

**BUSINESS PROCESS RE-ENGINEERING AS A TOOL FOR
MANAGEMENT OF STRATEGIC CHANGE AT KENYA
ELECTRICITY GENERATING (KENGEN) COMPANY LTD**

BY

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A Management Research Project Submitted in Partial Fulfilment of the Requirements for the Degree of Master of Business Administration (MBA), School of business, University of Nairobi.

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DECLARATION

This MBA research project is my original work and has not been submitted for presentation at the University of Nairobi or any other institution of higher learning.

Signed..... ..... Date..... 21-11-08.....

Zeynu Jemal Ummer

This management project has been submitted for examination with my approval as University supervisor.

Signed..... ..... Date..... 21/11/2008.....

Professor Evan Ansa

DEDICATION

This study is primarily dedicated to my wife Nebiha Sultan for her encouragement, understanding, prayers and moral support provided through out the completion of the course. Secondly this study is dedicated to my mother, my mother in law brothers and my sister in laws who have given me their continuous support to complete the study.

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Whereas I received a lot of support and guidance in this research project, responsibility and blames for any errors or deficiencies are solely mine.

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ABSTRACT

Since the late eighties business process reengineering (BPR) has established itself as one of the most attractive change management options for coping and adapting in to the new competitive environment. This study sought to investigate the use of business process reengineering as a tool for management of strategic change at KenGen.

The objectives of the study were to establish the link between applications of BPR as a tool for management of strategic change and corporate strategic objectives of KenGen, to examine the nature of the BPR project management process, characteristics of significant changes made after the implementation of BPR in KenGen and to identify the challenges faced in the application of BPR as a tool for management of strategic change in KenGen. An interview method was used to collect data. Seven members of executive body at KenGen were interviewed. Moreover a focused group discussion involving ten management staff was carried out to explore additional information.

The major driver for change at KenGen was the growing demand for electricity. Other drivers included change in the regulatory environment, competition from independent power producers, regional interconnectivity and the return required on investment. The four strategic objectives at KenGen to oversee the change process were, capital execution and planning, regulatory management, operational excellence and overall organizational effectiveness. When choosing BPR as a tool for management of strategic change the company looked at three things: business strategy, business process and organizational structures. BPR was seen as a vehicle for achieving corporate strategic objectives.

There were various preparations that were done before the process could be started. First the company sought the help of consultants to guide it through the change process. A joint team comprised of KeGen and the consultant established training of the team has been undertaken. The resources required for the process were allocated by the CEO to support the process. The CEO then ensured that all employees were informed of the change taking place. BPR project was designed and mechanism of step by step execution was put in place. The first step was identifying the need for strategic change, the second step was identifying the direction you want to go, the third step was identifying the processes and finally develop the structure that is responsive to those processes. Identification of thirteen major processes that can support the new strategy conducted. Every body in the company was involved in the project management

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process. However the commitment of top management especially the CEO was very high. Significant improvements in some areas of the pilot projects for implementation of BPR were gained. The major challenge faced was resistance from employees who thought the whole thing would render them unemployed. Through training and effective communication the company was in a position to address this challenge. However, additional effort from those involved in managing the strategic change would be recommended to minimize the negative effect of resistance during the implementation of BPR.

KenGen has not yet commenced implementation of BPR in full scale except in some of the areas of pilot projects launched. As a result, this study was not able to establish some of the factors affecting implementation of BPR in KenGen. Therefore there is a need for further study to be conducted on success and failure factors of implementing BPR in KenGen or other similar organizations.

CHAPTER ONE INTRODUCTION

1.1 Background of the Study

1.1.1 Business process reengineering

As with most conscious change, the spur is external to the organization. The Japanese changed the perceptions of customers as to what they could and should expect. This spurred the quality revolution in the West typified by such concepts as Total Quality Management (TQM). But for all the effort expended on quality initiatives, many companies felt that they were only playing "catch up" on the world stage. They still needed major breakthroughs to create a sustained competitive advantage. Throughout the 1980s the quality movement questioned traditional management behaviour and practices. The focus on customers and business processes stimulated management thinking. At the same time there was a growing comprehension of other factors impacting business. The competitive revolution was accelerating and now impacted public service organizations as well as industrial giants. New skill requirements on the workforce and the revolution of rising expectations made the division between "thinkers and doers" unworkable. Above all the technological revolution provided immense opportunities to challenge conventional wisdom (Macdonald, 1995).

Today, the functional organization and its division of labor no longer fully represent the requirements of the organization. The idea of emphasizing the integration of cross-functions based on the perspectives of business processes accordingly becomes a means of increasing enterprise-wide efficiency (Wu, 2002). Hence the concept of business process reengineering emerged in the pursuit of the paradigm shift to respond the turbulent environment.

Since the late eighties Business Process Reengineering (BPR) has established itself as one of the most attractive change management option for coping and adapting the new competitive environment (Alinkemer, Chaturvedi, and Kondareddy, 1998). Business process reengineering is one of a number of management intervention tools to increase competitiveness in turbulent business environment (Terziowski, Fitzpatrick, and O'Neill, 2003).

Hammer and Champy (1993) defined BPR as the fundamental rethinking and radical redesign of business process to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service and speed. This definition seems to suggest that organisations should eliminate old and archaic processes, policies, procedures, principles and structures that affect organisational performance. Therefore, BPR is fundamentally about redesigning processes (Balle, 1995). The scope for process redesign can range from restructuring the entire organisation, to the most local rethink of how you do your work. BPR as defined by Tapscott and Caston (1993) is a fundamental re-valuation/redesign of a company's business processes and organisational structures in order to achieve dramatic improvements in its critical success factors – quality, productivity, customer satisfaction and time to market, etc. This definition is similar to that of Hammer with the exception that it makes particular reference to "process".

According to Morris and Brandon (1993), BPR is a method for planning and controlling change. For Hall, Rosenthal, and Wade, (1993) BPR is the redesign and improvement of business processes both in depth (roles and responsibilities, measurements and incentives, organisational structure, information technology, shared values and skills) and breadth (activities to be included which can lead to long term profits).

Yet again, the focus of the definition is on renewal of business processes. Davenport (1993) takes it one step further. He notes that BPR is only part of what is necessary in the radical change of processes. The term "process innovation" was first suggested by Davenport, and encompasses the envisioning of new work strategies, the actual process design activity, and the implementation of change in organisations involving human beings and technology (Poh and Chew, 1994). Smith (2003) highlighted that BPR aims to achieve performance breakthroughs by applying innovative way of doing business. The varying definitions of BPR suggest a consensual agreement that BPR is the renewal of processes (business/organisation) through integrated effort by various organisational coalitions to achieve and maintain negotiated improvements (Tinaikar, Hartman and Nath, 1994).

Essentially, BPR amounts to making radical changes to one or more business processes affecting the whole organization. It also requires a cross-functional effort usually involving innovative applications of technology. Re-engineering is a pioneering attempt to change the way work is performed by simultaneously addressing all the aspects of work that impact performance, including the process activities, the people's jobs and their reward system, the organization structure and the roles of process performers and managers, the management system and the underlying corporate culture which holds the beliefs and values that influence everyone's behaviour and expectations (Gotlieb, 1993). With BPR, rather than simply eliminating steps or tasks in a process, the value of the whole process itself is questioned.

The attraction of BPR is that it can provide the means by which an organisation is able to achieve a radical change in performance. It is a tool or set of procedures for effecting radical change take shape (Hammer & Champy, 1993). This is achieved by simplifying and streamlining the major business processes, by eliminating all redundant and non-value adding steps, by reducing the number of stages/transfer points of work and by speeding up the work flow - often through the use of information technologies and systems (Mohanty, 1998).

BPR differs from TQM in two important respects. First, while TQM is focused on continuous improvement, an incremental performance improvement approach, re-engineering was founded on the premise that significant corporate performance improvement requires discontinuous improvement - breaking away from the outdated rules and fundamental assumptions that underlie operations. Second, re engineering makes a significant break with previous performance improvement approaches by requiring a high level of state-of-the-art information technology awareness among the entire re-engineering team prior to, rather than after, the definition of process changes or improvements (Gotlieb, 1993). Some technologies (i.e. imaging systems and expert systems) can provide substantial opportunities for the redesign of business processes (Dagrea, 1993).

As with any other business concept, BPR has stories of both success and failure. According to a Deloitte and Touche survey of over 500 chief information officers, re-engineering projects consistently fall short of their expected benefits. At Texas

Instruments Inc., where re-engineering has been going on for years, they discovered that systems analysts and developers often could not make the adjustment to re-engineering quickly enough and, as a result, some early projects lost momentum and fell as much as 50 per cent short of their objectives. On the other hand, reports of successful results from a number of re-engineering efforts have been reported recently from Eastman-Kodak Inc., AT&T, Cigna RE and Hallmark, among others [Moad, 2000]. These companies have reported increases in productivity as well as a reduction in staff after business re-engineering. Smith (2003) noticed among other organizational change attempts, the success rate for reengineering was second highest (23 percent) next to technology change (28 percent), and compared with culture change (19 percent), merger and acquisition (14 percent) and restructuring and downsizing (10 percent). Given these examples of both success and failure, a conclusion can be drawn that the process of implementing BPR must be well thought out and that key factors must be taken into consideration before a company charges forward into a BPR project.

As Mengesha and Common (2007) noted, the assessment and work measurement made by the civil service reform team after the implementation of BPR in the licensing and registration department of ministry of trade and industry Ethiopia reveals a 233 percent and 266 percent reduction in process steps in the licensing service and in trade name registration service respectively. By and large the changes implemented in MOTI have brought a significant improvement in the speed and quality of service delivery, in addition to streamlining process, eliminating duplication of work and enhancing user satisfaction. The result of the study emphasises the relevance of BPR implementation for the public organizations in Africa.

Hammer and Champy (1993) identified three types of organisations that could find solutions in re-engineering: those going through serious problems; those that foresee problems in the mid/long term; and those well situated but wishing to further their lead over their competitors. . The early dominant interpretation in the United States was to use BPR as a formula to confront and overcome critical situations. In contrast, in our sample only a minority of the firms undertook BPR as a response to survival crises. Even though the factors which induced change in these organisations were mainly external to the companies, BPR implementation processes were very much internally driven. The demands for change were, for the most part, the result of

strategic decisions to adapt organisational resources and capabilities to the new threats posed by the environment, although in several cases there was a combination of external and internal causes (Albizu and Olazaran, 2006).

1.1.2 Managing strategic change

Not surprisingly, given the rise and fall of industries and technologies over the last two decades many writers argue that organizations and society at large are in a period of rapid and unprecedented change: a period where old certainties no longer hold good and new ones have yet to emerge. An alternative view is that the pace and uncertainty of change varies from company to company, industry to industry and even country to country. As a consequence, at any one point in time, some organizations will be experiencing extreme turbulence whilst others appear to operate in a relatively stable environment. However, the pertinent issue is how organizations can cope with both the environment in which they operate and the constraints, challenges and threats they face. In order to cope with such wide variety of types of change, there is a need for a corresponding variety of approaches to strategy development and change management (Burnes, 2004).

As Johnson and Scholes (2002) noted, there are different types of strategic change which can be thought of in terms of their scope- the extent to which they involve paradigm change or not- and their nature whether they can be achieved through incremental change or require urgent, immediate action. Different approaches and means of managing strategic change are likely to be required for different types of change. It is also important to diagnose other aspects of the change situation. Wider aspects of organizational context such as resources and skills that need to be preserved, the degree of homogeneity or diversity in the organization, the capability and readiness for change and the power to make change happen are important. Moreover, different styles of managing strategic change are likely to be necessary according to the different contexts and in relation to the involvement and interest of different groups. The management of strategic change is also likely to involve different roles in the change process, including those of strategic leaders, middle managers and outsiders. Hence the management of strategic change should give due consideration for some of the key points discussed above before embarking on managing the intended change program.

According to Ansoff and McDonnell (1990) in the course of discontinuous strategic change three major components of changes occur. A change in strategy which introduces new products and markets, a change in systemic competence which includes systems, structure, skills and knowledge, and a behavioural change which includes norms, perceptions, values, models of the world, and distribution of power. In each of the three phases resistance to change can be encountered. Hence managing such strategic change should consider how the sequencing of these changes affects the resistance.

For instance, if changes in systems are delayed until after the strategy is in place, both systemic and behavioural resistance will persist through out the strategy introduction. As systems are changed during the second phase, behavioural resistance will persist and hence continuing application of power will be necessary to maintain the new strategy and systemic arrangements in place. If top management relaxes its vigilance after phase two, the behavioural resistance begin to erode the strategic gains and may result in a rollback of the entire strategy. Thus we can refer to strategy followed by systems then behaviour as the maximum resistance sequence. Where as by making behavioural change before the systemic, management can delay the systemic resistance. After the behavioural acceptance is gained, and systemic competence is in place, implementation of strategy encounters no resistance. Thus behaviour followed by systems then strategy is the minimum resistance sequence. Therefore resistance to change should be considered as one of the key challenges in managing strategic change and proper mechanism must be put in place to minimize it (Johnson and Scholes, 2002).

There are a number of valid and well supported approaches to strategy development and change management for the corresponding wide and diverse range of change situations. One school of change management argues that old practices must be "obliterated" and new processes designed from scratch to fully leverage new technologies and business realities. In practice few managers have the luxury of re-designing their process or organizations from "clean sheet of paper"—people, equipment and business knowledge can not be so easily scrapped. Furthermore organizational change almost inevitably becomes a learning process in which

unanticipated obstacles and opportunities emerge (Orlikowski & Hofman, 1997). Recognizing this, movements like total quality management have sought to institutionalize continuous learning and incremental improvement. This approach has been formalized and greatly aided by tools like statistical process control and the "House of Quality" (Hauser & Clausing, 1988).

Hammer (1996) highlighted the importance of institutionalizing the capacity to change. He further explained the company should treat its need for change as seriously as it treats its "real" work—the value-creating activities that most people consider the heart of their business. However, some types of organization change are riskier if undertaken piecemeal or incrementally. Existing tools are often inadequate when radical change is contemplated (Devenport & Stoddard, 1994). To make matters worse, when the costs of change are considered, it may not even be clear whether the best course is to strive for radical change, incremental change or no change at all, even if a potential organizational goal is precisely envisioned and represents an unambiguous improvement.

The difficulties many organizations have had with change management depend in large part on an inadequate recognition of interdependencies among technology, practice, and strategy. However, beneficial a new machine, incentive system, product line, decision-making structure or reporting system may appear in isolation, the acid test is how it interacts - as it must - with numerous other aspects of the organization. The critical role that interdependencies play in affecting outcomes leads to new analysis and theory (Crowston & Malone, 1990; Barua, et al., 1996) Managers must plan a strategy that takes into account and coordinates the interactions among all the components of a business system. In other cases, interactions can create a virtuous cycle of positive feed back which amplify even small steps in the right direction. Because new organizational paradigms eliminate time, space, and inventory buffers as operations become more tightly coupled, ignoring such interdependencies is becoming increasingly risky (Malone and Rockart, 1996).

1.1.3 The Power Industry in Kenya

There are four major players in the power industry in Kenya. These are the Ministry of Energy (MoE) which is responsible for policy matters, the Electricity Regulatory Board

(ERB) which regulates the sector, the major electricity generators which are five companies at the moment. These are Kenya Electricity Generating Company Ltd. (KenGen) and four other Independent Power Producers (IPPs) namely Orpower in Naivasha, Tsavo Power in Mombasa, Westmont power and Iberalrca in Nairobi), and the Kenya Power and Lighting Company Ltd (KPLC) which transmits, distributes and sells power to the consumers.

According to Frost and Sullivan research analysts, while Kenya's robust economic growth is fuelling the demand for power, existing supplies are unable to meet demand, leading to acute power shortage and blackouts. They further noted that approximately 62 percent of Kenya power plants use water as their major feedstock, leaving them prone to fluctuating water levels as a result of climate and weather variations. The existing production capacity which is totally consumed domestically estimated to be 1000mw. Out of this 80% is generated by KenGen and the rest 20% by the four private generators (IPPs).

The competition is currently monopolized by KenGen as other four private power generators (IPPs) together sharing only 20% of the market share. The very small amount of power imported from Uganda has no significant impact on the nature of the competition in the sector. However, a change in the competitive environment is expected in the near future if the plan for importation of power from Ethiopia is realized. Moreover, the Kenyan government is increasingly focused on developing geothermal power and solar energy due to the country's raising demand for power and the challenges posed by hydroelectric plants' vulnerability to climate and weather changes. A host of independent power producers are expected to invest in the geothermal power sector to exploit the country's 7000mw geothermal power potential. However the lower developmental stage of power industry utilizing geothermal energy, the dominance of the state utility in power transmission and lack of adequate project finance are some of the barriers to utilize the geothermal energy in Kenya.

1.1.4 The Kenya Electricity Generating Company (KenGen) Ltd

Kenya Power Company was incorporated on 1st February 1954 under the companies act (Cap 486) of the laws of Kenya as a private limited company (registration number

C20/55) in the name of Kenya Power Company. It was converted into a public company with limited liability pursuant to a special resolution passed on 27th July 1955. It subsequently changed its name to Kenya electricity-generating company on 29 January 1998 following the reforms implemented by the then government of Kenya in the energy sector.

The company uses the trade name "KenGen", which is duly registered as a business name under the registration of business names act (Cap 499) under Number 282893. KenGen's core business is to develop, manage and operate power generation plants to supply electric power to the Kenyan market. KenGen is charged with managing all public power generation facilities in the country. The company generates about 80% of the total country power output. Currently KenGen is in good financial performance with annual revenue 14b Kenya shilling and annual profit of 5%. The company has total employees of 1,500, in which 679 management and the rest union staff.

The company's vision is to be the market leader in the provision of reliable, safe, quality and competitively priced electric energy in the eastern Africa region. KenGen's mission is to efficiently generate competitively priced electrical energy using the state-of-the-art technology, skilled and motivated human resource to ensure financial success. The core values of integrity, professionalism, and Team spirit and safety culture guide implementation of these strategic statements.

The existing departmental oriented organizational structure is consisted of board of directors at the top, managing director heading seven departments all called executive bodies which have their own directors. Each department director is also accountable to other managers under their department.

1.2 Statement of the Problem

Today most organisations are facing immense challenges including the need to become competitive through a focus on organisational design, performance management, knowledge management, effective structures and higher levels of quality. The problem has always been to find an all encompassing strategy that would guarantee success. A number of strategies have been put forward over the years, but

in early 1990's, the notion of BPR as the Holy Grail was espoused by Hammer and Champy (1993).

Business process re-engineering (BPR) has been touted by many as dramatic improvements become necessary for organizations to improve competitiveness and remain strong participants in economic development. As global competition drives organizations towards becoming leaner and more streamlined, many corporations have turned to Business Process Reengineering (BPR) as a means to radically change the way they conduct business. However, in many instances, dramatic improvements have just failed to materialize.

KenGen has also selected BPR as a tool for management of strategic change. The project for processing BPR started since early 2007 and now at its full implementation stage. Various studies have covered business process reengineering but none has covered BPR as a tool for management of strategic change in power generating companies in Kenya. Atebe (2001) and Thiga (1999) covered BPR at Kenya Power and Lighting Company (KPLC). Munyiri (2000) covered BPR at pharmaceutical companies while Owour (2004) investigated BPR at BIDCO. Thus this study basically focuses on seeking to establish the use of BPR as a tool for managing strategic change in KenGen. It will answer the following basic questions. What is the link between application of BPR and the strategic goal of the organization? How well the BPR project in KenGen was managed? What significant change was made after the implementation of BPR? What challenges were faced and how well were they addressed?

1.3 Objective of the Study

The objectives of this study were:

- I To establish the link between applications of BPR as a tool for management of strategic change and the over all cooperate strategic objective of KenGen.
- II To examine the nature of the BPR project management process and characteristics of significant changes made after the implementation of BPR in KenGen.

- iii. To identify the challenges faced in the application of BPR as a tool for management of strategic change in KenGen.

1.4 Importance of the Study

This study will be important to the management of KenGen as they will be able to identify the dynamics that are brought about by the implementation of BPR in the organization. The Government will also find this study useful as a regulator and as a shareholder in the company as regards the effect of business process reengineering in the organization.

The findings of the study will also be useful for professionals and other private or public organizations that will embark on the BPR in the future. Moreover, the study directly or indirectly can serve as a springboard for further study.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Business process reengineering (BPR) is one of the more popular methods by which organisations are undergoing restructuring efforts to remain competitive in the 21st century. BPR is intended to place the decision-making authority that is most relevant to the customer closer to the customer, in order to make the firm responsive to the needs of the customer (Pearce and Robinson, 2008). This applies to both private and public sector organizations as they are equally influenced by the change in the structure of economy, globalization, technology, customer preference and other factors of external environment.

Since the 1980s public sector organisations have been encouraged to become more entrepreneurial and take on board business ideas. The emergence of 'New Public Management' in the 1980s emphasised the importance of bringing competition and efficiency to the public sector and the application of management ideas and techniques. In the 1990s this was followed by the idea of 'reinventing government', of changing 'staid bureaucracies into innovative, flexible, responsive organisations'. The public sector was opened out to competition through the creation of internal and external markets.

It is scarcely surprising that public sector organisations, eager to be seen as being more like the private sector, followed many other businesses in the 1990s in embracing Business Process Re-engineering (BPR) as a framework for change. This is due to the fact that the fragmented structure of the public sector could not produce what today customer expects: timeliness, variety, customization, convenience. Nor is it surprising that, like the private sector, there have been varying degrees of success in their implementation of BPR (Linden, 1994). Given the above observations conclusion can be drawn that the application of BPR in managing strategic change is paramount.

2.2 Approaches and methodologies of managing strategic change

Every organization invests significant resources in developing its performance through the introduction of new technology and processes. Research has demonstrated that

investments in organization development often only have a 50% chance of success (Jaikumar, 1986). The difference between success and failure depends on how the change is managed. As Burnes (2004) noted, change management is not a distinct discipline with rigid and clearly defined boundary, rather the theory and practice of change management draws on a number of social science disciplines and traditions. Though this is one of its strength, it does make the task of tracing its origins and defining its core concepts more difficult than might otherwise be the case. This makes to capture theoretical foundation of change management more difficult. The above ideas by the two authors are in agreement as at least both recognized the gap in theoretical and practical concept of change management.

Hence it is critically important to construct a clear theoretical concept of managing change. To this end the three schools of thought namely the individual perspective school, the group dynamic school and the open system school form the central planks on which change management theory stands. The complimentary nature of the three approaches helped to understand the different aspects of organizational life and encouraged to conceptualize organizational change management. These three schools of thought laid foundation for various definitions of change management

According to Holland and Davies (2002) change management is the use of systematic method to ensure that a planned organizational change can be guided in a planned direction, conducted in a cost effective and efficient manner and completed within the targeted time frame and with desired results. Todd (1999) sees change management as a structured and systematic approach to achieving sustainable change in human behavior within an organization. Change management involves moving employees to new behavior while retaining key competitive advantage particularly competence and customer satisfaction. Ahmad, Francis, and Zain, (2007) relates change management to how a manager or leader manages the potential impact of change to make people accept it in order to implement change. This definition is in line with Moran and Brightman (2008) who defined change management as "the process of continually renewing an organization's direction, structure, and capabilities to serve the ever changing needs of external and internal customers.

Experts have proposed various approaches and methods to change management. Predominant among these are the planned and the emergent approaches. The planned approach views organizational change as a process of moving an organization from one fixed state to another through series of preplanned steps. The three step model by Lewin (1947) proposes that permanent change in behavior and system within an organization involves unfreezing previous behavior, changing and freezing the new patterns. The emergent approach views change as a continuous open-ended and unpredictable process of aligning and realigning an organization to its changing environment. The emergent approach sees the five features of organizations, namely structure, culture, organizational learning, managerial behavior, and power and politics as key for successful management of change. A major development in the emergent approach is its emphasis on a bottom up approach to change.

Other various approaches and methods have been proposed by several experts for many years. Ansoff (1990) proposed three commonly observable and one new method by which organizations address discontinuous change: coercive, this rapidly forces the change on the firm, appropriate when power is adequate and the change is urgent; adaptive, this spreads the change over time and applicable when urgency is low. The adaptive method at this situation is attractive because it minimizes resistance and hence the need for power; crisis response, to survival threats under extreme time pressure and it is appropriate when power is lacking or urgency is immediate; and the managed resistance method, which is useful in the situation of moderate urgency. This method is applicable when there is more time than necessary for the coercive method and not enough for the adaptive.

The incremental model sees change as being a process where by individual parts of an organization deal incrementally and separately with one problem and one goal at a time. The punctuated equilibrium approach of organizational transformation sees organizations as evolving through relatively long periods of stability (equilibrium periods) in their basic patterns of activity that are punctuated by relatively short bursts of fundamental change (revolutionary periods). However lack of empirical validity on both led to reject both incremental and punctuated models of change management (Brown and Eisenhardt, 1997).

The continuous transformation model views the environment in which organizations operate is changing, and will continue to change, rapidly radically and unpredictably. Only by continuous transformation will organizations be able to keep aligned with their environment and thus survive. Obviously, an appreciation of whether organizational change is to be a continuing feature or a one off-event and whether it is on a small or large scale play a key role in judging the appropriateness of particular approach to managing change (Burnes, 2004).

In the past, there have been a number of different (and similar) methodologies presented for managing strategic change within the organization. A methodology is a systematic routine to achieve a desired goal and acts more like stepping stones than a road to achieving a desired goal. It is designed as a skeleton for the organization to fill in the gaps to suit their individual situation. Many authors have concentrated on addressing the need for organizational radical change under the label of BPR (Davenport, 1993; Hammer and Champy, 1993; Bradley, 1996). The need for continuous change has been addressed under the approaches of TQM, Kaizen and WCM (Keegan and Lynch, 1995; Schonberger, 1986).

While these approaches address the importance of continuous change by highlighting it as an important factor, they do not offer any suggestions on how an organization should go about continuous change. One possible reason for this lack of a defined methodology is that continuous change is often heavily dependent upon the individual organization's management. Most organizations rely on continuous change projects being generated by the corrective action system of their quality system or linking performance measurement to their pay review system (Smyth, 1997). While a detailed methodology for continuous improvement may not be defined to the same degree as is the case with radical change, this should in no way diminish the value placed on continuous organizational change.

The area of radical change has been written about primarily under the title of BPR. Davenport (1993), while writing on the topic of BPR, proposed 'an approach for high level process innovation'. In this approach, Davenport (1993) outlined a five-step methodology for bringing about dramatic organizational change as follows: identify processes for innovation, identify change levers, develop process vision, understand

existing process, and design and prototype new process. This methodology differs from that which was proposed in 1990, when Davenport and Short (1990) defined the first step of the methodology as the development of the business vision.

In his later methodology, Davenport (1993) suggests that examination of the scope for improvement, prior to the development of the process vision for the future is a more prudent first course of action. The change over to the new process is not noted in the methodology but is implied since Davenport (1993) promotes the use of prototyping of differing levels of reality, starting with paper simulations and ending in a final pilot scheme with full enablers. Thus Davenport (1993) intends the change over to the new process to be a gradual one which would be achieved through a series of pilot schemes.

The most detailed structure/methodology for attaining the quantum leap in improvement is presented by Martin (1995), who details seven components of development of the organization namely organizational development, strategic vision, enterprise redesign, value stream reinvention, procedure redesign, and TQM and information technology. In his structure, he presents five categories of change approach which are assisted by two separate infrastructure change approaches. Martin's structure seeks to advance an organization by dramatically improving its process. It also embodies elements of continuous improvement to ensure that the organization will continue to improve after the initial dramatic improvements. Martin (1995) believes that concentration on these seven components will result in the organization developing a framework for managing both continuous and radical change, which is focused on the positive advancement of the organization.

Klein (1993) believed that a methodology for radical change should cause the organization to mobilize energies and organize its people to perform the task of change. Klein believed that the organization should develop a process vision, which is focused on breakthrough performance, and that this vision will then define the changes which are required. The organization plan for change should outline the technical and social dimensions of changes to technology, procedures and training. Klein's methodology for radical change consists of five steps as follows: preparation, identification, vision, technical and social solutions, and transformation. All the methodologies for radical organizational development which, are discussed above are consistent in focusing the

importance of process and vision and are in line with the models developed for BPR which will be discussed later in this chapter.

2.3 Features and principles of BPR

The seminal works of Davenport and Short (1990) and Hammer and Champy (1993) have helped advance the evolution of organizational improvements from a focus on product based competition to one that incorporates both product and process oriented strategies. Their works formally integrated many business improvement philosophies from the fields of industrial engineering, information technology and organizational development into the area of business process improvement and reengineering (BPR).

As Macdonald (1995) noted, the term BPR is being used to cover three distinctly different management approaches to change. These are process improvement, process redesign and process re engineering. Each is a valid approach to meet different circumstances. The approach is based on the premises that continuous incremental improvement is not capable of meeting the challenge of the global marketplace. To succeed, companies need major breakthroughs in performance and to leapfrog their competitors. BPR aims for dramatic improvements, not small steps to achieve slow and steady progress. Rather than 10 per cent improvements, BPR expects to cut product development cycles by 50 per cent, cut order to delivery times from a month to one day and take 60 per cent to 80 per cent out of cost, while at the same time improving service levels. That is dramatic change.

BPR was needed to help organizations go beyond the standard total quality management philosophies of incremental improvements to radical improvements. This philosophy was driven by increased global competition where major improvements in business processes were required merely to achieve competitive parity. BPR, which has for the most part been viewed as an operational set of events, needs to be viewed as a strategic program. The BPR toolset needs to support this strategic view. BPR will have short- and long term implications for an organization. In addition, any process that is to be reengineered will not only have an impact on the function that has direct control over that process, but other functions that will necessarily support the reengineered process. These two characteristics point to a strategic change for the organization (Sarkis et al, 1997).

A similar explanation by Mohanty & Deshmukh, (2001) suggests, that during the decade of 1990s, business process reengineering (BPR) has captured the imagination of many industry leaders across the globe. Reengineering has been used by many companies for the pursuit of organizational efficiency through automation, labor saving and streamlining systems and procedures and the management reforms through business, market, technology and organizational development.

BPR has been accepted in industry as a strategic initiative for managing change and the efforts for directing the change are steered in multiple dimensions such as: structure, people, management, and system. BPR has been considered as a multidimensional problem solving approach, emphasizing on very significant improvements in the organizational performance in terms of multiple parameters such as quality, cost, delivery, service level, etc to gain competitive advantage. BPR in principle concentrates on the generic transformation of business processes and thus focuses on various work systems within the enterprise. As Alinkemer et al. (1998) noted, since the late eighties BPR has established itself as one of the most attractive change management options for coping and adapting to the new competitive environment. It further emphasized, BPR's focus on radically changing strategically important cross functional process and organizational structures, captures the essence of numerous change management theories and methodologies.

The fundamental principle, which differentiates it from previous initiatives, is the centrality of business process as a unit of analysis. A business process is analogous to the basic model of a system used with in system thinking. In addition to this unit of analysis BPR implementation should adopt a "systems approach" which encourages the systemic consideration of planning, and monitoring issues strategy, scope of change, performance measurement, and implementation issues process architecture, human factors, information technology. BPR should be concerned with the improvement of business process through the systematic consideration of each of these six issues (Smart et al., 2004).

BPR has been described as discontinuous improvement rather than an element of continuous improvement. In other words it is a strategic decision to redesign the way

the Business is managed. The key principles of BPR common to many literatures and which apply to both process redesign and process re-engineering can be summarized as follows: customer driven; strategic in concept; concentrates on key business processes; cross functional; requires senior executive involvement; needs dedicated time of the "best" people; will take time – it is not a quick fix; requires the communication of a clear vision; should target dramatic stretch goals.

At the heart of BPR is the notion of discontinuous thinking - of recognizing and breaking from the outdated rules and fundamental assumptions that underlie the design of organizations Peppard,(1995). But Some opponents of BPR have different view that BPR is nothing new. The argument, which is usually advanced by it's detractors, is that BPR is without novelty: a case of "old wine in new bottles" The suggestion is that BPR is little more than Organization and Management (O&M) repackaged for the 1990s.

A reason for such an assertion is suggested by Jones (1994) who argues that the concept itself remains surprisingly ill defined, and that the principles of BPR promulgated by its leading proponents show considerable differences. Through an examination of the literature he highlights a number of significant contradictions, both within and between what he refers to as the various "theories" of BPR. For example, is it an essentially "engineering" activity, or is it a "hearts and minds" exercise? How can the emphasis on top-down, senior executive leadership be reconciled with the concerns of empowerment? He addresses how these contradictions undermine the case for BPR and highlights some of the ways in which the BPR literature seeks to resolve them.

However, most current literatures agree on BPR as an important tool to reshape business organizations for achieving breakthrough improvement in performance and managing strategic change. The process-oriented, cross functional, customer-focused and result oriented features of BPR viewed by many as key sets of tools for managing radical change.

2.4 Modeling and analysis of BPR

Gunasekaran & Kobu, (2002) argued that business process reengineering depends crucially on linking production procedures and organizational services goal and objectives. There is currently very little formula support for this kind of reasoning as analytical tasks are usually carried out informally and individual design decisions are hard to relate to business objectives. If BPR is carried out with or without understanding the way it is done, then the most likely outcome would be continuing less-than satisfactory current practice and automating outdated processes. This kind of practice misses opportunities for innovation and rationalization. The modeling and analysis of business processes along with business strategies and organizational structures are essential to study the implication of BPR. Many literatures in the field of BPR stress the importance of focusing on the process and not are limited to thinking about the organizations.

Havey (2005) provides a simple definition of business process as "step-by-step rules specific to the resolution of a business problem". Hammer and Champy, (1993), stated that "a business process is a collection of activities that takes one or more kinds of inputs and creates an output that is of value to the customer". Davenport (1993) defined business process as the chain of activities whose final aim is the production of a specific output for a particular customer or market. A business process is a series of steps designed to produce a product or a service. It includes all the activities that deliver particular results for a given customer (external or internal) Mayer et al. (1998). The name should imply all the works that gets done between the start and finish

Business process modeling plays a major role in understanding and perception of business process. On the other hand, Process maps just like organizational charts give a picture of how work flows through the company (Muthu., Whiteman., and Cheraghi, 1999). Process mapping provides tools and a proven methodology for identifying your current As-is business processes and can be used to provide a To Be roadmap for reengineering your product and service business enterprise functions. It is the critical link that your reengineering team can apply to better understand and significantly improve your business process and bottom line performance (Hammer & Champy, 1993).

Chang et al. (2007) noted, business process re-engineering (BPR) is typically divided into stages. However, various authors have identified different numbers and types of stages. Harbour (1994) suggested seven steps and nine principles. Davenport and Short (1990) put forward five steps for implementing BPR. Hammer (2001) proposed a four-stage inter-enterprise process integration to assist a business to become a super-efficient company.

Changchien and Shen (2002) recommended a seven step BPR framework using object-oriented simulation. Kettinger and Leng (1998) were of the opinion that strategic planning of BPR projects can be facilitated by them.

For Motwani et al (1998) defined BPR as a critical analysis and radical redesign of workflows and business processes in order to achieve dramatic improvements in important measures of performance, such as cost, quality, service and speed. After review of several literatures Chang et al. (2007) have suggested a five step BPR implementation model as follows: perform strategic analysis, establish key performance indicators (KPIs), perform business ('as is') model analysis, design a 'to be' model, and undertake simulation.

Wastell et al (1996) proposed a PADM methodology (process analysis and design methodology) having four phases: process definition, baseline process selection and representation, process evaluation, and target process design. Davenport and Short (1990) presented a methodology containing five steps: develop business vision and process objectives, identify redesign processes, understand existing processes, identify IT levers, and build a prototype of the process.

After analysis of past literatures Wu, (2002) realized that most BPR implementation models missed one important component, which is cooperate strategy. Then he has come up with a framework that incorporates cooperate strategy containing three steps: identify corporate strategies, select strategic paths for BPR with IT application and implement BPR. He further explained the identification of corporate strategies must be able to predict the future development, take the lead in business process thinking, and draft plans for emergency, to meet the future and uncertain challenge these methods to develop strategic opportunities include a five competitive force model.

analysis of the value chain Porter (1985), the strategic thrust/strategic target matrix, critical success factors, the customer resource life cycle, and McFarlan's (1994) framework

Sarkis et al. (1997) developed a consensus enterprise engineering transformation framework from literature and field study which has a similar feature with other models above. This framework is designed using the IDEF0 modeling technique. The framework is comprised of four major activities. These activities are: develop vision and strategy, change culture, integrate and improve the enterprise, and develop technology solutions.

Many different models developed by various authors of current literatures recognize the importance of incorporating corporate strategic goal into the model of BPR implementation. Most current literatures attributed this to the failure of BPR implementation. The process of BPR is currently undergoing various refinements, since no one approach may be applicable to all environments. Tools to aid in the BPR process are still being developed. These tools range from valuation, design and analysis, to those that aid in implementation and review of BPR projects. BPR, which has for the most part been viewed as an operational set of events, needs to be viewed as a strategic program. The BPR toolset needs to support this strategic view.

2.5 Critical success factors for BPR.

Johnson and Scholes (2002), defined critical success factors those product features that are particularly valued by a group of customers and, therefore, where the organizations must excel to out perform competition. Ahmad et al. (2007) in this research context defined critical success factors as few things which must go right for the BPR to happen successfully. Several authors claim that BPR has failed to meet the expectations that were placed on it.

Atand (1993) used a Deloitte Touche survey of 500 Chief Information Officers and found that reengineering projects end unsuccessfully. Mumford and Hendrick's (1996) review of Hammer and Champy's companies found many were left with processes that were more difficult to manage than the previous ones, costs had

increased, and employees were demoralized. Morden's (1997) literature analysis revealed that a paradigm of restructuring, delaying and downsizing results in visionless "negative, reactive, and short-term partial strategies".

Biazzo's (1998) critical examination of the BPR phenomenon concluded that Reengineering "should be forgotten", so that the process concept can be understood in terms of socio-technical systems, and only then enabling long-term strategies for change to be put in place. Other critics (Cole, 1994; Mumford, 1994; Grint, 1998) claim that the rise of BPR was just a repackaging of old ideas to fit a new context, and that this was ultimately used to drive growth in the consulting industry.

Despite the mixed experiences and expensive disappointments there is a relative lack of empirical data characterizing successful reengineering efforts. Many authors of current literature agree on that many early implementations did not have a clear idea of what BPR was. Many implementations did not pay attention to numerous issues any large scale change project should consider. All the early implementations resulted in a huge list of books, papers and research findings, with their lists of critical success factors, barriers, risk factors and intervention strategies for successful BPR implementation (Altinkemer, 1998).

Hall et al. (1993) claimed that 50-70 percent of BPR initiatives fail to deliver the expected results. This is because although there is an improvement in particular areas, for example, a 20 percent cost reduction, a 50 percent process time reduction, and a 25 percent quality improvement, at the same time business unit cost increases and profits decline. However Smith (2003) noticed among other organizational change attempts, the success rate for reengineering was second highest (23 percent) next to technology (28 percent).

Several authors emphasized the importance of leadership and top management support as a key success factors for BPR. However others (Ahmad, 2001) view these factors as drivers for BPR. Among the main success factors are ambitious objectives, the deployment of creative team in problem solving, and a process approach and integration of electronic data processing (Peppard & Fitzgerald, 1997). Ascan et al. (1995) have discussed four other elements leading to successful BPR: culture,

process, structure and technology. It associated change of culture with the organization's rethinking of its fundamental business process. Due focus was also given for identifying and improving core process. Undertaking significant changes in structure, especially with emphasis on cross-functional work teams was considered as a key.

Ahmad et al (2007) highlight the CSFs and these factors should be applied in organizational settings, as follows. Teamwork and quality culture, in this research findings the need for development of strong appropriate culture in organization, which should start from the adoption of organizational core value, was stressed. The important role of culture in successful implementation of change, avoiding stress and resistance to change among employees was highlighted

According to Ansoff and McDonnell (1990), resistance to change is a multi-faced phenomenon which introduces delays, additional costs and instability into a change process. Hence to overcome resistance there is a need for those managing change to understand the needs of employees and also for employees to understand the change plan. Team is also important word in process centered BPR project. According to Hammer (1996) a team is not a group of people who work together, or like each other or share common opinions. Rather a team is a group of people with a common objective. Hence it stresses the importance of a coherent team. It concludes that organizational culture, the ability to manage resistance, team work and quality influences BPR.

Quality management system and satisfactory rewards, so that organizational system tally with organizational direction and meet the BPR objectives, the importance of adopting quality management system considered vital. Compensation systems practice suitable for the organizational environment was taken as important element. Change management, to make the change success leaders' knowledge of managing the impact of change and ample concern for people were highlighted

Less bureaucratic and participative, the need for less bureaucracy, and more participation and empowerment in the organization was emphasized. In addition the importance of cross-functional integration, especially through team work and

promotion of innovativeness was stressed. Information technology, the need for IT to achieve best result in BPR implementation particularly its integration in process to aid redesign activity was acknowledged. Project management is important in order to plan and manage the BPR to be implemented. In this case the need for adequate skill of employees in making changes and doing tasks assigned to them, which could be gained through a proper training and education was highlighted.

In order for BPR to happen successfully, the organization need to have an adequate amount of funding therefore, sufficient to implement change and to back up unpredictable circumstances or uncertainty. Hence the importance of having proper budget planning for any improvement initiative was stressed. Besides the success many authors also highlighted some failure factors in implementing BPR. Hammer and Champy (1993) highlighted some failure factors like failure to have a process perspective, a fixed process which is not flexible enough to be responsive to the needs and requirements, not involving employees in decision making, assigning some one who does not understand BPR, technology limitations, designing a project but with focus on cost reduction and downsizing, having a weak team and problem with communication. Aggarwal (1998) related failure for BPR with managers' arrogance, resistance, crisis, cost and vision.

Macdonald (1995) noted, as with TQM, many BPR initiatives fail. There are two principal reasons why this happens. The first one is that executives are so focused on the expectation of benefits that they demand "action this day". In other words, there is no time for reflection, assessment analysis and planning. The second reason is that Management has allowed its obsession with results, functions and hierarchies to obscure the real purpose of business processes. Hence this is also in line with the views of Hammer and Champy. Given these examples of both success and failure, a conclusion can be drawn that the process of implementing BPR must be well thought out and that key factors must be taken into consideration before a company charges forward into a BPR project.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

This is a case study of BPR program at KenGen. The study undertook a thorough investigation of the link between the application of BPR as a tool for management of strategic change and the strategic goal of the company, BPR project management process, the significant changes made after implementation of BPR and the challenges faced in the application of BPR as a tool for management of strategic change. A cross-sectional approach would not have been appropriate since KenGen has unique characteristics to compare it with other private organizations in Kenya.

3.2 Data collection

To achieve the main objectives of the study primary data was collected. Unstructured interviews were done to gather the relevant information for the research. The interview involved seven members of the executive bodies of the organization. Moreover a focused group discussion was organized with ten management staffs representing the cross-functional transformation team who were assigned for spearheading the BPR program. In the session both semi-structured and unstructured interviews was held.

3.3 Data analysis

Data gathered both from the interview and focused group discussion were summarized based on their thematic concept. The themes were categorized under the link between BPR application and strategic goal of KenGen, the nature of the BPR project management process, significant changes after the implementation of BPR, and challenges faced and how they were resolved.

The data was analysed through content analysis. The summarized data was analyzed according to the study variables under each contents and the findings were established

CHAPTER FOUR: FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents analysis and findings of the research. The findings focus on the objectives identified for the study which are, the link between application of BPR and strategic objectives of KenGen, the BPR project management process, the significant changes made and the challenges faced. Face to face interview with the managing director, four directors and two managers in acting director capacity were interviewed to gather the relevant data. Moreover a focus group discussion has been conducted with ten people consisting of the BPR team and other management staffs. During the data gathering process both the interviews and focus group discussion recorded on the digital recorder and transferred in to computer to facilitate the analysis. The respondents were very cooperative and knowledgeable on the area the data sought to gather. It is believed that the information needed was obtained through the above methods employed.

4.2 Major drivers of the strategic change at KenGen

KenGen is undertaking good to great transformation to move it from good to greater performance position. The second target is to sustain such greater position for long period of time. To meet such targets the company needs to develop new strategy that facilitates the implementation of such process. There are various drivers for strategic change at KenGen which are both external and internal to the company.

The interviewees revealed that the ever increasing in demand for power and the inability of the company to meet such demand is one of the external drivers for strategic change. The growth in the country's annual GDP demands an equal level of growth in electricity generation. Moreover the ambitious program by KPLC to connect millions of customers calls for more power generation. However KenGen is unable to meet such a growing demand with the current supply capacity that it has. This situation forced KenGen to look for an alternative strategy.

The change of the company from fully government owned to public company increased the expectation of stakeholders. The private investors need more return on

their investment and hence this needs a strategy helps the company to add value to shareholders. This can also be seen as one of the drivers to strategic change. Regional interconnectivity in electricity generation can pose a competition pressure and this forced the company to change its strategy so as to supply reliable and cheaper power to its customers. Even though currently the company enjoying an 80% market share, unless it is able to do business in different way in the long run competition will be a major concern of the company. Hence this demands the strategic change to make sure of maximizing the market share sustainably.

The other external driver for strategic change is that the general change in the regulatory environment. This includes the need for harmonization of generation, transmission and distribution. Under such circumstance the company needs to develop a platform to make sure that its needs are taken care of adequately. In terms of regulation like the act of parliament 2006 opened up the power generation sector and this encourages more power generators to participate in the sector. Hence the regulatory environment in which KenGen operating can be seen as one of the key external drivers for strategic change.

According to the interviewees there are some internal factors for strategic change. Short fall in performance, human development, project execution, monitoring and evaluation were short handed to overcome pressures from external environment. The need to realign the strategy and organizational structure, lack of process based structure and the need to reduce operational cost are some of the internal drivers. Many of the power plants are very old and hence less efficient. The performance management system was not designed to enhance efficiency, retain and motivate good talent. Hence these forced the change in strategy so as to align the internal capability with the changing external environment. Nevertheless the most of the interviewees agreed on that the external drivers of strategic change are more pronounced than the internal ones.

4.3 Strategic objectives of KenGen

There are four major corporate level objectives in KenGen. The first objective is capital planning and execution. The focus of this objective is developing strategic

plan for KenGen going forward to meet the increasing demand which is a key strategic objective. It has two targets of developing 500mw in five years and 1000mw in ten years to double the existing capacity. The second objective is regulatory management. The general change in the regulatory environment needs to be managed and monitored so that the company makes sure that its needs are taken care of adequately. The way to manage major stakeholders that have influence and impact on the company's investment like government of Kenya, KPLC, energy regulatory body, development finance institutions and treasury so that to make the relationship conducive.

The third objective is operational excellence in terms of procurement, plant operation financial system and others. In addition, to reduce overall cost position for the company, enhance capital in operation execution, develop road map for KenGen performance through talent attraction and retention all the way from top to bottom and sustain that talent for capital execution within the company in the long term. The fourth objective is organizational health and effectiveness in terms of structure, performance management, talent management, succession planning, innovation and cooperate governance to achieve the above three strategic objectives

1.1 Choice of BPR as a tool for management of strategic change and its link with the strategic objectives of the company

According to those interviewed, the thing the company has not been doing is its relationship in the regulatory environment. Capital expansion and planning is something that it has been doing but has not been successful in meeting its target in terms of time, cost, financing and others. For example for financing the company has been relying on World Bank and other donors with very little contribution of itself. So it was necessary to think how effectively the company can manage those gaps to have better results at the end of the day. To this end the company wanted to think about a complete different way of doing business.

Three issues came up: business strategy, business process and organizational structure. Once there is the new strategy there should be a process which can support the designed strategy. Hence the company had no other alternatives except to develop

new business process to support that strategy of meeting cooperate objectives. KenGen did not have other choice except reengineering the way it had been doing business to meet the four cooperate strategic objectives. For instance for the capital planning and execution there must be process that clearly shows how to analyze cost of new project, do feasibility study, conduct procurement and implementation until to operate it. For regulatory management how we manage the major stake holders like government of Kenya, KPLC, energy regulatory body, development finance institutions and treasury that have influence on the company investment.

On the other hand according to the interviewees, business process reengineering has several advantages. The first one is that it is structured approach to strategic change that is it can be examined, tested its affectivity, measured and easy to monitor the change. It is a primary tool to manage strategic change in a continuous changing environment because of the need to hold something constant. Hence the major objective of choosing BPR is to make sure an easy way to track the strategic change and to make sure that it can be measured and its efficiency can be monitored.

According to the interviewees, both external and internal drivers forced the company to change its strategy to meet the demand and expectation of stakeholders. Identification of corporate strategic objectives was the second major step to be taken. Once the corporate strategic objectives clearly identified it is possible to know where the company wants to go, which means the strategic destination clearly identified. Then, the company was supposed to develop the processes that could take it from strategic objectives to the realization of those objectives. This is mainly the development of processes and enabling structures that support the strategy. Development of the key strategic processes for the realization of strategic objectives and the empowerment of that by developing a responsive structure is clearly the key objective of BPR. According to the respondents, KenGen has chosen BPR as a vehicle to deliver the strategic objectives. This means BPR has been used as a tool for management of the intended strategic change in the company and it makes the link between BPR and strategic objectives of the company very clear.

4.5 Preparation before the starting of the project

Respondents both from the interviews and focus group discussions revealed that the company made preparation for eight months before the starting of the BPR process. During the preparation stage the company tried to look at its processes, systems and the challenges it faced as a company. The organizational performance profile survey was carried out by the McKinsey consultants and the company. This survey result revealed that employees in KenGen were not satisfied with the existing performance system in all aspects from target setting to rewarding of the performance. The challenges of meeting the growth in demand, the challenges of cultural change due to the change in ownership of the company, the need to address processes to manage the company's assets and other areas of focus were identified.

A lot of analysis was done before the starting of the project for BPR. Diagnose, design and deliver approach was followed. At the diagnosis phase data on business as is was collected and problems in business as is have been identified. Identification of like non value adding steps and procedures in the business processes, the challenges of cultural changes in the system, structural problems, the challenges in performance management systems and others were identified at the diagnosis stage. Company overview analysis including company profile, overhead bench mark initiatives and others were carried out at this stage. At the design stage the best way to do business, was analyzed

Recommendation was made by the consultants to change the way of doing business. Some of the key recommendations by the consultants included: restructuring to reduce the number of departments to avoid duplication of efforts, improving the performance management systems, identification of core and support processes, and identification of key areas of focus such as how can the company improve the processes, the need to manage the regulatory environment and others. Based on such recommendations presentation was made to the board of directors for approval and the CEO visited all the stations to make presentation to all the staffs to show them the position of the company, what it is as a company, the challenges it faced and where it wants to go. A joint team comprised of the company best performing staffs and the consultants was established and given training to spearhead the process. A steering committee comprised of the board of directors and executive body of the company was established to oversee the process and give guidance. Core values of integrity and

professionalism identified. Transformation monitoring office was established to monitor the process permanently. Allocation of resources including team of people to spearhead the project and financial requirement has been considered.

4.6 The nature of BPR project management process

Both the interviewees and the focus group revealed that the project management process has gone very well. A team comprised of KenGen and consultant has been established to work with everybody, to gather the data, analyse it and present the findings to the steering committee. The steering committee comprised of the board of directors and executive body of the company established to oversee the process and give direction on the way forward. The project was done in phases. At the end of each phase presentation has been made to the steering committee by the team on the progress and challenges. A lot of inputs from the committee are used as guidance for the way forward. Some of the immediate areas that were identified as quick wins which were expected to add value for the company in a given time frame as a process to address challenges were identified and cascaded to each level of the various divisions. Meeting regularly to discuss major transformation initiatives identified in various divisions were undertaken.

A transformation and monitoring office was established to monitor the project management process. Well performing staffs from almost all divisions have been selected to be part of this transformation office and to second the team comprised of KenGen and the consultant. This team will be functional until the implementation of UPE is commenced. Various activities of communicating the people so that to enhance their involvement has been going on. Generally the project management process has been well thought out.

4.7 Who was involved in the project management process?

From the interviews and focus group discussions conducted we have learnt that the outside consultant and everybody in the company involved in the project management process. The board of directors meet and received reports from the CEO and project managers regularly and also joined the rest of the staffs in presentations. The CEO

also involved in leading the project managers and the whole process of the BPR project day to day. Two project managers one from the consultant and the other from KenGen were appointed to work together and lead the team comprised of KenGen and the consulting company. The joint team is involved in gathering the data, analyzing the data, coming up with findings and making presentations.

There are also chief managers within the company assigned to provide the support to the project teams and facilitate vital communication links with in the rest of the staffs. Immediately the first phase began which is the data gathering all the people got involved in supply of the data. They also got involved in giving responses to what the company thinks as key opportunities, key strength, weaknesses and the key threats to this change. Hence this high level of involvement in the BPR project management process has helped people to buy in the idea of the transformation program. This in turn will have a positive contribution in minimizing resistance to change.

4.8 Commitment of top management and other management staff

The interviewees and focus group mentioned that the commitment at the top started from the board of directors. The board of directors expressed its commitment to sustain the change program by meeting regularly to receive the report and see the progress, attending the various presentations, involving in the recruitment of level one director position talented candidates and others. The CEO also involved in communicating the change to the entire staff by making presentation in every stations of the company to explain what this change mean to them and what is required of them.

The CEO also expressed his commitment by allocating the required budget to run the project. The executive body of the company meets twice a week to follow up the progress and to facilitate the board of directors has a follow up in the progress in the focus areas that the company addressing. The directors of each department after meeting with the top organ in the steering committee he goes back to his department and conduct meeting with the managers and team leaders under him to cascade the process to the bottom. The managers and the team leaders are also meet with the rest of the staffs to create common ground on the areas of focus. Due to those efforts by the top management to sustain the change program the greater expectation of the

positive change carry the day. Hence conclusion can be drawn that the existing commitment observed at all level will play a positive role in successful implementation of BPR in KenGen

4.9 Ways of the company's processes identified and areas of the company affected by the change process

According to respondents from the interviews and focus group discussions identification of the company processes was undertaken through a continuous and interactive processes between the consultant and the company. Survey was done by Mckinsey consultant to identify the problems and gaps on business as is. This helped to focus on the key areas that need for strategic change. The way the processes identified by first understanding the key drivers to the strategic change. The first step was identifying the need for strategic change, the second step was identifying the direction you want to go, the third step was identifying the processes and finally develop the structure that is responsive to those processes. For instance the need for organizational and cultural change in KenGen created the requirement of human resource and administration division. The need for very strong communication tools in the company brought in the corporate affair division and so on. On the other hand identification of processes undertaken through strategic objectives as each strategic objective has the focus areas to consider. For example capital planning and execution has many focus areas such as implementing the ongoing project, imbedding a robust capital planning and execution and others. Hence all the above explanation is about one way of the company's process identification though the strategic objective of the company.

The other way of identifying the processes was through the value chain of the business. Under this core processes management processes and support processes were identified. The company has identified thirteen major processes. To mention the major ones, capital execution and planning process, human capital management process, regulatory management process, supply chain management process, strategy evaluation and control process, annual planning and budget process, continuous improvement and innovation process, structure and governance process, business automation process, operations and maintenance process risk management process and others. There are also sub processes identified like, performance management

process, production process, capital expansion process, customer focus and market process sales process financial and asset management process and others. Core processes like customer focus and market and product development process were also identified. Well established processes were documented; inter relationships which made the processes flow properly mapped and identified and, the roles and activities of the various people in the company mapped to those processes. Generally the company used the best global practices in identifying its processes.

According to the respondents organizational structure that was functional subjected to be transformed in to process based structure. Because of that there are changes everywhere. When the project began the company identified some quick win areas typical for BPR and those quick wins started implementing immediately. This affected many key areas of the company. The company had to go through a whole organizational restructuring as a result the number of departments reduced from around thirteen to seven. Hence structure was purely affected by the change. In relation to the change in structure the reporting system was changed. The performance management system based on balanced score card method was developed. Hence system was purely affected. Strategy was also affected as a result of the new strategic objectives identified. Behavior was also affected though this requires more time to realize fully. Generally strategy, structure, systems processes and behaviors are the major areas of the company affected by the change process.

4.10 Selection of Team spearheading the BPR project

According to those interviewed the team selection had three criteria. The first one is cross functional that is every function in the company was represented. The second criterion was personal aspiration of the individual mainly with regard to the change. The third criterion was the level of knowledge of the individual in terms of the company's core function. Based on these criteria the team members were selected using three different means. The first one is through recommendation from the chief manager of each function, Second through interview by the consultants and the third one is through attesting during the start of the project so as to confirm he would be useful right through the first phase. Generally the team spearheading the BPR process was comprised of the best personnel of the company.

4.11 Significant Changes made after the implementation of BPR and their compatibility with the goal of the change

According to those interviewed and the focus group pilot projects were launched in head quarter and some power stations to test the new tools (BPR) to ensure that they are serving purpose they are designed for and to learn from the experience as well. Both qualitative and quantitative changes have been observed in some of the pilot projects and areas of quick wins started implementation. Qualitatively staffs are motivated by the opportunity created for them to make a difference with the motto freedom to shape your company. Due to the change in structure at the top level changes in terms of empowerment resulted in efficient decision making. Quantitatively the company has saved about 250 million Kenya shillings in some areas like maintenance, procurement and finance where the pilot projects were implemented. In terms of cycle time for example the shift from time based maintenance to condition based maintenance resulted in reducing the number of days taken from twelve days to six days. Hence from the pilot projects implemented the company started to realize that the use of BPR would be vital to achieve strategic objectives. Nevertheless, KenGen had not yet implemented fully Business Process Re engineering and so had not experienced all the benefits.

The major objectives of the change program were to change the way doing things so as to meet the challenges of cost effectiveness, efficiency expectation of stakeholders and others. From the achievements gained by the pilot projects one can deduce that the changes made so far are compatible to the overall goal of the change program. The cost saved, the cycle time reduced, the increase in motivation of staff, the empowerment and efficiency in decision making are all in line with the objectives of the change program.

4.12 The challenges faced and the way they were resolved

In the process of popularizing the need for change there was no major challenges at the top level. The major challenges were in selling this at the staff level and primary stakeholders. The advantages would be clearly demonstrated so that they can't only be buying but those expected changes would be interrogated sufficiently to make sure that they were achievable and that all the goals were smart. That is processes of

selling those advantages put them to that interrogation and actually identifying how ~~what~~ they are. To assure the KenGen staff they would not lose their job was also a challenge. In terms of resource the company did not know where the market head and talent available in the market once available to the company could be attracted and retained with existing remuneration package of the company. This was a challenge because the company wanted the best people as it moves from good to great. That was demonstrated by the longer time taken than expected to recruit the level one directors. Top management buy in was the biggest challenge for using BPR as a tool for management of strategic change. This was due to the fact that the company was good company and as a result people at the top were questioning the good to great initiative. The other challenge for the change program was resistance by functional managers to release their high performing staffs to take part in the transformation team to spearhead the BPR project. This is due to the fact that if they give their best staff to fully engage in an activity that is not related to their function they feel that the performance of their function is affected. The other challenge was domesticating the BPR process/context/. Since BPR context was new to many choosing the right language to communicate through the entire company was difficult.

Initial public offer (IPO) opportunity was exploited to popularize the need for change. Employee's allocation of share was used to create buy in and enhance the loyalty. The procurement of consultants produced an angle that would bring fresh thinking and new approaches and there was a key issue here of bringing bench marking tools and skills to this process. The development of communication strategy was a key and that was done at the very beginning of this process. It was designed to make sure that the right message went to the right place. So the whole process was designed to make connection with the stakeholders. The presence of the CEO as a leader making sure his continuous presence in the company by extending his expired contract period was a key to maintaining the commitment. The use of special team to drive the process; that would not be affected by the process, establishing transformation and monitoring office headed by change manager and ensuring the position of change manager for no subject of recruitment were keys for the continuity of the process. The team drawn from functional areas was instrumental for the transition to process approach will feed in to the process.

To address the issue of top management buy in the board of directors together with the CEO came up with the decision to advertise the top positions so as to fill them with competent people compatible with intended change program. To resolve the problem of resistance to change from staff caused by fear of losing job the CEO visited all the stations and made presentation regarding the aim of the change and he assured them they could not lose their job. Other methods like communicating the entire staff through pamphlets, posters and internet have been used to enhance awareness regarding the change program. This was resolved through continuous communication of the objectives of the change program. To minimize the challenge of domesticating BPR easy to understand means of communication were selected and used.

4.13 Adoption of BPR as a tool for managing strategic change

According to those interviewed if you have new business strategy you must look at whether what you have been doing before can be able to deliver the strategy. In many cases it cannot work because otherwise you would not be able to change the strategy. KenGen has changed its strategy due to the fact that it was not able to fulfill its mandate. The second step inevitably must be to answer the question can the processes and what the company has been doing before were to deliver the strategy? In a lot of cases the answer is no. Turning around on undesirable situations such that you can get what really you are aiming for in a very fast pace to meet the overall corporate objectives, to go towards those objectives, be better in the industry in which you are operating and the market you are operating seemed important. If someone approaches strategic change with out doing something on the processes he will not achieve much or may be he will achieve after spending a lot of time and resources. Hence a sure way of succeeding in those strategic objectives is BPR. Therefore the adoption of the essence of BPR as a tool for management of strategic change came in to picture with consideration of all those facts mentioned above.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This study focussed on the use of BPR as a tool for management of strategic change in Kenya electricity generating company (KenGen) Ltd. This chapter will contain a summary of the research findings and discussions, conclusions, recommendations, limitations and suggestions for further study.

5.2 Summary of Findings

The objectives of this study were to establish the link between applications of BPR strategic objective of KenGen, to examine the nature of the BPR project management process and characteristics of significant changes made after the implementation of BPR in KenGen and to identify the challenges faced in the application of BPR as a tool for management of strategic change in KenGen.

5.2.1 The link between application of BPR and Strategic objectives of the company

There are various external and internal drivers of strategic change identified by the respondents. The major external drivers of strategic change in KenGen include; the ever increasing in demand for electricity due to the growth in the country's GDP, increase in the expectation of stakeholders, future competition pressure from private power generators and regional inter-connectivity and the general change in the regulatory environment. The internal drivers include short falls in; performance, human development, organizational structure, cost reduction, project execution, monitoring and evaluation. Those external and internal drivers forced the company to identify the needs for strategic change. The second step was to identify the strategic objectives of the company.

The good to great transformation program in KenGen has been based on four key strategic objectives. These are Capital execution and planning, regulatory management, operational excellence and organizational health. Other objectives included customer satisfaction, cost reduction and compliance with legal

requirements. The major objectives of using BPR as a tool for management of strategic change includes to develop new business processes that can support the new strategy of meeting the corporate objectives, to make sure an easy way to fast track the strategic change, to make sure that it can be measured and its efficiency can be monitored. When choosing BPR as a tool for management of strategic change the company looked at three things: business strategy, business process and organizational structures. Once the strategic destination clearly identified the company was supposed to develop the processes that could take it from strategic objectives to the realization of those objectives. Development of key strategic processes for the realization of strategic objectives and empowerment of those by developing responsive structure is clearly the key objective of BPR. KenGen has chosen BPR as a vehicle to deliver the strategic objectives. This means BPR has been used as a tool for management of the intended strategic change in the company and it makes the link between BPR and strategic objectives of the company very clear.

5.2.2 Examining the nature of BPR project management processes and significant changes made after implementing BPR

There were various preparations that were done before the process could be started. With the help of consultants the company followed diagnose design and deliver approach to look at its existing systems, processes and challenges to identify the needs for managing the strategic change in the company. A joint team comprised of KenGen and consultants established and training sessions were organized to support the process. A steering committee comprised of the board of directors and executive body of the company was established to lead the process. Transformation and monitoring office was established to monitor the process regularly. The project management process was started by the joint team identifying areas of quick wins subjected to the change program. The identified areas of quick wins were presented to the steering committee to make decision on the way forward. The CEO then ensured that all employees were informed of the change taking place. The company had to go through a whole organizational restructuring. Outside consultant and everybody in the company involved in the project management process. The board of directors expressed its commitment to sustain the change program by meeting regularly to receive the report and see the progress. The CEO was so committed by

communicating the change to the entire staff and allocating resources to support the process. Generally the commitment at all level was high.

Identification of the company processes has been undertaken through continuous and interactive processes between the consultant and the company. The first step was identifying the need for strategic change, the second step was identifying the direction you want to go, the third step was identifying the processes and finally develop the structure that is responsive to those processes. Strategy, structure, systems processes and behaviors are the major areas of the company affected by the change process. When selecting employees to be part of the BPR team three factors looked at: cross functional relationship, personal aspiration and level of knowledge. Selection procedures like interview by the consultant, recommendation from chief managers and testing used to pick the best performing team members. Generally the project management process was examined using all the above activities carried out during the process

Both qualitative and quantitative changes have been observed in some of the pilot projects and areas of quick wins started implementation. Even though the process was still in the works, there were incipient benefits that had already been experienced. Staff morale had tremendously improved, company turnover had increased cost and cycle time reduced and the company was now recognizing initiatives taken by employees. From the achievements gained by the pilot projects one can deduce that the changes made so far are compatible to the overall goal of the change program.

3.2.3 The challenges faced and the way they were resolved

The major challenges were the challenges of popularizing the benefits and selling change at the staff and primary stakeholders' level. Minimizing resistance to change was the other challenge faced by KenGen in the process of managing strategic change. The other challenge was domesticating the BPR process/context. Since BPR was new to many choosing the right language to communicate through the entire company was difficult. The top organ of the company has been very committed

to address those issues through development of communication strategy, allocation of share to employees and other means.

In general if someone approaches strategic change without doing something on the processes he will not achieve much or may be he will achieve after spending a lot of time and resources. Hence a sure way of succeeding in those strategic objectives is BPR. Therefore the adoption of the essence of BPR as a tool for management of strategic change came in to picture with due consideration of all those facts mentioned above.

5.3 Conclusion

Business process reengineering (BPR) is one of the more popular methods by which organisations are undergoing restructuring efforts to remain competitive. Public sector organisations, eager to be seen as being more like the private sector, followed many other businesses in the 1990s in embracing Business Process Re-engineering (BPR) as a framework for change. Kenya Generating Company (KenGen) followed suit in using BPR as a tool for management of strategic change in its organization. The company having been transformed from a fully government entity to a partly public one was grappling with customer expectations such as: timeliness, reliability, customization, and convenience. It also had the major challenge of satisfying the huge demand for power the country needed. The change in the regulatory environment has also become a major challenge for the company to manage its relationship with all the stakeholders so as to make sure all its needs are taken care of adequately. There is also a need to enhance its performance and internal capability to be responsive to the changing external environment.

KenGen has changed its strategy due to the fact that it was not able to fulfill its mandate. The new strategy has been based on four major strategic objectives set by the company to cope with such changes from both internal and external environment and fulfil its mandate. To realize these objectives the company was supposed to look at whether what it has been doing before can be able to deliver the new strategy. This was done by the help of outside consultants and changing the way of doing business was recommended due the fact that the inability of the business as is to deliver the new strategy. Three issues came up, business strategy, business process and organizational structures. Once the new strategy designed the process which can support the new strategy must also be in place. Hence the company had no other alternatives except to develop new business process to support that strategy of meeting cooperate objectives. KenGen did not have other choice except reengineering the way it had been doing business to meet the four cooperate strategic objectives.

As a result BPR project was designed to facilitate the change process step by step. The first step was identifying the need for strategic change, the second step was identifying the direction the company wants to go, the third step was identifying the

processes and finally develop the structure that is responsive to those processes. Due to the commitment of the CEO, board of directors, other top level management and management staff for the process remarkable achievements that indicate the realization of implementing BPR has been observed so far. Currently the company identified thirteen major processes, changed its organizational structure from functional to process based and as a result the number of departments reduced from thirteen to six. From the selected pilot projects launched for implementation of BPR both qualitative and quantitative achievements registered. Qualitatively motivation of staffs improved, efficiency in decision making and empowerment of the level one directors including the managers below them significantly enhanced. Quantitatively the company has saved 250 million Kenya shillings from procurement and maintenance sectors and reduction of cycle time from twelve days to six days in annual maintenance from the BPR pilot projects implemented so far. Hence from the facts above one can conclude that the company is moving in the right direction to achieve its strategic objectives by using BPR as a tool to achieve those objectives. Nevertheless, KenGen had not yet implemented fully Business Process Re-engineering and so had not experienced all the benefits. There are also some challenges faced by the company like resistance to change and others that will have impact on the implementation of BPR if they are not addressed properly.

5.4 Recommendations

KenGen has not yet commenced implementation of BPR in full scale except implementation of the BPR pilot projects in selected business sectors of the company. Many of the BPR initiatives failed at the implementation phase due several factors. Among these inability to manage resistance to change is the major one. From findings of this research resistance to the change program was experienced at every level of the company. To minimize this, those involved in managing the strategic change have to understand the needs of employees and they have to make sure that employees have understood the change as well. Development of strong appropriate organizational culture which should start from the adoption of organizational core value will help in avoiding stress and resistance to change among employees. Hence applying more attention on those issues would be vital for successful implementation of BPR in KenGen. Other factors like application of information technology, enhancing

participation of employees in decision making and assigning people who can understand BPR are some of the factors to be considered in the company to make those change initiatives successful

5.5 Limitations of the Study

The study was designed to cover the executive body and other management staff who participated in the reform process. Board of directors, consultants, ministry of energy and other stakeholders involved in the change program left out. So I believe in that inclusion those groups would be additional input for the study. Implementation of BPR in KenGen yet not materialized except in some of the areas of pilot projects launched. As a result Care must be taken to generalize the improvements made so far.

This study was a case study and therefore only a specific company was included in the research. In this respect the approach taken by KenGen in managing strategic change might not work in full for others that have different organizational culture.

5.6 Further study

The current research was focused on one company, KenGen being the largest power producer in the country commanding a market share of 70% was a natural choice. Future studies could look the adoption of BPR as a tool for management of strategic change in other major manufacturing companies in different sectors. Further study also can be carried out on success factors of implementing BPR in KenGen or other similar organizations, which this research failed to cover.

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Appendix 1: Letter of Introduction

Dear/Sir All

I am working on my MBA research project: "Business process reengineering as a tool for management of strategic change at KenGen Company Ltd". The objective of the study is to establish the link between BPR application and strategic goal of KenGen, examine the nature of the BPR project management process and significant changes made in implementing BPR in KenGen, and to identify the challenges faced.

This research study will be important to the management of KenGen to identify the dynamics that are brought about by the implementation of BPR in the company. The government will also find this study useful as a regulator and as a shareholder in the company as regards the effect of business process reengineering in the organization. Moreover it will be so important to myself as a requirement to completion of my MBA. The study will focus on the executive bodies and other management staffs who are involved more on the change program so that to get in depth response.

I plan to collect the data within the period July 20 through July 30/2008 and produce a draft in August 20/2008. I will be using an open-ended interview guide to interview seven executive members and to undertake focus group discussion with ten management staffs representing the BPR team. Hence I would appreciate if you could give me some of your time to talk to you. With regards

Zeynu Jemal Ummer

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Appendix 2: Interview guide

Section A: The link between the use of BPR as a tool for management of strategic change and the over all cooperate strategic objective of KenGen.

1. How do you describe the major drivers of the strategic change in KenGen?
2. What are the over all cooperate strategic objectives of the company?
3. What was the major objective of choosing application of BPR as a tool for management of strategic change?
4. What was its link with the overall cooperate strategic objective?

Section B: The nature of the BPR project management process

1. Was there any preparation before the starting of the project?
2. How do you describe the project management process?
3. Who was involved in the project management process?
4. How do you describe the commitment of top management and other management staffs?
5. How were the company's processes identified?
6. Which areas of the company affected by the process?
7. How was the team spearheading the BPR project selected?

Section C: Significant changes after the implementation of BPR?

1. Were there any changes before and after the implementation of BPR? If so what are the major changes and factors for such changes?
2. How do you describe the compatibility of the changes made with the over all goal of the change program?

Section D: The challenges faced and the way they were resolved

1. Please describe the major challenges faced in application of BPR as a tool for management of strategic change.
2. How were they addressed?
3. What do you conclude the adoption of the essence of BPR as a tool for managing strategic change in your company

Appendix 3: Unstructured interview Schedule

S. No.	Interviewees	Position	Interview date or comments
1.	Edward Ngoroge	CEO	11/09/2008
2.	Beatrice M. Soy	Director human resource and administration	10/09/2008
3.	David Muthiki	Director transformation	06/09/08
4.	Henry Nyachai	Acting director finance and commerce	05/09/08
5.	John Ndambiri	Manager Technical	16/09/08
6.	Richard M. Ndentu	Director operation	15/09/08
7.	Simon Ngure	Director regulatory	17/09/08

Appendix 4: Focus group discussion schedule

S.no	Participants	Position	Date
1	Merry Gachuri	Training officer	15/09/08
2	Bernard Kongo	Technical service Engineer	15/09/08
3	Wilson Kunau	Assistant supply officer	15/09/08
4	John Murihi	Supplies officer	15/09/08
5	Joseph Mbogwa	Regulatory officer	15/09/08
6	Eric Mwenje	Assistant accountant	15/09/08
7	Washigli Wanyang	Maintenance officer	15/09/08
8	Sussy Weke	Human resource officer	15/09/08
9	Moraa Munaweza	Human resource officer	15/09/08
10	Florence Ogida	Human resource officer	15/09/08