

**CHANGE MANAGEMENT PRACTICES AND PERFORMANCE OF
COMMERCIAL BANKS IN KENYA**

**BY
EMILY MOGITI NYANDORO**

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

NOVEMBER 2015

DECLARATION

I the undersigned declare that this Research Project is my original work and has not been presented in any other University for academic credit.

Signature..... Date.....

EMILY MOGITINYANDORO

D61/70929/2014

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

Signature Date.....

Dr. Kennedy Ogollah

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

I dedicate this research project to my sons Will and Jayden who are my inspiration in everything I do and the choices I make in life. To my husband Duncan who has always supported, encouraged and inspired me in my endeavors. To my parents, you made me who I am today.

ACKNOWLEDGEMENTS

This Research Project would not have been possible without the support of a number of people, who in one way or the other steered me towards achieving my ultimate goal. I would like to express my appreciation to the following: - my project supervisor, Dr. Kennedy Ogolla, School of Business, University of Nairobi for his tireless guidance, selfless dedication and encouragement in making this project a reality. My moderator Prof. Zack Awino, School of Business, University of Nairobi for his guidance. I also wish to acknowledge the contribution of my family, for their encouragement and support that enabled me complete my studies. Most important of all I extend my gratitude to the Almighty God for granting me the needed strength, good health, knowledge and vitality. To you all, I remain forever grateful.

TABLE OF CONTENTS

DECLARATION.....	ii
DEDICATION.....	iii
ACKNOWLEDGEMENTS	iv
LIST OF TABLES	vii
ABBREVIATIONS AND ACRONYMS.....	viii
ABSTRACT.....	ix
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background to the Study	1
1.1.1 Change Management Practices.....	2
1.1.2 Organizational Performance	3
1.1.3 Change Management Practices and Organizational Performance.....	4
1.1.4 Banking Industry in Kenya	5
1.1.5 Commercial Banks in Kenya.....	6
1.2 Research Problem.....	7
1.3 Research Objectives	8
1.4 Value of the study	9
CHAPTER TWO: LITERATURE REVIEW.....	10
2.1 Introduction.....	10
2.2 Theoretical Foundation.....	10
2.2.1 Learning Organization Theory	10
2.2.2 Open System Theory.....	11
2.3 Change Management Practices in Organizations	12
2.4 Organizational Performance of Firms	14
2.5 Organizational Performance Measurement	15
2.6 Empirical Studies and Research gaps.....	17

CHAPTER THREE: RESEARCH METHODOLOGY	20
3.1 Introduction.....	20
3.2 Research Design.....	20
3.3 Population of the Study	21
3.4 Data Collection	21
3.5 Data Analysis	22
CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION	23
4.1 Introduction.....	23
4.2 Response Rate.....	23
4.3 Change Management Practices	24
4.4 Corporate Governance.....	29
4.5 Strategic Planning	30
4.6 Committed Leadership	32
4.7 Communication to Stakeholders	33
4.8 Regression Analysis.	34
4.9 Discussion of the findings	37
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ..	40
5.1 Introduction.....	40
5.2 Summary.....	40
5.3 Conclusion	42
5.4 Recommendations	43
5.5 Implications of the Study to Theory, Policy and Practice	44
5.6 Limitations of the Study	46
5.7 Suggestions for further research	46
REFERENCES.....	48
APPENDICES	52
Appendix I: Letter of Introduction.....	52
Appendix II: Questionnaire for the Respondents	53
Appendix III: A list of Commercial Banks in Kenya	55

LIST OF TABLES

Table 4.1: Corporate Governance and Performance	29
Table 4.2: Strategic Planning and Performance	31
Table 4.3: Committed Leadership and Performance	32
Table 4.4: Communication to Stakeholders and Performance.....	33
Table 4.5: Regression Model Summary	34
Table 4.6 :ANOVA (Analysis of Variance).....	35
Table 4.7: Multiple Regression Analysis.....	36

ABBREVIATIONS AND ACRONYMS

KCB	:	Kenya Commercial Bank
CBK	:	Central Bank of Kenya
CMP	:	Change Management Practices
OD	:	Organizational Development
NBFI	:	Non-Bank Financial Banking Institutions
BSC	:	Balance Score Card
KPI	:	Key Performance Indicators
BEM	:	Business Excellence Model
NIC	:	National Industrial Credit
SWOT	:	Strengths, Weaknesses, Opportunities and Threats
CEO	:	Chief Executive Officer
SD	:	Standard Deviation

ABSTRACT

The purpose for this research was to establish the change management practices and performance of commercial banks in Kenya. Specifically, the study wanted to establish the change management practices adopted by commercial banks in Kenya and also the influence of change management practices on performance of commercial banks in Kenya. The findings of the study will assist academicians and business researchers to borrow from the findings of this research to support literary citations as well as develop themes for further research on the relationship between change management practices and organizational performance. The study adopted survey research design which was used to make the inferences about possible relationships. A census approach was used to target 43 commercial banks licensed to operate in Kenya. A questionnaire was used to collect data both qualitative and quantitative data. Content analysis was employed to analyse qualitative data while the statistical package for social sciences was used to analyze quantitative data. According to the analysis of the findings, it was revealed that corporate governance, strategic planning, committed leadership and communication to stakeholders influenced performance of commercial banks. Thus it was recommended that managers in commercial banks should introduce policies, processes and structures within banks to enable commercial banks compete successfully. Commercial banks should react positively to the strategic change and create a fit between operations and new internal and external contexts. Leadership and management of these processes should be critical in ensuring the commercial banks' success. Managers should therefore focus on the future, create change, create culture based on shared values and establish enabling environments that impact positively on organizational performance.

Key Words: change management practices, performance, commercial banks

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In an ever-changing global economy, organizations must find ways of operating by developing new competences as the old advantages and competences gained are quickly eroded owing to environmental changes (Johnson and Scholes, 2003). Change management practices can be referred to as the processes of restructuring and redesigning the organizational activities in order to keep abreast of challenges and for meeting the needs of customers (Moran & Brightman, 2005). Change is inherent in contemporary organizations and its management is not only critical to organizational success and survival but is also at the core of the field of organization development (OD). Along with important changes taking place in the social fabric within which organizations operate are vital forces impacting organizations within the context of their business operations (Stacey, 2003).

Open systems theory refers to the concept that organizations are strongly influenced by their environment (Burnes, 2009). The environment consists of various forces of economic, technological, political, and social nature. The environment also provides key resources that sustain the organization and lead to change and survival through organizational learning. Since the performance of firms is dependent on the fit between firms and their external environment, then change in external environment requires firms to adapt to these changes. As a result, firms need to change their strategy in response to the environmental changes. The state of firms will also affect the occurrence of strategic change (Dent and Barry, 2004).

Burnes (2009) observes that change management process is continually renewing an organization's direction, structure and capabilities to serve the ever-changing needs of external and internal customers and improve organization performance (Moran and Brightman, 2005). Change management practices should be aligned to this process.

Recent changes in economic, political and social transformations have forced commercial banks in Kenya to emphasize on change management to achieve set goals and objectives. As a result commercial Banks have implemented Credit Risk Management, restructuring, regulatory and policy reforms, business process reengineering, development of alternative distribution channels such as e-banking, new roles, as well as managerial practices. Corporate identity and culture has also changed with the focus of enhancing banks' performance.

1.1.1 Change Management Practices

Change management practices entail thoughtful planning and sensitive implementation and above all consultation with, and involvement of the people affected by the changes. Problems arise when change is forced on people. Change therefore must be realistic, achievable and measurable (Chapman, 2005). Change management practices are defined as a set of managerial decisions and actions undertaken for organization to cope with changes in environment. These practices are designed to set a firm's courses of action, identify the strategies it will use to compete in the market-place and how it will organize its internal activities (Hill and Jones, 2007).

Change by its very nature tends to be uncomfortable, disruptive and even painful (Chapman, 2005). Managers have to counter their dynamic environment by managing opportunities and threats as well as strengths and weaknesses. The key objective of change management practices is to enhance the competitiveness of the organization and continuous adaption of the organization to various environmental turbulence levels (Doyle, 2005).

1.1.2 Organizational Performance

Organizational performance refers to the extent to which organization's goals and objectives are achieved efficiently and effectively. It comprises the actual output or results of an organization as measured against its intended outputs. According to Burnes (2009), organizational performance encompasses three specific areas of firm outcomes such as financial performance (profits, return on assets, return on investment), product market performance (sales, market share) and shareholder return (total shareholder return, economic value added). (Rhyne, 2005).

Kaplan and Norton (2006) developed a system in which measurements are meant to drive performance where they cited productivity, employees' motivation and cost efficiency as the rightful measure of performance. Davenport and Harris (2007) on the other hand, suggest that organizations will determine the level of performance by the overall firm performance. They argue that the frontier for using data is not just in measurement but also in identifying the most profitable customers, determining the right price, accelerating product innovation, optimizing supply chains and identifying the true drivers of financial performance.

Firm performance is measured using increase of sales or revenues, cash flow from operations, return on investment, return on equity, market share, new product development and market development. Performance can also be measured using the quality of products and services, personnel development, employee job satisfaction, employee productivity and employee commitment or loyalty to the firm (Joiner, 2009). Most organizations however prefer to leverage on all these factors by striving to maintain a strategic balance among them.

1.1.3 Change Management Practices and Organizational Performance

Change management practices can be affected by the state of organization and its external environment because the performance of organization might depend on the fit between organization and its external environment (Kotter, 2007). Managers in organizations are becoming increasingly aware that a critical source of competitive advantage and organization performance often from strategic change in production of quality product and services, best strategies, adoption of advanced technology and having an appropriate system of attracting and managing the organization's human resources (Kotter, 2007).

Interactions at multiple levels of analysis between the environment and firm capabilities shape business strategy and performance. On the other hand interactions between strategy and performance shape both organizational capabilities and competitive environments (Burnes, 2009). As markets for banking have grown and reformulated, banks have been trying to understand the effects of the new environment. They constantly under pressure to reevaluate how they deliver financial services, find strategies to survive, be competitive and improve profitability (Sharma, 2006).

Moreover, banking institutions have come to increasingly control key markets and heighten the general level of competitiveness through effective strategic change management practices such as designs, reconfigure bank operations and cost-control strategies, viewed as controlling costs, protect market share, enhance operational efficiency and improve financial performance.

1.1.4 Banking Industry in Kenya

The banking industry in Kenya is governed by the companies Act, the Banking Act, the Central Bank of Kenya Act and various prudential guidelines issued by the Central Bank of Kenya (CBK). The CBK, which falls under the Ministry of Finance, is responsible for formulating and implementing monetary policy and fostering the liquidity, solvency and proper functioning of the financial system. At the end of June 2003, the banking system comprised 43 commercial banks, 2 nonbank financial institutions (NBFIs), 2 mortgage finance companies and 4 building societies. However, the sector remained highly concentrated with 9 of the 43 banks controlling 74% of total assets in the sector.

A number of banks have since closed some branches as part of their cost and business rationalization and restructuring measures. As a result, the branch network of commercial banks declined to 488 at the end of June 2003 from 497 in June 2002. Prudential Guidelines and Risk Management Guidelines aimed at enhancing corporate governance, provisioning levels and risk management in the sector were introduced during this period. The sector's total profitability in the same period was Kshs. 34.9 billion. The growth in the sector is attributed to the increased uptake of loans and other bank products and services by Kenyans.

Some Kenyan banks are exploiting business opportunities in the regional markets thanks to liberalization. The banking sector, over the years, has witnessed stiff competition due to the homogeneity of the products and services offered by the banks forcing them to repackage financial services and products to satisfy the needs of the customers and retain market share. Institutions therefore increasingly started offering e-banking services for both residents and nonresidents. Islamic banking emerged as a new market product. In response to this, some of the institutions redefined their commercial banks strategies while leveraging on innovative and affordable products to capture this new market segment (CBK, 2013).

1.1.5 Commercial Banks in Kenya

According to the Central Bank of Kenya (CBK) website (www.centralbank.go.ke - 2013) there are 43 licensed commercial banks and 1 Mortgage Finance Company. Of these 44 institutions, 24 are locally owned, 14 have foreign interests either by incorporation or ownership and the remaining 6 have government participation in their activities. Commercial banks in Kenya are licensed and guided by prudential guidelines formulated by the CBK. Kenyan commercial banks display cartel like characteristics with 10 banks owing 75% of the total assets in the industry (Market Intelligence, 2000).

As profit driven institutions commercial banks are predisposed to adapt various strategies to improve performance in order to attract and retain more clients. And as (Jeff (2007) defines CMP as a set of managerial decisions and actions undertaken for organization to cope with changes in environmental aspects such as environmental scanning, strategy formulation, strategy implementation, and evaluation and control in order to improve organizational performance then banks are left no choice but to adopt CMP so as to remain profitable and competitive.

1.2 Research Problem

Change management practices in an organization are necessary in responses to changes in technology, the marketplace, information systems, the global economy, social values, workforce demographics and the political environment in which an organization operates (Hoque, 2004). In order to remain competitive in the long term, enterprises are compelled to implement change management practices such as downsizing and acquiring new technology with increasing speed, efficiency and success (Chapman, 2005). Change management practices are adopted in order to achieve desired results within a specified time frame (Davis and Holland, 2002).

Commercial banks in Kenya have been responding viciously to the financial environmental changes in order to improve on banks' competitive situation (CBK, 2013). They have implemented change programs such as restructuring, mergers, bank process reengineering and development of alternative distribution channels like ebanking, defining new roles for staff, development of corporate identity and culture change aimed at delivering bank growth, increasing productivity, driving efficiency, rationalizing costs, enhancing stakeholder value and improving profitability.

Internationally, Ismaila (2011) carried out a study about financial performance practices at the Standard bank south Africa; Marinelli (2012) studied the relationship between diversification and firm performance; Liebeskind (2004) studied change diversification practices and performance of privately owned firms in United States of America while Crane (2010) focused his study on change practices in Parastatals in Singapore.

Locally, several studies have been done in the area of Change Management practices. Gichohi (2011) undertook a study on Strategic Change Management practices at the NIC Bank of Kenya, Mbuva (2009) researched on factors influencing change management practices at CFC Stanbic bank. Ochuti (2014) studied the application of change management practices at Safaricom Kenya Limited while Nyagari (2009) focused on the effectiveness of change management practices at the Kenya Commercial Bank (KCB) Limited.

Despite efforts made towards the study of strategic change management, the extent to which strategic change management practices influence banks performance is not yet empirically determined. This study therefore, seeks to fill the research gap by assessing the relationship between change management practices and organizational performance of commercial banks in Kenya. It seeks to bring insights to the question, what is the influence of change management practices and organizational performances of Commercial Banks in Kenya?

1.3 Research Objectives

The objectives of this study were;

- i. To establish the change management practices adopted by commercial banks in Kenya.
- ii. To establish influence of change management practices on performance of commercial banks in Kenya.

1.4 Value of the study

Academicians and business researchers will be able to borrow from the findings of this research to support literary citations as well as develop themes for further research on the relationship between change management practices and organizational performance. The study will also inform them on the influence of change management practices and how it is affecting bank's performances in Kenya. Researchers and scholars would use the information for further studies in this growing field of change management. The study will also facilitate theory building in other areas of strategic management by testing whether practices stipulated in literature can be applied to other organizations in the economy.

This study will be significant to the management and staff of commercial banks operating within the Kenyan banking industry by providing information regarding change management practices and their impact on the bank's profitability. The findings of this study will be important to the management of the commercial banks as it will help bank management understand the importance of management of change as they seek to increase penetration in the market and achievement of higher performance. It will further assist management in identifying and adopting to change management practices that will impact positively on organizational performance amidst the ever changing business environment.

This will act as a resource document to the banking sector in general by helping them understand the forces and impact of change management. The findings will therefore be used as a by the respective banks as well as CBK in formulation of strategies, policies, standards, procedures and guidelines that are geared towards anticipating and responding to change in both the external and internal environments.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses relevant literature information on the study topic in line with the research objectives. The chapter gives an overview of the theoretical foundation of the study; change management practices change management practices and organizational performance. It also presents an empirical review, summary of the literature review and the conceptual framework for the study.

2.2 Theoretical Foundation

Organizations as open systems are under intense pressure to fundamentally change how they do business if they have to ensure their survival and competitiveness. Organizations are strongly influenced by their environment which consists of forces of an economic, political, or social nature. The environment also provides key resources that sustain the organization and lead to change and survival. The organization change theories supporting this study are the learning organization theory, and the open system theory.

2.2.1 Learning Organization Theory

The learning organization approach is a change process aimed at assisting the development and use of knowledge to build capacity for continuous change and learning. The theory states that learning organizations perpetually seek strategic change through learning, experimentation and communication to renew itself constantly. Learning is a key requirement for both leaders and followers for any effective and lasting change to occur.

Without learning, the attitudes, skills and behaviors needed to formulate and implement a new strategic task will not develop, nor will a new frame by which selection and promotion decisions are made (Hoque, 2004). Organizations use knowledge and value based changes to improve their problem solving ability and capabilities. Learning organizations are built through individual's personal mastery, mental models, shared visions and team learning within the organization routine tasks.

The learning organizational theory is applicable to fast-moving and unpredictable situations where change is driven from the top. It has also been argued that the appropriateness of this theory may also be dependent on the organization's culture. According to this theory, it is important that an organization cultivates a learning culture since there are no good or bad approaches to change. Instead, we need to think in terms of appropriateness of an approach with regard to the circumstances being addressed. The issue, therefore, becomes one of ensuring, as much as possible, that the approach adopted is suitable for the circumstances.

2.2.2 Open System Theory

The open systems approach to management considers all organizations as open systems. Open systems theory refers to the concept that organizations are strongly influenced by their environment (Bastedo, 2006). An open system in one way or the other interacts with the surrounding environment in terms of inputs and outputs. This interaction with the environment implies that open systems need to be able to adapt to the changes that occur in their environment. Organizations being open systems are composed of a number of interconnected sub-systems.

These include organizational goals and values sub-system, the technological sub-system, the psychological sub-system and the managerial sub-system. These sub-systems receive inputs from other sub-systems and turn them into outputs for use by other sub-systems consequently impacting on overall performance. The open systems approach structures the functions of a business in such a way that through clearly defined lines of coordination the overall business objectives are collectively pursued (Burnes, 2009).

2.3 Change Management Practices in Organizations

Planning has been identified as a common change management practice across organizations. It involves developing and documenting the objectives to be achieved by the change and the means to achieve it. This is a critical aspect to successful change management and it involves; identify what is to be achieved, and what the future position following the change is expected to be. Details of precisely who, what, when, where, why and how the change will be achieved should be documented and implemented. The starting point and focus of successful change planning is having a clear vision about what the scope and impacts of the future changed state will be (Berry, 2009).

Defined governance has also been identified as one of the performance practices in the banking sector. This involves establishing appropriate organizational structures, roles, and responsibilities for the change and engaging stakeholders and support the change effort. It is important to develop plans to align the workforce to support the changing organization. Strong governance and associated reporting arrangements need to be established to drive and monitor change. It is important that these arrangements are well understood across the organization. The Steering Committee provides overall oversight for the change process; the Change Sponsor has ultimate responsibility for the change

and for building commitment for the change, while the Change Agent is responsible for managing the overall day to day change management process and implementation, including coordination of any different work streams that may be required (Berry, 2009).

Committed leadership at the top and across the organization to guide organizational behavior, and lead by example is another common practice. Encouraging stakeholder participation and the role of leadership in any change management effort cannot be underestimated. The earlier in the change life cycle organizations leaders engage in the change, the more useful they can be at building acceptance of the change by those who are affected by it. Change starts at the top and organizations leaders must be the visionaries, champions and role models for change. Leaders must maintain their authority to decide on issues that may impact not only their team but also others within the organization (Bastedo, 2006).

Communication to create awareness and understanding of the change throughout the organization is another important practice. Fundamentally it is people who make change happen; nothing moves forward without engaged, motivated stakeholders. An organization needs to engage its stakeholders, in order to implement changes effectively. Stakeholders need to understand the reasons why the change is happening and its benefits. They also need to have an opportunity to express their views and contribute their own ideas about how it might be implemented. Communication is the key way that people are engaged in the change. Introducing successful change relies heavily on how the participants in the change view it. The earlier in the change process that the end goal is communicated, the easier it will be for people to adapt (Balogun, 2003).

Alignment of the workforce and the human impacts of the change, and developing plans to align the workforce to support the changing organization is critical. It is essential to identify the human capital impacts of a change effort on the workforce. Organizations that successfully manage change typically develop a workforce plan specifically designed to steer their organization toward achieving its change vision. Workforce planning ensures the organization has an adequately skilled workforce to support its post-change needs. The plan should also address the issue of redirecting resources in situations where the change creates a gap in the skills and needs of the organization. It is worth bearing in mind that while an essential component of achieving change is appropriately skilled employees; change success depends on employee performance as much as it depends on employee qualification and training (Berry, 2009).

Risk management is also a vital change management practices. In order to manage credit bank risks effectively, management of bank have to know what risks face the bank. There is a need to identify, assess, control and evaluate the risks that an organization faces. The organization should then assign responsibilities to identify and mitigate the different risks. Interest rate risks, credit risk, operational risk and or foreign exchange risks are the main domain of the financial sector.

2.4 Organizational Performance of Firms

Organizational performance comprises the actual output or results of an organization as measured against its intended outputs (or goals and objectives). According to Burnes (2009) organizational performance encompasses three specific areas of firm outcomes: financial performance (for instance profits, return on assets, return on investment); product market performance for instance sales, market share and shareholder return (for instance total shareholder return, economic value added).

External environmental conditions and industry structure are largely assumed to shape the firm's performance. Kaplan and Norton (2006) developed a system in which measurements are meant to drive performance where they cited productivity, employees' motivation and cost efficiency as the rightful measure of performance. Davenport and Hoque (2004) on the other hand, suggest that organizations will determine the level of performance by the overall organizational performance. They argue that the frontier for using data is not just in measurement but also in identifying the most profitable customers, determining the right price, accelerating product innovation, optimizing supply chains, and identifying the true drivers of financial performance (Sharma, 2006).

2.5 Organizational Performance Measurement

Organizational performance measurement is defined as the total economic results of the activities undertaken by the organization which are usually detailed expressions of strategic objectives. Today managers worldwide are expected to increase the productivity and performance of their organizations in times of great uncertainty and shrinking resources (Stacey, 2003). Johnson (2003) identified two performance yardsticks; those relating to financial performances and strategic performance which relates to the outcomes of a company strengthening its market standing, competitive vitality and future business prospects.

Financial performance measure tend to focus on profitability which is measured in quantitative aspects of return on investment, sales, market share, stock prices, return on assets, dividend, earning per share and productivity (Burnes, 2009). There is however a trend to move away from over reliance on financial measures and embracing systems that

comprise of both financial and non-financial aspects of performance. The performance management models below are relevant to the performance in commercial banks in Kenya. They include the Balanced Score Card, (BSC), the Key Performance Indicator (KPI) and the business excellence model (BEM).

The Business Excellence Model is one of the forms of performance measurement. It describes a cause and effect relationship between enablers and results of business processes within an organization in terms of financial results, customer satisfaction, people satisfaction and the impact on society achieved through enablers such as leadership, policy and strategy and management of resources, processes and people (Kaplan& Norton, 2006). Those organizations that use BEM however face two major challenges. First there no specific guideline on how to improve performance given by this model therefore the user is taxed with finding ways to improve performance in the areas identified. The second challenge with this model is the fact that there are numerous responses in what needs to be done in particular areas of focus and they are designed to apply to generic organizations making them difficult to interpret in specific circumstances.

The balanced score card also used across or organizations as a performance measurement tool to align business activities to the strategy and vision of the organization and monitor organizational performance. Kaplan & Norton (2006) used the balanced scare card approach to evaluate performance based on four different perspectives; the financial perspective, the customer, internal processes and learning and growth. This aims to strike

a balance between the financial and non-financial concerns of the business environment (Berry, 2009). Some BSC related Models have gone beyond the definition of the four perspectives to include service, physical, community and environmental perspectives.

Key Performance Indicators are quantitative measures used to review the organizations performance against its goals (Davis, 2002). KPI are general measures of performance that focus on the critical aspects of outputs or outcomes. (Doyle,2005) identified a list of performance indicators for managing various organizations. These include; financial measures, customer service, customer satisfaction, provision of safe environment, effective utilization of space, effectiveness of communication, service reliability, professional approach to staff and responsiveness to problems. KPIs are designed to allow managers to provide quantifiable advice on the success, appropriateness and shortcomings and future direction of an organization.

2.6 Empirical Studies and Research gaps

Change management is the use of systematic methods to ensure that organizational change can be guided in the planned directions, conducted in cost effective manner and completed within targeted time frames and with the desired results. Kimaku (2010) sought to determine the various strategic change management practices adopted by Barclays Bank of Kenya. The study found out that the bank undertook changes to its strategic direction, information technology, performance management system, product changes and changes in the compensation plan. The study did not however focus on the relationship of change management and performance.

Marete (2010) carried out a study on strategic change management practices in National Bank Kenya Limited. The study findings concluded that the management in ensuring effective change management should enhance creation of awareness by developing an informal network of relationships to get information, commitment, solidifying progress and interests using formal analytical techniques for establishing, measuring and rewarding key change initiatives to ensure significant changes are implemented. He also found that recruiting qualified staff to help effectiveness of the change effort, manufacture products that are needed in the market, acquisitions that lead to synergies, business reengineering leading to short and less costly processes, downsizing that lower the cost as well as programs that deliver expected outcomes.

Mwirigi (2012) undertook a study that focused on Strategic change management practices in commercial banks. The study concluded that banks had strategic change management policy. The policy stipulated that banks were expected to realize improved decision making, resource allocation, improved performance, reduced financial losses and improved communications from effective strategic change management. This study however did not endeavor to relate the management of change to the performance of the commercial banks. In Kenya business institutions are faced with major challenges that include: corruption, high competition, low practical skills, high crime level, high tax rates, policy uncertainty, macroeconomic in stability, custom operations, poor transport, inadequate and inhibitive laws and delays in licensing among others(World Bank ,2005). These challenges mean that commercial banks have to constantly deal with the constraints.

According to Berger DeYoung (2001) technology is one of the major challenges affecting performance practices of banks. Banks are constantly bombarded with new technologies and this means that they have to constantly adjust their practices in order to remain relevant in the emerging economies. He observed that there is need to manage these changes in technology through strategic planning, creativity and innovation. Delivering ultimate value to investors means banks have to concentrate on services and products that deliver value to their clients by adopting suitable change management practices.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Kothari (2004) observes that the research is an original contribution to the existing stock of knowledge making, It is the systematic approach concerning generalization and formulation of a theory is also research. Research refers to a systematic method consisting of enunciating the problem, formulating a hypothesis, collecting the data, analyzing the facts and arriving at certain conclusions either in the form of solutions towards the concerned problem or in generation for some theoretical foundation. This chapter describes the methods and procedures that were used to collect data that answers the research question. It includes the research design, population, data collection and data analysis.

3.2 Research Design

A research design is a logical and systematic process for directing a research study. This research adopted a survey. A survey is an attempt to collect data from members of the population in order to determine the current status of the population with respect to one or more variables (Mugenda and Mugenda, 2003). In addition surveys can be used for explaining or exploring existing status of two or more variables at a given point in time and for measurement of characteristics of a large population.

A survey is often used to make inferences about possible relationships. This design is considered appropriate because data will be collected from a large number of respondents at a single point in time. It will also as well as establishes and describe the characteristics of variables in the population.

3.3 Population of the Study

Cooper and Schindler (2006) define a population as the total collection of elements about which we wish to make some inferences. The research targeted all 43 commercial banks licensed to operate in Kenya. Census approach was used since most of the commercial banks have their headquarters in Nairobi.

A census is the procedure of systematic acquiring and recording of information about all members of a given population. Conducting a census research often results in adequate response which in turn leads to a high degree of statistical confidence in the results due to greater accuracy and reliability. In this case census survey was employed to study all the 43 commercial banks licensed to operate in Kenya.

3.4 Data Collection

Data collection is the planning for and obtaining useful information on key quality characteristics produced by a process. It enables one to formulate and test working assumptions about a process and develop information that will lead to the improvement of the key quality characteristics of the product or service (Merriam, 1998). Both primary and secondary data were used.

Primary data was obtained using a questionnaire (Appendix II) that was administered on a drop and pick later basis. The target respondents were Senior Managers of commercial banks from the strategic management department who are tasked with strategic management or management of change. The questionnaire is the most appropriate method since this study seeks to obtain in-depth quantitative data. Secondary data was obtained from the annual reports and prospectus.

3.5 Data Analysis

The questionnaires were first checked for completeness. The data was then be coded and tabulated to facilitate analysis. The data which that was quantitative in nature was analyzed using descriptive statistics which is the best suited method of analysis for this study. Statistical package for social sciences was also used to analyze the data .The findings were presented using tables, charts, percentages and other measures of central tendencies.

The relationship between the two variables (dependent and independent) was then tested using regression and correlation analysis. Correlation studies lead to interpretations about the degree to which the variables are related to each other and help measure the strength of the association (Burnes, 2009). The conclusion of the study is based on these findings and recommendations for further studies were also drawn from this analysis.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents the findings and interpretation on the change management practices and performance of commercial banks in Kenya. The findings of this research were meant to establish the change management practices adopted by the bank and to determine how change management practices adopted influences performance of commercial banks. Both primary and secondary data were collected by the researcher. The qualitative data was subjected to content analysis and the researcher made inferences from the views of the respondents in order to come up with this report.

4.2 Response Rate

The study targeted one senior manager from each of the 43 commercial banks in Kenya in collecting data with regards to change management practices and performance. From the study, 29 senior managers out of the 43 senior managers responded, making a response rate of 67.4%. According to Mugenda and Mugenda (2003) a 50% response rate is adequate, 60% good and above 70% rated very good. This also concurs with Kothari (2004) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on this assertions; the response rate in this case of 67.4% is good.

4.3 Change Management Practices

The study sought to establish the change management practices that were adopted by the commercial banks of Kenya. When the respondents were asked what informed the need for organizational change at the bank, the interviewees revealed that banks were experiencing a decline in performance due to various external and internal factors such as rapid developments in the environment, market demands and internal processes among which are technological changes. The respondents revealed that the prevailing scenario prompted the top management to check on the business areas that needed to be changed and also on how to embark on the journey to recovery.

Major decisions on how to tackle changes in both internal and external environment revealed that change at the commercial banks must be planned promptly and in a proactive and purposeful way. This was achieved through carrying out SWOT analysis to reveal the strengths and opportunities that should be capitalized on while also identifying the weaknesses and threats which need to be managed to mitigate their negative impacts. The respondents argued that this was to help the banks move from the fixed state of decline to a more profitable state through a series of pre-planned steps that would keep the bank current and viable. This can only be achieved through constant analysis and adaptation to the environmental changes.

The respondents were asked to describe how banks go through change. 75% explained that the banks embraced Lewin's action research model which refers to programs and interventions designed to carefully solve a problem or improve a condition whilst solving the issues in question. The other model used was Porter's model that assisted the banks to isolate its opportunities and threats while capitalizing on its strengths while minimizing

its weaknesses and identifying matching strategies. The interviewees explained that change at the banks began with systematic diagnosis of that current situation then realized by ensuring that banks had a strong strategic positioning in the market place, powerful and supportive shareholder structure and institutional capacity to succeed in the market place.

The participants also revealed that after this notable identification of the problem, the banks embraced Kotter's 8 step model where a sense of urgency was created by establishing a powerful guiding coalition that created a new vision for the banks. The vision was communicated by top management where they empowered others to act on the vision, the top management ensured that planning and creating of short term wins was done by everybody for the benefit of all the stakeholders. When the respondents were asked how exactly this was achieved they explained that sectional heads were responsible for consolidating improvements, producing more change and institutionalizing new the approaches. This translated to improved performance over the years.

The study established that sectional heads convinced the stakeholders through constant communication to enforce the changes and explanation on why things needed to be done differently. The respondents also observed that it was important for the stakeholders to belief in need for change, while constantly allowing stakeholder participation on views of what was necessary in order to guarantee survival. The respondents revealed that steps were planned in regard to cost reduction, business growth and customer acquisition initiatives in order to gain competitive advantage. This opportunities the bank may face during the change process and hence the groups expectations were aligned, integrated and people training well managed.

The person leading change is the most important force for change. When the respondents were probed about this, 80% revealed that their leaders created capacity for them to adapt quickly and also become customer focused. They said that they were encouraged to continually carry out environmental assessment in order for them to adapt quickly to fresh developments and new strategic change. The respondents were in agreement that this practice minimized the extent to which they felt uncertain as they were initially looking for what they were familiar with. The practice therefore assisted them embrace change and ensured a world-class customer experience, cultivation of strategic partnerships, strengthening of the banks' Information Technology platform, enhancement of performance culture and aggressive entry into new market segments.

When probed further the respondents said that they discovered that a readiness assessment that was carried out gave insights into the challenges and possible solutions to the problems that they were facing. The participants observed that the readiness assessment involved articulation, communication and setting up of a team to monitor the implementation of competitive change using a system interlinked with the long-term vision of the banks. The Chief Executive Officer's (CEO) put in place structures made it easier for decisions to be made by people responsible for operations and services thereby invoking participative management. This enables the banks to gain competitive advantage in the Market.

Managers coached and facilitated their employees by changing their leadership styles and the way they interacted with them which resulted into professionalism, credibility and trust in their skills by all parties involved. Top leaders described the team that they worked with as young and as highly trained and therefore hailed them for being at the heart of the banks' success. Top leaders also helped their staff with the implementation of

a balanced scorecard which promoted a new cultural shift with staff spending more time driving and talking about business performance. The practice helped to alter the culture of the banks and the top leaders made their mark as transformational leaders pushing for change and growth while adapting to the environmental changes.

The respondents revealed that the line managers managed the day-to-day process of change, translated overall goals of the change into specific actions which were undertaken by all staff. This was aimed at reassuring the troops and paving the way for the acceptance of other changes that were more revolutionary such as growing by acquisition rather than only through innovation. The participants revealed that the banks changed its policies, procedures, organization structure, work flows and operational activities and the change process was monitored and significantly contributed change capacity of the bank. This goes a long way to mitigate some of the foreseen and unforeseen risks and therefore reducing the impact of such risks in case they occur.

To do this, the management depended and still depends on an array of skills and techniques to cope with environmental change and complexity. When asked what other initiatives that were used by the banks, respondents outlined benefits management and measurable stakeholder aims coupled with effective communication as some of the strategies used to achieve the banks' goals. They revealed that the banks invested on younger and professional staff, transforming the executive suite of the banks inside out and created accountable management team, whose focus was on business growth. It was also observed that most of the banks are now embracing talent development among their staff, encouraging innovations that are geared towards reduction of costs as well as shortening processes that will increase the turnaround time for their services to customers.

Further, it was established that planning, consensus, communication and employee resistance to change were some of the challenges experienced by the banks during the process of change. Without planning, change in banks is likely to fall apart or cause more problems than benefits. Banks need to understand exactly what changes will take place and how those changes will occur. Banks need to assign roles to individuals who are responsible for the change so all duties are covered. The time line for the change is also a key component. Banks need to plan for downtime or difficulties in completing regular work tasks while the change occurs.

If banks fail to get everyone on board with the corporate changes, they are likely to face barriers during the process. The decision to implement changes should come from the top level of the organization. All management level staff needs to be on board and able to deal with the changes or they may face dissension within the staff. Failing to communicate with all employees invites rumors and fear into the workplace, particularly if you're facing major changes, such as downsizing or a merger.

Employees want to know what's going on, whether it is positive or negative news. The feeling of uncertainty when management doesn't communicate disrupts work and makes employees feel as if they aren't a part of the decision. In some cases, employees resist change. They become comfortable with the way the business is run. They know the expectations and their role within the company. When a major change disrupts their familiarity, some employees become upset. They don't want to relearn their jobs or change the way they do things and this eventually translates to decreased profitability.

In summary, the respondents revealed that due to increased business pressures there need for better business execution and retention of competitive advantage. The banks had embarked on devising innovative solutions that ensured that the processes delivered real results and improved performance. Regular appraisals were conducted for all employees and the level of competence and skills required for all jobs were specified.

The banks saw performance management as a continuous process which was more than employee performance appraisal or review but as a means to execute better on business strategy, and do more with less resources. Standards of performance were developed and designed to measure the degree of change and impact on the organization. Constant communication about change was encouraged among all the stakeholders to socialize the change process. It was also important for top management to steer the change process since this will ultimately be mirrored in the performance of the respective banks.

4.4 Corporate Governance

The study sought to establish the influence of corporate governance on performance of commercial banks in Kenya. Table 4.1 shows the analysis of the findings.

Table 4.1: Corporate Governance and Performance

	Mean	Standard Deviation
Corporate Governance enables banks to align the human impacts of change and develop plans to align the workforce to support the changing organization.	3.89	0.941
Strong governance and associated reporting arrangements assist in driving and monitoring change.	4.40	0.728
Steering Committee provides overall oversight for the change process, setting the direction and providing leadership.	4.62	0.993
Corporate governance ensures that the change process remains aligned with the organizations strategic vision and direction.	4.26	0.596

Table 4.1 shows the findings on the influence of corporate governance and performance. The findings revealed that those strongly agreed indicated that steering committee provides overall oversight for the change process, setting the direction and providing leadership (M=4.62, SD=0.993). In addition, those agreed were on statements that strong governance and associated reporting arrangements assist in driving and monitoring change (M=4.40, SD=0.728), corporate governance ensures that the change process remains aligned with the organizations strategic vision and direction (M=4.26, SD=0.596). Corporate Governance enables banks to align the human impacts of change and develop plans to align the workforce to support the changing organization (M=3.89SD=0.941).

Therefore, the findings of the study conclude that a majority agreed that corporate governance influenced performance of commercial banks. The highlighted finding echoed that one of (Berry, 2009) who said that governance aid to establish appropriate organizational structures, roles, and responsibilities for the change and engages stakeholders' to support the change effort. Strong governance ensures proper assignment and accountability which aids in appraisal and root cause analysis that steer the change management practices towards superior performance.

4.5 Strategic Planning

The researcher sought to establish the extent to which the statements on strategic planning influence performance of commercial banks in Kenya. Table 4.2 shows the analysis of the findings based on the feedback from the respondents.

Table 4.2: Strategic Planning and Performance

	Mean	Standard Deviation
Planning involves developing and documenting the objectives to be achieved by the change and the means to achieve it.	4.09	0.692
Planning enables banks to identify what change is to be achieved.	3.81	0.915
Planning enables banks predict the future position following the change.	4.74	0.710
Planning enables banks to assess the impact of the change on the organization and the people within it, as well as other stakeholders.	4.28	0.883

Table 4.2 shows the findings on the influence of strategic planning on performance of commercial banks. A five point Likert scale was used to interpret the respondent's responses. According to the scale, those statements strongly agreed were awarded 5 while those strongly disagreed were awarded 1.

Within the continuum are 4 for agree, 3 moderate extent and 2 for disagree. Mean (weighted average) and standard deviation were used to analyze the data. From the findings, the study strongly indicated that planning enables banks predict the future position following the change (M=4.74, SD=0.710). Those who agreed said that planning enables banks to assess the impact of the change on the organization and the people within it, as well as other stakeholders. (M=4.28, SD=0.883), planning involves developing and documenting the objectives to be achieved by the change and the means to achieve it (M=4.09, SD=0.69), and planning enables banks to identify what change is to be achieved (M=3.81, SD=0.915).

It can be depicted that a majority agreed that indeed strategic planning influenced performance of commercial banks in Kenya. Thus the findings of the study is in line with Berry (2009) who argued that planning enables banks to identify what is to be achieved, and what the future position of change is expected to be. Planning allows organizations to set measurable and achievable plans that are consistent with their mission, vision, objectives and strategic intent.

4.6 Committed Leadership

The study also set to determine the influence of leadership on performance of commercial banks in Kenya. The study findings are as shown in table 4.3.

Table 4.3: Committed Leadership and Performance

	Mean	Standard Deviation
Committed leadership at the top and across the organization guide organizational behavior.	4.62	0.718
Successful change management requires a large commitment from organizations leaders.	5.37	0.563
Organizational leaders play an important role in monitoring, assessing and understanding different area's capacity to take on and succeed in change.	4.39	0.744

Table 4.3 shows the findings on the influence of committed leadership and performance.

According to the analysis of the findings those strongly agreed indicated that successful change management requires a large commitment from organizations leaders (M=5.37, SD=0.563), and on committed leadership at the top and across the organization guide organizational behavior (M= 4.62,SD= 0.718). The study also revealed that those who agreed were on the statement that organizational leaders play an important role in

monitoring, assessing and understanding different area's capacity to take on and succeed in change (M=4.39, SD=0.744). Therefore, most of the respondents strongly agreed that committed leaders influenced performance of Kenyan commercial banks. Hence the findings of the study concurs with Bastedo (2006) who argued that leaders maintain the authority thus deciding on issues that impact not only their team but also others within the organization.

4.7 Communication to Stakeholders

Further, the study sought to analyze how communication to stakeholders influenced performance. Table 4.4 shows the analysis of the findings.

Table 4.4: Communication to Stakeholders and Performance

	Mean	Standard Deviation
An organization needs to engage its stakeholders, in order to implement changes effectively.	3.50	0.793
Stakeholders need to understand the reasons why the change is happening and its benefits.	4.82	0.669
Stakeholders need to have an opportunity to express their views and contribute their own ideas about how it might be implemented.	5.02	0.861

Table 4.4 shows the findings with regard to the influence of communication to stakeholders and performance. The results of the findings reveals that those strongly agreed indicated that stakeholders need to have an opportunity to express their views and contribute their own ideas about how it might be implemented (M=5.02, SD=0.861), and on stakeholders need to understand the reasons why the change is happening and its benefits (M=4.82, SD=0.669).

Further, the findings indicated that those agreed said that an organization needs to engage its stakeholders, in order to implement changes effectively (M=3.50, SD=0.793). Therefore, it can be deduced that a majority of the people interviewed indicated communication to stakeholders influenced the performance of commercial banks in Kenya. The findings of the study justify that of Balogun (2003) who said that communication gives stakeholders opportunity to express their views and contribute their own ideas about how it might be implemented. Through constant communication stakeholders are kept abreast of the current happenings. This creates a sense of motivation especially among the employees when they perceive the intended change as beneficial to them.

4.8 Regression Analysis.

In addition, the researcher conducted a linear multiple regression analysis so as to test the relationship among variables (independent) on the performance of commercial banks in Kenya. The researcher applied SPSS version 21.0 to code, enter and compute the measurements of the multiple regressions for the study. Findings are presented in the following Table 4.5;

Table 4.5: Regression Model Summary

R	R Square	Adjusted Square	Std. Error Estimate	Change Statistics F Change	df1df2	Durbin-Watson
0.78	.6084	.56	.64593	34.974	4	292.090

Predictors: (Constant), corporate governance, strategic planning, committed leaders and communication to stakeholders

Dependent Variable: Performance of commercial banks

The results in Table 4.5 of the model summary provide the correlation coefficient (R) and coefficient of determination (R^2) value. The regression had a correlation coefficient (R^2) of about 0.6084 and an adjusted R^2 of 0.56. This means that corporate governance, strategic planning, committed leaders and communication to stakeholders explain 56 percent of the variations in performance of commercial banks test is used to test the significance of R^2 , which is the same as testing the significance of the model as a whole with a probability of 0.00 at 5% significance level indicated that the joint contribution of the independent variables was significant in predicting the dependent variable. 44% of the variation is not explained.

The Table 4.6 shows the ANOVA test which indicated that the regression model predicted the outcome variable significantly well. The F critical at 5% significance level was 2.472. Since the calculated f(34.974) is greater than the critical f(2.472) then the model outcome is significant.

This shows that the overall model was significant.

Table 4.6 :ANOVA (Analysis of Variance)

	Sum of Squares	df	Mean Square	F	Sig.
Regression	58.366	4	14.5915	34.974	0.00 ^b
Residual	37.548	24	0.4172		
Total	95.9346	28			

Predictors: (Constant), corporate governance, strategic planning, committed leaders and communication to stakeholders.

Dependent Variable: Performance of commercial banks.

Table 4.7: Multiple Regression Analysis

The study conducted multiple regression analysis to establish a relationship among the variables.

Model	Unstandardized		Standardized	T	Sig.
	Coefficients				
	B	Std. Error	Beta		
(Constant)	3.253	.560		7.723	0.000
Corporate Governance	0.211	0.179	0.997	0.298	0.003
Strategic Planning	0.798	0.395	0.495	0.165	0.002
Committed Leadership	0.886	0.562	0.323	0.111	0.004
Communication to Stakeholders	0.458	0.266	0.343	0.243	0.001

The researcher conducted a multiple regression analysis so as to evaluate the change management practices on performance of commercial banks in Kenya using the four variables. As per the SPSS generated table, the equation ($Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$) becomes: $Y = 3.253 + 0.211X_1 + 0.798X_2 + 0.886X_3 + 0.458X_4 + \epsilon$.

Where Y is the dependent variable (Performance of commercial banks), X_1 is corporate governance variable, X_2 is strategic planning, X_3 is committed leaders variable and X_4 is communication to stakeholders. According to the regression equation established, taking all factors into account (corporate governance, strategic planning, committed leaders and communication to stakeholders) constant at zero, performance of commercial banks will be 3.253. This model assisted in testing relationship between the variables.

The data findings analyzed also show that taking all other independent variables at zero, a unit increase in corporate governance will lead to a 0.211 performance of commercial banks. A unit increase in strategic planning will lead to a 0.798 increase in performance of commercial banks. A unit increase in committed leadership will lead to a 0.886 increase in performance of commercial banks and a unit increase in communication to stakeholders will lead to a 0.458 increase in performance of commercial banks.

This infers that committed leadership contributes more in increasing the performance of commercial banks in Kenya. At 5% level of significance and 95% level of confidence. Corporate governance had a 0.003 level of significance. Strategic planning showed a 0.002 level of significant. Committed leaders showed a 0.004 level of significant, communication to stakeholders had a 0.001 level of significant; hence the most significant factor is committed leadership.

4.9 Discussion of the findings

The main objective of this study was to analyze the change management practices on performance of commercial banks in Kenya. The study revealed that corporate governance, strategic planning, committed leadership and communication to stakeholders

influenced performance of commercial banks. This means that all the findings impact on performance in one way or the other and that they are interdependent. The extent of their influence is however dependent on the surrounding environmental factors.

The respondents who agreed on corporate governance observed that steering committee provides overall oversight for the change process. Setting the direction and providing leadership is very important. Strong governance and associated reporting arrangements assist in driving and monitoring. Corporate governance ensured that the change process remains aligned with the organizations strategic vision and direction.

Corporate governance enables banks to align the human impacts of change and develop plans to align the workforce to support the changing organization. The findings of the study concurs with Berry (2009) who said that governance aid to establish appropriate organizational structures, roles, and responsibilities for the change and engages stakeholders' to support the change effort. Corporate governance therefore is the backbone of performance in commercial banks in Kenya.

On strategic planning, the respondents agreed that planning enables banks predict the future position following the change. It enabled banks to assess the impact of the change on the organization and the people within it, as well as other stakeholders. Planning involves developing and documenting the objectives to be achieved by the change and the means to achieve it and also planning enables banks to identify what change is to be achieved. The findings concurs with Berry (2009) who argued that planning enables banks to identify what is to be achieved, and what the future position of change is expected to be.

Also on committed leadership and communication to stakeholders the respondents agreed that successful change management requires a large commitment from organizations leaders. Committed leadership at the top and across the organization guide organizational behavior, and organizational leaders play an important role in monitoring, assessing and understanding different area's capacity to take on and succeed in change.

This can only be achieved through constant communication to stakeholders in order to reinforce the change practice intended. Further, the respondents revealed that communication to stakeholders increased the performance of commercial banks through airing their views; stakeholders should be engaged in order to implement changes effectively. The analysis of findings concurs with Bastedo (2006) who argued that leaders maintain the authority thus deciding on issues that impact not only their team but also others within the organization.

Finally, a relationship was tested through regression analysis to find out whether there was an association among independent variables (corporate governance, strategic planning, committed leaders and communication to stakeholders) and dependent variable (performance of commercial Banks). Indeed, it emerged that there exist a significant relationship among the studied variables. The model summary revealed that the four independent variables explained 86.5% on performance of the commercial banks in Kenya. The ANOVA statistics showed that there was a correlation between the predictors' variables (corporate governance, strategic planning, committed leaders and communication to stakeholders) and response variable (Performance of commercial banks).

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the study findings on the change management practices and performance of commercial banks. It also highlights conclusions drawn and the recommendations of the study highlighting, limitations of the study and suggested areas of further research. Further it indicates the implications to theory, practice and policy.

5.2 Summary

One of the objectives of this study was to establish change management practices were adopted by the commercial banks of Kenya. According to the findings of the study, it was revealed that banks were experiencing a decline in their performance due to various external and internal factors such as rapid developments in the environment, market demands and internal processes. The field responses revealed that change at the commercial banks must be planned promptly in a proactive and purposeful way. This has been achieved through carrying out SWOT analysis to reveal the strengths and opportunities that should be capitalized and also identify the weaknesses and threats to be managed to mitigate their negative impacts.

The study also sought on how banks go through change. It was revealed that a majority of the participants indicated that banks embraced Lewin's action research model which refers to programs and interventions designed to carefully solve a problem. Also it emerged that banks used Porter's model that assisted banks to isolate their opportunities and threats while capitalizing on their strengths while minimizing weaknesses to

identifying matching strategies in the change management process. It was also established that leaders created capacity for employees of banks to adapt quickly and also become customer focused, carry out environmental assessment in order to adapt quickly fresh developments and new strategic change. Further, the respondents agreed that the practices minimized the extent to which they felt uncertain as they were looking for what they were familiar with. The practices assisted them embrace change to ensuring a world-class customer experience, cultivation of strategic partnerships, strengthening of the banks.

It was also established that managers coached and facilitated their employees by changing their leadership styles. This type of interaction resulted into professionalism, credibility and trust in their skills by all parties involved. It was also revealed that corporate governance strongly influenced performance of commercial banks in Kenya.

The analysis of the findings revealed that agreed recorded that steering committee provides overall oversight for the change process by setting the direction and providing leadership. Strong governance and associated reporting arrangements assisted in driving and monitoring change. Corporate governance ensures that the change process remains aligned with the organizations strategic vision and direction and that it enabled banks to align the human impacts of change and develop plans to align the workforce to support the changing organization.

The study also established that strategic planning influenced performance of commercial banks in Kenya. Those that agreed said that planning enables banks to assess the impact of the change on the organization and the people within it, as well as other stakeholders.

Planning involves developing and documenting the objectives to be achieved by the change and the means to achieve it and planning enables banks to identify what change is to be achieved. Through strategic planning the banks leadership were able to influence performance by mitigating some of the foreseen risks.

On the influence of committed leadership to the performance commercial banks, the respondents agreed that successful change management requires a large commitment from organizations leaders. Committed leadership at the top and across the organization guide organizational behavior. They also play an important role in monitoring, assessing and understanding different area's capacity to take on and succeed in change. Transformational leadership is preferred since it involves being sensitive to the ever changing external environment.

Further, the findings of the study revealed that communication to stakeholder influenced performance of commercial banks. Giving employees opportunities to express their views and contribute their own ideas about how implementation is done is important since it enables stakeholders to understand the reasons why the change is happening and its benefits. This also motivates them positively to work towards collective achievement of the organizational goals and objectives and this is ultimately reflected in the overall banks performance.

5.3 Conclusion

From the findings the study concludes that corporate governance, strategic planning, committed leaders and communication to stakeholders are all great factors of change management practices which increase the performance of Kenyan Commercial Banks.

Corporate governance provides oversight for the change process, sets the directions provides leadership and monitor the change process. It enables banks to align the human impacts of change and develop plans to align the workforce to support the changing organization.

Strategic planning enables banks predict the future position following the change enables banks to assess the impact of the change on the organization and the people within it. Banks are therefore able to develop and document the objectives to be achieved by the change and the means to achieve it. This in turn translates to positive performance.

On the other hand, committed leadership guides organizational behavior, monitors, assess the understanding in different area's capacity to take on and succeed in change. Further, the study concludes that communication to stakeholders enable them to express their views and contribute their own ideas about how change should be implemented effectively. This is an essential ingredient to steer the banks performance towards excellence and realization of their goals and objectives.

5.4 Recommendations

Based on the statement of problem, the objective of the study and the result of the findings, the following recommendations are made. In order for commercial banks to be successful in major changes in the external and internal context, banks require a strategic response by managers. The managers at commercial banks should introduce policies, processes and structures within banks to enable banks compete successfully. Commercial banks should react positively to the strategic change and create a fit between operations and new internal and external contexts. The leadership and management of these processes should be critical in ensuring the banks' success.

Managers should focus on the future, create change, create culture based on shared values, establish an emotional link with others and use personal power. Managerial policies on such as advertisement, training and organizing of open forums among the stakeholders determine whether strategic change process would succeed hence it is important for managers to identify the process to be redesigned, understand and measure the existing processes; design and build a series of new system in order to achieve quick delivery of results and the involvement and satisfaction of customers.

The rate at which the banks and organization in general will perform succeed would is determined by the practices employed, though most organizations wait until they faced with difficulties brought about by the environment. Kenyan Commercial banks major decisions on how to tackle change in both internal and external environment should be planned in a proactive and purposeful way. The pre-planning should help stakeholders understand; measure the existing processes as well as creates awareness on new developments. The banks should embark on practices and models of change that can adequately assist them to achieve their objectives.

5.5 Implications of the Study to Theory, Policy and Practice

The learning organization approach is a change process which aims at assisting the development and use of knowledge. The theory stated that learning organizations perpetually seek strategic change through learning, experimentation and communication to renew itself constantly. Banks should embrace learning as key requirement for both leaders and followers for any effective and lasting change to occur. Banks should use knowledge and value based changes to improve their problem solving ability and capabilities.

Banks should build individual's personal mastery, mental models, shared visions and team learning within the organization routine tasks. Thus the learning organizational theory is fast-moving and unpredictable situations where change is driven from the top. According to organization learning theory, banks may be dependent on the organization's culture. According to this theory, it is important that an organization cultivates a learning culture since there are no good or bad approaches to change. Therefore, banks should ensure as much as possible, that the approach adopted is suitable for the circumstances.

In order for banks to be successful in major changes in the external and internal context, banks require a strategic response by managers. The managers at the commercial banks should introduce policies, processes and structures within the bank to enable their bank compete successfully. The banks should react positively to the strategic change and create a fit between its operations and the new internal and external contexts.

The leadership and management of these processes should be critical in ensuring the bank's success. Managers should focus on the future, create change, create culture based on shared values, establish an emotional link with others and use personal power. Managerial policies on such as advertisement, training and organizing of open forums among the stakeholders determine whether strategic change process would succeed hence it is important for managers to identify the process to be redesigned, understand and measure the existing processes.

The rate at which the organization will succeed would be determined by the practices employed, though most organizations wait until they faced with difficulties brought about by the environment. Commercial banks, major decisions on how to tackle change in both internal and external environment should be planned in a proactive and purposeful way.

The pre-planning should help the stakeholders understand; measure the existing processes as well as creates awareness on new developments. The commercial banks should embark on practices and models of change that adequately assist them to achieve their objectives.

5.6 Limitations of the Study

In the process of carrying out this study, there were some limitations encountered. One of the major limitations was that the members of staff feared to disclose the information sought as the researcher may be an emissary of their competitors. However, this was taken care of since the researcher presented herself as a customer to the bank hence informal discussions helped gather important information for the purpose of this study.

It was also difficult to measure aspirations and expectations resulting from the answers from the interviewees, owing to the nature of work undertaken by the respondents, some of the answers may be inaccurate due to divided attention. Though the researcher would have preferred to interview the heads of the departments, this was not possible due to time constraints and the availability of the respondents. It is also assumed that the respondents gave correct information and that the questionnaire was completed by the intended respondents and not their delegates who may not understand some issues well.

5.7 Suggestions for further research

It is hoped that the findings of this study will contribute to the existing body of knowledge and form a basis for future researches. The following areas of further research are thus suggested. Whereas the current study focused on change management practices on performance of commercial banks in Kenya, future studies should seek to establish

whether or not the same practices are applicable to other sectors of the economy. Further studies should also focus on the challenges faced in implementation of the change management practices and the possible mechanisms that could be employed to overcome these challenges. The suggested areas for further research will assist in bringing out a more holistic view of change management and its impact on performance in different sectors of the economy which will assist in identifying and adopting the practices that lead to positive performance.

REFERENCES

- Balogun, M. J. (2003). *Performance Management and Agency Governance for Africa Development: The search for common cause on Excellence in the Public Service*. Addis Ababa: UNCEA.
- Bastedo, M.N. (2006). *Open systems theory*. The sage encyclopedia of educational leadership and administration. Thousand Oaks, CA: Sage.
- Berry, F. S. (2009). Innovation in public management: the adoption of strategic planning. *Public Administration Review*, 54(4), 322-330.
- Burnes, P.G. (2009). *Managing Change: A Strategic Approach to Organizational*, 2nd Edition, London: Pitman Publishing.
- Central Bank of Kenya (2013). Annual Report. 14 May 2011 www.centralbank.go.ke.
- Chapman, B. (2005). "Researching the roles of internal-change agents in the management of organizational change", *British Journal of Management*, Vol. 8 No. 1, pp. 61.
- Cooper, D.R. & Schindler, P.S. (2006). *Business Research Methods*, McGraw Hill, UK.
- Crane, L. (2010). A survey of change management practices in Singapore, *Information management Review*, 39(2), 125-134.
- Davenport, J.P. & Harris, M.I. (2007). Getting the attention you need. *Harvard Business Review*, 42 (3), 118-126.
- Davis, M. & Holland, P. (2002). Strategic environmental awakening: European Environmental Review, 11(2), 75-88.

- Doyle, M.J. (2005). *Managing Change with Business Process Simulation*. Prentice-Hall PTR, Upper Saddle River, NJ.
- Gichohi, B.M. (2011). *Strategic Change Management practices at the NIC Bank of Kenya*. Unpublished MBA Project, University of Nairobi.
- Hill, M.S & Jones, G. (2007). *Strategic management theory: an integrated approach*, Boston: Houghton Miffling Company.
- Hoque, S.R. (2004). A contingency model of the association between strategy, environmental uncertainty and performance measurement: impact on organizational performance. *International Business Review*, 13(4), 485-502.
- Ismaila, B. (2011). *Financial performance measurement of Standard Bank South Africa*. A masters thesis submitted to the University of South Africa.
- Johnson, P. & Scholes, R. (2003). *Exploring Corporate Strategy*, 6th Edition, Prentice Hall.
- Joiner, M. (2009). The effectiveness of flexible manufacturing strategies. The mediating role of performance measurement systems. *International Journal of Productivity and Performance Management*, 58(2), 119-135.
- Kaplan, P.S. & Norton, M.J. (2006). The Balanced Scorecard - measures that drive performance. *Harvard Business Review*, 70(1), 71-79.
- Kotter, P. (2007). Leading Change: Why Transformation Efforts Fail. *Harvard Business Review*. 98(2), 71-79.

- Liebeskind, M. (2004). *Corporate change diversification practices and performance of privately owned firms*. Working paper. Ohio State University.
- Marinelli, F. (2012). *The relationship between diversification and firm performance. Is it really crucial?* Free Press.
- Merriam, S. B. (1998). *Qualitative research and case study applications in education*. An Francisco: Jossey-Bass.
- Mbuva, S. M. (2009). *Factors influencing change management practices At CFC Stanbic Bank*. Unpublished MBA Project, University of Nairobi.
- Moran, B. S. & Brightman, P. R. (2005). Creating lasting change. *The TQM Magazine*, 9(2), 146-151.
- Mugenda & Mugenda, (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi. African Centre for Technology Press.
- Nyagari, G. M. (2009). *Effectiveness of change management practices at the Kenya Commercial Bank (KCB) Ltd*. Unpublished MBA Project, University of Nairobi.
- Rhyne, S. E. (2005). "The Multidivisional Structure as an Enabling Device: A Longitudinal Study of Discretionary Cash as a Strategic Resource" *Academy of Management Journal*, Vol. 34(3), pp 718-733.
- Richard et al. (2009). Measuring Organizational Performance: Towards Methodological Best Practice. *Journal of Management*. Vol. 3(1), pp 16-38.

Ochuti,M.(2014).*Application of change management practices at Safaricom Kenya Limited*, Unpublished MBA Project, University of Nairobi.

Sharma,P.G. (2006).The impact of business process orientation on financial and nonfinancial performance. *Business Process Management Journal* 14(5): 738-754.

Stacey,R.M. (2003). *Strategic management and organizational dynamics: The challenge of complexity*. Harlow, England: Prentice Hall.

APPENDICES

Appendix I: Letter of Introduction

Dear Sir/Madam,

RE: REQUEST FOR RESEARCH INFORMATION

I am a student at the University of Nairobi pursuing a Master of Business Administration degree (MBA). I am currently undertaking a research project on the Change management practices and performance in commercial banks in Kenya as part of the academic requirement for the award of my degree.

I would be grateful if you would spare a few minutes of your time and to answer a few questions to help me gather the necessary information. The information provided shall be treated with utmost confidentiality and be solely used for this research problem. A copy of the same shall be availed to you upon request.

Any additional information you might consider necessary for this study shall be highly appreciated.

In case of any queries pertaining to this research; do not hesitate to call me on

[Tel:0723580290](tel:0723580290).

Thank you in advance.

Yours Sincerely

Emily Nyandoro

Appendix II: Questionnaire for the Respondents

PART A: GENERAL INFORMATION

1. How long have you worked at in this bank?
2. What is your designation and role in the bank?
3. How many years have you been in your current position in the bank?

PART B: CHANGE MANAGEMENT PRACTICES

4. What environmental changes is the bank experiencing?
5. How does your bank go through change?
6. Who involved from initiation or implementation of the changes?
7. Which change management practices has the bank adopted?
8. Is the change communicated to staff in the lower positions in the organization, before it was initiated?
9. What are some of the challenges faced during implementation of change that affect performance?

PART C: ORGANIZATIONAL PERFORMANCE

9. In your view, what change management practices influence bank performance?
10. Kindly indicate the extent to which the following statements relate to organizational performance? Use the appropriate letter. 5 strongly agree, 4 Agree, 3 Moderate, 2 Disagree, 1 strongly disagree.

Corporate Governance	5	4	3	2	1
Corporate Governance enables banks to align the human impacts of change and develop plans to align the workforce to support the changing organization.					
Strong governance and associated reporting arrangements assist in driving and monitoring change.					
Steering Committee provides overall oversight for the change process, setting the direction and					

providing leadership.					
Corporate governance ensures that the change process remains aligned with the organizations strategic vision and direction.					
Strategic Planning					
Planning involves developing and documenting the objectives to be achieved by the change and the means to achieve it.					
Planning enables banks to identify what change is to be achieved.					
Planning enables banks predict the future position following the change.					
Planning enables banks to assess the impact of the change on the organization and the people within it, as well as other stakeholders.					
Committed leadership					
Committed leadership at the top and across the organization guide organizational behaviour.					
Successful change management requires a large commitment from organizations leaders.					
Organizational leaders play an important role in monitoring, assessing and understanding different area's capacity to take on and succeed in change.					
Communication to stakeholders					
An organization needs to engage its stakeholders, in order to implement changes effectively.					
Stakeholders need to understand the reasons why the change is happening and its benefits.					
Stakeholders need to have an opportunity to express their views and contribute their own ideas about how it might be implemented.					

Thank you for your time and Co -operation

Appendix III: A list of Commercial Banks in Kenya

1. ABC Bank Kenya Limited
2. Bank of Africa
3. Bank of Baroda
4. Bank of India
5. Barclays Bank of Kenya
6. CFC Stanbic Bank
7. Chase bank Kenya Limited
8. Citibank
9. Commercial Bank of Africa
10. Consolidated Bank of Kenya
11. Cooperative Bank of Kenya
12. Credit Bank
13. Development Bank of Kenya
14. Diamond Trust Bank
15. Dubai Bank Kenya Limited
16. Ecobank
17. Equatorial Commercial Bank
18. Equity Bank Kenya Limited
19. Family Bank
20. Fidelity Bank
21. First Community Bank
22. Giro Commercial Bank
23. Guaranty Trust Bank

24. Guardian Bank
25. Gulf African Bank
26. Habib Bank
27. Habib Bank AG Zurich
28. Housing Finance Company Limited
29. I& M Bank
30. Imperial Bank
31. Jamii Bora Bank
32. Kenya Commercial Bank
33. K- Rep Bank
34. Middle East Bank Limited
35. National Bank of Kenya
36. NIC Bank
37. Oriental Commercial Bank
38. Paramount Universal Bank
39. Prime Bank Kenya
40. Standard Chartered Bank Kenya Limited
41. Trans National Bank Kenya Limited
42. United Bank of Africa
43. Victoria Commercial Bank

Source: <https://www.centralbank.go.ke>(2014)