

Kotter's (1986) eight step change model can be summarised as follows. The first step involves the need to increase the level of urgency, which essentially inspires people to move, make objectives real and relevant. The second step involves building the guiding team by recruiting the right people in place with the right emotional commitment, and the right mix of skills and levels of competence.

The third step involves getting the vision right. Here the company needs to get the team to establish a simple vision and strategy, as well as to focus on emotional and creative aspects necessary to drive service and efficiency. Involving as many people as possible constitutes the fourth step. Here the manager needs to communicate the essentials in a simplified way and to appeal and respond to people's needs. There is need to ensure that there is de-clutter in communication in order to simplify technology for the benefit of the users.

The fifth step involves empowering people by removing obstacles, enabling constructive feedback and lots of support from leaders. It also involves rewarding and recognising progress and achievements. The sixth step constitutes setting up short-term achievable goals, creating manageable numbers of initiatives and finishing current stages before starting new ones.

The seventh step requires the manager to foster and encourage determination and persistence through the ongoing change. The manager needs to encourage reporting of ongoing progress and should highlight achieved and future milestones. The final step is to make the change stick by reinforcing the value of successful change via recruitment, promotion, and new change leaders, i.e. weaving change into culture.

2.4.7 ADKAR Model

Effective management of the people dimension of change requires managing the five key goals that form the basis of the ADKAR model. These consist of awareness of the need to change, desire to participate and support the change, knowledge of how to change (and what the change looks like), ability to implement the change on a day-to-day basis and reinforcement to keep the change in place. According to Hiatt (2006), ADKAR is a goal-oriented change management model that allows change management teams to focus their activities on specific business results. The model was initially used as a tool for determining if change management activities like communications and training were having the desired results during organizational change.

The goals or outcomes defined by ADKAR are sequential and cumulative. An individual must obtain each element in sequence in order for a change to be implemented and sustained. This model can be used to identify gaps in the organisation's change management process and to provide effective coaching for employees. It can also be used to diagnose employee resistance to change, help employees transition through the change process and create a successful action plan for personal and professional advancement during change. The ADKAR model has the ability to identify why changes are not working and help you take the necessary steps to make the change successful.

2.4.8 Lewin's 3-Step Model of Change

According to Burnes (2004), Lewin's 3-step model of change describes the change process of an organizational system as a series of transitions between three different states of unfreezing, transition state and refreezing. Mecca (2004) noted that this model is still considered to be one of the most accurate descriptions of how change occurs. No change will occur unless the system is unfrozen, and no change will last unless the system is refrozen.

Lewin (1958) developed the 3-step model of managing change. The unfreezing state is the initial state of the system which reflects a condition of relative stability. When a disruptive force affects the status quo, people are motivated to discontinue some aspect of their behaviour. Unfreezing invalidates established frames of reference and accepted patterns of behaviour. Old methods and behaviours become inoperative. Unfreezing is seen as the most difficult and important stage in the change process, although it creates the motivation to change. It motivates the individuals or groups to look for new solutions that will bring things back to a state of normalcy.

The transition state represents a phase of the change process when people are no longer acting as they used to, but neither are they set in a new behaviour pattern. The motivation to change has disrupted the system's present equilibrium, but the desired state has not yet been formed. The need to reduce anxiety promotes a powerful desire for seeking out, processing and utilizing information to create a new state of stability or revert to the old state. One of the consistent findings about the change process is that there is initially a decrease in an organization's performance as change is implemented into the ongoing activities of the organization (Fullan, 2001).

Refreezing state occurs once employees have achieved a new set of cognitions and attitudes, and have begun to express these in new daily behaviour. For the new behaviours to last, they must first fit into the personality of the individual and the culture of the organization that is being changed. Otherwise, the behaviour will be only a temporary adaptation to the pressure of the change situation and will erode once the change agent has ceased to disconfirm the old behaviour.

If the unfreezing and transition states are well planned and managed, the result of the refreezing process is the desired state. If the first states are, however, not handled appropriately, the people and the organization will refreeze, but not necessarily in the desired state.

2.5 Factors Influencing Change Management Processes

In any changing organisation, there exist a number of factors that influence the change management processes being carried out and consequently determine the success of failure of the results of change.

2.5.1 Organisational Culture

Many scholars argue that an open minded organisational culture is beneficial for the introduction of any new change programme. Accordingly, it is also viewed as supportive for implementation of change. The overall culture of a company heavily depends on what predominant culture exists within the many different cultures of that company (Lewin, 1958).

Good change management promotes many aspects like the sharing of data and the internal and external need for collaboration. However, this collaboration might be, especially in an inter-organisational context, countercultural and affect the way people are working, which could cause conflicts and negatively influence success of implementation.

2.5.2 Leadership

Effective change requires good and sustained leadership. Regardless of whether the change is planned or emergent, interrupted or continuous, incremental or transformational, it has to be managed. Commitment, vision and direction from the top management of the organisation are critical with clear articulation of vision goals, timelines, expected achievements and review points. Change messages must be realistic and genuine. Paton et al (2008) observed that real organisational change is not something that can be simply imposed. Top-down direction setting for change should be balanced with genuine involvement of people throughout the organisation in determining the direction and implementation of change.

Change leadership by middle managers and supervisors throughout the organisation is a vital element of successful change, as is the role played by "change champions" - people working at any level of the organisation who understand the need for, and are interested in achieving, change. The best chance for change to persist and to be truly effective is where the changes are achieved through a partnership between those who lead the organisation at a senior level and those who are near the shop-floor workers in the organisation.

2.5.3 Management Support

Clear management support and focus is important in ensuring that the change objectives, and progress towards them, are kept at the forefront of the organisational agenda, both literally and metaphorically. Change managers must watch for and counter change stalling. Basic infrastructure and support for the change process is important. Adequate staffing, money, time and other needed resources must be in the right places at the right time (Paton et al, 2008).

Organisational systems must be properly aligned with the needs of the change program. Human resources systems, in particular recruitment and performance management processes, have an important role to play in achieving and embedding change as do training and development programs. Training in new job skills and knowledge as well as programs designed to assist people to work through the impact of changes are required.

2.5.4 Planning

Organisational change is a complex and long-term task. Paton et al (2008) noted that planning is critical to success and should therefore involve several key activities. Firstly, the mapping how the organisation should move from its current state to a desired future state is crucial. Management need to also link together unrelated parts of a change process, establishing priorities, timelines, responsibilities and mechanisms for review and revision, and engaging people in the process. Communicating about the changes and consequently informing employees and others what is to happen, when and why are key factors in planning for success.

Effective planning for change should begin well before changes are to take effect and should be the product of wide consultation, at all levels of the organisation, with the people who are to carry out the changes. Clearly articulating the links between the overall change and the work of each work group, and ultimately each individual in the organisation, is important. A detailed process of consultative change planning can be an important means of establishing these important linkages.

Flexibility in planning is important as well as an appropriate degree of structure and control. Both elements must be balanced so that there are adequate and effective structures and controls along with sufficient flexibility to allow for changes and adjustments to plans when circumstances demand this.

2.5.5 Stakeholder Support

Stakeholder support is essential for a change process to be successful. It is crucial for top managers to mobilise support for change with partners outside the organisation. For example, materials suppliers, lenders and financiers, business partners such as Kenya Ports Authority and relevant government authorities. This will minimise the possibility of a negative influence from external forces such as policy makers and government.

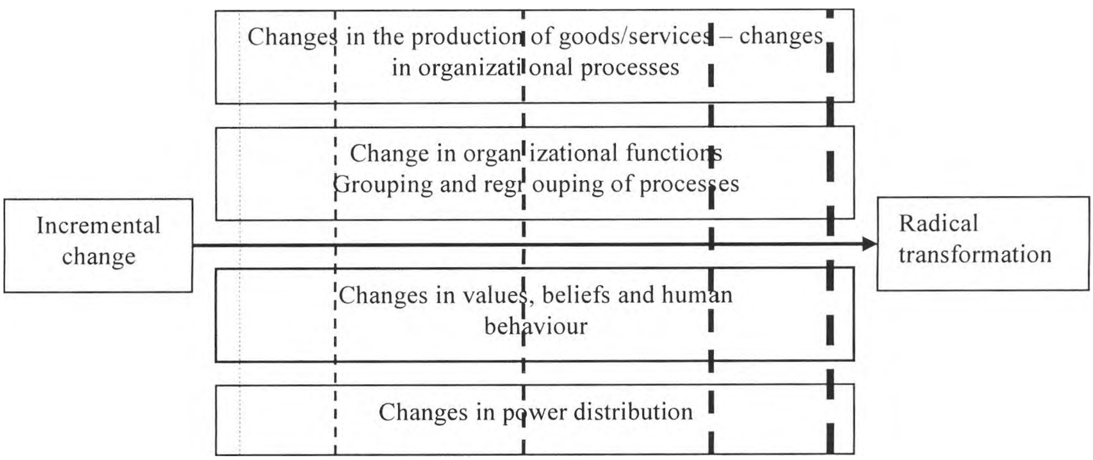
According to Kanter et al (1992), that the first step to implementing change is coalition building by involving key participants. Thus in the organisation's political environment, obstacles to change and conflicts can be overcome through compromise bargaining and negotiating between managers and formation of coalitions of managers.

2.6 Resistance to Change

Change produces resistance because change disrupts the momentum and inertia of organizational processes. Almost all people are nervous about change. Many people will resist it, either consciously or subconsciously. Fear of the unknown and uncertainty is often the source of resistance, and thus people need predictability, which relates to the basic need for security. Stark (1999) noted that uncertainty can, however, reduce productivity to a great extent. Therefore, changing a culture, structures and processes is risky and can even produce negative results which are proved by many studies. Kotter (1995) for example found, that two thirds of major change initiatives are not successful.

In order to understand why and how people resist change, it is necessary to understand organisational change. Van-Schoor (2002) constructed the model contained in figure 5 to show the different forms in which organisational change occurs. This model illustrates how the impact of change can range from mild systemic impact (incremental change) at one end, to intense systemic impact (radical transformation) at the other end. Between these two extremes, various impact levels are found, as indicated by the vertical dotted lines that increase in thickness from left to right. The more profound the changes, the stronger will be the resistance with which they are met (Dehler & Walsh, 1994).

Figure 5: Forms of Organisational Change



Source: Van-Schoor, W.A., (2002). Our response to the transformation imperative: The role of transformational intelligence in facilitating the process. *Unpublished conference paper*. Johannesburg, South Africa.

According to Strebel (1995), employees often misunderstand or, worse, ignore the implications of change for their individual commitments to the company. Change implies loss, which is an emotional experience associated with stress and anxiety (Carr, 2001). People resist change because they experience a loss of identity, of belonging, of meaning (Strickland, 2000) and of mastery (Moran & Brightman, 2001).

A loss of identity occurs when the setting in which a job is done changes, as is the case in mergers. A loss of belonging occurs when teams are broken up, and relationships that have been developed over time are dissolved. A loss of meaning may be the result of the integration of two groups with distinctly different cultures. A loss of mastery occurs when the job content changes to such a degree that new skills have to be learned in order to perform the job properly (Strebel, 1995).

Trader-Leigh (2002) identified several factors that contribute to resistance to change. The self interest factor is the way in which people see the change as harmful in one way or another. The psychological impact factor is the perceived impact of the change on job security, professional expertise and social status in the organisation. Tyranny of custom or the tendency to be caught up in the web of tradition is also a factor in resistance to change. The redistributive factor suggests that people resist change because through the redistribution of tasks and responsibilities they will stand to lose some or all of their privileges. The de-stabilisation factor points towards the introduction of new people into the organisation, who are not familiar with its culture and operations. Culture incompatibility factor suggests that a clash between, for example, an academic- and a business-oriented culture will be resisted. Political effects or the power relationships in the organisation and the degree to which they are threatened are also factors that contribute to resistance to change.

Zwick (2002) proposed that employees will be reluctant to invest their personal resources, such as time and skills, in a change event unless they are sure that their investment will realise an adequate return. They may regard the transactional cost to be too high, especially when there is a possibility that job losses may occur. Once the employees establish that change (and particularly its extreme form of transformation) creates a state that they can avoid if possible, their attention could be turned to forms of resistance that will be used for self-protection.

Resistance to change may be manifested in various forms. The most obvious form of resistance is to retain the status quo, that is, to succumb to the tyranny of custom. This happens when employees cannot see the benefits of their engagement in the change process, meaning that the futurity of the change is low. One of the most subtle and effective forms of resistance is to filter or withhold information (Trader-Leigh, 2002). Operational managers and frontline staff possess in-depth knowledge of operational processes and by controlling the flow of information they can scupper any change effort or turn it to their own advantage.

Bovey & Hede (2001) observed that whereas retaining the status quo and the filtering of information are purely conscious acts, other resistance efforts are unconscious. Projection signals a reluctance to take responsibility for one's decisions and circumstances. Interestingly, adaptive defence mechanisms, namely humour and anticipation, facilitate change because they imply a sense of control. Humour facilitative the greatest change and refers to the ability to see reality in a different light.

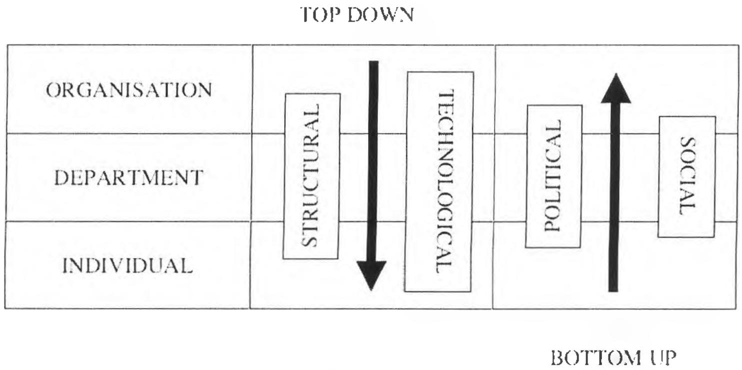
2.7 Overcoming Resistance to Change

Traditional change management interventions emphasise a top-down approach, which focuses on management control, rationality and structure. Butcher & Atkinson (2001) argue that the needs of the market and the external shareholders often imply a loss of security and jobs. They do not recognise that organisations are irrational systems and that social and political concerns play a decisive role in how employees react to change directives. Bottom-up change models focus on the social and political issues at work in organisations. For these models, environments are created in which individuals or departments adapt to change at their own pace (Beer et al, 1990).

Behavioural change is change that is evident in individuals and groups of people within the organisation who alter their mannerisms or attitudes towards changes that affects their culture or usual ways of doing things. Systemic change on the other hand may be seen in the incompetence or failure of technological systems, processes or procedures to incorporate and adapt to the imposed changes.

Van-Schoor (2002) constructed the systemic change model shown in figure 6, which graphically displays the top-down and bottom-up influence streams. The systemic approach to organisational change is particularly relevant in radical transformation. This is when employees are most vulnerable and where their participation will enhance the change effort. The resistance phenomenon is addressed in the bottom-up influence stream.

Figure 6: **A Systemic Approach to Organisational Change**



Source: Van-Schoor, W.A., (2002). Our response to the transformation imperative: The role of transformational intelligence in facilitating the process. *Unpublished conference paper.* Johannesburg, South Africa.

A critical element in the systemic-change strategy is to communicate effectively with the organisation. Resistance to change is frequently due to a lack of information that can either be deliberate, i.e. a strategy used by those in power to keep the powerless in an inferior position, or unintentional. Armenakis and Harris (2002) and Szamosi and Duxbury (2002) both suggest that the change message and its delivery are important in coordinating the change process.

Kotter and Schlesinger (1979) outlined the ways in which managers can improve their chance of success in organisational change efforts. Initially, managers need to conduct a full analysis of the current organisational situation to identify the forces causing the problem. They then need to conduct an analysis of the factors relevant to and arising from the potential change and consequently select a change strategy based on the analysis of the first two points. Furthermore, the managers need to outline the involvement of others, the speed of change and the amount of preplanning needed. It is also crucial that the implementation process is monitored so that adjustments can be made where necessary. Finally, managers of organisational change need to have interpersonal skills, which are the key to carrying out this analysis.

2.8 Benefits of Change Management

Change management provides a formal means to control changes and is therefore ideal for limiting a variety of behaviours stemming from malicious acts and human error. It is, in fact, human error that presents most risk to organisations, as employee mistakes are the most common source of business errors. Spafford and Swanson (2007) observed that generally, change management can help an organisation reduce risks to a level that is acceptable to management. Appropriate change management will ensure benefits in informational security, operations and risk management functions.

Spafford and Swanson (2007) also proposed several benefits of sound change management in organisational business processes. The first benefit is observed in project management, whereby sound change management results in stronger adherence to budgets, milestones and deadlines, and provides an opportunity to gain progressive buy-in from business stakeholders on mid-project functional revisions. Secondly, scrap and rework costs associated with inappropriate and non-functional development are reduced, and results in tighter management of staff resources and time spent on projects and adherence to deadlines. Thirdly, it ensures better alignment of planned and actual procurement services as well as planned and actual risk levels which are associated with externally developed systems. Finally, it ensures that there is less opportunity for human error in information and communication technology (ICT) processes, as well as faster identification of unauthorised changes to the system. Sound change management also ensures faster and more effective staff response to system failures.

2.9 Change Management and Organisational Performance

The management of an organisation has to the responsibility to determine the need for change. They must recognise the gap between actual and desired performance by analysing the organisational strengths, weaknesses, opportunities and threats (SWOT analysis) in order to define the company's present state and what is required to reach its desired future.

Private sector views the principle measure of successful performance as profit. Public agencies, however, have no such universally accepted measure of success. Change management is critical in designing and deploying effective performance measurement systems. Organisations therefore need to put in place performance measures to gauge the achievements at every step of the change process in order to motivate staff, e.g. improved sales figures or improved quarterly profits, etc.

Successful management of change maximises the collective efforts of all people involved in the implementation of change and minimises the risks of failure of implementing the changes.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

The research was conducted though a case study method, and in this case, the study was on Rift Valley Railways Kenya Limited. Case study is a form of qualitative analysis where a study is done on one organisation, and it gives a detailed investigation of a single subject. This method emphasised on depth rather than breadth. Through the case study method, the researcher was able to obtain in-depth knowledge and understanding about the strategic changes at RVR(K), the change management processes and the results of the changes.

3.2 Data Collection

In this case study, primary and secondary sources were used in collection of data. Primary data was obtained from interactive personal interviews with six (6) respondents, whereby use of open-ended questions was employed.

The data collection instrument used during the interviews was an interview guide (Appendix I). The respondents in the study were six Heads of Department at RVR(K) who were involved in managing changes in the organisation and who were therefore best suited to provide detailed responses for the study.

Secondary data was collected from internal sources at RVR(K). These included monthly business performance reports, departmental strategy reports and in-house information summaries.

3.3 Data Analysis

The data analysis method that was applied in this study was the content analysis method. Content analysis is the systematic and qualitative description of the composition of the subject of study. It is a technique for making inferences by systematically and objectively identifying specified characteristics of data and thereafter using the information to relate trends (Nachmias and Nachmias, 1996). The content analysis method was very appropriate considering that depth and detail of information was required. This method guarded against selective perception of the content and provided a rigorous application of reliability and validity. Given that this was a case study, the respondents were expected to be qualitative in their responses and as such the content analysis method did not limit them on their answers.

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Factors that Necessitated Change

The study revealed that the strategic changes observed at RVR(K) were necessitated by several external and internal factors. These factors compelled top management to make strategic changes in an effort to meet the various objectives of the company.

4.1.1 External Factors

There were several external factors that exerted pressure on management of RVR(K) to change and shift from poor management practices that had been used in KRC to new management styles. Technologically, there was a need to upgrade the railway track to a standard gauge similar to that used in developed countries. The standard rails would require only one type of locomotive and this would improve efficiency by reducing capsizements and derailments occasioned by the current track that had different types of rail gauge for different sections. The limitation of the different rail gauges is that they only allow specific types of locomotives to run on their specified sections of track at any given time.

There have been some upgrades made in information and communications technology (ICT) infrastructure at RVR(K) and this has resulted in more efficient communications and simplification of procurement systems. Eurthermore, these changes from paper-based operations to computerised systems have enabled employees to efficiently save valuable man hours which would have otherwise been lost through the manual systems. Delivery times have also improved with regards to transfer of information internally and also to the public.

Politically, a key factor that necessitated changes at RVR(K) was the need to meet the requirements of the Kenya Concession Agreement (KCA). When the company was formed, RVR(K) was required to invest in rehabilitation of track and implementation of new systems in some areas in an attempt to improve freight capacity. The Government of Kenya and the Kenya Railways Corporation constantly highlighted areas where RVR(K) had slackened and was not meeting its obligations. In addition, the post election violence that occurred in January and February 2008 led to increased cases of vandalism and sabotage of railway property. RVR(K) was then forced to close some operational railway lines such as Kisumu, Kibera and Dandora in Nairobi, in order to ensure safety of passengers and cargo. The Government of Kenya had also expressed disappointment in RVR(K) for failing to meet its obligations and requirements as per the KCA, and thus threatened to cancel the concessionaire's contract unless speedy changes were made in the management structure and overall performance. The company was once again put under pressure to perform.

Financially, there was a need to meet the demands of the international lender institutions. Strategic change was necessitated by the fact that the company's lender organisations and financiers had declined to disburse funds for investments unless certain conditions were met and the required investment plans were submitted. RVR(K) was initially moving slowly with the preparation of the investment plans for rehabilitation works for the railway track, due to initial assurance that was given by the financiers for confirmed disbursement of funds. However, once the financiers realised that RVR(K) was not performing as expected and was not submitting the investment plans in a timely manner, they halted further disbursement of funds. This caused management to move quickly and finalise the investment plans for submission to the Government.

With regards to factors in the transport industry, there was a need to meet the demands of changing customer needs so as to be more competitive in the market. Although rail transport was the cheapest mode of transport in Kenya, RVR(K) had inherited dilapidated wagons, coaches and track. The company therefore needed to upgrade these assets and refurbish and renovate them where possible, so as to ensure safety of both passengers and cargo. Turn-around time was also consequently decreased from 21 days to 8 days from Mombasa to Kampala. These changes proved useful as they improved the image of the company.

The rising inflation and consequent declining state of the economy in Kenya were other factors that caused RVR(K) to change internal expenditure trends to ensure that effective cost cutting measures were incorporated in all departments. Unnecessary air travel, accommodation for staff and use of company vehicles was greatly reduced. In some areas this was prohibited altogether. Costs relating to telecommunication and stationery use were also greatly reduced. Overtime payments for casual labourers which accounted for almost 10% of the entire payroll in a month were also reduced as much as possible. Increases in oil prices across the country as well as increases in spare parts and other operational costs also led to increases in freight tariffs offered by the company.

4.1.2 Internal Factors

The study revealed that there were several internal factors that created the urgency for change. One factor was the need to have proper structures for leadership and reporting. When RVR(K) took over operations from KRC, there were numerous job titles with some having no clear reporting structures. Ownership and responsibility for jobs undertaken was lacking and as such RVR(K) made the development of proper structures a priority. Management then decided to impress upon employees the importance of taking responsibility for their actions and reporting progress on a regular basis to their superiors. With a more effective workforce in place, better efficiency could be realised.

Another factor that necessitated change was the need to return the company to profitability from the verge of insolvency. As a result, costs were cut in all departments, unreliability and inefficiency of trains had to be reduced and safety of trains had to be improved. This was the only way for the company to maintain its relevance as a major player in the transport industry.

The need to invest was a key aspect that led to changes at RVR(K). One of the pre-requisites of awarding the concessionaire the contract was that the company must be capable of investing funds within the first 5 years of operations in Kenya. RVR(K) thus had to prioritise its financing needs and embarked on several investment activities which have resulted in procurement of some crucial spares and replacement parts for the track and rolling stock. In 2008 alone, the RVR(K) budget for investments was estimated at US$17.5 million. Aside from the planned investment in track rehabilitation, the company has since invested some funds in maintenance of conceded assets across the country, which included office and railway station buildings, workshops, footbridges as well as storage sheds for goods and locomotives. Other investments were observed in information and communication technology (ICT) systems.

With regards to the company's human resources, there were several factors that caused urgency for change. The need to streamline the entire workforce was a major challenge. In accordance with the terms of the Kenya Concession Agreement, RVR(K) incorporated a large number of employees from KRC, while many others were retrenched. There are also a number of positions for which recruits were obtained through advertisements to the general public. RVR(K) carried out two major retrenchment exercises that led to a reduction of the workforce from about 4,000 workers countrywide, to about 2,600 employees. Consequently, the company now has a leaner workforce with employees who were more accountable and responsible for their various areas of work. Harmonisation of job descriptions from 500 to 109 positions as a result of an internal human resource review process has also been another key achievement.

The respondents also revealed that many of the former KRC staff who had been incorporated into RVR(K) during the changeover of management had low formal qualifications and had a negative working attitude and unfavourable working culture. It became evident that there was a need to change the poor attitudes and working culture of these staff in order to improve the working environment and motivation of the entire workforce. As a result, the company periodically held in-house training programmes for staff to ensure continuous improvement of technical skills. There was also an initiative to assess the training needs, although after this was completed, the proposals for external training were never implemented. However, only recently, the new Chief Infrastructure Officer from Toll Holdings proposed that lower cadre staff in the Infrastructure department should receive re-fresher training on their areas of work, and this was to be implemented by November 2008.

RVR(K) has no department specifically mandated to deal with managing strategic changes. As a result, all matters concerning employee compliance in implementation of change as well as communication of changes were handled by the Human Resource department. The department proved unable to handle this responsibility for a number of reasons. Majority of the staff in the department were not professionals in matters relating to human resource management. In addition, it emerged that only two senior managers in the department had received formal training on management of strategic change. With this backdrop, it was not surprising that the evident results were poor communication of change to staff, lack of involvement in the change strategies within various departments as well as a lack of motivation to change.

Employee unrest at RVR(K) that resulted in a strike in July 2008 was the first of its kind since the company was formed. Losses that were experienced and reductions in customer numbers were proof that radical changes had to be made by the company in order to ensure that the loss making came to an end. The realisation of the importance of having good employee relations necessitated changes in the top management structure as well as changes in the job grading and salary restructuring for the entire workforce.

4.2 Change Management Model

Although there is no formal model of managing strategic change used at RVR(K), the study revealed that the management practices and processes undertaken at RVR(K) were closely borrowed from the Context Content and Process model. This model stresses on the fact that change takes place in a historical, cultural, economic and political context. With regards to RVR(K), the concepts of this model appear to have been applied through the interrelation of five factors that were important in changing the company and shaping its performance.

Environmental assessment is one factor that was used in determining the needs for change. The environment referred to in this study was both internal and external, whereby the internal environment consisted of forces that were within the control of the organization such as the working culture, attitudes of employees, availability of management support and facilities for carrying out assigned tasks. External environment refers to the forces that were beyond the control of the organization such as customer needs, political influence, legislation, economy and industry requirements. From the study findings, it emerged that the environmental assessment was used as the pre-requisite to determining the factors that actually necessitated changes at RVR(K).

Once the factors creating the need for change were identified, the next step was for top management to come up with action plans aimed at driving the required changes. This involved linking strategic and operational change with factors identified in the internal and external environmental assessment. The decision making processes were reserved for the top management, with little involvement of junior managers and their subordinate employees. Top management had to determine which employees would be best suited to implement the various changes within their departments. Hence it became important for them to now link in the factor of obtaining the right human resources, as per the change model.

Once the employees were identified, top management embarked on the key task of leading change in their respective departments and ensuring that there was overall coherence. Leading change involved coming up with departmental objectives, purpose and goals as well as using suitable tools in managing implementation of the change.

There are a several tools of managing change that were used by the respondents. Diagnosis is an important tool that was used to evaluate the current state and condition of a company in order to have a clear basis for defining appropriate action. The diagnosis was based on the knowledge that top management were aware of the emerging needs of the company. As organisational culture emerged as an important factor in the success of change, diagnosis was used to determine the predominant culture and define the target or desired working culture.

Knowledge management is a tool that was used to collect and manage critical knowledge in the company and was aimed at increasing the company's capacity for achieving results. This tool was used in departments dealing with operations and infrastructure, where there were key employees familiar with modern technology such as computers and best working practices.

Employee involvement was another important tool that was used to engage personnel from throughout the organization to identify issues, propose solutions, and become partners in implementing the changes needed to succeed. This became evident especially before and after the employee strike whereby management were forced to engage employees in crisis management meetings to discuss their grievances in the workplace with regards to safety, availability of tools of the trade and compensation.

many departments appeared to have similar objectives while other objectives were totally specific to respective departments.

One common objective to all departments was to contribute towards generating higher revenues for the shareholders by minimizing costs, effectively utilizing available resources and improving operations that would achieve the expected profits. This objective was based on the expectation that funding for investments from lender institutions would be disbursed to RVR(K) after the Kenya Concession Agreement was signed, but this was not the case. To this end, several departments have been held back from meeting their objectives due to financial constraints. Lack of finances led to lack of crucial spare parts for rolling stock, lack of new locomotives and wagons, and lack of investment for upgrading and rehabilitation of the dilapidated railway track and ICT infrastructure.

Another common objective was to remove RVR(K) from the verge of insolvency following the poor performance of KRC, as the financiers and lending institutions had lost confidence in the company's top management. Initially, the new South African managers of RVR(K) were expected to create a turnaround strategy that would curb the loss-making streak. However, over a period of twenty months since November 2006, the company experienced a steady decline in performance occasioned by numerous problems, which the management was unable to solve. For instance, increasing congestion of cargo at the port of Kilindini in Mombasa was attributed to the inability of RVR(K) to increase their freight traffic and to invest in upgrading the railway system.

In July 2008, employee unrest brought operations of the company to a grinding halt for a period of two weeks. This created a crisis in the transport industry in Kenya and also caused shortages of goods in the neighbouring landlocked countries of Uganda and Rwanda. During this time, RVR(K) was losing about ten million Kenya shillings in revenue each day. There was therefore an urgent need to end the transport crisis and loss-making scenario. These issues put RVR(K) in the political limelight albeit negatively. Consequently, amidst emerging political debate on the capability of RVR(K) to survive as concessionaire, the Government of Kenya intervened and new changes were made.

The Kenya Government then gave top management of RVR(K) an ultimatum of three months within which performance should have improved significantly. Failure to meet these conditions set out by the Government, the contract with RVR(K) would be cancelled. As a result, the immediate objective of top management at the time was to develop urgent strategies that would ensure a turnaround in performance within this period. RVR(K) major shareholders, Sheltam Group, became a minority shareholder in that they were forced to further reduce their shareholding from 35% to 15%, to accommodate new shareholders who would be in a position to inject crucial capital for investments and refurbishments.

In mid August 2008, a new team of Australian shareholders, Toll Holdings, were approved as the new top management of RVR(K) by the company's Board of Directors. The new team immediately occupied the top positions at RVR(K) including Managing Director, Chief Operations and Infrastructure Officers and Chief Financial Officer. Toll Holdings was approved by the Government of Kenya as the new stewards of change in the company. Their new mandate and objective as shareholders was to inject much needed capital for investments, manage changes with regards to human resources and restore confidence in the lender institutions.

4.4 Approaches to Change Management

The study revealed that the changes implemented at RVR(K) were both planned and emergent. The planned change is evident from the time when RVR(K) was formed, whereby the Sheltam-led new management came in with some new ways of doing things in the company. They came in with their new plans of forming new departments and changing the management structures in others. In addition, the respondents revealed that each department made their own plans of how to achieve their objectives in line with the need to return the company to profitability.

Other restructuring exercises were planned with regards to the need to reduce the workforce. Retrenchment of employees was planned and carried out in phases, with a difference of at least four months before the subsequent retrenchment. However, before employees were laid off, the company had to make sure that they received professional training on matters of managing their finances, starting up businesses and basic skills that would enable them to continue with life outside RVR(K).

Emergent change was realised in several instances, especially when there was a crisis within the company. This was a reactive response to urgent problems that required urgent solutions. For instance, instead of management being quick to deal with the documented grievances that had been presented to them by different cadres of staff long before the strike became imminent, these staff issues were ignored up to a point whereby the employees decided to strike to compel management to listen to their grievances. Unfortunately, these actions only caused the company significant losses and negative publicity.

In August 2008, the Toll-led management team came in to manage RVR(K) following the failure of the Sheltam-led team to achieve targets as per the Kenya Concession Agreement. The decision to bring in new management was in reaction to the pressure that the Government of Kenya had put on the RVR(K) Board of Directors, threatening to cancel the Kenya Concession Agreement if radical changes were not seen to be happening in the company in the short term. This was another evidence of the emergent changes.

From the study, it emerged that there were two approaches to managing change at RVR(K). On one hand, the management of strategic change at RVR(K) basically adopted a top-down approach, whereby the top management were the initiators and drivers of the change. This was apparent in the changes that were observed in technology upgrades and changes to departmental structures. Line and shop-floor employees were only involved in the implementation stage of the changes. On the other hand, there was an evident bottom-up approach to change whereby employees initiated change in the case of the strike that was carried out in July 2008. The strike was a catalyst that led to the observed change in top management, as well as the overdue salary restructuring process.

With regards to initiators of change, different opinions were expressed by the respondents. Some respondents were of the opinion that the changes at RVR(K) were initiated by the Government of Kenya, others felt that the changes were initiated by the lender organisations, while the third group of respondents felt that changes were initiated by the Managing Director and the Heads of Department. The respondents were however unanimous in identification of the change agent, who they all felt was the first Managing Director of RVR(K) from the Sheltam Group. The respondents appreciated the efforts of the change agent in trying to motivate employees to work towards his vision to be the best railway company in Africa, although some respondents expressed concern that the change agent did not explicitly provide direction of how the company would achieve that vision.

According to the respondents, external consultants were periodically involved in managing the changes at RVR(K). One group of consultants were from PriceWaterhouseCoopers, a professional financial services firm, who were involved in developing finance and operations models that would assist RVR(K) to change its financial and operational activities for better efficiency and productivity. Another group of external consultants was the Federation of Kenya Employers (FKE), who were involved in human resource job grade harmonisation and salary restructuring. The changes proposed after the exercise carried out by FKE were instrumental in quelling the employee unrest in the company, as new grading and salary reviews proved to be a key motivator for both management and non-management staff.

4.5 Challenges in Implementing Change

There were several challenges to implementing changes that emerged from the study on RVR(K). The three greatest challenges were identified as communication weaknesses, people issues and organisational resistance.

Communication weaknesses referred to the poor manner in which changes were communicated to employees at RVR(K). Poor communication resulted in mistrust and unnecessary anxiety in many employees in complying and conforming to the changes, mainly because of the threat of retrenchment and the fear of the unknown. Employees were not made to fully understand their role or the importance of the intended changes, nor the expected resultant impact on the organisation. Many shop-floor employees became cautious in their approach to work and adopted a wait-and-see attitude which was not favourable for the company. Valuable man-hours were hence lost due to inefficiencies and lagging that arose by lack of employee concentration.

In response to this communication challenge, there emerged two groups of top respondents with different approaches to overcoming this challenge. One group of top managers took it upon themselves to try and communicate more effectively with the employees through regular departmental meetings and issuance of printed memos. This enabled them to demonstrate their leadership commitment towards change. It also enabled them to solicit feedback which provided details of the attitudes of employees towards change, as well as employee ideas of how they could be involved in the change processes.

The other group of respondents opted to ignore the communication issue because they thought that empowering employees with information on change would instead lead to an employee rebellion, especially where changes were not favourable to staff. Some respondents in this group decided to use of the Human Resources department in dissemination of information to employees, with the intention of concealing the decision makers and initiators of the change, especially where employee retrenchment and transfers were concerned.

The second major challenge was people issues. This consisted of staffing and talent problems, personnel turnover, negative employee attitudes, poor working culture and behavioural resistance to change influenced by self interest and the fear of inability to develop the necessary skills to be compatible with the changes. Initially, former employees of KRC who had been incorporated into RVR(K) were reluctant to change their working culture which was based on poor work ethics and was lacking in teamwork, efficiency and responsibility.

As a result, many respondents in the study overcame resistance by improving communication with employees about the changes and periodically carrying out in-house training sessions for them. There was also an attempt by respondents to try and change the working culture by motivating staff to meet targets through continuous emphasis on professionalism and responsibility in assigned tasks. The new Toll-led management sought to encourage all respondents to adopt and inclusive and participatory attitude when dealing with changes affecting staff. This greatly improved teamwork among employees in all departments, thereby creating a more positive working environment. which in-turn improved the working culture.

The organisational resistance was observed in items which hindered the company from meeting required targets, such as the poor state of infrastructure and rolling stock and the lack of sufficient spares and equipment to carry out rehabilitation works that would improve operations. The respondents revealed that although they had made concerted efforts to come up with strategies departmental plans for turning around the company towards profitability, the major bottleneck was lack of finances to see their plans through. This challenge was partially managed with periodic maintenance and rehabilitation works that were undertaken by RVR(K), albeit with limited financial resources.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

The two objectives of this case study were to determine the factors that necessitated change at RVR(K) as well as the change management model employed in managing changes within the company. The following were the findings from the data that was collected and analysed.

5.1.1 Factors that Necessitated Change at RVR(K)

From this case study, it emerged that there were both external and internal factors that created a need for the implementation of changes at RVR(K). One of the external factors was the need to acquire technological upgrades for better efficiency. The study also revealed that the company needed to change so as to salvage its relationship with the Government of Kenya as well as lender organisations in order to show that the RVR(K) was committed to the Kenya Concession Agreement. Other factors were the need to meet the changing customer needs as well as the need to survive the declining state of the economy in the country.

The internal factors that necessitated change included the need to have proper structures for leadership and reporting and the need to reduce expenses through cost cutting measures. Other factors were the need to streamline the company's workforce for better efficiency and the need to improve the working culture in the company.

5.1.2 Change Management Model

Although there was no formal model of change adopted for managing strategic changes at RVR(K), it emerged that concepts of the Context, Content and Process model were borrowed in the management practices that were employed. This model was based on the interrelation of five factors that were important in changing the company and shaping its performance. The factors were environmental assessment, human resources, linkage of strategic and operational change, leading change and overall coherence. In addition to the change model, useful tools employed in managing changes at RVR(K) were found to be communication, business process re-engineering, employee involvement and diagnosis.

The study also revealed that RVR(K) did not have an official Strategic Plan that could be used by all departments in laying out their objectives towards achieving the vision which was *"To be the best rail company in Africa"*. As a result, there was no list of clear objectives that should be achieved. Consequently, each department had developed their own list of objectives which were not necessarily connected towards this common goal. RVR(K) also had no department concerned with management of strategic change in the company.

From the study it emerged that there were several factors that hampered successful implementation of change at RVR(K). They include resistance to change, failure to apply connected thinking in planning across departments, lack of information, failure to ensure effective communication by management and lack of participation and involvement of lower level employees in matters concerning changes at the company. The Human Resource department that was charged with the responsibility of effectively communicating change to employees lacked the necessary skills to manage the communication process, and as a result, this was another bottleneck to the success of managing the changes.

5.2 Conclusions

From the results of this study, it can be concluded that management of strategic changes at RVR(K) has not been successful. Although most of the changes that were observed appeared to be well thought out, the implementation process was poor. Top management have not been very keen in planning for effective change, and were therefore not effective in their styles of managing change. Few of the respondents were formally trained in managing and dealing with strategic change and challenges to implementing changes. Consequently, significant man-hours were lost because top management spent more time solving emerging problems instead of planning for and leading employees in the implementation of strategic changes.

The need for well managed strategic change was found to be crucial if RVR(K) was to survive in future. The company therefore urgently needs a strategic business plan with clear organisational objectives. This document would facilitate effective planning within the different departments and would provide clear direction of how the company could move towards achieving its vision. In addition, the mission and vision need to be well communicated to employees in the company. Without clear direction, leadership and motivation, employees at RVR(K) lacked the knowledge and confidence of how to achieve their departmental objectives.

The role of the Human Resource department in the company was not utilised to its full capacity. The department could have been very instrumental in providing leadership by acting as a centre of expertise in championing the alignment of human resource systems with the company's objectives, but this was not the case. As a result, the management of change and measurement of results of change were performed poorly.

Top management of RVR(K) can be credited for initiating the radical changes in the railway sector. These changes have resulted in implementation of various decisions and strategies that have attempted to streamline railway operations, communications and support systems as well as the company's workforce in order to bring about improved performance in business profits. Although the management of strategic change at RVR(K) cannot be described as successful, the efforts made thus far cannot also be ruled out as negligible.

5.3 Limitations of the Study

The major limitation of the study was the inability to use detailed information from the Kenya Concession Agreement due to the confidential nature of the document. The researcher was only granted permission to use limited information for research purposes.

Other limitations included initial apprehension of the respondents to provide information of how they managed changes in their departments. Respondents requested for about one week to go through the interview questions before they could be interviewed face to face by the researcher. This resulted in a lot of time wastage in collection of data.

Inability to access the documented strategic plans that had previously been developed by respective departments proved to be another limitation. The respondents were unwilling to provide their strategic plans to the researcher.

5.4 Recommendations

Following the findings of this study, the researcher came up with the following suggestions that could assist RVR(K) in successful management of organisational change in the future. These suggestions have been based on the assumption that RVR(K) will obtain the necessary financial resources in the near future.

There appears to be a need to develop the essential competencies for the three levels of the organisation change process at RVR(K), namely, organisational competencies, departmental competencies and individual competencies. Achieving organisation competencies will involve setting the overall strategies, assigning roles and responsibilities as well as the available resources. It will also involve managing the change process, ensuring compliance and successful outcomes.

Departmental competencies will be achieved by communicating effectively about the plan of action to achieve the changes, while educating departments or group members. It will also be achieved by assigning jobs to members and redesigning processes to conform to new systems.

Individual competency can be achieved by ensuring that employees assume responsibility for getting educated about the change process. They need to own the process to ensure its success as they are the ones who actually implement the changes. Competency can also be achieved when individuals are guided to do the tasks that specific processes require and by coordinating as a team with others in the organisation. Training of employees would also go a long way in ensuring that professionalism and efficiency is upheld in the company.

RVR(K) should look into methods for gauging performance in managing change such as using the balanced scorecard. This would ensure a well-rounded performance from top managers by designing an evaluation that takes into account the perspective of clients and customers, peers, and subordinate on four dimensions. These include customer service, internal business processes, learning and growth and financials.

There is also need for top management to engage in outcome-based evaluation in order to assess the impact of services and products on target customers. Such evaluation is also crucial in identifying the outcomes necessary to accomplish objectives with the target market, and construct measures for each outcome to assess extent of achievement.

Total Quality Management should also be encompassed in managing change, as it would ensure that the organization consistently meets or exceeds customer requirements and continually improves by measuring processes and imposing controls. This could be accomplished by viewing change management as a business function. In addition, management could look into the possibility of achieving internationally recognized standards of performance and quality using guidelines especially focused on environmental performance, such as the ISO quality certifications.

Benchmarking as basis for comparison using standards from high performing organizations that have undertaken change exercises could also be used as part of an overall change process. However, it should be noted that just doing the benchmarking doesn't lead to successful change.

5.5 Suggestions for Further Research

Following the findings of the research conducted in this paper, the researcher identified areas that could be explored as a basis for future research. This study revealed that one of the bottlenecks that emerged in managing changes at RVR(K) was the fact that few top managers were actually formally trained on the subject. As a follow up to the researcher's paper, future research could be carried out on the importance of competence in managing organisational change at RVR(K).

Other areas of research could involve measuring the capacity for change in RVR(K) and relating the effects of change on profitability. Use of the Balance Scorecard as a tool for strategic management at RVR(K) could also be studied for future research.

The effects of undertaking change management as a business function at RVR(K) is another area for further research. This would explore the factors that are driving change management, issues not driving change management and the roles of management in developing criteria for change and actual change strategies.

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APPENDICES

Appendix I: Interview Guide

A. VISION

1. What is the vision of RVR(K)?
2. What is the mission of RVR(K)?
3. What are the overall objectives for change?
4. What are your 3 key departmental objectives?

B. URGENCY

5. What are the factors that necessitated change or created urgency for change?
6. How important is the need for change?

C. EMPOWERMENT

7. In your opinion, which organisation/persons initiated the change?
8. Have external consultants been involved in the change processes at RVR(K)? Yes/No
9. If yes to no.8 above, what roles did the external consultants play and in which areas were they involved?
10. Do you have formal training in managing organisational change?
11. Were there ready financial, technological and human resources to facilitate the changes in your department? Please give details.
12. Has there been support for change from management at RVR(K)?
13. What methods have you used to communicate the changes to staff?

D. IMPLEMENTATION

14. What 3 major changes have been implemented in your department?
15. What is the timeframe for implementing these changes?
16. Are there systems in place to support implementation of new skills and behaviours?
17. Which methods/tools/models of change management have you employed?
18. What strategies have you applied in managing change?
19. What challenges have you faced in managing/implementing change?

20. How have you responded to these challenges?
21. Are there challenges you have not responded to?
22. What 3 things do you hope to achieve from implementing change in your department?
23. What actual results have you observed after implementing change?
24. What are your suggestions/recommendations on how to improve Management of Strategic Change at RVR(K)?

Appendix II: <u>Letter of Introduction</u>

Susan A. Amenya
P.O. Box 50674 – 00200,
Nairobi

The Managing Director,
Rift Valley Railways (K) Ltd,
P. O. Box 62502 – 00200,
NAIROBI

Dear Sir,

RE: REQUEST FOR USE OF RVR(K) INFORMATION

I wish to undertake a research study on the Management of Strategic Change at RVR(K), in partial fulfilment of the requirements of the degree of Master of Business Administration from the School of Business at University of Nairobi.

This letter is to request your permission to obtain and use information from RVR(K) through interviews with the six (6) Heads of Department at RVR(K).

Your responses are important, as they will enable me to conclude my study appropriately, and come up with positive recommendations and highlight areas for improvement, and also create a basis for further research.

Please note that all information obtained will be regarded as highly confidential and will only be used for academic purposes. A copy of the final research report will be availed to you on request.

Your cooperation will be highly appreciated.

Yours faithfully,

Susan Amenya
Investments Dept.
(Ext. 2732)