

**MANAGING STRATEGIC CHANGE AT CFC LIFE
ASSURANCE LIMITED IN KENYA**

BY

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF
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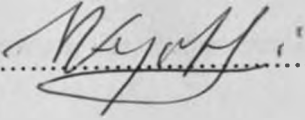
DECLARATION

This Research Project is my original work and has not been submitted for examination to any other University.

Signed.......... Date10/11/2012.....

CATHERINE KAGENDO KANG'ATA

This Research Project has been submitted for examination with my approval as the University Supervisor.

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I sincerely acknowledge my husband Nick for his moral support and encouragement. The program required a lot of sacrifice, with his understanding, love and patience, I have been able complete.

I acknowledge my mum who has been my inspiration. My heartfelt gratitude goes to my dad and my sisters for being my accountability partners throughout my studies. I am indented to my in-laws Katherine, Lee and Victor for their encouragement and moral support throughout the program.

I acknowledge Dr. John Yabs for his insightful guidance and time which he dedicated to this project till its completion. I am convinced if it was not for his support, advice, constructive criticism and inspiration this study would not have been a success.

I greatly appreciate the encouragement from my boss David and my colleagues Rose and Jebet.

I thank Almighty God for giving me the strength to balance work, family and studies. His grace was sufficient throughout the program.

DEDICATION

This study is dedicated to my beloved children Kija and Omari and my husband Nick for their love and support throughout the study period. Without their encouragement this study would have been futile.

Special thanks go to my parents Mr. and Mrs. Kang'ata and my sisters Muthoni, Njeri and Mumbi for their moral support.

I thank my Lord for His providence till the end of the program. I thank Him for His abundant grace and love that made me accomplish the study.

ABSTRACT

The most desirable management skill in 21st century is ability to manage change. Change is the most pressing issues facing organizations, their managers and employees. Organizations are receiving a lot unrelenting stream of pressure from the external and internal organization. Organization's failure to adapt in an appropriate and timely manner implies organizational failure with obvious consequences to it profit margins, employees' jobs and a serious disappointment to the stakeholders.

This research was designed to establish the strategies which have been used by CFC Life Assurance Limited to manage change and also to determine the challenges faced by the management in implementation of change programmes. The study used a case study design which the respondent were interviewed using an interview guide.

The study established that there were many strategic changes which the organization has gone through; change of ownership since American Life Insurance Company Limited left the Kenyan market, change of top management team, technological change, refurbishment of the building and change in human resources policies. The changes were both driven by external and internal factors.

The research findings indicated that there were change management practices. All the employees knew the vision, mission and core values of the organization. There was strategic planning which involved the employees. Communication was done to all stakeholders and this was meant to overcome fears and rally for support for the intended change. Participation in the change process increase ownership and commitment to all who were affected by the change.

The study findings lead to a conclusion that the change was planned and inevitable. The researcher noted that there were series of predictable and pre-planned steps. The process involved dialogue, participation, communication and leadership. The strategic changes were meant to increased efficiencies and improved service delivery.

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ABBREVIATIONS

CFCLIFE	CFC Life Assurance Limited
ALICO	American Life Insurance Company Limited Kenya
CSH	CFC Stanbic Holdings
IT	Information Technology

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Change is the single most important element of successful business management today. To remain competitive in increasingly aggressive markets, organizations have to adopt a positive attitude to change. Today, organizations are facing rapid change like never before. Globalization has increased the markets and opportunities for more growth in business as well as revenue. The diverse markets have created a wide variety of needs and expectations. An organization has to take a proactive approach to change for it to take charge of the future. Change throughout the ages is encapsulated by comments of Jones et al. (1996) when they said: As we approach the 21st century the pace and scale of change demanded of organizations and those who work within them is enormous. Global competition and the advent of information age, where knowledge is the key resource, have thrown the world of work into disarray.

There are key drivers of change in any organization or an industry. An organization has to ensure that it keep up to date with the market trends and technology. Technology is changing at an incredibly rapid speed, and failure to keep up with it has devastating effects. An organization has to take risk and introduce new products or services to the market. Such new lines of business are some of ways to develop new avenues for revenue generation.

Insurance companies in Kenya are going through a lot of changes in Kenya and majority of the changes are triggered by the changes in the external environment. For instance, some of them have gone through merger, acquisition or strategic alliances in order to have sustainable competitive advantage. The fundamental changes in the organizations are directed at significantly altering how the organization operates. These changes tend to involve several organizational dimension including structure, culture, reward system, information processes and work design. These changes affect multiple levels of the organization, from top-level management through departments and work group to individual jobs.

1.1.1 Environmental Factors

Organizations are systems that receive inputs from the environment and release the output back to the environment. Organizations operate in unpredictable environment today. They are uncertain about the markets, demand, and the ability to attract the type of labour required and whether the employment will increase or decrease. The underlying causes of change in an organization are socio-cultural, economic, technological and political. It is important to note that some organizations will be affected favourably while they may pose a threat to others.

The socio-cultural factors affect the environment through the demographic trends, lifestyle changes, skill availability, gender issues, business ethics and concerns for the environment.

The triggers of change emanating from technology include computerization of processes, new production processes and the internet. The political factors that trigger change include government legislation, international law, local regulation, taxation and universal rights. Economic factors that cause change include competition, currency exchange rate, wages and salaries, economic policies, lending policies for financial institutions.

In order for an organization to succeed and gain competitive edge, the business must be willing to embrace changes which are occurring in the external organization and be able to predict the changes which might come up in the future. CFC Life Assurance Limited (CFCLIFE) has been cognizant of the changes and the management has been willing to respond appropriately.

In year 2012, there are forty five (45) licensed insurance companies in Kenya which underwrite life and general business. CFC LIFE underwrites life business which is a long term insurance business. There is stiff competition in the volume of the business underwritten by the companies. It is therefore important for an insurance company to have a strategic plan which will guide the growth and retention of business.

Cummings and Worley (2008) argue that strategic change involves improving the alignment among an organizations environment, strategy and organization design. Organizations introduce strategic change in order to survive. This study is will focus on how CFCLife has managed strategic changes that have occurred since 2004.

1.1.2 Strategic changes

Cummings and Worley (2008) observed that as the twenty-first century unfolds, a large number of organizations are radically altering how they operate and relate to their environment. Increased global competition is forcing many organizations to downsize or consolidate and become leaner, more efficient and flexible. Johnson and Scholes (2005) observed that if change is to be successful, it has to link strategy, the operations and every aspects of the organization.

Many organizations have in recent times, faced turbulent and rapid changing external conditions that are translated in to complex, chaotic, multifaceted, fluid and interlinked stream of organizational initiatives affecting work and organizational design, resource allocation and changes and systems and procedures in a continuous attempt to improve performance (Huczynski and Buchanan 2001). Strategic changes arise out of the need for the organization to exploit existing or emerging opportunities and deal with threats in the market (King'oina 2008).

Organizations are adopting different strategies in response to changes in the environment. There are several changes that organization have gone through based on environmental changes. Transformational changes are concerned with choices the organizations make to improve their competitive performance. To achieve the desired competitive change the organization must achieve a favoured position vis- a-vis their competitors or perform internally in ways that are unique, valuable and difficult to imitate.

Trans-organizational changes are the interventions engaged when changes go beyond the single organization. They include mergers and acquisition, strategic alliances and

network with other organizations. Merger and acquisitions leverage the strengths of one organization by combining with another organization. Alliance interventions include joint ventures, franchising and long-term contracts which help to develop the relationship between organizations that believe in benefits of cooperation which outweigh the costs of lowered autonomy and control. Networking intervention is concerned with helping the organization to engage in relationships to perform tasks or resolve problems that are too complex and multifaceted for a single organization to resolve.

1.1.3 Managing strategic change

The external and internal environment in which the organization operates is constantly changing. Organizations are forced to increase efficiencies in the value chain and they are left with no option but improved the products so that the organization can have a competitive advantage. Organizations have to constantly be on alert to anticipate change and implement it (Mintzberg, 1987). Management of strategic change thus creates strategies that will help guide the patterns of such organizations to the changes taking place and also enable them anticipate such changes in the future (Ansoff, 1987).

Managing strategic change is about managing the unfolding non-linear dynamic processes during strategy implementation. It involves change or alignment and re-alignment of policy, systems, styles, values, staff, and skills of an organization to realize a strategy. Management of strategic change is therefore how to create conditions that make proactive change a natural way of life (Thompson and Strickland, 2003). The capacity to anticipate change and manage adaptation to it in a timely and acceptable way is one of the key success factors for competitiveness and wealth creation of organizations.

For the organization to remain truly competitive over time as the environment changes, Hayes (2002) argues that organizations have to learn, adapt and reorient them to changing environment. He observed that the process has to be deliberate and coordinated leading to gradual or radical systemic alignment between the environment and the firm's strategic orientation that results in improvement in performance and efficiencies.

1.1.4 Insurance Industry in Kenya

Kenya's insurance industry has continued to endear itself to the existing and potential customers through new products and significant improvement on its service delivery platforms, guaranteeing customers of world-class services delivery. In consultation with the regulator, agent's body and member associations, the insurance firms are developing new products that are not only friendly to customers but which pioneers service delivery in an under-exploited market category.

Insurance industry in Kenya is faced with a lot challenges which make operations in Kenyan market extremely difficult. The Kenyan people do not trust insurance products this make penetration in the market difficult. .

The Kenyan market is a young market and it is not well versed with the diversity of the insurance products. Kenyans are not used to paying premium in order to alleviate the risks. Most Kenyans find life insurance policies very expensive and consider them to be a luxury and they therefore do not seek for insurance products.

In the past some insurance companies were mismanaged and some were under receivership. Mismanagement of the companies made Kenyan people to lack confidence and trust in insurance. Dishonest public has also hampered the insurance business

especially medical insurance. These challenges and others lead to the creation of Insurance Regulatory Authority to instill a sense of confidence in regulatory framework in the industry and to inject new approaches to ethics, management and growth of the insurance companies in Kenya.

1.1.5 CFC Life Assurance Limited (CFCLIFE)

CFC Life Assurance Limited (CFCLife) formerly known as American Life Insurance Company Limited Kenya (ALICO Kenya). ALICO was one of the largest international life insurance companies in the world. ALICO operated on approximately 60 countries, directly and through subsidiaries and affiliates, in the Middle East, the Far East, the Caribbean, Europe, Latin America, Africa and Canada. ALICO Kenya was a subsidiary of both ALICO and American International Group, Inc. ALICO Kenya had a broad range of life and insurance products such as health and hospitalization insurance, group insurance products, pensions and annuities and traditional whole life insurance. The sales were done through a variety of distribution channels which included a network of licensed agents and brokers.

When ALICO decided to leave the Kenyan Market, the life insurance business was acquired 100% by CFC group of companies in December 2004. CFC Group of Companies included CFC bank, CFC Financial Services and Heritage AII Insurance Company.

In 2008, CFC Bank, the parent company merged with Stanbic bank, converging CFC Life into a new international and dynamic group CFC Stanbic Holdings.

In December 2009, CFC Stanbic Holding (CSH) entered into conditional legal agreement with Liberty Holding Limited (Liberty) to which the shareholdings of the Insurance Businesses was to be structured and a demerger from the banking and financial services business of CSH was to be affected.

Liberty is the third-largest life assurance and second wealth management company in South Africa and is listed on the stock exchange. Standard Bank Group Limited is the ultimate holding company of Liberty and control CSH through its wholly-owned subsidiary Stanbic Africa Holding Limited. The consequence of the restructuring was that Heritage and CFC Life is now constituted as wholly-owned subsidiaries of CFC Insurance Holding Limited.

Liberty strategic intent is to grow the business with Africa's important economies, and specifically to develop a presence in East Africa. CFC life provides long term insurance business and that strategy was to provide Liberty with a strong platform from which to achieve growth objectives in the region.

1.2 Research Problem

Organizations worldwide are confronting more turbulent markets, more demanding shareholders and more discerning customers, and many other challenges (Kiptoo 2008) Many organizations both public and private sectors face an increasing pressure to adapt to their rapidly changing competitive environment.

Kenya environment is not exempt from, what the global scene is experiencing. Organizations being environment dependent have to constantly adapt their activities and internal configurations to reflect the new external realities and failure to do this may put the future success of an organization in jeopardy (Aosa, 1998).

The changes that have been experiences in CFCLife have been brought by the changes in the environment. The top management for the company has changed as well as the shareholding. The technological advancement and the globalization of the organization have been the strategic intent of the organization.

Strategic change management has been studied extensively in Kenya in different contexts. Oranga (2009) carried a study on management of strategic change at Uzima Foundation and his conclusion was that, the organization sees the need for strategic changes and thus prepares plans to help in attainment of expected results. Kiptoo (2008) looked into strategic change management at the University of Nairobi and documented that it is important to ensure that employees positively participate and ‘own’ the change, team work is encouraged to minimize cases of resistance. Ogwora (2003) studied strategic change management in the Nairobi Cereals and Produce Board. He concluded

that change management has tremendously improved the efficiency of service delivery in the company.

This study is intended to answer the following questions; what strategies have been used by CFCLife to manage the strategic changes? What are the challenges has CFCLife management faced when managing change?

1.3 Research Objectives

The following were the objectives of this study;

- i) To establish the strategies which have been used by CFCLife to manage changes.
- ii) To determine the challenges faced by the management in implementation of change programmes at CFCLife.

1.4 Value of the Study

The research findings will be of great significance to CFCLife management. The management will know the strategies that require improvement in the change process. The organization can exploit the opportunity from successes that have been achieved so far. The insurance industry at large will have information that may help any other institution to formulate strategies to manage change.

The study will be valuable source of information to the government and the law makers. The information will be useful in diagnosing the challenges faced by insurance

companies while undergoing strategic changes. It will also help them to develop a framework for managing such changes.

This study will contribute to the body of knowledge which will be important to the academia. The scholars will also use the information for reference in management of strategic changes in private and public sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on review of literature that will provide the researcher with information that is pertinent to the research topic. This section focuses on the concept of strategic change and also managing of strategic changes. The researcher has also reviewed the forces of change, approaches of change management, and models of change management and finally change management practices.

2.2 Concept of strategic change

Hill and Jones (2001) states that strategic change involves strategic move from the current state towards a desired future state in order to increase competitiveness. Strategic changes arise out of the need for an organization to exploit existing or emerging opportunities and deal with the threats in the market.

Strategic change is the transition that results from implementation of an organizational strategy. According to Lynch (2000), strategic change is the proactive management of change in organizations to achieve clearly identified strategic objectives. It calls for new ways of working which must be followed by everyone. It involves substantial changes in ways from the conventional ways of doing things.

Organizations go through strategic changes because the management tries to strengthen their existing core competencies and build ones to compete more effectively. Hill and

Jones (2001) observed that strategic change aims at aligning structures, systems, process and behavior to the new strategy. In the recent times, re-engineering, re-structuring and innovation have been the key strategic changes that have happened in the organizations.

Thompson and Strickland (2003) observed that in fast- changing business environment, the capacity to introduce new strategies and organizational practices is a necessity if the organization is to achieve superior performance over long periods of time. They further pointed out that strategic change requires a culture that quickly accepts and supports organizational efforts to adapt to environmental changes rather than a culture that has to coaxed and cajoled to change.

2.3 Managing strategic Change

Attempting a strategic change, or introducing a new technology and other changes in the work environment may affect people's attitudes and sometimes in a negative way. Management has to look for ways for conscious management of changes. Understanding and managing change are dominant theme of management of organizations today. Johnson and Scholes (2008) observed that the approaches taken to manage strategic changes will need to be context dependent. These approaches would therefore dependent on the situation that an organization is facing. Management in this case then would need to create an organizational context that would facilitate change.

Johnson and Scholes (2008) outlined the following styles on managing change; first, education and communication to the members of the organization explaining the reasons for and means of strategic change. Communication overcomes fears and rally support for the change. Ogwora (2003) states that, the purpose of communication is to inform those

who will be affected by change. Effective communication is the most important factor in overcoming resistance to change. Involvement of those affected by changes in strategy development and planning change process is important. The management has to have communication flowing from top to bottom and bottom to top.

Second, participation in the change process is critical. This would include participation in identification of strategic issues, setting the strategic agenda and involvement in strategic decision making process and planning for the strategic change. Such involvement fosters a more positive attitude to change; people see the constraints the organization faces as less significant and are likely to increase ownership of and commitment to the decisions or change process. This can be seen to be a way of building readiness and capability for change. Normally, project teams and task forces are set up to work on the change process because the outcome of the discussion is high quality which provide solutions within broad strategic framework and drive change mechanisms down to routine aspects of organizational life.

Third, intervention which means there is coordination and the authority over the change process by a change agent. Some stages of change for instance ideas generation, data collection, detailed planning may be delegated to project team or taskforces. The change agents would however retain the responsibility for the change and ensure the monitoring of the process and that change is seen to occur.

Fourth, direction which is the use of managerial authority to establish a clear strategy and how change will occur. It is normally top-down management of strategic change associated with a clear vision or strategic intent and may also be accompanied by similar clarity about critical success factors and priorities.

Fifth is coercion which is said to be direction in its most extreme form. It is imposition of change or the issuing of edicts about change. This would be useful when the organization is facing a crisis.

constraints.

2.4 Approaches to organizational change

There are two main approaches to organizational change are planned and emergent approaches. Planned change works best where it is possible to move clearly from one state to another and emergent approach is used in an unpredictable and unplanned fashion.

2.4.1 Planned approach

Planned change was a term coined by Kurt Lewin (1939,) to distinguish change that was consciously embarked upon and planned by the organization. This approach views organizational change as essentially a process of moving from one fixed state to another through a series of predictable and pre-planned steps. Lewin stressed the need to solve problems through dialogue. He believed that successful change could only be achieved through active participation and understanding the problem, selecting the solution and

implementing it. According to (Burnes 2004) planned change involves common sense, hard work applied diligently overtime, a systematic, goal-oriented approach, and valid knowledge about organizational dynamics and how to change them.

It is very beneficial for the nature of change to be incremental. Incremental change builds on the skills, routines and beliefs of those in the organization so that the change is efficient and likely to win employees commitment.

2.4.2 Emergent approach

Change is continuous, dynamic and contested process that emerges in an unpredictable an unplanned fashion. Burnes (2004) states that emergent change consist of ongoing accommodations, adaptations and alternations that produce fundamental change without a priori intentions to do so. Emergent change occurs when people re-accomplish routines and when they deal with contingencies, breakdowns, and opportunities in everyday work.

Emergent change stresses the development and unpredictable nature of change. It views change as a process that unfolds though the interplay of multiple variable such as context, political process and consultation within the organization. Burners (2004) highlighted that successful change is less dependent on detailed plans and projections that on reaching understanding of the complexity of the issues concerned and identifying the range of available options.

Dunphy and Stace (1993) Turbulent times demand different responses in varied circumstances. So managers and consultants need a model of change that is essentially a 'situational' or 'contingency model', one that indicates how to vary change strategies to achieve 'optimum fit' with the changing environment

2.5 Models of Planned Change

Planned change model underscore the need to have a change process that is problem solving. Managing change is seen as a matter of moving from one state to another state especially from problem state to a solved state. The process recognizes that it is important to do a problem analysis, set the goal to be achieved at various levels and in various areas and functions. The process requires commitment and support from the authorities Careful planning has to accompany the efforts so that the net effect is transition from one state to another in a planned and orderly fashion.

2.5.1 Lewin Three- step Model of change

The Three- Step Model was developed Lewin (1947). He argued that planned strategic change has three basic stages namely: unfreezing, moving to institute the change and re-freezing. Unfreezing is a realization that the current strategy is no longer appropriate and therefore the organization must break out of the present mold. Moving to institute the change begins with establishing a vision of where the company is heading. The vision can be realized through structural, cultural and individual changes. Refreezing involves implementation of control systems that support change. Cultural, structural and strategic change must be stabilized or anchored throughout the organization.

2.5.2 The Kotter's Eight Stage Process

Kotter (1995) outlined eight steps for leading change in an organization. The first step is to develop a sense of urgency to change the way things we done. This initiates motivation that gets things moving. Kotter suggested that for change to be successful, the

management needs “buy in” from employees who will implement change. This means that the management has to spend significant time and energy go build urgency.

Forming a powerful coalition is the second step according to Kotter. To lead change, there is need to bring together a coalition, or team, or influential people whose power comes from a variety of sources, including job title, status, expertise and political importance.

The third step according to Kotter is to create vision for change. A clear vision can help everyone understand why employees are being asked to do something. It is very important to create a strategy to execute that vision and determine the values that are central to the change.

The fourth step is to communicate the vision. The vision should be communicated frequently and powerfully and embedded with everything that is done. The managers must demonstrate the behavior that you want the employees to have. All the decision should be based on the organization’s vision. It is therefore important to “walk the talk”.

The fifth step is to remove the obstacles. The management must take action and remove barriers that would hinder the change process. This would be done by identifying people who are resisting the change and empower the people who would execute the vision. The organization structure should support the change process and the management should recognize and reward people for making change happen.

The sixth step is creation of short-term wins. The team that is implementing the change will always be motivated when they succeed. Short-term wins reduce critics and negative thinkers that hurt the implementation process.

Kotter pointed out on the seventh step that change should build on. Quick wins are only the beginning of what needs to be done to achieve the long-term change. Each success provides an opportunity to build on what went right and identify what you can improve.

The final step is to anchor the changes in corporate culture so that it can become part of the core of the organization. There has to be continuous effort to ensure that change is seen in every aspect of the organization.

2.6 Change Management Practices

These are management practices that managers do as they handle the aspects of change in the organization. Change by its nature is complex. Strategic planning ensures that the organization is doing the right things at the right times.

2.6.1 Creating awareness and understanding

According to Paton and McCalman (2008) Successful change requires adherence to the key managerial rules- the 'holy trinity'. The religious metaphor is merely intended to convey the importance of adhering to the rules. Those at the centre of significant change events must 'buy in' to the process, without of course losing their objectivity, and believe with passion in the course of action about to be undertaken, If the employees don't approach their task with commitment others are unlikely to be convinced, resulting in apathy and discord (Beer and Eisenstat, 1990; Kotter, 1995).

Focus means setting mind and ensuring successful implementation of plan. The management should explain to the staff the reasons why there is need to change the way activities are done and also explain how the employees and the organization at will benefit. It takes effort to maintain the focus in a dynamic managerial and business environment. Attention and commitment at times diminishes as time elapses.

Change is costly it can be disruptive and potentially dangerous if it is not handled well. It is therefore very important to create awareness to parties involved in the change process. Understanding the nature and the value added to the business at large and the people involved helps in maintaining the focus.

Effective development and achievement of business strategic change depends in successful implementation. This basically means that success in implementation of strategy would depend upon effective management of resulting change. Change whether strategic, tactical or operational must be set in the context of general corporate strategy.

2.6.2 Change Leadership

According to Johnson and Scholes (2008) leadership is the process of influencing an organization in its efforts towards achieving an aim or goal. Leaders help their company embrace change by setting forth their strategic intent which is a clear sense of where they want to lead the company and what results they expect to achieve. They do this by concentrating simultaneous and very clearly on two different issues, that is, vision and performance.

Leadership is guiding the organization to deal with constant change. This requires the managers who embrace change, and this is done by clarifying the strategic intent. A leader who builds the organization and shape the culture to fit with opportunities and challenge change affords.

A leader should provide the management skills to cope with the ramifications of constant change. This means identifying and supplying the organization with operating managers prepared to provide operational leadership and vision.

Leaders should focus on development, communication and monitoring of a set of controls to ensure uniform organizational behavior and standards. The managing director can be seen to be strategic leader who takes personal responsibility for the change processes, A strategic leader can be seen also to be a facilitator of change generated from below where the human resource is extensively used, encouraging strategic debates, building on diversity on views and synthesizing a clarity of strategic direction from that debate.

2.6.3 Overcoming resistance to change

The importance of the human side of change cannot be underestimated, it is therefore important to identify and manage the potential source of resistance and ensure that 'motivators' are built into new processes and structures (Forlaron, 2005).

People resist change because they fear the unknown and are comforted by the familiar. Also very often successes and power bases are routed in the past and present and not necessarily in the future. Kanter (1983) echoes Machiavellies thought. She points out that it is always easier to say yes, in the first instance; to a new idea for in the early developmental stages its impact will be minimal. Once the development work starts to

produce results then the detractors will appear and a host of negative comments and actions materialize.

Change can generate deep resistance in people and in organizations thus making it impossible to implement organizational improvement. People may be unsure whether their existing skills and contributions will be valued in the future, or may have significant questions about whether they can learn to functions efficiently and to achieve expected results in the new situation.

At the organization level, resistance can come from three sources namely, political, technical and cultural resistance. Cumming and Worley (2008) observed that political resistance can arise when the organization changes threaten powerful stakeholders, such as top executives or staff personnel or call into question the past decision of leaders. Technical resistance comes from the habit of following common procedures and consideration of sunk costs invested in the status quo. Finally, cultural resistance takes form of systems and procedures that reinforce the status quo, promoting conformity to existing values, norms and assumptions about how things should operate.

Cumming and Worley (2008) highlighted three strategies of dealing with resistance to change. First, empathy and support which involve learning how people are experiencing change, identifying who are having trouble accepting the changes, the nature of their resistance and ways to overcome it. If the people feel that someone is listening to their concerns and fears, they are likely to provide solutions to overcome the resistance. Second, effective communication about changes and their likely results can reduce people's speculation and allay unfounded fears. It would help employees to realistically

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter presents the method the researcher used to conduct the study. It has outlined the research design, data collection and data analysis.

3.2 Research Design

The research was carried out through a case study. The design is considered appropriate because the study will be conducted in one organization. The research aimed at having an in-depth understanding of how CFCLife has been managing strategic changes and the challenges faced by management as they implement the change programmes.

3.3 Data Collection

This study aimed to use primary sources of data collection. The data was collected by use of personal interview with the respondents and this was achieved through use of interview guide (see appendix 1). The interview guide has open ended questions. The interview guide was administered to the staff in various departments.

3.4 Data Analysis

The data gathered from the interviews was analyzed using content analysis. Content analysis is a methodology in the social sciences for studying the content of communication.

prepare for change. Finally, involve organization members directly in planning and implementing change. Participation can lead to high-quality changes and to overcoming resistance to implementing them.

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3.4 Data Analysis

The data gathered from the interviews was analyzed using content analysis. Content analysis is a methodology in the social sciences for studying the content of communication.

The content analysis provided evidence that there are strategies that are being used to manage the strategic changes in the organization and also to highlight the challenges being faced by the management as they implement the strategies. This type of analysis will not limit the respondents' answer and thus the data gathered will be informative.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings and interpretation of the study data after data analysis. The raw data was collected from the field through face to face interviews with the respondents. The researcher used interview guides and took notes of the discussions with the respondents. The aim of the study was to understand the strategies used by CFCLife to manage changes and also to determine the challenges faced by the management in implementation of change programmes at CFCLife.

4.2 Strategic Changes

The researcher identified that there were several strategic changes that faced the organization. From the responses, the respondents highlighted that the top management team changed. There was also a major change in the organization structure as well as the reporting structure.

The business acquired new IT systems with the aim of improving its competitive advantage and this had a significant role in determining relative cost position. Technology was embodied in every value activity which aimed at achieving linkages among activities, so that the organization could have a powerful effect on both cost and differentiation.

The researcher was informed by the respondents that the ownership of the company changed when ALICO left the Kenyan Market. The life insurance business was acquired by CFC Group of

Companies in December 2004. In 2008 the CFC Bank merged with Stanbic Bank and formed CFC Stanbic Holdings. CFC Stanbic Holding initiated a demerger of banking and insurance business in December 2009 and Liberty acquired majority shares in the insurance business.

The researcher established that new owners of the business refurbished the whole building. This was meant to conform to their standard across the world. The organization re-branded and this was done cautiously to avoid abrupt change. A team was charged with the responsibility to ensure that promotional items and pre-printed materials conformed to the set standards.

The respondent pointed out that human resource policies changed. Job evaluation was done to the entire jobs in the organization. That was done with the help of an external consultant who worked with a team of employees who were appointed by the management. The aim of job evaluation was to harmonize the salaries and to know the worth of each job.

4.3 The forces of change

The pressure for strategic change was influenced by both internal and external factors which defined the context of change within the organization. These factors are referred to as the key drivers of change. The researcher looked at the factors that influenced change in the organization.

The researcher identified that the organization need for change was as a result of acquisition. CFCLife has been acquired twice within a very short span. It was apparent that with the acquisition, the new owners of the business had to manage the business in their style. The top management within the organization changed and new reporting lines were defined. The organization had a new organizational chart. The top management influenced the way the change was introduced and managed at CFCLife.

Among the other factors that influenced the need for change was new technological development which was meant to improve the service delivery and reduce the operation costs. Change of processes and the IT systems were supposed to achieve efficiency in service delivery.

The respondents pointed out that the competition in the insurance industry was stiff and thus CFCLIFE had developed strategic alliance to ensure it taps all the businesses from the CFC Stanbic bank. Liberty aimed to leverage on a competitive bancassurance advantage through Standard Bank's footprint and to deliver wealth proposition which would drive globalization.

4.4 Managing Strategic Change

The respondent confirmed that the stakeholders were informed about the strategic change through the daily newspapers. The policyholders were sent letter informing them about the changes that were expected within the organization.

The respondent pointed out that the vision, mission and the core values were communicated in all staff forum. The intended change was communicated to the staff before any change was rolled out. The managing director of the company ensured that he explained the need for the change to the staff through briefing, circular and meetings. The departmental heads were expected to clarify to the staff the impact of change at the departmental level. It was clear that a lot of communication and training concerning change was done. This was intended to explain the reasons why the strategic change was important. Communication was meant to overcome the fears and rally support for

intended change. Communication was also meant to inform those who would be affected and also overcome resistance to change.

The respondent indicated that employees participated in the change process. This included the critical process like setting the strategic agenda, involvement in strategic decision process and planning for strategic change. Participation in the process increased ownership and commitment to the decisions and the change process.

The managing director used his managerial authority to establish a clear future strategy on how change occurred within the organization. The managing director appointed a senior manager who was the change agent. The change agent monitored the change process and prepared detailed reports for the management briefings. The change agent was particularly valuable in meetings where he kept the discussion going, took initiatives over suggestions and planning.

There respondent had different roles in the change process. This meant that employees were assigned active roles in change programmes. The roles were designated on the basis of the desired outcomes and the individual skill together with their availability was considered.

4.5 Approaches for Organizational Change

According to the respondent, planned change was done at the initial stages. Planned approach to change management was in existence and it originated from the top management. There was a management committee which was formed to ensure that change was adopted. Some employees were appointed as change champions, they were reporting to the management committee and the change agent.

There were cases where emergent approach was experienced during the change process especially where there were customization and alteration of activities and plans. The respondent pointed out the IT systems had to be customized to suit our Kenyan environment.

4.6 Models of Change

The respondents were in agreement that managing the strategic change at CFCLife was corresponding to the models of changes. Kotter's (1995) eight stage process comprised of the following steps: develop the sense of urgency, creating the guiding coalition, creation of vision for change, communicate the vision, remove obstacles, creation of short-term wins, consolidating gains and anchor the change in corporate culture.

The respondent concurred to the Kotter's eight stages and further clarified that the first step was mapped clearly not jeopardize the smooth running of business processes. The respondent pointed out that the management was very clear on the strategic changes and involved the employees from the initial stages and that reduced significantly the

resistance. All short-term wins were recognized and they built on long-term change which eventually was anchored as corporate culture.

4.7 Management of resistance to change

The respondent stated that there was resistance to change and it challenged strategic change implementation. Resistance to change was developed at all levels in the organization. It was portrayed both in active and passive resistance to change. Active resistance was experienced in situations where employees openly opposed the change. Passive resistance was evident in situations where employees held back information and were absent in meetings.

The researcher noted that resistance to change was as a result of issues to do with personal loss and cost of undertaking personal change such as loss of status, loss of promotional prospects and separation from long-standing colleagues. Psychological reasons were also inherent in the process which included the fear of unknown, fear of failure and concern about ability to develop the needed skills. The respondent also highlighted that there was cultural bias which meant that some employees had entrenched ways of thinking.

The respondent pointed out that the management explained the expected changes in greater clarity and details with the aim of reducing resistance brought about by misunderstanding of the details of strategic change. The employees were involved in change programmes from initial stages.

The researcher was informed that the top management stressed in all staff meetings that the organization had much-improved job prospects in the future for everyone. They also presented scenario showing the anticipated benefits of the main changes. The respondent said that most effort in early days of change was devoted to strategies that created readiness for change.

4.8 Challenges in change process

The researcher identified a number of challenges within the organization which affected implementation of the change programmes. The major challenge was resistance to change. This affected all levels in the organization. Some staff did not show their resistance and instead their resistance manifested itself later in the change process by foot-dragging or poor performance. There were employees who continued resisting the new IT systems. Those employees believed the new systems were not as efficient as the legacy system. There was tension as the data was being uploaded into the new system because the process had tight deadlines.

Negative attitudes from some employees were evident which undermined the morale. However, much effort was put in place to persuade employees to support the change programmes. Employees who further resisted change even after efforts to convert their thinking were eventually laid-off.

The resources were pointed out to be a challenge that faced the organization. The employees who were not settled left for other jobs and this created human resources gaps in the organization. A lot of money was used for advertisements and to purchase new IT system.

Competition has been very stiff in the insurance industry in Kenya. While the organization was undergoing the strategic changes some competitors offered attractive job offers to the employees and agents and this had a negative impact to the business. Some business was also transferred to other service providers because some clients had uncertainty fears.

4.9 Discussion of the results

The findings were clear that the change management practices within the organization corresponded with the literature review. The findings indicate that there was a lot of communication and participation. The purpose of the education and participation was to convince the employees the need for change. This was done through training to ensure that the employees were committed and supported change.

There were widespread involvement of employees in what was to change and how the change was to be delivered. The employees understood the vision, mission and the values of the organization. The management clearly explained the strategic gap which was there then and where the organization wanted to be. The organization capabilities and the ambitions were also considered.

The change process demanded for time scales. Each type of change had its appropriate timespan. It was noted that short-term fixes with quick results were essential to gain momentum and sustain enthusiasm. Thus, the change process included instant actions with quick and recognizable impact which were tied to mid-term and long term objectives.

Frequent and accurate assessment of progress was done to ensure that the change programmes was effective. It was note that to ensure successful change process, programmes were constantly reviewed and the information was shared to those who were involved.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the main findings of the study with the reference to the research objectives. The conclusion is drawn from the findings and the recommendations are also covered. The chapter concludes with the limitations of the study and suggestions for further study.

5.2 Summary

Strategic change involves a transition from the current state which is considered to be undesirable to the desirable state and this is achieved through set of actions. Understanding and managing strategic change are dominant theme in this study. The main aspect of managing strategic change studied were identification of strategic changes, detailed investigation of ways of managing change, understanding the forces of change, approaches of change, models of change, resistance to change and challenges faced in implementation process.

The research findings indicated that there were many styles which were used to manage strategic changes. The change process involved planning for both short term and long term objectives. Communication was done to all employees through training, briefings and meetings. This was meant to pre-empt resistance to change to a large extent by anticipating and understanding employees' reservations.

The research established that participation in the change process was critical. Participatory process fostered a positive attitude towards change among employees. This increased the ownership and commitment to the decisions which were made. The involvement of employees in identifying the need to change and planning for the strategic change made the employees to be more prepared for challenge and they were willing to work hard to ensure the change programmes were a success.

It was evident that throughout the change process there was teamwork within the organization. This was underscored by the shared vision, mission and core values.

5.3 Conclusion

The findings of the study have established that there were several strategic changes that happen in the organization. The strategic changes identified included change of the top managers together with the organizational structure. The organization developed a new organization chart which clearly showed the reporting lines. The new owners of the business had a new strategic intent which was shared to all in the organization. It was also established that there was change in technology. The findings indicate that the strategic changes were both deliberate and necessary.

In conclusion, it is evident that the findings concur with the literature available on managing strategic change in an organization. It is important for communication to be done widely in the organization. The employees have to share the vision, mission and core values of the organization. Despite the challenges encountered in the change process the organization has managed to competitively position itself in the insurance industry.

5.4 Recommendations

The management of CFCLife should consider realistic time frame for the change process to avoid unnecessary tension to the stakeholders.

Change management seminars and training should be done to those who are to be laid off. This would help them prepare for next phase in their lives.

All the stakeholders' interest should have been considered critically for the sake of business retention. The agents who are the main source of business ought to have been seriously involved in the change process to avoid them leaving the organization.

5.5 Limitation of the Study

The study was faced by a few limitations. Some respondents were not available for interview because of their busy work schedule and this ultimately affected the response rate. Time scheduled for the study was not sufficient.

5.6 Suggestion for further studies

The study focused on managing strategic change at CFC Life Assurance Limited in Kenya. Similar studies can be done to the partner organization Heritage Insurance Limited to compare that management of strategic changes in both subsidiaries.

An in depth study should be done to understand why ALICO left the Kenyan market even after its success stories. ALICO was not advertising its brand in the Kenyan market yet is was one of successful insurance business. A study can be done to understand the strategies used to maintain the brand.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER

Date: 16 September 2012

The respondent
CFC Life Assurance Limited
P.O. Box 30364 00100
NAIROBI

Dear Sir/Madam

RE: LETTER OF INTRODUCTION

I am a postgraduate student in the University of Nairobi, School of Business pursuing a Master of Business Administration (MBA) degree program. In order to fulfill the requirement for the degree program, I am undertaking a research project in Strategic Management on **Managing Strategic Change at CFC Life Assurance Limited in Kenya.**

I am kindly requesting you to avail time for the scheduled interview. The interview will be face to face communication and it will take approximately thirty minutes.

At the end of study, I will prepare a final report which will be made available to you upon request.

Your assistance will be highly appreciated.

Yours faithfully

Catherine Kang'ata

Dr. John Yabs
Supervisor



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone 020-2059162
Telegrams "Varsity", Nairobi
Telex 22095 Varsity

P O Box 30197
Nairobi, Kenya

DATE... 4/10/2012

TO WHOM IT MAY CONCERN

The bearer of this letter ... CATHERINE KAGENDO KANGATA

Registration No. D.61/7.5.617/2009


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

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

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

Thank you.




IMMACULATE OMANI
MBA ADMINISTRATOR
MBA OFFICE, AMBANK HOUSE

APPENDIX 3: INTERVIEW GUIDE

1. What are strategic changes that have been faced by the organization since the time ALICO left the Kenyan market?
2. What are the forces that necessitated the changes?
3. Explain how the vision and strategies changes were shared with all stakeholders
4. In your view, was there participation, involvement of the stakeholders
5. Describe how the planning for change was done
6. How were you prepared for change?
7. Explain how changes in strategies, structure, IT systems, process, policies and procedures were affected
8. How were the change programmes initiated and managed?
9. Were there teams that were formed and charged with responsibility to implement the programmes?

10. What was your role (s) in implementation of the change programmes?

11. Was there resistance to change?

12. Was there a monitoring and evaluation system during and after the programmes implementation?

13. In your view, explain how the following factors influenced the change outcomes

Stakeholders' behavior

Competition

Culture

Top Management

Resources

Thank you for your time and participation in this study.