THE INFLUENCE OF STRATEGIC CHANGE MANAGEMENT PRACTICES ON ORGANIZATIONAL PERFORMANCE: A CASE OF THE OPERATIONS OF SOFT DRINK INDUSTRIES IN WESTERN KENYA

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ABSTRACT

Strategic Change Management has gained tremendous attention in recent years. During the 2000’s there have been extreme changes in the competitive forces in the global and domestic markets. These changes have greatly affected the management of businesses in Kenya. Therefore effective strategic change management has become essential for the survival of any company in Kenya. The study focused on the evaluation of the influence of strategic change management practices on organizational performance. The study looked at the operations of the soft drink industry in western Kenya. The study objectives were to find out the extent to which strategic change management practices are used and to establish the influence of these practices on organizational performance. The study adopted a case study design and the study covered equator Bottlers and Kisii Bottlers all of which operate in the western parts of Kenya. The target population was 132 comprising 13 top managers, 36 middle managers and 83 supervisors from the management of both companies. A census sample designed was used in the study while structured questionnaires were used to collect data. Descriptive statistics mainly the weighted averages and regression analysis were used in data analysis. The findings indicated that executive commitment, continuous planning, goals and policies on change effort and maintaining change teams played a big role in strategic change management practices in the industry.

Key Words: *Strategic change management, organizational performance, soft drink*

Introduction

There has been pervasive change in the Kenyan economy, as business organizations operate in a dynamic, turbulent and constantly increasing competitive environment. These changes are brought about by forces such as economic fluctuations, new product developments, technological change, globalization as well as shifting customer preferences. This dynamism is throwing up new opportunities and challenges to business firms. This also implies that future survival of organizations is not guaranteed unless they can adapt to the changes presented in the environment. Managers need to act constantly to secure a firm's future success. The biggest challenge for managers is how they can cope with the dynamism in the environment given the constraints, challenges and threats they face. Change has become an enduring feature of organization life (Burnes, 2000, Rose and Lawton, 1999).

The Kenyan population has changed greatly. The country now boasts of a youthful workforce and an active middle class who are aware of the global influences around them. This has necessitated change in business practices by companies in order to meet changing needs and tastes of their customers. Businesses do not function in a vacuum they have to act and react to what happens outside its business environment. These external factors affect the main strategies and objectives of the business and internal functioning. A major factor affecting how businesses operate is the degree of competition. Another environmental factor that affects business is the social aspect which encompasses how consumers, households and communities behave and believe. These are very dynamic and due to this turbulence organizations need to adapt and respond appropriately (Pearce and Robinson, 2003).

To cope with these changes strategic management has taken center stage in organizations that intend to succeed in the turbulent business environment. Unstable markets and frequent product changes have rendered strategic change management critical to the survival and prosperity of organizations (Burnes 2000, Ansoff and McDonnell 1990). In Kenya the Carbonated Soft Drink (CSD) industry consists of three players. These are Coca Cola, Softa and Milly food Processors. Of the three players Coca Cola is the market leader with over 96% of the market share (CABI Report April 2002). Due to the liberalization of the economy, it is now much easier to import products into the country. This implies that there are a lot of imparted CSD in the market such as Pepsi, Mirinda, Seven-Up Virgin Cola and a host of other health drinks such as Red Bull, Shark and Dark Dog. These have triggered the change in the strategies adopted by Coca Cola. Coca

Cola in Kenya has six bottling Plants namely; Nairobi, Coast, Rift Valley, Mt. Kenya Equator and Kisii Bottlers. The research was confined to the Western region which covers Kisii Bottlers in Kisii county and Equator Bottlers in Kisumu County.

Since the beginning of liberation the two plants have experienced competition from substitute products like locally made fruit juices, bottled water and other ready to drink juices which tend to be cheaper and of lower quality. Beverages such as tea, coffee, cocoa and Cadbury's drinking Chocolate and other drinks which may be taken in place of carbonated drinks pose a strong competition to the industry. This threat of substitutes has made the company to invest in equipment modernization, capacity expansion, diversification into the business of bottling water and increasing its presence in juice.

The harsh economic conditions prevailing in Kenya have resulted into many companies facing serious reduction in their market share and eventually their profitability. Various companies have adopted change management practices in order to compete in the new and turbulent business environment. Kisii and Equator Bottlers are no exception to this as the new entrants comprising Softa, Alvarro, Delmonte and Kevian industries have put pressure on Coca Cola which was a dominant player in the industry. This implies that the two companies have the obligation to apply strategic management principles. The study wanted to find out how the Bottlers in the western parts of Kenya have managed to maintain firm performance in spite of the turbulent business environment. The study wanted to find out the strategic change management practices used in the soft drink industry; determine how factors in the business environment contribute to change management in the soft drink industry and establish the extent to which the strategic change management principles are used and if they affect operations in the industry.

Literature Review

Change management is the use of systematic methods to ensure that planned organizational change can be guided in the planned directions, conducted in cost effective manner and completed within targeted time frames and with the desired results. Successful change process involves three stages; prepare for the change, beginning the change and cementing the change. The preparation phase the need for change is established and what is to change is identified. At the beginning phase the strategies for change and change users are defined while the cementing phase attempts to ensure that all are involved in the change. Change management therefore, involves moving employees to new behaviour while retaining key competitive advantage particularly competence and customer satisfaction (Burnes, 2000).

Strategic change is long term in nature, affects the entire organization and aims at achieving effectiveness. Operational change on the other hand is short term in nature, affects sections of the organization and focuses on efficiency. Three schools of thought form the central planks on which change management theory stands. The individual perspective school of thought assumes that individual behaviour results from the individual interacting with the environment. Human actions are conditioned by the expected consequences and behaviour that is rewarded gets repeated and unrewarded behaviour eventually disappears. To bring about organizational change, managers must use strong incentives and involvement, discussions and debates. The group dynamics school argues that individual behaviour is a function of the environment. The individual in isolation is constrained by group presuures to conform in terms of group norms, roles and values. The open systems approach sees organizations as composed of a number of interconnected sub-systems which are the organizational goals and values sub-system, the technological sub-systems, the psychological sub-system and the managerial sub-system. Any change to one part of the system will impact on its performance. The systems approach to change is based on describing and evaluating these sub systems in order to determine how they need to change so as to improve the overall functions and performance of the organization (Burnes 1998, Skinner 1994).

Strategic change is the transition that results from the implementation of organization strategy. Managing strategic change is about managing the unfolding non-linear dynamic processes during strategy implementation (Hardy, 1994). Management of strategic change therefore, is how to create conditions that make proactive change a natural way of life. As the internal and external environments change organizations need to also change their strategies in order to achieve a strategic fit. In a fast changing global economy, change cannot be an occasional episode in the life of a corporation. The environmental turbulence can be categorized into five levels along a continuum; repetitive, expanding, changing, discontinuous and surpriseful. Each of these levels requires different levels of strategic aggressiveness and organizational responsiveness (Ansoff and McDonell, 1990). Companies with rigid structures will be swept away while corporate cultures that can adapt will survive and thrive. Strategy enables organizations to cope with environmental challenges as it matches resources and activities of the organization in the environment in which it operates. A strategic fit developed by identifying opportunities in the environment and adapting resources and competencies so as to take advantage of them is essential and must be maintained at all times for organizational success (Johnson and Scholes, 1999).

Bett (1995) found that the economic reforms in Kenya caused firms in the dairy industry to make substantial adjustments in the strategic components of the products, promotions, place and price. Kombo (1997) also realized that firms in the motor industry made adjustments by introducing new technology in product development, different segments and by targeting their customers with improved customer services. This actually reflects the effect of external environment on firm practices and competitive strategy. Competitive strategy arises when a firm tries to establish a profitable position against the forces that determine industry competition. When the environment changes, competitive strategy seeks to not only respond to the new environment but also attempts to shape the new environment in its favour. Strategic change therefore is seen as a process of moving an organization away from its present state towards some desired future state to increase its competitive advantage (Hill and Jones, 2001).

Organizational change is an ever present feature in organizations. A new strategy disrupts the status quo and hence leads to change. Organizational life consists of periods of incremental change, however, where there are discontinuous changes in the environment then frame breaking changes take place and they involve major changes in strategy, structure, processes and people behaviour (Tushman et al 1993). Mbogo (2003) in assessing the three-step Lewin model of planned change argues that firstly, planned change requires some form of confrontation meeting or re-education process in which the problem to be solved is analyzed to help those involved to see the need for change. Secondly, the actual change that leads to the new level may be gradual or drastic and requires developing new behaviours, values, and attitudes as well as changing the organizational structures and processes. Thirdly, refreezing the new level seeks to stabilize the organization at a new state of equilibrium ensuring that there is no room for regression.

Research on change management in various sectors has shown that different companies approach it differently. Gekonge (1999) researched on strategic change in companies quoted in the Nairobi Stock Exchange (NSE) the study found that culture greatly affected management processes and most of the firms adopted strategies with little orientation. The study observed that change management practices were common standard practices in stable business environments. Bwibo (2000) studied Non-governmental organizations and the study found that most of these organizations used a top-down approach to change management and their change management practices were majorly influenced by the donor agencies. Effective change management in all these studies depended on how the change initiators and agents managed variables of strategy, communication, employee empowerment and involvement and resistance to change.

Mbogo (2003) conducted a study on strategic change process at the Kenya Commercial Bank which is a hybrid public private organization. the study found that resistance to change and organizational culture, politics and government interference were the variables that adversely impacted any reform efforts at the institution. Rukunga (2003) studied on strategic change management at the Nairobi Bottlers and the findings indicated that the change management aspect of the people element on morale and satisfaction were not highlighted and this study therefore enhanced this study by including this aspect.

Methodology

The research adopted a Case study design. This method enabled the research to have an in depth and exhaustive account of the change management practices implemented by the soft drinks industry in western Kenya region. A case study design is most appropriate for a single unit and facilitates intensive analysis (Kothari, 1990). The target population of the study comprised 132 employees of Kisii and Equator Bottlers as at December 2010. The target population consisted of thirteen (13) top managers, thirty six (36) middle managers and eighty three (83) supervisors. Census technique was used as information was collected from the entire population. Primary and secondary data were used. Primary data were collected using structured questionnaires developed on a five-point Likert type scale. Secondary data was compiled from the respective companies' annual report and company management Board papers. Data were analyzed using descriptive statistics such as frequency tables, percentages and weighted means . regression analysis was used to bring out the relationship between the amount budgeted versus production and sales of coca cola.

Results

All the questionnaires were returned duly filled and were used in the analysis giving 100% response rate. 86 (65%) of the respondent were male while 46 (35%) of them were female implying that at all the three levels surveyed the male still dominate the management of the companies. The respondents were all well educated with the lowest education level being diploma. All the respondents were above age 25 and the majority in the age range of 35-45 years. The areas of operation indicated that production and marketing had the highest number of respondents (41 and 38 respectively) followed by production (29). Finance and Human resource had the least number of respondents (14 and 10 respectively). This gives an indication of the key departments in the success of the company. Most of the respondents had served the company for an average of 11-15 years. However a significant percentage 18% that is 23 respondents had served in their respective companies for more than 20 years. This long tenures are likely to impact change initiatives as employees have actual been used to particular routines, procedures and practices and may thereby resist change efforts.

The study found that in any strategic change management exercise in the organization the people who are most influenced by it are Board of Directors, the owners and the senior management. Those who are least influenced by the change are middle managers and the consultants. The study indicated that the operations in the soft drink industry affected by strategic management changes include the technological aspects precisely the bottling technology and the machine technology. Training of the workforce as an operation is also affected by the changes as well as the transportation. Advertising is affected to a very small extent. This implies the influence of technologies in the globalised market and the industry must change to avoid obsolescence. Advertising plays a lesser role since most of the products are consumed in the market even without necessarily creating awareness about their existence.

The study established technology as the single most important environmental factor that influences change in the soft drink industry. Suppliers and the regulatory environment also had a significant effect on the industry. Competitors and international trends were the least in influencing change in the industry. The customer expectations greatly influenced change management practices as they were a reflection of the competitive environment. The strategies used in change management as revealed by the study include management styles, employee participation, and employee training as well as company objectives. Reward systems played a minimal role as a change management strategy. This implies that once employees are involved and trained well they help in change management. The leadership style in the organization also impacts on the change management strategies.

The training strategies that paid dividends in the change management practice were workshops followed by in house training and seminars. Study leave given to employees to pursue further studies had minimal contribution. Training is a cornerstone for building knowledge and behaviors necessary to implement change. Resistance to change is a multifaceted phenomenon which introduces delays, additional costs and instability to the change process. Workshops enable employees to understand how to recognize negative behavior and to learn techniques to influence people to embrace change and create an attitude of productivity. This affects operations at the industry level.

The study sought to find out the factors involved in the strategic change management decision process in the firm. The process was influenced greatly by the following factors which had a score of 3.0 and above on the Likert type scale; future anticipation, introduction of new brands/products in the market, laying emphasis on planning techniques, sacrificing profitability for long term goals, investing for future competitiveness, government regulations and approving projects on a step by step basis. Cost controls, modifying technology for efficiency and responding to signals of opportunity were used to a small extent in the decision making process of change management in the firm. These variables had a score of less than 3.0. These findings indicate that planning is an integral part to any change management program and as competition intensifies, products and services become more homogeneous making it harder for companies to differentiate themselves from other organizations hence the emphasis on the future and creation of new brands and products.

The use of change management teams has been lauded in other sectors and the study sought to determine their usage in the soft drink industry. The study findings indicated that successful change was dependent on the following; alignment of change effort with organizational goals, maintain executive commitment, creating and maintaining a superior change team and planning for continuous improvement. All these had a score of 4.0 and above implying that they were used extensively in the industry. On strategic change management and firm performance, the study revealed that sales growth was the most effective, followed closely by product quality, profitability and distribution efficiency respectively. These indicators are influenced by training and workshop and thus have positive influence on firm performance.

Discussion

The biggest challenge to managers in manufacturing firms is the issue of how to cope with the dynamism in the environment given the constraints, challenges and threats faced. Future survival of firms is not a guarantee and the study sought to establish how embracing strategic change management will help in mitigating the environmental dynamism organizations face. This study established that in the soft drink industry in western Kenya region precisely at the Kisii and Equator Bottling plants the majority of top management and supervisory level employees are male. The study also revealed that all the respondents in the study were highly educated with the minimum qualification being a Bachelor’s degree however, the top management members were fairly old with the average age of top managers being 46 years. The top management executives majorly joined from a marketing or production engineering background. This reveals the core activities of the firms and hence the dominance of the professional groups. In terms of tenure most of the respondents had worked in the same company for an average of 10 to 15 years. To a large extent the strategic change management strategies adopted were influenced by managerial tenure and experience. The Board had a major say in the strategies adopted and there was serious recognition of hierarchy in adoption and implementation of strategies for change. This particular aspect could prove counterproductive as people lower in the hierarchy may fear contributing to avoid contradicting senior officers. The emphasis on hierarchy in implementation is something that should be avoided. The role of modifying technology for competition was not given serious weight in the study and in a globalised market where new technologies and procedures are emerging rapidly and industry must be willing to adapt to managing technological change to avoid obsolescence.

Businesses must be able to leverage their marketing and production to ensure they satisfy customer demand. The study found that these two companies lay a lot of emphasis on brand and market share. People have changed and being an essential part of business customers influence firm performance. Customer demand was not one of the key considerations in strategic change management and organizations should do much more to determine customer influence as a force for change. The emphasis on individual approaches to managing changing is widely used in the organization in the form of training and workshops. These techniques reduce resistance and reduce instability in the change process. use of change teams and executive commitment to change were effectively used in bringing about change.

Conclusion

The study showed that the involvement and commitment of top management is an effective strategic change management strategy. This can be adopted by other companies and not necessarily in the soft drink industry. The willingness to change by organizational members must be looked at before introducing any strategic change. It is recommended that in future a study be done to study the impact of the changes made by the soft drink industry on the business both to the direct and indirect competition in the Carbonated Soft Drink industry. Other studies could also studies a larger sample than the one of the current study and also look at the impact of smaller industries.

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