

**CHANGE MANAGEMENT IN FINANCIAL INSTITUTIONS:
A CASE STUDY OF KENYAN BANKS**

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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

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A CASE STUDY OF KENYAN BANKS**

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**A Research Report Submitted to the Chandaria School of Business in Partial
Fulfillment of the Requirement for the Degree of Masters of Business
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UNITED STATES INTERNATIONAL UNIVERSITY - AFRICA

SUMMER 2014

DECLARATION PAGE

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

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This Research Report has been presented for examination with my approval as the appointed supervisor.

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Date: _____

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Dean, Chandaria School of Business

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ABSTRACT

This study was driven to determine the effect of change management on the performance of financial institutions in Kenya. This study was guided by the following objectives: to determine the importance of change management in terms of achieving successful performance; to examine the means employed by Kenyan banks in managing change; and to determine the role of leadership in managing change in Kenyan Banks.

The study adopted the descriptive research design. The design was selected to enable the researcher determine the relationship between different variables, in this case change management and performance in the Kenyan Banks. Data was collected through survey method. Primary data was collected for the study using self-administered questionnaires. The population for this study was all Kenyan banks. The total number for the study was therefore 42 banks, simple random sampling was used to select two respondents from each bank which brought the sample size for the study to 84 respondents.

The study results showed that Kenyan banks were currently operating in a rapidly changing environment as compared to the previous years and the rapidly changing environment motivated banks to be more proactive in generating new ideas and improving performance. The study results showed that change in the Kenyan banks was positive and it acted as leverage for success and the change management practices used by the banks reduced the chances of resistance associated with adoption on new ideas. The results of the study showed that the rate and impact of change was not uniform across all banks and that banks could not apply the same change management practices in-order to achieve the same results. The findings of the study revealed that change influences a sense of belonging and commitment by employees to be more productive.

The study results revealed that Kenyan banks had a clear plan of managing change and that change management plans were well known to all employees. The study findings showed that employees in the Kenyan banks were motivated to generate new ideas. The study results showed that employees were rewarded for the new ideas that get adopted by the banks. The study results also showed that the time taken between idea generation and adoption was appropriate and it was revealed that management always explained the need for change to the employees. The results of the study showed that employees were not

always ready for change. The results from the study also showed that communication about change from management was honest and trustworthy.

The study results revealed that management in these financial institutions talked to employees about what should change, more than they told them what will change. The study results revealed that management was always active and visible during change and that risk of resistance to change was well managed through proper education. From the study results, it was clear that management was always united in their determination to implement change and management communicated on the various phases of change as well as what was expected of all employees.

The study recommends that financial institutions should focus on the quality of professional life which focuses on the employee's status, the management needs to place an emphasis on promoting employee participation in the decision making process during change and improve their work design to develop job positions by providing the employees with a greater diversity of tasks, with a greater autonomy and improved feedback regarding work results and organizational changes. This study recommends that for the successful management of change Kenyan banks need to ensure that they have the highly required skill and also need to have the basic valid framework of how to successfully implement and manage organizational change and avoid trends that are reactive, discontinuous and ad hoc.

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LIST OF ABBREVIATIONS

ATMs:	Automated Teller Machines
CBK:	Central Bank of Kenya
COMESA:	Common Market for Eastern and Southern Africa
HR:	Human Resource
IT:	Information Technology
KBA:	Kenya Bankers Association
KIA:	Kenya Institute of Administration
KNB:	Kenya National Bank
KPC:	Kenya Power Company
SPSS:	Statistical Package for Social Science
SRS:	Simple Random Sampling
US:	United States

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Problem

Financial institutions are operating in a very dynamic marketplace today and this requires the ability to choose the right change opportunities while demonstrating the necessary degree of flexibility to meet the fluid requirements of the organization over time (Barbaroux, 2011). The ability to select change management initiatives that are aligned with the organization's strategic direction is fundamental for success. The world of banking and finance has been in a state of constant change. On the one hand, heightened regulations pose a significant challenge; on the other, customer behavior has changed massively (Kaiser & Ringlstetter, 2010). Private customers are fleeing into low-risk and liquid investments which lead to reduced demand for high-margin products and services. The persistently low levels of interest continue to exert additional pressure on yields (Barratt-Pugh, Bahn & Gakere, 2011).

The ongoing process of technological change is also resulting in massive changes, as classical sales paths are increasingly being replaced by digital sales channels (Mwangi & Stone, 2003). This means there is less and less direct personal contact with the customer; moreover, customers also expect a comprehensive multi-channel portfolio from their banks. Banks and financial institutions are reacting to this immense cost pressure with large-scale restructuring programs and measures for continuous efficiency enhancement and permanent cost optimization. Strategies and business models are being adapted to suit the changing customer behavior and to adjust the cost structures in line with the long-term lower profit expectations (Barbaroux, 2011).

Political factors are how and to what degree a government intervenes in the economy and political changes are closely tied up with legal changes and it continually being updated in a wide range of areas (Paton & McCalman, 2008). Specifically, political factors that affect financial institutions include areas such as tax policy, environmental regulations, trade restrictions and reform, tariffs, and political stability (Ledgerwood & White, 2006). Political factors may also include Social and employment legislation and it provides information about potential opportunities and threats around labour changes (Kondalkar, 2009).

Economic changes are closely related to social ones. The economy goes through a series of fluctuations associated with general booms and slumps in economic activity. In a boom nearly all businesses benefit and in a slump most lose out. Other economic changes that affect business include interest rate, exchange rates and the rate of inflation (Hurn, 2012). In addition Stage of business cycle, Unemployment and labour supply, Labour costs likely changes in the economic environment. These factors have major impacts on how businesses operate and make decisions (Paton & McCalman, 2008).

Organizations that are successful with large-scale change initiatives have several things in common; primary among them is a defined governance structure encompassing the entire change cycle. Successful structures begin with the decision process and continue through final execution of the change initiative (Jorgensen, Owen & Neus, 2009). Hurn (2012) defines change management as a planned objective to change a company's direction from the current to a desired future position in the business environment in response to new challenges and opportunities. The current business environment is full of changes that are aimed at improving the quality and timely delivery of products to the customer. He further indicates that new market opportunities and technologies will arise, hence the need to adjust to change in strategic thinking in order to effectively compete and survive. Any business needs to understand that change is inevitable and can occur in both internal and external business environment.

Jorgensen, Owen and Neus (2009) state that current business organizations do not have the luxury of expecting predictable patterns of their operations; these patterns were characterized by short bursts of change, but this has since changed as the current one is full of continuous change. Today's dynamic work environment is witnessing the effects of globalization, technology advances, complex multinational organizations and more frequent partnering across national and company borders.

Organizations need to adapt their structures and processes in a flexible way in order to gain a competitive edge and cope with the evolution of markets. This can be effectively achieved through redefining how they design and distribute tasks, allocate roles and responsibilities, and coordinate dispersed decisions and activities (Hurn, 2012). However,

they also need to find means to maintain the reliability of their structures so as to ensure the continuity of their actions, particularly in hypercompetitive environments (Barbaroux, 2011). The main challenge here is to find a suitable balance between adapting to the flexible environment and maintaining reliability. According to Mejia-Morelos, Grima, & Trepo (2013) change and stability are opposed, but also complementary.

When change is announced in an organization, there is a general hope and feeling among the staff that the outcomes will be favorable to them (Hurn, 2012). The norm indicates that most employees expect a positive outcome and their management will take their needs into account. This also applies to new ideas, products or service. Therefore, trust becomes a key factor in determining how employees think, feel and act in respect to the current change (Smollan, 2013). He further states that trust is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or confront that other party.

Jorritsma and Wilderon (2012) introduce another angle on the issue of change management where they lay emphasis on organizational culture. Mostly, culture is ignored and assumed to have a life of its own. Behavior determines a large part of the expected outcome of change. According to Deresky (2008) Culture comprises the shared values, understandings, assumptions, and goals that are learned from earlier generations, imposed by present members of an organization, and passed on to succeeding generations. This is hugely exhibited during on job training, where a new worker is instructed that the processes are carried out in a certain way and the same should be upheld.

Limitations in change management are associated with the management's perceptions of the need for change, the opportunity to change and the way to change (Jorritsma & Wilderon, 2012). Change agents, usually managers and change recipients, usually employees need to work together to drive change (Gakere et al., 2012). This is usually not easy to achieve as change recipients are known to bring up unreasonable obstacles or barriers that block the change process. This assumption gives away change recipients as a weak link, hence easily blamed for failures.

It is noted in the Central Bank of Kenya (2010a) that the banking system in Kenya has remained stable from 2001 and has recorded remarkable increase in levels of profitability. The overall audited performance of the banking sector measured in terms of capital adequacy, asset quality, liquidity and earnings remained fair, based on the Central Bank's (CBKs) internal rating system. The sector however, has continued to be faced with a number of challenges. These include reduced business activity arising from slowdown in economic growth, and attempts made during the year aim at re-introducing interest rate controls. The stock of non-performing loans still poses a major challenge. The total number of banking institutions has decreased as a result of liquidations and mergers (Okiro & Ndungu, 2013).

The increasingly advanced levels of information technology embraced by banks in Kenya have had a positive impact in the sector, though this has led to a massive reduction in the workforce. The new and dynamic information systems adopted by most banks have enabled them to process data faster and efficiently. This, coupled with increased use of Automated Teller Machines (ATMs) and on-line banking, has freed bank staff from the mundane manual processing tasks (Central Bank of Kenya, 2009).

Over the last few years, there has been a tendency by some banks to reduce the number of their branches. This has in most cases been done with the objective of cutting down costs through staff reduction and to offer quality services to customers (Central Bank of Kenya, 2009). There has been a change in assets composition due to harsh economic conditions that have led to the closure of a number of businesses and low effective demand for bank credit at both personal and corporate level. The banks in Kenya have to change in line with their customers' demands, unlike in the past where the business was never changing. There is a strong need to align operations in line with the various environmental turbulence levels and thus there is need to study the effect of change management in the Kenyan Banks' performance.

1.2 Statement of the Problem

A fundamental assumption of most recent research in organizations' operations improvement and operations learning has been that technological innovation has a direct

bearing on performance improvement (Bryman & Bell, 2003). Change management in financial institutions demand that they should have effective systems in place to counter unpredictable events that can sustain their operations while minimizing the risks involved through innovations. Only financial institutions that are able to adapt to their changing environment and adopt new ideas and business methods have guaranteed survival (Deresky, 2008). Some of the forces of change which have impacted the performance of financial institutions mainly include technological advancements such as use of mobile phones and the internet (Bhattacharya & Thakor, 2003).

Since the beginning of e-banking systems, Kenyan financial institutions have witnessed many changes, customers now have access to fast, efficient and convenient banking services. Most financial institutions in Kenya are investing large sums on money in strategic management to cope with the changes. It is crucial that change management in financial institutions be made through sound analysis of how to proper implement changes to avoid harm on their performance (Central Bank of Kenya, 2009).

Bank performance is directly dependent on efficiency and effectiveness of change management and on the other hand tight controls in standards to prevent negative performances associated with change management. In order not to impair on their prosperity, financial institutions need to strike a balance between tight controls and standards in efficiency of change management (Central Bank of Kenya, 2008). This is only possible if the effects of change management on financial institutions and its customers are well analyzed and understood.

The studies carried in Kenya about strategic change and change management focused on Kenya Power Company (KPC), Kenya National Bank (KNB) and on Kenya Institute of Administration (KIA). These studies determined the best methods of implementing change management and one focused on the profitability performance of the organization (Kimaku, 2010; Gatonye, 2009). There being no study carried out to determine the effect of change management on the performance of financial institutions, this study sets out to try to cover that research gap since it is clear that effects of change management on financial institutions and its customers' needs to be well understood. Smallan, (2012) recommends that future studies should go further and examine trustor's perceptions of the

trustee and how it influences change. He further states that supervisors and more senior managers who are able to gain the trust of their staff by demonstrating ability, benevolence and integrity will also obtain their commitment to a change. Therefore the study focused on the effect of change management on the performance of financial institutions in Kenya.

1.3 General Objective

The general objective of the study was to determine the effect of change management on the performance of financial institutions in Kenya.

1.4 Specific Objectives

This study was guided by the following specific objectives:

1.4.1 To determine the importance of change management in terms of achieving successful performance in Banks.

1.4.2 To examine the means employed by Kenyan banks in managing change.

1.4.3 To determine the role of leadership in managing change in Kenyan Banks.

1.5 Importance of the Study

1.5.1 Financial Institutions

This research has given an insight on how the in focus manages change in terms of new ideas and response to environmental turbulence. Other organizations are now able to understand the practices that enable the top performers stay above the rest in the market.

1.5.2 Academicians

This research has added to the immense pool of research work that is already available. To the academicians, this may be a source of new knowledge in terms of further research to the one already available. They may be able to use this research for reference and as a motivator for more or new research on issue not covered.

1.5.3 Policy Makers

This research may be beneficial to the entire banking industry as it has elicited a need for being proactive in managing and adapting to the changing environment. The industry is characterized by intense competition among the market players. It will enable them move

away from the wait and see attitude, which reduces most of them to playing second fiddle. As a result, there may be increased competition originating from all the banks as opposed to the current top five in the country.

1.6 Scope of the Study

The study was conducted in all the banks in Kenya, according to the latest listing that was obtained from Central Bank of Kenya (CBK) and Kenya Bankers Association (KBA). This gave a good outlook of how banks managed change. This study sought to determine the link between change management and performance of banks. The banking industry was characterized by very stiff competition among the various players. There were a lot of changes in this industry geared towards having a healthy financial profitability. The results of this study were therefore limited to the financial institutions in Kenya given the fact that the study was carried out in Kenya and these results were restricted to the five banks that were under study.

1.7 Definition of Terms

1.7.1 Environmental Turbulence

Environmental turbulence refers to the amount of change and complexity in the environment of a company (Hurn, 2012). Ansoff & McDonnell (1990) define it as the combined measure of the changeability and predictability of the firm's environment.

1.7.2 Change Management

This refers to a planned objective to change a company's direction from the current to a desired future position in the business environment in response to new challenges and opportunities (Hurn, 2012).

1.7.3 Change Agents

A change agent is an event, organization, material thing or a person that acts as a catalyst for change (Pearce & Robinson, 2007). Gakere et al., (2012) state that these are usually managers who are described as those that are doing the right and proper things in organizations.

1.7.4 Financial Institutions

A financial institution is an establishment that focuses on dealing with financial transactions, such as investments, loans and deposits (Hurn, 2012). Conventionally, financial institutions are composed of organizations such as banks, trust companies, insurance companies and investment dealers (Bhattacharya & Thakor, 2003).

1.7.5 Kenyan Banks

Kenyan banks are institutions that provide services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit (Hurn, 2012).

1.8 Chapter Summary

The main highlights brought out in this chapter are the key elements involved in analyzing a firm's environment. The environment here, being both internal and external, in relation to how an organization manages identification of opportunities and aligns its operations accordingly. Further, it also highlighted the need to be first with an idea, product or service in the market in relation to the organization's performance.

The second chapter discussed the literature on the subject topic. This was guided by the research questions that guided the study. The third chapter discussed the research methodology that was adopted in carrying out the study research. The fourth chapter presented the results and findings of the study through graphs and tables, the last chapter offered the conclusion, discussions and recommendations offered by the study.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The literature review in this chapter aims at providing a critical summary of research on the three variables affecting change management in an organization. The literature review is organized in three sections based on the research questions mentioned in chapter one. Section 2.1 gives the introduction of the chapter; section 2.2 defines change management and highlights its scope. Section 2.3 discusses the importance of change management in terms of achieving successful performance; section 2.4 examines the strategy used by Kenyan banks in applying change management; section 2.5 discusses the role of leadership in managing change in Kenyan Banks; section 2.6 gives the chapter summary of what has been covered within the chapter.

2.2 Change Management and Successful Performance

Change management has been defined as ‘the process of continually renewing an organization’s direction, structure, and capabilities to serve the ever-changing needs of external and internal customers’ (Moran & Brightman, 2009). According to Burnes (2004) change is an ever-present feature of organizational life, both at an operational and strategic level. Therefore, there should be no doubt regarding the importance to any organisation of its ability to identify where it needs to be in the future, and how to manage the changes required getting there.

Consequently, organizational change cannot be separated from organizational strategy, or vice versa (Burnes, 2004; Rieley & Clarkson, 2008). Due to the importance of organizational change, its management is becoming a highly required managerial skill (Senior, 2002). Graetz (2006) goes as far as suggesting that against a backdrop of increasing globalization, deregulation, the rapid pace of technological innovation, a growing knowledge workforce, and shifting social and demographic trends, few would dispute that the primary task for management today is the leadership of organizational change.

Since the need for change often is unpredictable, it tends to be reactive, discontinuous, ad hoc and often triggered by a situation of organizational crisis (De Wit & Meyer, 2005;

Nelson, 2008). Although the successful management of change is accepted as a necessity in order to survive and succeed in today's highly competitive and continuously evolving environment, the failure rate is around 70 per cent of all change programmes initiated (Burnes, 2004; Graetz, 2006). It may be suggested that this poor success rate indicates a fundamental lack of a valid framework of how to implement and manage organizational change as what is currently available to academics and practitioners is a wide range of contradictory and confusing theories and approaches (Rieley & Clarkson, 2008; Senior, 2002).

Even though it is difficult to identify any consensus regarding a framework for organizational change management, there seems to be an agreement on two important issues. Firstly, it is agreed that the pace of change has never been greater in the current business environment (Balogun & Hailey, 2008; Burnes, 2004; Kotter, 1996; Moran & Brightman, 2009). Secondly, there is a consensus that change, being triggered by internal or external factors, comes in all shapes, forms and sizes (Burnes, 2004; De Wit & Meyer, 2005; Kotter, 1996), and, therefore, affects all organisations in all industries.

2.2.1 Types of Organization Change

Organizational change may be categorized in many ways. The most comprehensive of them is the one that describes change depending on three main dimensions: origin, result and process of change. The origin of change, introduced as dimension by Nadler and Tushman (1989), has to do with the how change is made in an organization. This includes change from the environment in which the organization functions, or by the latter's initiative. This means focusing on both unintentional changes, those that just happen, as well as intentional or deliberate changes, actions taken by the organization (Nelson, 2008). Certainly, the line between them is not drawn as clearly in real life, as intentional changes may be influenced by an event outside the organization.

A possible classification relates to external key-events, in reactive changes and anticipatory changes as the name shows, they are initiated in anticipation of events (Nadler & Tushman, 1989). On the other hand, the result of change is tightly connected to the definitions described above. The most popular way to classify organization changes is

according to how radical a change it appears to be (Rieley & Clarkson, 2008; Nadler & Tushman, 1989).

2.2.2 Organizational Forces and Targets for Change

The forces for change driving organizations of all types and sizes are ever present in and around today's dynamic work settings. They are found in the organization– environment relationship, with mergers, strategic alliances, and divestitures (Burnes, 2004) among the examples of organizational attempts to redefine their relationships with challenging social and political environments. They are found in the organizational life cycle, with changes in culture and structure among the examples of how organizations must adapt as they evolve from birth through growth and toward maturity (De Wit & Meyer, 2005).

Most organizations try to have structures that are rewarding to the people, and make an effort to cope with the changes that occur in the corporation bearing in mind all these traits are found in organizations (Moran & Brightman, 2009).

In a company, various mechanisms can be used to schedule modifications that help the organization make a difference. Most of the targets comprise of the people in the organization, duties and the values of the people in the corporation. We must note that the objectives work hand in hand at places of work (Rieley & Clarkson, 2008).

When we alter one objective it will ultimately lead to an alteration in another. For instance, when we modify key duties which are the things people do, it will certainly be followed by an adjustment in skill and how duties are performed (Balogun & Hailey, 2008). Ways in which we communicate, exercise power and the duties we assign to the personnel need to be modified at places of work. Most of the organizational alterations will in turn ensure there will be an improvement in how people behave and also development in abilities of the personnel (Pearce & Robinson, 2007).

2.2.3 Phases of Planned Change

For change to be fruitful, there are three key points that need to be considered and these points as recommended by a psychologist known as Kurt Levin include unfreezing, changing and refreezing (Lewin, 1958). Kurt Levin also states that we can put all our

attention and focus on the stage that requires a little shift and entirely forget about the unfreezing and refreezing phases.

2.2.3.1 Unfreezing

Unfreezing is mainly trying to make people move out of their comfort zone and ensure that they strive for something new. Lewin's model ensures that people are directed and encouraged to embrace change (Lewin, 1958). If most scenarios are not properly unfrozen they tend to fail because most modifications have not been tried. Unfreezing is partly as a result from pressure from a certain environment or when there is a deterioration in our performance (Schein, 2002). The phenomenon of the boiled frog mainly affects large organizations (Schein, 1985).

The highlighted concept is that when we see a situation that will land the organization into trouble or hinder the success of the company we immediately avoid situations and seek better alternatives. Sometimes as organizations, we find a problem affects us but we do not find solutions for them, we get comfortable and become part of the problem rather than the solution and that is the beginning of our downfall as a company. When those managing organizations fail to study the changes in the market, they will lose out because they will not be able to understand the needs of the market and compete with their rivals effectively (Senior, 2002). Sometimes we react to situations when it is too late despite there being indications that we needed to shift our attention to a particular situation to enable us succeed. Most successful organizations have leaders who are always studying the market trend and are very much aware of what is going on, and know how significant the process of "unfreezing" is to enable them change (Schein, 2002).

2.2.3.2 Changing

For an organization to experience the changing phases it will include changing a few things, namely the personnel, most of the responsibilities and the expertise. Those who try to transform most organizations at times pick such ideas from a trend in the society. They begin changing things without proper consultation or studying the market needs, and do not consider the unfreezing phase. A number of times they have all the best intentions at heart, but are not well equipped for the challenge ahead which in turn leads

to failure. When we try to make changes yet we do not have the proper basics, then everything else becomes more problematic (Lewin, 1958).

2.2.3.3 Refreezing

Refreezing is usually the last phase in the process of change. For there to be continuity in benefits brought about by change, it is proper for an organization to come up with a design to ensure continuity and make sure it becomes part of their routine (Lewin, 1958). In case where a company is going through a hard time it must be able to bank on refreezing, because this is a process that helps organizations achieve the best results. The process is vital because it analyses the benefits that come with the change and also gives room for alterations to be made to help improve or increase profits (Schein, 2002; 1985).

2.2.4 Effect of Change Management on Organization Performance

Organizational change is prompted by a firm's interrelated strategic objectives regarding productivity, profitability and market share. In survey findings, for example, increased efficiency emerges as one of the main motivators for organizational change in firms in Sweden, Finland, and Denmark (Agenor, 2000). The longer-term strategic aim of enhanced performance was an important reason for organizational change in Sweden and Finland, while in Denmark, the need to improve work co-ordination within units, ahead of market pressures, and the need to maintain or improve market share were main drivers (Kotter, 2008). Market pressures were the overwhelming reason cited by Canadian firms for embarking on an organizational change programme. Canadian firms also ranked meeting domestic and global competition and increased profitability as important (Bøllingtoft, 2009).

2.2.4.1 Management Practices

Organizational change in enterprises is also being driven by the need to make better use of knowledge, technology and human resources in today's competitive environment (Kotter, 2008). The increased importance of technology has been accompanied by an enhanced role for intangible assets, particularly innovative capacity and labour skills. Strategic business thinking has shifted away from products, plants and inventory towards employees, information and knowledge. Consequently there is far greater demand for multiskilling, up-skilling and re-skilling of the labour force. Firms are adopting new

“knowledge management” strategies which drive organizational change throughout the enterprise (Kaiser & Ringlstetter, 2010).

According to Burns et al. (2003) firm-level organizational change takes many forms, but can be classified into three broad streams: firstly, the restructuring of production processes; secondly, management systems and employee involvement schemes; and thirdly, external re-organisation emphasizing customer orientation, outsourcing, and firm networks and other collaborative arrangements. They further state that, internal re-organisation typically affects the organisation of production approaches and work practices while external re-organisation is associated with the improvement of relations with customers and other firms. In practice, firms tend to apply an eclectic set of organizational practices, often spanning the three broad streams.

Firms can improve their performance in terms of productivity, efficiency and innovation and their international competitiveness through reorganization of their structures and processes. Several studies (Pasmore et al., 2013; Kotler, 2008; Kieffer, 2005) attest to the positive performance effects, in particular productivity gains, when single organizational practices like quality controls and increased training are implemented (Kaiser & Ringlstetter, 2010). However, in many cases, the performance improvements may occur only after a certain time lag or with initial adjustment costs including labour shedding.

More successful is the introduction of complementary organizational changes. The implementation of bundles of high-performance practices, as opposed to single practices, is very beneficial for firms (Evans & Lindsay, 2011). Synergies exist between incentive pay schemes, the use of work teams, and enhanced training for employees (Carpenter & Weikel, 2011). The bundling of production and human resource management practices is particularly effective (Burns et al., 2003). Firm performance has been shown to improve with investments in flexible employee management and compensation programmes together with process and total quality management programmes (Kaiser & Ringlstetter, 2010).

The adoption of “flexible” management practices including decentralization, team working, job rotation, training and innovative compensation schemes appears critical to

realizing change management benefits from new approaches (Kondalkar, 2009). Organizational practices that encourage different forms of worker involvement in the improvement of service processes are strongly associated with increased firm productivity (Evans & Lindsay, 2011).

Paton and McCalman (2008) finds that enhancing workplace participation can have long-lasting effects on performance when it involves decisions that extend to the whole organization and substantive participation in decision making by front-line workers. In contrast, consultative arrangements such as quality circles - which involve information sharing rather than decision making - have more short-lived benefits (Bøllingtoft, 2009). Workplaces with no participative culture are significantly outperformed by those with more innovative management practices, particularly when small workplaces are included in the sample (Kondalkar, 2009).

In particular, project teams and matrix organisations have been found superior to traditional management structures for meeting project deadlines, cost and technical performance objectives (Marwah, 2013). Changes in a firm's human resource strategy - including more employee participation, incentive pay and training - are associated with significant gains in cash flow, profits and firm market value (Carpenter & Weikel, 2011). Profit sharing in United States (US) firms was found to increase performance in a majority (57 percent) of firms and reduce defect and downtime rates by 23 percent in the first year (Bøllingtoft, 2009).

Staff training is positively correlated with productivity performance, although with lagged results. In the short-term, training investments can lead to a drop in performance due to the initial adjustment costs associated with the introduction of new workforce skills. Moreover, Oxelheim and Wihlborg (2008) find that the greater the proportion of time spent in formal off the job training, the higher the performance rise because training workers outside working hours lowers the output loss associated with on-the-job training; and employers that train their workers off the job may be investing in more advanced and more time-intensive skills development. For non-manufacturing firms, the content of training has an important impact on performance, particularly computer and information

technology (IT) skills development. Training is also associated with improved quality in output and reductions in scrapping.

Employee involvement and effective labour-management relationships are vital to fostering organizational change and raising productivity (Bøllingtoft, 2009). He further states that union presence has positive effects on performance by lowering the costs of introducing new workplace practices and encouraging worker participation. New work practices are also more prevalent among unionized firms and those with work councils (Marwah, 2013). In his study on the United States, he found that, with unions in place, several management approaches for example increasing the share of non-managers using computers, having workers meet regularly to discuss workplace issues, profit-sharing for non-managers, self-managed worker teams plus total quality management - yielded performance increases of 20% above the base case. Firms that adopted joint decision-making and incentive-based compensation had higher performance than similar non-unionized plants or unionized plants with traditional labour-management relations. However, negative performance outcomes can occur if unions restrain management choices or pursue restrictive practices (Burns et al., 2003).

2.2.4.2 External Relations

Performance benefits are being seen in firms that alter their external relations to focus more on clients and networking. In a survey of Danish firms, those adopting new external practices realized higher performance increases than those which did not. These included outsourcing of services, strategic alliances, joint ventures and mergers and acquisitions.

The direction of change appeared less important than the attention paid to initiatives that improved the division of labour with external suppliers. Collaborating and entering into networks and alliances with other firms was very advantageous (Danish Ministry of Business and Industry, 1996). Enterprises operating in clusters with related firms in supply chains generally outperform those which do not (Kondalkar, 2009). Oxelheim and Wihlborg (2008) state that efforts to streamline business processes improve product and service delivery and enhance supplier-customer relations increase innovation within firms and the exploitation of new technologies. Alliances with customers and suppliers enhanced innovation and marketing in Australian manufacturing firms (Paton &

McCalman, 2008). Adopting technology-based customer relations management techniques is positively correlated with productivity increases, particularly in service sectors.

2.3 Kenyan Banks and Change Management

Looking at the background of most central banks all over the world that had a financial crisis in 2008, we find that they were also affected by the changes that occurred in macroeconomic environments (Central Bank of Kenya, 2010).

Some of the key obligations by the central bank are to ensure that there is financial stability, ensure the market price is always right and proper regulation to all the financial institutions (Agenor, 2000). This is to help ensure that the customers are not overcharged by the financial institution (Central Bank of Kenya, 2009). Better regulation entails having a system that can readily identify weaknesses and emerging vulnerabilities; is capable of analyzing risks and so adequately pricing risks; provides appropriate incentives (penalties) to induce prudent behavior in the market place; and the growth of financially stable organizations that are to cope with changes in the economy and boost the market (Central Bank of Kenya, 2010).

Availability of capital is one thing that supports an organization. The actively changing world forces us to improve on human capital development to help us deal with the everyday challenges. Most corporations should work towards developing the employees skills to this will equip them with proper knowledge to work their way in case of any challenge (Mwangi & Stone, 2003).

There must be proper control in organizations for the actual and maximum effect to be felt. Banking institutions in Kenya are trying to come up with key features that will be a driving factor for them in the 21st century and there is a need for banking institutions to differentiate between their obligations and recruitment (Njuguna, 2012).

Employees must be able to know what is required by the commercial bank and also be conversant with the environment to ensure optimum performance, and must also be able to fulfill its key obligation. Transformation is crucial for commercial banks and is

principally arising from changes in the global financial market and this is a key area that requires a lot of focus (Kimaku, 2010).

For management, there is a need to answers to the following questions: how will duties of commercial banks change with anticipated global development and global responsibilities?; how have demands on commercial banks changed - nationally and expectation?; what capabilities need to be built?; and what can managers do to facilitate the desired changes and ensure commercial banks executives have the right set of skills at all levels? (Njuguna, 2012).

For the most financial institutions to be able to march to the global standards they will be expected to understand and perform their duties in relation to the standards. As the standards continue to improve more opportunities will be created (Gatonye, 2009). In today's society there many outstanding topics that need to be addressed in relation to financial institutions.

2.3.1 Regional Integration and Capacity Development

Capacity development is one of the processes that are actually helping improve integration of Common Market for Eastern and Southern Africa (COMESA) in the region. One key success indicator by COMESA is the establishment of the Monetary Institute being hosted at the Kenya School of Monetary Studies in acknowledgement of capacity building and is a requirement for attaining fruitful integration. The central banks who are partners have felt that it is necessary to review the outlines the guidelines that march the global standards (Njuguna, 2012).

It is appropriate to set up an integrated outline for an all-inclusive method for capacity building in COMESA between financial institutions and the Central Bank. When such strategies are implemented the banks within the region will be advantaged (Mwangi & Stone, 2003).

2.3.2 Performance Management and Talent Development

Conventionally, employees in most of financial institutions have been a blend of both the young and the old, but with the older generation being the majority. This mix makes it

hard for the Human resource managers to address the needs of younger workforce with that of the older workforce (Ledgerwood & White, 2006). The younger workforces are faced with challenges of experience despite being ready to take on the tasks that come their way (Central Bank of Kenya, 2010).

Managing this set of individuals is important for the growth of any industry but especially for financial institutions where the composition of the staff is quickly shifting. The challenge consequently is to develop persons who are hard working on the basis of expertise at the same time tapping into the knowledge of the younger generation without compromising on morale (Agenor, 2000). The earlier practices where employees were hired for life no longer exist. Human Resource (HR) is encouraged to motivate their employees by giving them opportunities to further their education and also give feedback on their work (Kimaku, 2010).

2.3.3 Managing Change in Banks

Technology has become part and parcel of organizations. Financial institutions have undergone a major revolution. Most of the financial institutions in Kenya are taking advantage of technology to perform their duties. For the process to be fruitful it will entail guiding the people who form part of the system, to enable them get acquainted and accept it. In an organization the department whose key role is to help the workforce embrace technology is the Human Resource Department (Gatonye, 2009; Kimaku, 2010).

2.3.4 Human Resources

The employees of an organization are the ones who determine how it will perform. This entails employing the best in the industry, and coming up with strategies that will keep them in the company, and also ensure they are happy as they work for the organization. For a financial institution to be successful it has to have proper leadership mechanisms that help give it good guidance, exude a lot of professionalism and also focus on the key obligations that satisfy the customers and the investors (Mwangi & Stone, 2003).

2.3.5 Strategies Employed by Banks in Managing Change

For a business to be successful, suitable plans must be put in place to make the tasks more applicable. The change curve is sometimes referred to as the “loss transition curve” and

was derived by Dr. Elizabeth Kübler – Ross’ studies into bereavement, first published in 1969 and later embraced as part of organizational management theory.

2.3.5.1 Transformation Success

First, for transformational success to be experienced, it is vital to get support from the senior management, if that does not happen, all the plans will not work. Second, it is advisable for the employees to cope with and accept challenges as they emerge as it helps the organization grow. On this basis, acceptance by the administrators of integrated business plan goals will then allow them to reflect the kind of change strategy suited to initiate changes required to simplify improved organizational performance (Pasmore et al., 2013).

In agreeing an appropriate strategy, or combination of strategies, for change, the organization’s management will need to take into account the following factors: the urgency of the situation; the degree of the opposition expected; the power base of the change initiator; the existing transparency of information and ease of communication; demonstrable examples of commitment to integrated planning during the change programme; and the nature of the current organization’s culture and its likely response to change (Altman, 2008).

Cummings and Worley (2005) indicate that transformation success demands more than the best strategic and tactical plans. Traditionally, main focus of change was on senior executives and their advisors. Change requires an ultimate understanding of human side as well as the organization’s culture, values, people and behaviors. These must be changed in order to deliver the desired results.

The concrete reason of change management varies for different organizations and is probably not the same. The principle behind change management is the same, which is making the organizations more effective, efficient, and responsive to the turbulent environment changes (Song, 2009). This section attempts to explain why change management strategies fail from four perspectives (leadership, culture and quick response) that are major factors to determine whether change management is successful or not.

2.3.5.1.1 Management Levels and Other Concerns

2.3.5.1.1.1 Senior Level Managers

Schroeder-Saulnier (2009) states that, this caliber of management is usually charged with decision making in regards to change strategy and also committing of resources towards the change. She also states that change is highly dependent on the approval granted by the senior level managers. She further states that, senior level managers' need to initiate, guide and champion change. She further states that they should do so while ensuring engagement among the rest of the organization by keeping employees informed about the change process. They should also follow through on actions and come up with appropriate responses to change.

2.3.5.1.1.2 Middle Level Managers

These managers must facilitate change and help their employees understand the reasons for the change and adapt to it and they are responsible for business strategy (Schroeder-Saulnier, 2009). They should also ensure that employees have clear roles and accountabilities, as well as the authority to make necessary changes in their work.

At times organizational change usually takes a long time despite support coming from the top management; hence, they have to come up with the best policies to enable organizations choose the desired strategy. Before a suitable method can be chosen it's vital to understand the goals that need to be achieved. Emphasis is put on needs of the people, their culture and the location of the business of which if they are not considered the organization may not make profits in the long run (Oxelheim & Wihlborg, 2008).

Under the situations of change management leaders are required to harness the skills and capabilities of others to adapt to different situations in collaborative way. Leadership style and behavior may vary according to the different characteristics of different organizational situations. Therefore, excellent characteristics would be helpful to be a good leader. However, leadership style should be changed according to different situations, if not; it would result in the failure of change management strategies (Schroeder-Saulnier, 2009).

2.3.5.1.2 Culture

According to Deresky (2008) Culture of a society comprises the shared values, understandings, assumptions, and goals that are learned from earlier generations, imposed by present members of a society, and passed on to succeeding generations. Human beings and organizations find it difficult to get used to changes. Despite the necessity for change, Alexander (2007) observes that people often feel demoralized by change initiatives.

Culture is a complex conception and varies between individuals and organizations.

The values that we exude in our organizations are usually a mixture of our morals, principles and behaviors (Keifer, 2005). Taneja et al. (2008) indicates that culture is a major determinant of long-term positive results as opposed to the specific methods of implementing changes. This is because it is not easy to change people's old way of thinking and running operations in an organization. For instance, when most banks were automating their systems some employees were pessimistic about its success. Reason being, they were used to the manual way of operation.

Culture is capable of blunting or significantly altering the intended impact of even well-thought-out changes in an organization. Song (2009) indicates that an organization is likely to meet resistance to change due to incompatibility between change management strategies and culture. Therefore the management needs to analyze and pinpoint in advance where they are likely to encounter this. The organization needs to make choices regarding whether to: a) ignore the culture; b) manage around the culture; c) try to change the culture to fit the strategy; or d) change the strategy to fit the culture.

All in all, considerations must be given to managing organizational culture or even changing the strategy to take account of the culture in change management. Organizational culture can be perceived from the top or the bottom of the organization. As a result, changes in the organization can lead to a change in the organizational culture that can make it more or less supportive of organizational outcomes (Austin & Claassen, 2008).

2.3.5.1.3 Speed of Response

The problems and challenges facing organizational leaders, organizational development experts and researchers relate to the speed and complexity of change required today (Pryor et al., 2008). The speed and complexity of change is very high in the Kenyan banking sector owing to a number of factors. In most scenarios, the first mover reaps maximum returns; conversely also the second but better mover does well. The second but better mover improves on the weaknesses or innovations of the predecessor, hence performing well.

According to Song (2009) each organization has a unique specific environment within which it operates. Successful change management requires the organization to have a quick and proper adaptation to the characteristics of that environment. Therefore, organization's failure of properly adapting to external environment changes will lead to the failure of its strategies. For instance, Kenyan banks in are embracing technology in the highly turbulent environment in a bid to automate their operations. This is geared towards offering efficient service and gives them competitive advantage in the market.

2.3.5.2 Change Reactions

How we react to change can be characterized as one of the simulations that help people as they go through the process of change. There are various clusters when it comes to how we react to change, majorly we can have a group of people who do not like change to those who have to be part of it but do not care whether the process is fruitful or not. The four categories of resistance are protesters, zombies, saboteurs and survivors (Barney, 2009).

Protesters: these are the outspoken lads in a group who oppose and object the organization implementation openly; they can be calmed down by addressing their issues.

Zombies: these are the quiet lads in the group who do not hold strong opinions on matters, they are happy to follow the organizational changes without adding any constructive thought.

Saboteurs: these are firm believers in old ways and systems of doing things and thus will critic any new change that is proposed to them. They also look for any opportunity to ensure that proposed changes fail.

Survivors: these are the people who look after their own interests and will accept and adapt to new challenges quickly and taking every advantage produced by the changes (Barney, 2009; Altman, 2008).

When a manager is able to know and understand his employees well, he will be able to offer them an opportunity to embrace and be part of the process of change without them being in conflict. Usually how people react towards change is measured by the amount of commitment that is needed for the change to take place (Combs & Ketchen, 2009).

2.3.5.3 Change and Security

For those involved in initiating or implementing a change programme, knowledge of the perceived security issues needs to be understood as this will aid communications and allow the most appropriate approach to be selected aimed at gaining support from those affected (Anderson, 2007).

The extent at which a person or an organization can feel safe or not safe in a society is determined by different forces or feelings. How we feel is what will determine how we react to the changes that need to be occur in an organization. Hence, it is vital to know the things that improve an employee's values in a business, the values serve as a guide to encourage people to react positively to changes in a corporation and in turn will help the organization to perform better in the future (Kotter, 2008).

Leaders in a corporation should be rewarded for being able to uphold a high performance in an organization and encouraging the right values in the social environment which will in turn lead to success (Hambrick & D'Aveni, 2006).

2.4 Role of Leadership in Managing Change

According to Schroeder-Saulnier (2009), leadership is inspiring others to pursue the organization vision within the parameters set, to the extent that it becomes a shared effort, a shared vision, and a shared success. She further states that leadership in the business world requires harnessing the energy and efforts of a group of individuals so that their outlook is advanced from an unremarkable Point A to a very desirable Point B - from bad to good, slow to fast, red to black. During that process, leadership manifests in projecting their expertise in a way that gains the confidence of others (Barratt-Pugh, Bahn & Gakere,

2011). Ultimately, leadership becomes about trust - when that confidence inspires them to align their vision and level of commitment for the betterment of the company (Schroeder-Saulnier, 2009).

Leaders are responsible for bridging the gap between strategy decisions and the reality of implementing the changes within the structure and workforce of the organization. In addition, leaders need to ensure that each organizational level learns how to respond to and manage change in ways that take into account their roles and the amount of control they exert over the process (Schroeder-Saulnier, 2009). She identifies senior level and middle level managers as key to change management. There are certain change management strategies recommended for leaders:

2.4.1 Change Management Considerations by Leaders

2.4.1.1 Directive Strategy

Direct strategy can be carried out really fast because authority is used to ensure that all the changes are done without any consultation. Nonetheless, since the employees feel that they are not appreciated they become resistant, and sabotage the process (Anderson, 2007). This is authoritarian and though it might get things done, it will not be done to its full potential. The internal disquiet by employees might limit the full potential of the results targeted by the change (Schroeder-Saulnier, 2009).

2.4.1.2 Expert Strategy

The expert strategy methodology is often used when trying to resolve “technical” issues or when upgrading an IT system or when a new system is being tried. It is key that when you are putting a new system in place, or when there are changes in the procedure, one has to ensure that it is not too technical to the point one cannot easily get an expert in case there is a problem with the system (Combs & Ketchen, 2009). This is evident in the event when banks, for instance are implementing a new technology based system. Majority of banks enlist services of vendors or consultants in acquiring and implementing a new technology based system.

2.4.1.3 Negotiating Strategy

When an organization is willing to yield from a situation by involving the concerned parties in a discussion, and make them part of the decision making, the strategy is known as negotiating strategy. When such a method is used, it purely does not mean that the managers have no say, it just shows that input from employees is valued (Altman, 2008).

The method ensures there is little or no defiance by the personnel in case of any changes because they are part of the decision making and know and understand what works for them. One thing that does not favor this approach is that it takes a very long time before decisions are made. One very common example is when employees decide to change how they work in order to get a higher pay (Anderson, 2007).

2.4.1.4 Educative Strategy

For this type of strategy to be exercised, it means that the employees have to be fully dedicated to the principles that guide the organization, and they must be willing to adjust. Creating a winning attitude with the “heart and mind” is a multiplex procedure, and a number of processes are involved, for example: education and communication. One good thing about this strategy in case it becomes fruitful, is that most of the individuals will be more than committed to the process of change. The only disadvantage about this strategy is that it takes longer than other strategies to implement (Pasmore et al., 2013).

2.4.1.5 Participative Strategy

The approach has an upper hand over the other strategies in how it's executed: it ensures that individuals are always engaged, hence, improving loyalty, and also ensures there is a lot of zeal towards the process of change. Furthermore, when there is high employer to personnel engagement it gives them a chance to learn from each other, but decision making takes a much longer time (Hambrick & D'Aveni, 2006).

Utilizing a combination of the educative and participative strategies would be the best for financial institutions. This is because according to Pasmore et al. (2013) educative strategy offers a positive commitment from the employees to change and according to Hambrick and D'Aveni (2006) the participative strategy offers opportunities for both

managers and employees to learn from the experiences and skills of the wide participation.

It is noted that all the five strategies have more than one method that is used to address the issues. The most suitable strategy for the organization, to help during the process of change is the participative strategy because it helps it accomplish its needs (Oxelheim & Wihlborg, 2008). This in turn brings about an increase in production owing to an increased say in decision making, hence a strong feeling of association.

2.5 Chapter Summary

This chapter has relied on review of existing literature. This data has been used to expound on the effect of change management on the firm's performance; determine means of managing change in organizations; and examine the role of management in implementing change management within the organization. The chapter has given in detail the various strategies that organizations can use to minimize the negative effects of change management as well as the role of management during a change management process. The next chapter highlights the research methodology that was used for the study.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

In this section, attention will be shifted to try and understand procedure that was used to do the research. It highlights in detail the research design selected for the study.

A descriptive research design was used to carry out the study. The design was used since it enabled the researcher to employ the use of a sample survey approach. The population of the study comprised of all banks in Kenya. Data was collected by the use of a questionnaire which was administered by the researcher directly to the target population. Quantitative data was collected and was analyzed using descriptive statistics.

3.2 Research Design

A research design encompasses the method and procedures employed to conduct scientific research. Devine and Heath (2009) defines a research design as a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings. Weathington, Cunningham and Ittenger (2010) state that, a research design is a researcher's overall guide for answering the research question or testing the research hypothesis.

Descriptive research design was be used in this study. Descriptive studies are conducted to demonstrate associations or relationships between different variables (Wodak & Meyer, 2009). A descriptive study is a study that comprises various steps which include testing the validity of a particular study hypothesis. According to Bryman, Becker and Sempik (2008) descriptive research design is used to describe systematically the facts and characteristics of a given population or area of interest, factually and accurately. The research design was chosen because it was a convenient, suitable and valid method for researching on the specific subject of change management.

Data was collected through survey. A survey research is a method of sociological investigation that uses question based or statistical surveys to collect information about how people think and act (Haer & Becher, 2012). Survey research may be in the form of a sample survey or a census survey. In a sample survey, the researcher gathers information

from the respondents of part of the population that is of interest to the study and in a census survey; however, information is gathered from every member of the population (Scott, 2010). For the purposes of this study, the researcher used the sample survey since only a sample from the population chosen for the study was administered with questionnaires. This design saved on time and ensured that the population of study was well represented. The design also was appropriate because the population of study was of a manageable number and was readily accessible.

3.3 Population and Sampling Design

3.3.1 Population

Given (2008) defines a target population as a fragment of the whole group that a researcher would like to carry out tests on. It represents the aggregation of respondents that meet the designated set of criteria within a study. The main purpose of sampling is to study only some elements of the population. This makes it possible to draw realistic conclusions about the entire population. The population for this study was all Kenyan banks. The total number for the study was therefore 42 banks.

3.3.2 Sampling Design

Sampling involves a process of selecting a sub-section of a population that represents the entire population in order to obtain information regarding the phenomenon of interest (Noy, 2008). A sample is a sub-section of the population, which is selected to participate in a study. There are two methods of sampling, one yields probability samples in which the probability of selection of each respondent is assured. The other yields non-probability samples in which the probability of selection is unknown (Given, 2008). Fielding (2010) define sampling as a method of selecting a portion of the population for conducting a study in order to represent the population adequately since it is impossible to take the entire population because of time, financial factors and errors which discourage the researcher and lead him to surrender the study.

3.3.2.1 Sampling Frame

Lohr, (2010) defines a sample frame as a foundation or the official list from which a study sample can be selected and should be closely related to the population. It can also refer to a list of all those elements within a population that can be sampled, and may

include individuals, households or institutions (Singh, 2008). Sampling frame can therefore be defined as the actual set of units from which a sample has been drawn, in the case of a stratified sampling; all units from the sampling frame do not have an equal chance to be drawn and to occur in the sample. For this study, the sampling frame was obtained from the official list of all banks in Kenya obtained from Central Bank of Kenya (CBK).

3.3.2.2 Sampling Technique

Sampling techniques are statistical methodologies that are used by researchers during the statistical process of sampling (Noy, 2008). A stratified sample is a probability sampling technique in which the researcher divides the entire target population into different subgroups, or strata, and then randomly selects the final subjects proportionally from the different strata (Lohr, 2010). Stratified sampling technique was used to select the respondents from among the list provided by CBK in order to capture managers and staff who were the study's strata. Singh (2008) notes that stratified sampling is an adjusted technique of the random sampling and it involves the division of the target population into different groups that are relevant to the study based on particular attributes.

Stratified sampling is used when the researcher wants to highlight specific sub-groups within the population (Vogt, Gardner & Haeffele, 2012). Since the study targeted different banks in Kenya, stratified sampling was the most convenient sampling technique for the study. This method was used because it was simple and it easily applied to the target population. The study sample was divided into two stratum comprising of managers and regular staff members within the organization. Selection of members within the strata was done through the use of simple random sampling (SRS). In this study, SRS was deemed ideal because it gave an equal chance of selection to all the population elements. This was aimed at minimizing biasness and it simplified the analysis of results.

3.3.2.3 Sample Size

A sample is defined as a small proportion of an entire population; a selection from the population (Lohr, 2010). Sample size determination is the act of choosing the number of observations or replicates to include in a statistical sample (Singh, 2008). The sample size is an important feature of any empirical study in which the goal is to make inferences

about a population from a sample (Noy, 2008). A sample size facilitates the researcher to determine particular findings about the whole target population. A sample size is a representation of the whole group and it is relevant if it accurately denotes the characteristics of the whole (Singh, 2008; Noy, 2008).

To ensure that the sample accurately represents the population, the researcher clearly defines the characteristics of the population, determines the required sample size and chooses the best method members of the sample from the larger population (Lohr, 2010). Since all banks operating in Nairobi were being studied, the researcher selected two representatives from each bank comprising of one manager and one regular staff who were randomly selected. The sample size that was used in the study has been presented in Table 3.1; and the total sample size for the study was 84 respondents.

Table 3.1 Sample Size Distribution

Sample	Distribution	
	Total Number	Sample Size
All Banks in Kenya	42	2 Respondents per bank
Total	42	84

3.4 Data Collection Method

Data collection is a systemic way of gathering information, which is relevant to the research purpose or questions (Onwuegbuzie & Leech, 2005). Primary data was collected for the study using self-administered questionnaire. A questionnaire is defined as a data collection technique where the respondents are asked to respond to pre-determined questions that are similar in all aspects (Verschuren, 2003). Fielding (2010) defines a structured questionnaire as a formal list of questions designed so as to get the facts. This study used closed ended questions to gather data for the study.

The questionnaire that was used in the study was divided into various sections that were steered by the set objectives. The first section addressed the bio-data of the respondents. The second section determined the effect of change management on the firm's performance. The third section of the questionnaire addressed the means employed by

banks in managing change and the fourth section addressed the role of leadership in managing change. The questionnaire had a five point like scale that contained a series of statements that expressed the various impacts observed by the respondents. The likert measure permitted the respondents to ratio questions on a gauge of ranges that were given by the researcher. The likert scale was used by the researcher since the researcher wanted the respondents to give a view on specific items of the study. The likert measure was specific for graphical control and comfort of analysis.

3.5 Research Procedures

Arksey and O'Malley (2005) state that it is imperative for a researcher to test the reliability of the data collection instrument for the study results to be reliable. A questionnaire was developed guided by the research questions that guided the study. a pre-test was carried out to determine the validity of the research tool by being administered to a random selection of six respondents from the target population who were not included in the final population. This was done to test the validity and refine the tool. This was done to ensure that the questions therein would be able to meet the objectives of the study.

The researcher administered the questionnaires individually to the selected population target which was the staff of the selected banks. The researcher exercised care and control to ensure all questionnaires issued to the respondents were received. To achieve this, the researcher maintained a register of questionnaires, which were handed out and those that were collected from the respondents. The respondents were given a three day period to complete and fill the questionnaires so that they did not rush through and gave an accurate account.

Data was collected in March and April 2014. Primary data for the study was obtained through the use of a structured questionnaire. The prospective banks and respondents were approached and requested to participate in the study. Bryman (2007) states that a detailed information about the study needs to be given to the population before carrying out a study, for this study this was done using the official e-mails of the respondents before consent to participate was obtained. Both verbal and written consent were obtained before the distribution of the questionnaires.

3.6 Data Analysis

Data analysis is the systematic organisation and synthesis of the research data and the testing of research hypotheses, using those data (Creswell and Plano, 2010). It also entails categorizing, ordering, manipulating and summarizing the data and describing them in meaningful terms (Pearson, 2010). The completed questionnaires were analyzed using the Statistical Package for Social Science (SPSS) Student Version 16.0 (Babie & Halley, 2007).

Most of the questions included in the questionnaire were closed-ended questions. These were coded for easy analysis by computer. The percentages, means and standard deviations were used to analyze the likert scale questions that were in the questionnaire. Correlations were also used in the study to determine the strength of the relationship between the study variables. The findings have been discussed and the data presented in the form of frequency tables and bar graphs in following chapter.

3.7 Chapter Summary

This chapter has discussed the research methodology employed in the study. Descriptive research design was used to carry out the study since it facilitated the use of the sample survey approach. The population of this study comprised of banks in the Kenyan banking Industry. Stratified sampling enabled the researcher to divide the target population in various groups and to determine the study's sample size. Data was collected by the use of a survey questionnaire which was administered by the researcher directly to the target population. Quantitative data was analyzed using descriptive statistics. The data was presented through means, percentages and standard deviations. The next chapter discusses the study results and findings.

CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This study sought to study change management in financial institutions with a focus on the Kenyan Commercial Banks. The study had a sample size of 84 people. The researcher handed out the data instruments to the population and their responses have been discussed in this section. This chapter has been guided by the questionnaire.

From the 84 questionnaires handed out to the respondents, the researcher managed to collect 68 questionnaires. From the 68, only 61 were completely filled without omissions and more than one response given to a particular question that did not require such response. Seven questionnaires were voided because of the above stated reasons, and thus, the study response rate was 72.6% which according to Noy (2008) a research study requires a thresh hold of 50% and the response rate in this study surpassed the thresh hold.

4.2 Bio-Data

4.2.1 Respondents Gender

The data analyzed indicated that 72% of the respondents who were the majority were male while 28% were female. These results indicated that most of the respondents were male as shown in Figure 4.1.

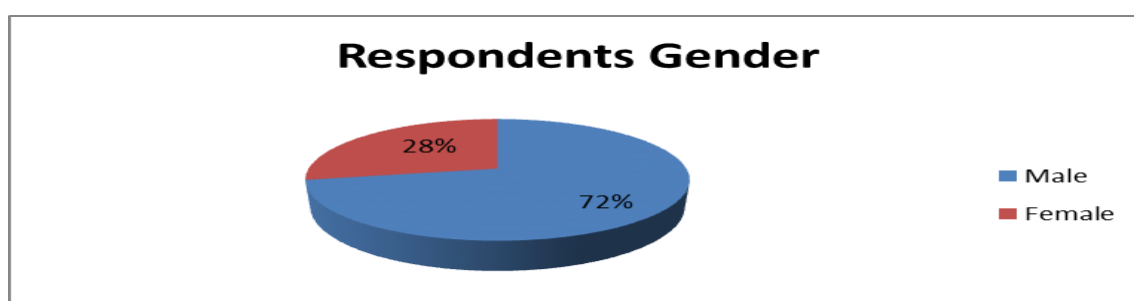


Figure 4.1 Respondents Gender

4.2.2 Age Range of the Respondents

The response from the data collected showed that the bulk of respondents at 35% were aged between 29-39 years, 27% were between the ages of 18-28 years, 26% were aged

between 40-50 years and 12% were above 51. These results indicated that most of the respondents were at their youth as shown in Figure 4.2.

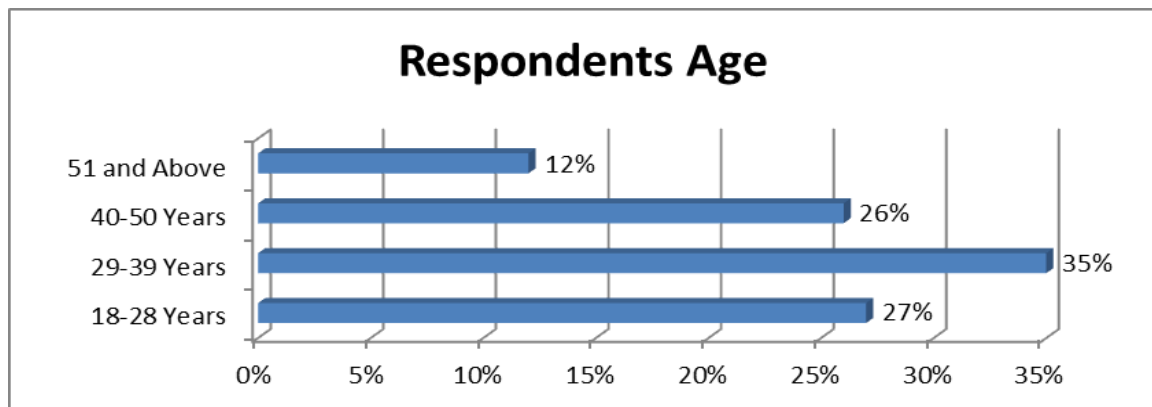


Figure 4.2 Ages of Respondents

4.2.3 Duration with Organization

Figure 4.3 shows that 41% of the respondents had worked with their organization for 6-10 years, 30% had been with their respective organization for 11-15 years, 18% had worked with their organization for 16 years and above while 11% had only worked for less than five years. These results indicate that the respondents had enough experience with their organizations and thus best positioned as respondents.

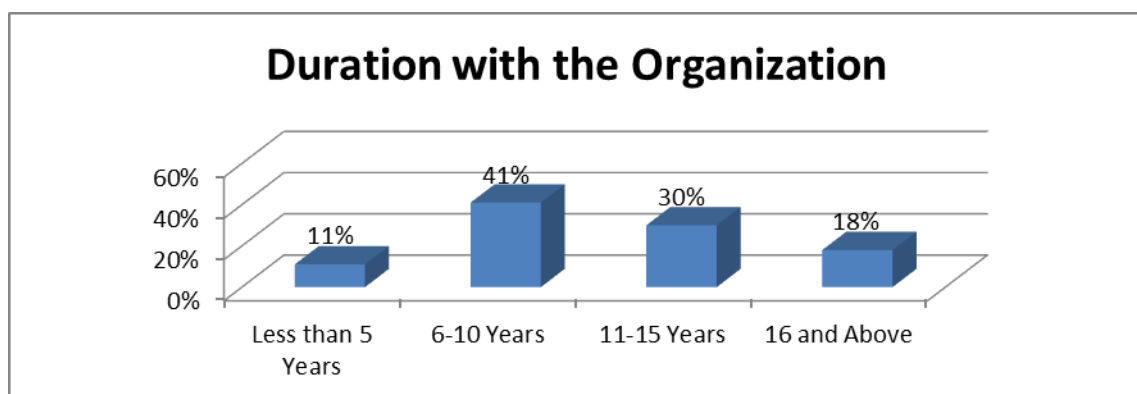


Figure 4.3 Respondents Duration in Organization

4.2.4 Management Level

The results from the respondents showed that 53% of the respondents held various managerial positions in their organizations and 47% did not. Figure 4.4 indicates that both

the managers and regular staff were sufficiently represented thus minimizing biasness in terms of responses.

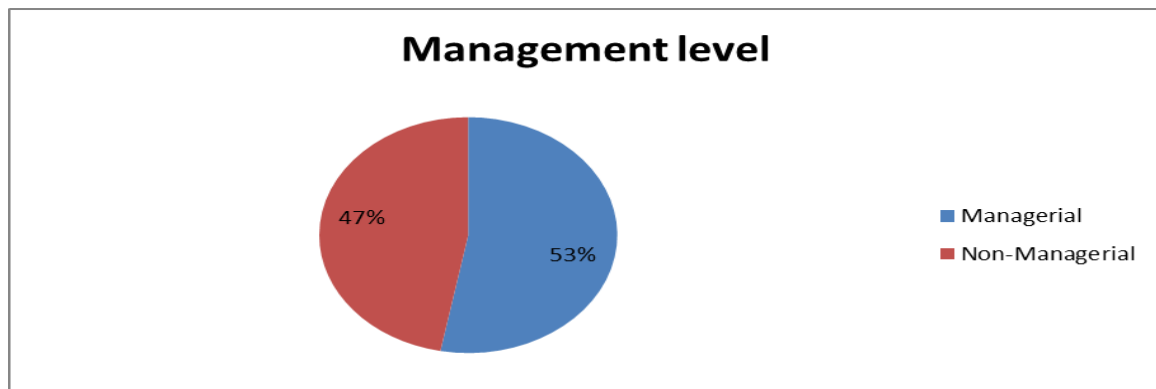


Figure 4.4 Respondents Management Level

4.2.5 Education Level

Figure 4.5 shows that most of the respondents 61% had finished their undergraduate study, 32% had done their post-graduate studies and 7% had finished their college studies. These results showed that the respondents were able to understand the questions asked and thus could answer them well.

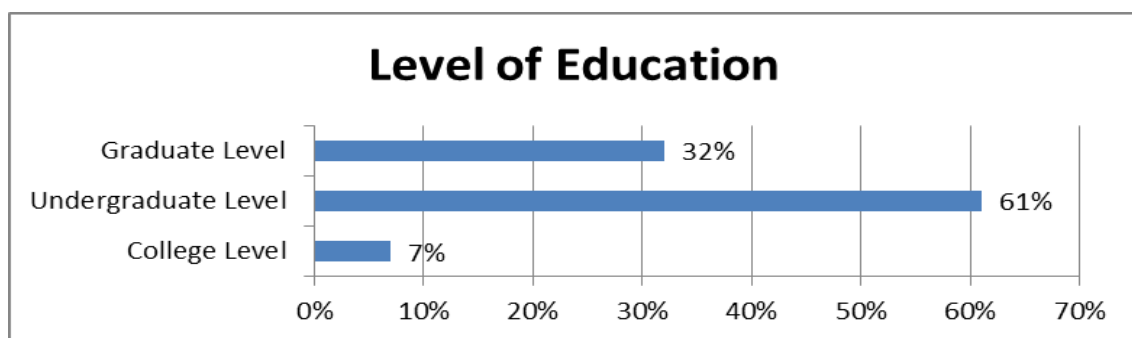


Figure 4.5 Respondents Education Level

4.2.6 Organizational Source of Change

Since change is a constant occurrence, the researcher wanted to determine who initiated change in these organizations and the results in Figure 4.6 shows that 43% of the change was initiated by the top-level management, 21% showed that it was the middle-managers that were responsible, 14% showed that it was the sales and marketing department, 9% equally stated that it was the R&D department and customers. The results also showed

that 4% was initiated by clerks. These results showed that changes in financial institutions were initiated by the managers who formed a majority of 64% in total.

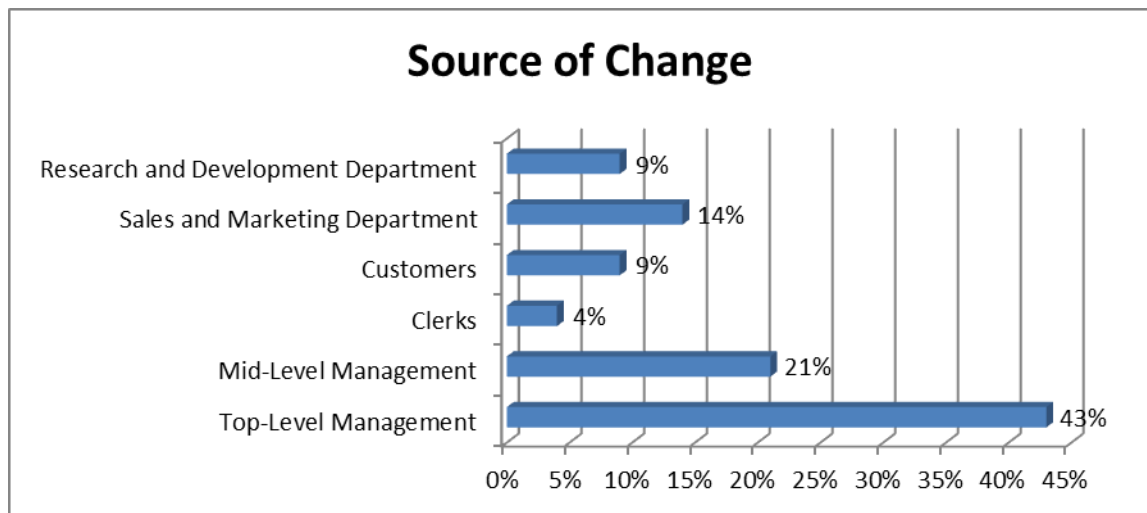


Figure 4.6 Organizational Source of Change

4.2.7 Idea Initiator

The response received showed that most of the respondents had been idea generators in their respective organizations since 62% stated that they had initiated an idea while 38% showed that they had not. The results shown in Figure 4.7 shows that financial organizations listened to their employees and thus were quick to deduce the needed changes in the organization. The majority of the initiator were regular staff members.

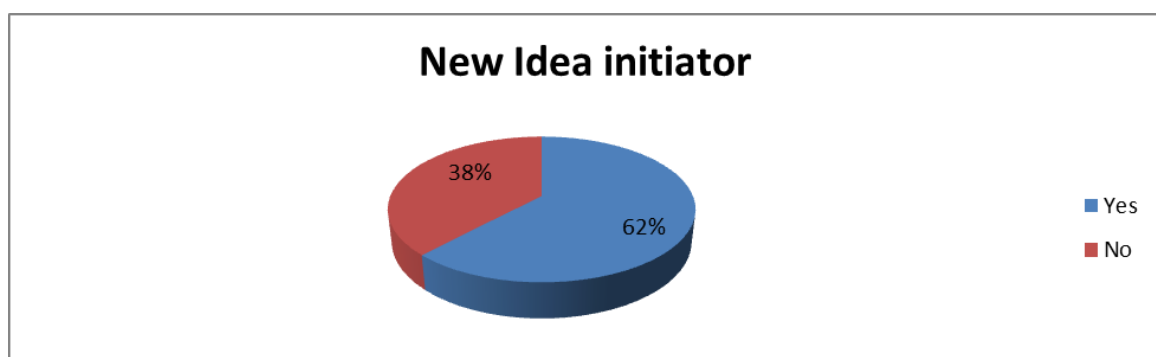


Figure 4.7 Idea Initiator

4.3 Effect of Change Management on the Firm's Performance

The researcher asked the respondents to indicate their level of agreement to various statements about the effect of change management on the performance of their banks.

Their response shown in Table 4.1 had a mean of 2.5 and above indicating that change management had a significant influence on the firms' performance. The standard deviation was <1 which indicated that the difference in response from the respondents was insignificant meaning that the difference in responses was very low indicating that the responses were more or less the same on most issues.

Table 4.1 Effect of Change Management on the Firm's Performance

	S.D	D	A	S.A	MEAN	STD DEV
	%	%	%	%		
Banks currently operate in a rapidly changing environment as compared to the previous years	6.3	8.2	45.7	39.8	3.68	0.651
The rapidly changing environment motivates banks to be more proactive in generating new ideas	12.6	9.8	50.1	27.5	3.12	0.844
Change in banks is positive and acts as leverage for success	4.6	9.8	33.6	52.0	2.72	0.986
Change management practices reduce chances of resistance associated with adoption on new ideas	12.6	16.9	41.4	29.1	2.94	0.976
Successful change management can be measured by the level of performance of the bank	23.2	16.9	25.6	34.3	3.05	0.244
Informal change management practices translate in realizing good performance	15.9	21.7	39.9	22.5	3.76	0.359
Formal change management practices translate realizing good performance	9.7	16.9	49.2	24.2	3.17	0.199
The rate and impact of change is uniform across all banks	29.6	37.4	12.9	20.1	2.18	0.729
Banks can apply the same change management practices in-order to achieve the same results	23.4	25.8	26.1	24.7	2.03	0.924
Change influence sense of belonging and commitment by employees to be more productive	3.3	4.9	45.9	45.9	3.62	0.414

The table shows that Kenyan banks currently operate in a rapidly changing environment as compared to the previous years as shown by 85.5% of the respondents and that the rapidly changing environment motivates banks to be more proactive in generating new ideas indicated by 77.6%. The table also indicates that change in banks is positive and acts as leverage for success as shown by 85.6% and the change management practices used by the banks reduce the chances of resistance associated with adoption on new ideas

as indicated by 70.5%. The results also indicate that successful change management can be measured by the level of performance of the bank as shown by 59.9% of the respondents and informal change management practices do not translate in realizing good performance indicated by 62.4%, however, 73.4% stated that formal change management practices translate to realizing good performance. The results of the study showed that the rate and impact of change was not uniform across all banks as shown by 67% of the respondents. The table shows that banks cannot apply the same change management practices in-order to achieve the same results as indicated by 50.8% of the respondents. The table also shows that change influences a sense of belonging and commitment by employees to be more productive as indicated by 91.8% of the respondents.

4.4 Means Employed by Banks to Manage Change

The respondents were asked to indicate how their various financial institutions managed change and their response was as tabled in table 4.2. The response shown in table 4.2 had a mean of 2.5 and above indicating that Kenyan banks had been able to manage change. The standard deviation was <1 which indicated that the difference in response from the respondents was insignificant meaning that the difference in responses was very low indicating that the responses were more or less the same on most issues.

The table shows that Kenyan banks have a clear plan of managing change as shown by 89% of the respondents who agreed with the statement. The table shows that change management plans were well known to all employees as shown by 51.3% of the respondents. The response given by 65% of the population showed that employees were motivated to generate new ideas and 64.3% of the responses stated that employees were rewarded for the new ideas that got adopted by the banks. The table shows that the time taken between idea generation and adoption was appropriate as shown by 54.9% of the respondents and 67.2% showed that management always explained the need for change to the employees. The results showed that employees were not always ready for change as shown by 59.7% of the respondents and 92.9% of the respondents stated that ideas generated from the top were usually adopted unlike ideas generated from the bottom. The table however shows that communication about change was honest and trustworthy as indicated by 70.6% of the respondents.

Table 4.2 Means Employed by Banks to Manage Change

	S.D	D	A	S.A	MEAN	STD DEV
	%	%	%	%		
The bank has a clear plan of managing change	2.4	8.6	39.7	49.3	3.16	0.299
The change management plans are well known to all employees	26.3	22.4	29.9	21.4	2.98	0.389
Employees are motivated to generate new ideas	16.7	18.3	38.4	26.6	2.71	0.931
Employees are rewarded for the new ideas that get adopted by the bank	16.7	19.0	36.4	27.9	2.74	0.904
The time taken between idea generation and adoption is appropriate	23.4	21.7	28.7	26.2	3.05	0.308
The management always explains the need for change to the employees	10.1	22.7	36.8	30.4	3.12	0.484
Employees are always ready for change	27.6	32.1	23.4	16.9	3.02	0.646
Ideas generated from the top are usually adopted	2.4	4.7	56.5	36.4	3.75	0.619
Ideas generated from the bottom are usually considered for adoption	16.7	21.4	36.7	25.2	2.51	0.539
The communication about change is honest and trustworthy	10.3	19.1	35.3	35.3	3.16	0.242

4.5 Role of Leadership in Managing Change

The respondents were asked to indicate how leadership managed change in their organization and their response was as follows. The response shown in table 4.3 had a mean of 2.5 and above indicating that leadership influenced change management in Kenyan banks. The standard deviation was <1 which indicated that the difference in response from the respondents was insignificant meaning that the difference in responses was very low indicating that the responses were more or less the same on most issues.

The table shows that management talks to employees about what should change, more than they tell them what will change as shown by 71.2% of the respondents and 65.2% of the respondents stated that management is always active and visible during change. The table also shows that risk of resistance to change is well managed through proper education as agreed to by 77.6% of the respondents and that management is always united in their determination to implement change as shown by 95.2%. The results indicated that management communicates on the various phases of change as shown by 93% of the target population; as well as what is expected of all employees. The study results show

that all levels of management are actively involved in the change process as shown by all respondents and 92.9% stated that business changing ideas emanate from both top-level and middle-level management. The respondents indicated that management had received formal training on recognizing and managing the impact of change as noted by 90.8% of the respondents and 95.4% noted that management was responsible and accountable for all change management activities.

Table 4.3 Role of Leadership in Managing Change

	S.D	D	A	S.A	MEAN	STD DEV
	%	%	%	%		
Management talks to employees about what should change, more than they tell them what will change	12.7	16.1	39.8	31.4	3.56	0.786
The management is always active and visible during change	22.1	12.7	43.2	22.0	3.04	0.909
Risk of resistance to change is well managed through proper education	9.7	12.7	38.8	38.8	2.96	0.981
Management is always united in their determination to implement change	2.4	2.4	56.4	38.8	3.72	0.706
Management communicates on the various phases of change	2.4	4.6	60.1	32.9	3.72	0.721
Management communicates on what is expected of all employees	2.4	4.6	57.7	35.3	3.69	0.647
All levels of management are actively involved in the change process	0.0	0.0	73.2	26.8	3.84	0.452
Business changing ideas emanate from top level management	2.4	4.7	56.5	36.4	3.75	0.619
Business changing ideas emanate from middle level management	16.7	21.4	36.7	25.2	2.51	0.539
Management has formal training on recognizing and managing the impact of change	4.6	4.6	81.7	9.1	3.04	0.785
Management is responsible and accountable in all change management activities	0.0	4.6	78.9	16.5	3.72	0.659

4.6 Relationship between Study Variables

Table 4.4 presents the correlation analysis results that establish the relationship between change management and firm performance. The correlation results show that change management had 0.896 correlation at significant level <0.01 with firm performance. These results indicate that the variables had an 89.6% correlation with each other.

Component wise means/ strategies employed by the banks and leadership roles during change management had positive significant relationship with correlations of 0.617 and 0.764 respectively at a significant level < 0.01 . These results showed that the relationships were significant. This means that strategies employed by commercial banks affected the adoption of change management positively. The table also shows that leadership roles in Kenya Commercial banks had a positive impact on the adoption of change management within the banks.

Table 4.4 Pair-Wise Correlation Matrix for Study Variables

	Change Management	Firm Performance	Strategies Employed	Leadership Roles
Change Management	1	0.896**	0.617**	0.764**
Firm Performance	0.896**	1	0.632**	0.755**
Strategies Employed	0.617**	0.632**	1	0.641*
Leadership Roles	0.764**	0.755**	0.641*	1

** Correlation is significant at $p = 0.01$

* Correlation is significance at $p = 0.05$ level

4.7 Chapter Summary

In this chapter, the findings with regards to the information given by the respondents have been. The first section presents the study findings based on the respondent's demographics followed by the statistical analysis of the responses and finally using Pearson's Correlation Coefficients. This was done following the specific objectives of the study.

The next chapter provides the conclusion, summary as well as the discussions and the recommendations.

CHAPTER FIVE

5.0 DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter concludes the study and it comprises of various sections. Section 5.2 gives the summary of the study; section 5.3 discusses the findings of the study. Section 5.4 concludes the study and section 5.5 offers recommendations for improvement and recommendations for further studies.

5.2 Summary

This study was aimed at determine how change management affects the performance of financial institutions in Kenya. The study set out to determine the meaning and scope of change management, to establish the importance of change management in terms of achieving successful performance, examine the means employed by Kenyan banks in managing change; determine the role of leadership in managing change in Kenyan Banks and to offer recommendations from the findings.

The study adopted the descriptive research design. The research design was selected because it was convenient, suitable and valid for the study since it enabled the researcher to determine the relationship between change management and performance in the Kenyan Banks. Data was collected through survey method. Primary data was collected for the study using self-administered questionnaire. Data analysis was done using the Statistical Package for Social Science (SPSS) Student Version 16.0. The questionnaires were coded for easy analysis and the findings were presented and discussed in the form of frequency tables and graphs.

The study results showed that Kenyan banks were currently operating in a rapidly changing environment as compared to the previous years and the rapidly changing environment motivated banks to be more proactive in generating new ideas and improving performance. The study results showed that change in the Kenyan banks was positive and it acted as leverage for success and the change management practices used by the banks reduced the chances of resistance associated with adoption on new ideas. The results also indicated that successful change management could be measured by the level of performance of the banks and informal change management practices did not

translate in realizing good performance, however, formal change management practices translated to realizing good performance. The results of the study showed that the rate and impact of change was not uniform across all banks and that banks could not apply the same change management practices in-order to achieve the same results. The findings of the study revealed that change influences a sense of belonging and commitment by employees to be more productive.

The study results revealed that Kenyan banks had a clear plan of managing change and that change management plans were well known to all employees. The study findings showed that employees in the Kenyan banks were motivated to generate new ideas. The study results showed that employees were rewarded for the new ideas that get adopted by the banks. The study results also showed that the time taken between idea generation and adoption was appropriate and it was revealed that management always explained the need for change to the employees. The results of the study showed that employees were not always ready for change. The results from the study also showed that communication about change from management was honest and trustworthy.

The study results revealed that management in these financial institutions talked to employees about what should change, more than they told them what will change. The study results revealed that management was always active and visible during change and that risk of resistance to change was well managed through proper education. From the study results, it was clear that management was always united in their determination to implement change and management communicated on the various phases of change as well as what was expected of all employees. The study results showed that business changing ideas emanated from both top-level and middle-level management and that management was responsible and accountable for all change management activities.

5.3 Discussions

5.3.1 Effect of Change Management on the Firm's Performance

The study results showed that Kenyan banks were currently operating in a rapidly changing environment as compared to the previous years as seen in chapter four Table 4.1, these results are echoed by Pryor et al., (2008) who states that the speed and complexity of change in the banking industry is very high owing to a number of factors.

From the study results, it was noted that the rapidly changing environment motivated banks to be more proactive in generating new ideas and improving performance indicated in Table 4.1. Pasmore et al., (2013), notes that, firms can improve their performance in terms of productivity, efficiency and innovation.

The study results showed that change in the Kenyan banks was positive and it acted as leverage for success and the change management practices used by the banks reduced the chances of resistance associated with adoption on new ideas as shown in Table 4.1. Studies by (Kotler, 2008; Kieffer, 2005) attest to the positive performance effects, in particular productivity gains, when single organizational practices like quality controls and increased training are implemented.

The results also indicated that successful change management could be measured by the level of performance of the banks and informal change management practices did not translate in realizing good performance, however, formal change management practices translated to realizing good performance as shown in Table 4.1. This is also echoed by Kotler (2008) and Kieffer (2005) who attest to the positive performance effects, in particular productivity gains, when single organizational practices like quality controls and increased training are implemented.

The results of the study in Table 4.1 showed that the rate and impact of change was not uniform across all banks and that banks could not apply the same change management practices in-order to achieve the same results. Burns et al., (2003) states that, bundling of human resource management practices can be particularly effective and that firm performance has been shown to improve with the use of similar programmes bundled together across firms.

The findings of the study in Table 4.1 revealed that change influences a sense of belonging and commitment by employees to be more productive. Evans and Lindsay (2011) noted that, organizational practices that encouraged different forms of worker involvement in the improvement of service processes were strongly associated with increased firm and employee productivity. Kondalkar (2009) states that, the adoption of

“flexible” management practices including decentralization, team working, job rotation, training and innovative compensation schemes appears critical to realizing change management benefits from new approaches.

5.3.2 Means Employed by Banks to Manage Change

The study results in Table 4.2 revealed that Kenyan banks had a clear plan of managing change and according to Altman (2008), it is important for organizations to implement change and this change needs to be planned, executed, reported and reviewed for it to be successful and appropriate to the business.

From the findings in Table 4.2, it was noted that change management plans were well known to all employees and Altman (2008) stated that it was crucial to involve and negotiate with individuals and teams affected by the change and to accept that adjustments and concessions may have to be made.

The study findings in Table 4.2 showed that employees in the Kenyan banks were motivated to generate new ideas. Oxelheim and Wihlborg (2008) state that change brings about an increase in production owing to an increased say in decision making, hence a strong feeling of association to generate new ideas.

The study results in chapter four, Table 4.2 showed that employees were rewarded for the new ideas that get adopted by the banks. Pasmore et al., (2013) state that this approach supports the change and ensures that employees are committed to a shared set of organizational values. He further states that this wins the “hearts and minds” of the employees.

The study results in Table 4.2 also showed that the time taken between idea generation and adoption was appropriate and Pryor et al., (2008) states that the speed and complexity of change in the banking industry is very high owing to a number of factors and thus it needs to be very appropriate.

From the findings shown in Table 4.2, it was revealed that management always explained the need for change to the employees and Anderson (2007) stated that the advantage of

selecting this approach is that resistance to the proposed change is likely to be reduced and negotiation adds to the overall programme.

The results in Table 4.2 showed that employees were not always ready for change. Pasmore et al., (2013) stated that involving people changes their values and beliefs so that they support the change and are committed to a shared set of organizational values.

The study results showed in Table 4.2 revealed that that ideas generated from the top were usually adopted as well as ideas generated from the bottom. According to Schroeder-Saulnier (2009) senior level managers' need to initiate, guide and champion change.

The results in Table 4.2 also showed that communication about change from management was honest and trustworthy. Schroeder–Saulnier (2009) stated that management needs to come up with appropriate responses to change. This caliber of management was usually charged with decision making in regards to change strategy and also committing of resources towards the change.

5.3.3 Role of Leadership in Managing Change

The study results in Table 4.3 revealed that management in these financial institutions talked to employees about what should change, more than they told them what will change. Anderson (2007) states that this strategy ensures that management use their authority to impose the changes required; however, the disadvantage of this approach is that it is likely to increase resistance.

The study results in Table 4.3 revealed that management was always active and visible during change. Bøllingtoft (2009) states that employee involvement and effective labour-management relationships are vital to fostering organizational change and raising productivity and he further states that management presence during change has positive effects on acceptance of change.

The study results in Table 4.3 revealed that risk of resistance to change was well managed through proper education and this is supported by Kondalkar (2009) who notes that the

adoption of “flexible” management practices including decentralization, team working, job rotation, training and innovative compensation schemes appears critical to realizing change management benefits from new approaches.

From the study results in Table 4.3 show that it was clear that management was always united in their determination to implement change. Cummings and Worley (2005) indicate that transformation success demands more than the best strategic and tactical plans. Change requires an ultimate understanding of human side as well as the organization’s culture, values, people and behaviors. These must be changed in order to deliver the desired results.

The results in Table 4.3 indicated that management communicates on the various phases of change as well as what is expected of all employees. The study literature indicates that recognition of the need to justify, communicate and train staff in change management to minimize resistance as an advice penned by the sixteenth - century Italian courtier Nicholo Machiavelli.

The study results in Table 4.3 showed that business changing ideas emanated from both top-level and middle-level management. According to Schroeder–Saulnier (2009) senior-level managers’ need to initiate, guide and champion change. She also states that middle-level managers must facilitate change and help employees understand the reasons for the change and adapt to it.

The study results in Table 4.3 indicated that management was responsible and accountable for all change management activities. Schroeder–Saulnier (2009) also states that management should also ensure that all employees have clear roles and accountabilities, as well as the authority to make necessary changes in their work.

5.4 Conclusions

5.4.1 Effect of Change Management on the Firm’s Performance

It is clear as we saw in chapter four that Kenyan banks are currently operating in a rapidly changing environment as compared to the previous years and that this rapidly changing environment has motivated banks to be more proactive in generating new ideas. The

study concludes that the change in banks is positive and acts as leverage for success and the change management practices used by the banks has reduced the chances of resistance associated with adoption on new ideas. From the study it can also be concluded that the rate and impact of change is uniform across all banks and that banks can apply to some degree the same change management practices in-order to achieve the same results.

5.4.2 Means Employed by Banks to Manage Change

Kenyan banks have a clear plan of managing change and their change management plans are well known to all employees. The study therefore concludes that the strategy employed by Kenyan banks involves employee participation since employees are motivated to generate new ideas and are rewarded for the ideas that get adopted by banks. The study also concludes that the Kenyan banks have an appropriate strategy in employing change since time taken between idea generation and adoption was neither slow nor fast. Communication was also done appropriately since employees in these banks were always ready for change and communication about change from the management was honest and trustworthy.

5.4.3 Role of Leadership in Managing Change

From the study results, it can be concluded that management in Kenyan banks talks to employees about what should change. The financial institutions in the country also manage the risk of resistance to change through proper employee education. From the study it can also be concluded that management in these banks is always united in their determination to implement change and they communicate on the various phases of change as well as what is expected of all employees. It can also be concluded that management in Kenyan banks receive formal training on recognizing and managing the impact of change and are responsible and accountable for all change management activities within the institutions.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Effect of Change Management on the Firm's Performance

The study recommends that financial institutions should focus on the quality of professional life which focuses on the employee's status in the organization as well as on the organizational effectiveness. First and foremost, these organizations need to place an emphasis on promoting employee participation in the decision making process during change. Secondly, they need to improve their work design. This organizations need to focus on systems that are self-adjusting. Work design also includes attempts to develop job positions by providing the employees with a greater diversity of tasks, with a greater autonomy and improved feedback regarding work results and organizational changes.

5.5.1.2 Means Employed by Banks to Manage Change

It is evident from this study that change is an ever-present element that affects all organisations. There is a clear consensus that the pace of change has never been greater than in the current continuously evolving business environment. Therefore, this study recommends that for the successful management of change Kenyan banks need to ensure that they have the highly required skill. The financial institutions also need to have the basic valid framework of how to successfully implement and manage organizational change and avoid trends that are reactive, discontinuous and ad hoc.

5.5.1.3 Role of Leadership in Managing Change

Leaders in these banks need to focus on staff policies of the organization by paying close attention to the integration mechanisms of change for individuals within the organizations. They need to not only communicate but also set objectives that aim at the attainment of a better correlation between the objectives of the organization and of staff management, through managers' and employees' improved communication and through their setting common objectives, whether individually or as a group. These are to meet on a regular basis in order to plan change activities, to assess accomplishments with a view to achieving the set objectives. The reward systems also need improvement. Management should focus its reward system to promote innovative approaches in adapting to changes regarding issues of wage, promotion and other types of benefits, such as paid vacations, additional insurance and private pensions.

5.5.2 Recommendations for Further Studies

This study focused on change management in financial institutions and its case study was on Kenyan banks. The study results are limited to the banks located within the Nairobi CBD. The next generation of researchers in this field interested in determining the effect of change management in financial institutions can replicate the same study in different counties within the country as well as focus on other institutions that provide services to achieve a greater understanding in the Change Management field through empirical research.

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APPENDIX I

QUESTIONNAIRE

This study is a requirement for the partial fulfillment for the degree of Masters in Business Administration (MBA). The purpose of this research is to determine **“Effect of Change Management on the Performance of Financial Institutions.”** Please note that any information you give will be treated with confidentiality and at no instance will it be used for any other purpose other than for this project. Your assistance will be highly appreciated. I look forward to your prompt response.

SECTION A: BIO-DATA

Kindly answer all the questions by ticking in the boxes or writing in the spaces provided.

1. What gender are you:

Male ☐ Female ☐

2. What is your age range?

18-28 years ☐

29-39 years ☐

40-50 years ☐

Above 51 years ☐

3. For how long have you worked for your organization?

Less than 5 years ☐

6-10 years ☐

11-15 years ☐

Above 16 years ☐

4. Management Level

Managerial ☐

Non- Managerial ☐

5. Educational Level

Secondary school ☐

Undergraduate level ☐

College level ☐

Graduate level ☐

6. The source of Change in your organization

Top-Level Management ☐

Mid-Level Management ☐

Clerks ☐

Others _____

7. Have you initiated any new idea in your bank?

Yes ☐

No ☐

SECTION B: EFFECT OF CHANGE MANAGEMENT ON THE FIRM'S PERFORMANCE

8. Please tick the extent to which you agree with the following statements by using a scale of 1 to 4 where 1= strongly disagree and 4 = strongly agree. Circle (O) which best describes your opinion of the statement.

Effect Of Change Management On The Bank's Performance	Strongly Disagree	Disagree	Agree	Strongly Agree
1. Banks currently operate in a rapidly changing environment as compared to the previous years.	1	2	3	4
2. The rapidly changing environment motivates banks to be more proactive in generating new ideas.	1	2	3	4
3. Change in banks is positive and acts as leverage for success.	1	2	3	4
4. Change management practices reduce chances of resistance associated with adoption on new ideas.	1	2	3	4
5. Successful Change management can be measured by the level of performance of the bank.	1	2	3	4
6. Informal change management practices translate in realizing good performance.	1	2	3	4
7. Formal change management practices translate realizing good performance.	1	2	3	4
8. The rate and impact of change is uniform across all banks	1	2	3	4

9. Banks can apply the same change management practices in-order to achieve the same results	1	2	3	4
10. Change influence sense of belonging and commitment by employees to be more productive	1	2	3	4

SECTION C: MEANS EMPLOYED BY BANKS IN MANAGING CHANGE.

9. Please tick the extent to which you agree with the following statements by using a scale of 1 to 4 where **1= strongly disagree** and **4 = strongly agree**. Circle (O) which best describes your opinion of the statement.

Means Employed by Banks In Managing Change	Strongly Disagree	Disagree	Agree	Strongly Agree
1. The bank has a clear plan of managing change.	1	2	3	4
2. The change management plans are well known to all employees.	1	2	3	4
3. Employees are motivated to generate new ideas.	1	2	3	4
4. Employees are rewarded for the new ideas that get adopted by the bank	1	2	3	4
5. The time taken between idea generation and adoption is appropriate	1	2	3	4
6. The management always explains the need for change to the employees.	1	2	3	4
7. Employees are always ready for change	1	2	3	4
8. Ideas generated from the top are usually adopted.	1	2	3	4
9. Ideas generated from the bottom are usually considered for adoption	1	2	3	4
10. The communication about change is honest and trustworthy.	1	2	3	4

SECTION D: WHAT IS THE ROLE OF LEADERSHIP IN MANAGING CHANGE?

10. Please tick the extent to which you agree with the following statements by using a scale of 1 to 4 where **1= strongly disagree** and **4 = strongly agree**. Circle (O) which best describes your opinion of the statement.

Role of Leadership in Managing Change	Strongly Disagree	Disagree	Agree	Strongly Agree
1. Management talks to employees about what should change, more than they tell them what will change	1	2	3	4
2. The management is always active and visible during change	1	2	3	4
3. Risk of resistance to change is well managed through proper education rather than support for the change.	1	2	3	4
4. Management is always united in their determination to implement change.	1	2	3	4
5. Management communicates on the various phases of change	1	2	3	4
6. Management communicates on what is expected of all employees	1	2	3	4
7. All levels of management are actively involved and participate in change process.	1	2	3	4
8. Business changing ideas emanate from top level management.	1	2	3	4
9. Business changing ideas emanate from middle level management.	1	2	3	4
10. Management has formal training on how to recognize and manage the impact of change.	1	2	3	4
11. Management is responsible and accountable in all change management activities.	1	2	3	4

THANK YOU FOR YOUR RESPONSE