Change Management Practices and Performance: A Case of Commercial Banks in Nyeri County, Kenya
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ABSTRACT

Over the past half-decade, a lot of change has been experienced in the banking sector. This ranges from regulatory reforms, technological shifts especially on mobile and internet banking, intensified financial innovations, internalization and heightened competition from other players. Although some banks may have recorded good performance in the period under assessment, most of the commercial banks have recorded dwindling performance. This study was interested in determining the effect of change management practices on performance of commercial banks in Nyeri County, Kenya. Specifically, the study aimed to establish the effect of stakeholder involvement on performance of commercial banks; to establish the effect leadership on performance of commercial banks; to assess the effect of organisational learning on performance of commercial banks, and to determine the effect of communication on performance of commercial banks in Nyeri County, Kenya. The study was guided by McKinsey 7-S Change Model, Kotter's Eight Step Model, Resource Dependence Theory, and Kurt Lewin's Model. A descriptive survey research design was utilised. The target population comprised of 15 banks in Nyeri County, Kenya. The study used a census approach. The study used purposive sampling to select branch managers, accountants, credit managers, and marketing managers of all the commercial banks as the choice class of respondents. The study considered non-financial performance of the banks for five (5) financial years 2012-2017. Primary data was collected through questionnaires while secondary data was extracted from the financial and management reports and corporate handbooks. Cronbach’s Alpha Reliability test was used to test the instruments for reliability while expert opinion assessed the validity status of the instrument. The study used descriptive and inferential analysis. The study targeted all the commercial banks in Nyeri County, Kenya. The study targeted sixty respondents who were the top management of the commercial banks. Questionnaires were used as the main tool of data collection in the study. The researcher used the drop and pick method to administer the questionnaires. The data was coded and entered into Statistical Package for Social Science (SPSS) where both descriptive analysis and inferential analysis of multiple regression analysis was done. The study found that stakeholder involvement had a positive and significant effect on performance of commercial banks in Nyeri County, Kenya. Leadership had the largest positive effect on performance while organization learning had the least but positive effect on the performance of commercial banks in Nyeri County, Kenya. The study concluded that communication had significant and positive effect on performance of banks in Nyeri County, Kenya. As established from the multiple regression analysis the results affirmed that stakeholder involvement, leadership, organization leaning and communication had significant effect on performance of commercial banks in Nyeri County, Kenya. The study recommends improvement of organization learning which was found to be deficient through development of mentorship programs and up scaling the level of employee training and development.

Key Words: Change Management Practices, stakeholder involvement, leadership, organisational learning, communication, Organization Performance, Commercial Banks in Nyeri County, Kenya

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1. Introduction

Oloo (2012) describe performance as the achievement arising out of organizational activities. World over, the banking sector has been struggling with poor performance with many players having had to close doors. This has been the case with both developed and developing countries which experienced financial crisis with Citibank writing off more than $39 billion in losses (Heilpern, Haslam, & Andersson, 2009). The Japanese financial sector has also faced financial crisis which was a threat to the global financial system (White, 2002). In Africa, South African banking sector experienced declining trends in performance as the effects of the global financial crisis in 2007 to 2009 trickled down to developing other economies (Mabwe, 2010). Likewise, commercial banks in Uganda have also had poor performance indicated by a low market share of 17.5% (Frederick, 2015). A report by AIB Capital Kenya (2016) indicates that the banking sector valuations have reduced drastically with price to book ratio decreasing to 0.8x in January 2017 from 1.9x at the end of 2014. Further, the report observes that the banking sector experienced low credit growth rate which was 4.6% as at September 2016. Additionally, the Central Bank of Kenya reported the collapse of three banks in a row including Dubai Bank of Kenya, Imperial Bank and Chase Bank (Kenya) Ltd. A report by Cytonn investment in June 2017 shows that Banks performance had declined and resulted to staff layoffs and closure of branches with 1340 employees laid off and 21 bank branches closed in the financial year 2016/2017.

In the recent past, a lot of changes have been evident in the banking sector driven by both external and internal organizational pressures. For instance, changes in regulation by the Central bank of Kenya such as the new interest rate regime introducing interest rate caps to not more than 4% above CBK rate have sent banks back to the board rooms with need to redefine their traditional ways of doing business. Other external pressures that are driving banks to change include regulation on the capital reserve requirement by CBK. Capital requirements have resulted to consolidation of commercial banks through mergers and acquisition activities for example Diamond Trust Bank acquiring Habib Bank, I & M Holdings acquiring Giro bank. Reports have underlined poor change management as a principal reason for low performance in the banking sector. Cytonn investment (2016) reported that banks experienced low net interest earnings leading to poor performance. It is therefore imperative that banks rethink their change management practices and lay down a framework that wins confidence of all stakeholders and keeps organizations in the momentum of good performance.

Penman and Penman (2007) describe performance as a measure of an organisation’s earnings and value appreciation. It has also been described as the extent to which an organisation achieves or fulfil its objectives. In the context of banks, firm performance can be evaluated based on a number of parameters. These include financial measures and non-financial measures (Ittner & Larcker, 2003). The goal of both financial and non-financial metrics assess the level to which the organisation ids able to reach or achieve business objectives. While financial measures rely on monetary metrics, the non-financial measures are not monetary and are more long term oriented. According to Kaplan and Atkinson (2015), financial metrics can be inaccurate as they can be manipulated by managers to help them achieve their targets (Folan & Browne, 2005). They are mainly based on financial ratios that include profitability ratios, liquidity (solvency), leverage (debt), asset efficiency (turnover),
profitability as well as market ratios (Wild, Bernstein, Subramanyam & Halsey, 2004). Non-financial performance measures on the other hand are ideal for their long term focus (Balkenhol, 2007). The nonfinancial indicators will be applied in evaluating the performance of Commercial Bank in Nyeri County, Kenya. The metrics of interest will be market share, customer base (growth), customer attraction and customer retention. According to Ang and Buttle (2006), customer attraction involves winning new customers to the firm from other rival firms. Attracting customers is the principal goal of most banks, because it is the customer who creates demand for their products and drives their turnovers and profits. Customer retention is the extent to which the firm is able to protect or maintain loyal customers. Customer retention involves activities and actions undertaken to reduce the number of customer defections. The objective of customer retention is to help banks to retain as many customers as possible, often through customer loyalty and brand loyalty initiatives (Thomas, 2001). Penman & Penman (2007) highlights market share as the proportion of the market attributable to a firm as indicated by their sales in relation to other similar firms. Customer base refers to the number of clients that an organisation has at a given point in time. Growth represents the change (decline or increase) in customer base at a given point or span of time.

Change management entails a systematic approach to dealing with either environmental, organisational or individual changes. According to Gill (2002), the facets of change management practices include adapting to change, controlling change, and effecting the change. A proactive approach must therefore define, implement and review change procedures and take cognisance of dynamics within and without the firm. Hayes (2014) argues that change management is concerned with key factor changes in the management and how well they are managed to achieve competitive advantage and consequently high performance. Todnem (2005) argued that change management is crucial for an organization in order to sustain and enhance competitive advantage. Burnes (2004) argues that adaptation entails developing a structured methodology for responding to changes in the business environment. Control entails appraising, evaluating and reviewing the change process, and outputs against some pre-set standards. Implementation or effecting the change requires that enough resources are set aside and all participants involved and empowered to handle the process. As such, organizational change management takes cognisance of both the processes and tools used to effect changes at the organizational level. This, according to Dawson (2001), is to ensure that change is implemented with the least resistance possible.

Hamel (2008) outlines the practices of change management as; employee counseling, stakeholders involvement, leadership, communication and feedback, learning and development and monitoring and control. Employee counseling is the process of assisting employees with help and support to withstand the complexities and disruptions associated with change introduction. As argued by McLeod (2011), employee counselling is an organisational workforce intervention that takes a problem-solving approach to tackling the challenges at hand. Change comes with its own disruptions which could lead to diminishing productivity resulting from stress-related inefficiency and incompetence. As such, employee counselling serves to control the negative effects of stress at both the individual and organisational levels. Employee counselling accords the workforce a valuable opportunity to work through problems in a strictly confidential and supportive atmosphere. According to McMahon (2014), the ingredients of a prudent employee counselling framework involves giving information, direct action, teaching and coaching, advocacy, and providing feedback and advice to employees on matters change.

Morgan and Zeffane (2003) stated that employee involvement is the direct participation of staff in an organization in the process of accepting and implementing change. According to
Proctor and Doukakis (2003), the implementation and efficient management of change requires involvement from each part of your company, including the employees who are directly involved in service delivery. The dimensions of employee involvement are establishment of change committees, test groups and follow up mechanisms. Through the change committee, it is possible for the organisation to ensure direct employee involvement in any organizational change which is critical to proper implementation (Gill, 2002).

The change committee needs to be representative embracing all the departments or units of employee engagement. By directly involving employees in planning change, the firm finds it easier to execute that change (Morgan & Zeffane, 2003). Test groups should also be established prior to change introduction in order to have a taste of the complexities or opportunities associated with it. It is important that staff from all levels involved. Through follow up, the organisation is able to seek out employee opinions and suggestions on how to improve change processes. Organisations should consistently seek input from the change committee, and run updates through the test group in readiness for adoption as a permanent part of the change (Smith, 2005). Effective communication is the smooth movement of information in an organization to ensure intended message is delivered successfully (Aladwani, 2001). Communication must be designed in line with the mission, vision and objectives of the organization. The communication strategy takes cognizance of the organizational stakeholders, the level within the organization, the communications channels, the measurability of effectiveness, and timeliness. Vetter and Reed (2000) defined monitoring and control as a process of measuring the success of change initiatives and taking corrective action to assure that the business is on track to meet its goals. Change initiatives can be delayed for many reasons, including unforeseen risks, optimistic estimates, and evolving requirements. The reality is that change implementation rarely go as planned. The processes in the monitoring and controlling process trigger change requests that enable as the systems to get back on track (Murphy, 2009).

Organizational learning and development is an organization’s talent management strategy that aligns individual goals to organization’s objective (Cummings & Worley, 2014). Organizational learning involves creating, retaining, and transferring knowledge within an organization. A learning organisation appreciates the fact that the firm’s improvement and performance will be premised on its ability to gain experience and talent. The organisation uses the experiences to create knowledge which offers great value to the firm. According to Burns (2004), the organizations that enhance their learning capabilities enjoy a leadership edge in the competition, Such firms are able to retain their innovativeness while meaningfully improving their top line as well as bottom line profitability (Wang and Ahmed, 2003). According to Beerel (2009), effective leadership is the ability to inspire, motivate and manage a team to achieve set objective. As argued by Gill (2002), leaders aren’t immune to the pressure of the diverse expectations of stakeholders. The organization and even the external players look up to the leaders for clarity, connection, and accountability in the context of change. According to Bass and Stogdill (1990), leadership is the ability of an individual or organization to guide other individuals, teams, or entire organizations through a certain course. There are several styles of leadership which include participative, laissez-faire, autocratic, transactional and transformational leadership. As the allocators of resources for change implementation, the leaders are at the centre stage of change success (Doppelt, 2009). Organisational leaders also serve to clarify the vision and communicate it effectively, developing a close connection with employees and being accountable and transparent. A prudent leadership strategy is one that establishes a clear vision for the change management process. Good leadership also put in place a clear structure which support the change. It also measures, reward, and recognises systems to measure and reward the accomplishment of the
new goals. Good leadership also solicits and acts upon feedback from other members of the organization. It finally recognizes the human element in the change. (Graetz, Rimmer, Lawrence, & Smith, 2006).

The performance of commercial banks in Kenya has been dwindling in the background of many changes facing the once vibrant sector in the Kenyan economy. This condition has seen players such as Dubai Bank of Kenya, Imperial Bank and Chase Bank (Kenya) Ltd shutting doors. The market value of the banks has been declining. As observed by AIB Capital Kenya (2016), the price to book ratio reduced to 0.8x in January 2017 from 1.9x at the end of 2014. This is indicative of dwindling fortunes in realizing maximisation of shareholders’ wealth. The level of credit growth has also shrunk drastically standing at a low of 4.6% as at September 2016. This has happened in the backdrop of new interest rate regime that caps interest rates chargeable by commercial banks at not more than 4% above Central Bank Rate (CBR). Cytonn investment (2017) further observes that the diminishing performance fortunes in the banking sector has cost players dearly and has resulted to staff layoffs and closure of branches with 1340 employees laid off and 21 bank branches closed in the financial year 2016/2017. Commercial banks have also been reporting losses showing challenge in delivering returns on shareholder’s investments. Most of the banks with branches in Nyeri County have consistently reported losses in the recent past. These include Sidiab Bank (307 million loss) and Family Bank of Kenya (259.57 million loss) in 2017. Onuonga (2014) also asserts that between the financial years 2008-2013, the growth in Profits before Tax (PBT) of commercial banks has been less than 20% on average terms and represent a declining trend.

2. Statement of the Problem

The banking sector has experienced major hiccups in the last few years which has seen the collapse of three banks in a row including Dubai Bank of Kenya, Imperial Bank and Chase Bank (Kenya) Ltd. This has reduced confidence in the public domain in regard to banking services (Onuonga, 2014). A report by Cytonn Investments (2017) indicates that there has been great decline in commercial banks. Earnings per share growth over the first quarter of 2017 coming in at 8.6% as compared to 13.6% earned in the first quarter of 2016 due to decline in Net interest income caused by interest rate cap introduced in September 2016. Major players in the banking sector have also incurred losses in the past financial year with Family Bank (Kenya) Ltd incurring a net loss of 260 million as compared to the net profit of 350 million made in the first quarter of 2016. Sidiab Bank has also experienced a loss of Sh122.7 million as at June 2017 compared to a net profit of Sh158.2 million made in a similar period a year earlier. Its net Interest earnings have also reduced to Sh0.59 billion from Sh1.01 billion in June 2016. Sidiab bank has also laid off 108 staff (Cyton Investments, 2016).

Change management has been fronted as a key to addressing the performance crisis as organizations come to terms with the reality of change as is the case with the banking sector. There is need to change management plans in an organization and to be aware of the changing nature of the organization’s external environment (Hall & Hord, 2006). Numerous researches have been conducted on change management and performance but there are still many unresolved issues. Wanza and Nkuraru (2016) conducted a research on influence of change management on employee performance in University of Eldoret and concluded that leadership and structural changes had a positive influence on performance. Wachira and Anyieni (2015) conducted a research on effect of change management practices on performance of Teacher’s Service Commission and established that communication had a positive impact on performance, however the other variables such as stakeholder involvement, leadership and organizational learning were not examined hence existence of an
empirical gap which the researcher aims to fill. Thus to fill these gaps and provide evidence for decision making that would enhance performance of commercial banks, the current study assessed change management practices and performance of commercial banks in Nyeri County, Kenya.

3. Objectives of the study

The general objective of the study was to determine the effect of change management practices on performance of commercial banks in Nyeri County, Kenya.

Specific objectives were.

i) To assess the effect of stakeholder involvement on performance of commercial banks in Nyeri County, Kenya.

ii) To determine the effect of leadership on performance of commercial banks in Nyeri County, Kenya.

iii) To establish the effect of organisational learning on performance of commercial banks in Nyeri County, Kenya.

iv) To determine the effect of communication on performance of commercial banks in Nyeri County, Kenya.

4. Theoretical Review

Theoretical review entails an analysis of bodies of knowledge as captured theories relevant to the proposed analysis. The study was guided by McKinsey 7-S Change Model, Kotter's Eight Step Model, Resource Dependence Theory, and Kurt Lewin’s Model.

4.1 McKinsey 7-S Change Model

The Mc-Kinsey Model was developed by Peters and Waterman (1982). The basic foundation of the theoretical model was that there are seven internal aspects of an organization that need to be aligned if it is to be successful (Cellars, 2007). Notwithstanding the type of change, be it new processes, organizational mergers, restructuring, new systems, or change of leadership, the Mc-Kinsey model can be used to understand how the organizational elements are interrelated, and therefore ensure that the wider impact of changes made in one area is taken into consideration. According to Higgins (2005), the Mc-Kinsey model involves seven interdependent factors classified as either "hard" or "soft" elements. The hard elements include strategy, structure and systems. On the other hand, the soft elements comprise of shared values, skills, style and staff. As observed by Kaplan (2005), the hard elements are easier to delineate or identify. As such, management can directly influence them and they include strategy statements; organization charts and reporting lines; and formal processes and IT systems. In contrast, the soft elements can be more complex to describe, and are less tangible and more influenced by culture. The elements are however as important as the hard elements if the organization is going to be successful (Bate, 2010). Figure 1 represents the interdependency of the elements and represents a demonstration of how a change in one element affects all the others in the organisational model.
According to Kaplan (2005), strategy entails the plan employed to uphold and shape competitive advantage. Structure refers to the manner in which the organization is structured as well as the reporting lines in the organisation. Additionally, systems are essentially the daily activities that staff members are involved in to get the job assignments executed. Principal to the firm are the shared values or super ordinate goals which are in essence the core values of the firm as evidenced in the corporate culture and the general work ethic. Style describes the style of leadership adopted while staff is the organisation’s employees and their general capabilities. Finally, skills represent the actual abilities and competencies of the employees working for the firm (Johnson, Whittington, Scholes, Angwin, & Regnér, 2013). In essence, the model builds on the basic premise that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. According to Cellars (2007), the model is applicable in identifying what needs to be realigned to improve performance, or upholding alignment and performance during other types of change. This framework was helpful to the study, especially as regards the assessment of the role of leadership, organisational learning and development and stakeholder involvement in influencing the performance of the firm.

4.2 Kotter’s Eight Step Model

The model was proposed by Kotter (1996) in the book, "Leading Change." The eight step process is represented in the figure that follows.
Figure 1: Kotter's Eight Step Model for Change

Source: Kotter (1996)

The initial step in change introduction involves determining the need for change or creating a sense of urgency. The basic activities of this process entail an open, honest and convincing dialogue with stakeholders about what's happening in the marketplace and with regard to firm competitors. According to Gill (2002), having many people talking about the change you propose is key in creating the sense of urgency. The second step involves building the change team or forming a powerful coalition. Todnem (2005) asserts that this stage involves convincing stakeholders that change is necessary. This is effective in the presence of strong leadership and visible support from key personalities in the firm. The process also involves the identification of effective change leaders throughout your organization not necessarily following the traditional company hierarchy. Leading change in an organization necessitates the bringing together of a coalition of influential people whose power comes from a variety of sources such as job title, status, expertise, and political importance (Doll & Miller, 2008).

The third step entails the creation of a vision and values for change. A clear vision helps all stakeholders recognize the need for the proposed change. Stakeholders would accept a proposal that they understand well and will most likely commit themselves to achieve something they comprehend. Step four involves communicating the vision to various stakeholders. Newly established vision needs to be communicated frequently and powerfully, and embedded within all facets of the organization (Rose, 2002). The fifth step entails the removal of obstacles and empowering others. In this stage structures for change are established and continually checked and improved to support change introduction. According to Gill (2002), removing obstacles helps to empower the people you need to execute your vision, and it can help the change to move forward. The sixth step involves creating short-term wins or noticing improvements and energizing. It essentially entails giving the company a taste of victory early in the change process. It is important to outline short term gains from change introduction as stakeholders can observe that the change is useful. This helps in countering critics and negative thinkers who might hurt the progress of change.

The seventh entails building on the change or consolidating. According to Doll and Miller (2008), short term wins are only the beginning of what needs to be done to achieve long-term
change. Therefore, the organization needs to keep striving to achieve the ultimate long term goal. The ingredients of this step include continuous improvements and building a momentum of continuous success. Step eight or the last step involves anchoring the changes in corporate culture or institutionalizing. As Kotter (1996) observes, to make any change stick, it should be set at the very core of the organization. The constituents of this stage entail incorporating the change to be part of the corporate culture. It's also vital for the company's leaders to continue to support the change. The theoretical framework was helpful to the evaluation of leadership, stakeholder involvement, communication and feedback and organizational learning and their influence on performance of organizations.

4.3 Kurt Lewin Three Step Model

Levasseur (2001) presents that Kurt Lewin’s theory is founded on three key steps. These are unfreezing, moving and then refreezing. Unfreezing concentrates with reducing obstacles to change and exploiting the prospects of a change effort. The second step, moving stage centres on appreciation of the necessity for change and the acceptance of change. Effectively, organisational leaders as change agents should restore new system actively with all employees in the refreezing step (Hughes, 2007).

![Kurt Lewin's 3 Steps of Change](image)

Figure 2: Kurt Lewin's 3 Steps of Change

Source: Lewin (1947)

Communication is one of the highly emphasised dimensions of change management by the authors. The idea is that organisational stakeholders should be constantly updated of proposed changes as they are the ones to implement. Organisational leaders should also regularly collect feedback to ensure that employees and other stakeholders do not encounter challenges. The framework was useful, particularly in the assessment of communication, leadership and stakeholder involvement variables of the study.

4.4 The Resource-Based View (RBV) Theory

The theoretical framework is associated with Wernerfelt (1984) as a tool for gaining competitive advantage. Organizations take advantage of available opportunities by applying and constantly enhancing the tangible or intangible resources at the firm's disposal. The theorists behind the resource-based view (RBV) see resources as key to superior firm performance and argue that organizations should look inside the company to find the sources of competitive advantage rather than looking for competitive advantage from the competitive environment. Thus, the firm identifies change opportunities from within organisations and builds on the initiatives to enhance their competitiveness. The resource based view puts emphasis on resources and capabilities as the very beginning of competitive advantage. The
model develops the body of knowledge of differential firm performance and also ushers new dimensions to the understanding of strategic management as a corporate discipline (Barney and Clark, 2007).

The RBV proponents assert that it is much more viable to use existing firm resources in exploiting external opportunities in a new way as opposed to acquiring new skills for each new opportunity. The basic premise of the RBV framework is the role of resources in influencing organizational performance (Arend, 2006). The resource-based view (RBV) holds that by innovatively delivering superior value to customers, a firm would stand a chance to win competitive advantage. For the current study, the RBV framework applies as resources will have ramifications on the ability of the firm to effectively manage change in the organization. The ability of the firms to ensure stakeholders are effectively engaged and empowered for change will be influenced by the level of resources at firms’ disposal. Top management support and leadership factor in general will be influenced by resources at hand. Likewise, the ability to institute effective communication systems and build a learning organization is dependent on resource availability. This theoretical orientation found application to the current study as regards the assessment of change management and its influence to organizational performance.

5. Empirical Literature Review

The empirical review presents and appraises methods, concepts, contexts and results of past studies on the subject of change management practices and organisational performance. Captured in the review are research approaches, results, and sanctions of the studies. The main goal of the review was the identification of study gaps to guide the current study. The performance of commercial banks in Kenya has been dwindling in the background of many changes facing the once vibrant sector in the Kenyan economy. This condition has seen players such as Dubai Bank of Kenya, Imperial Bank and Chase Bank (Kenya) Ltd shutting doors. The market value of the banks has been declining. As observed by AIB Capital Kenya (2016), the price to book ratio reduced to 0.8x in January 2017 from 1.9x at the end of 2014. This is indicative of dwindling fortunes in realizing maximisation of shareholders’ wealth. The level of credit growth has also shrunk drastically standing at a low of 4.6% as at September 2016. Cytonn investment (2017) further observes that the diminishing performance fortunes in the banking sector has cost players dearly and has resulted to staff layoffs and closure of branches with 1340 employees laid off and 21 bank branches closed in the financial year 2016/2017. Commercial banks have also been reporting losses showing challenge in delivering returns on shareholder’s investments. Onuonga (2014) also asserts that between the financial years 2008-2013, the growth in Profits before Tax (PBT) of commercial banks has been less than 20% on average terms and represent a declining trend. Maina (2018) reviewed the performance of commercial banks in Kenya and demonstrated that the market share of commercial banks in Kenya was declining. This condition is further outlined by Nyandoro (2015) indicating that the period following introduction of interest rate capping law has diluted the competitive position of banks, resulting to decreased market share. CBK (2018) presents that tier one banks, comprising of the big banks constituted 49.90 percent of total industry’s market share. Tire 2 banks comprising of medium-sized lenders constitute 41.70 percent of the market share with tier three (small banks) commanding a mere 8.40 percent. In a review of strategic change management practices at Barclays bank of Kenya, Nzuki (2016) highlights that innovation was moderately embraced at the bank. Cytonn Investments (2018) notes that innovation performance of banks was different for individual players with the big banks showing higher innovation levels than small banks. The banks in
tier one demonstrated high innovation performance with the tier 3 banks showing very little innovation.

Conner (2017) examined the diverse effects of stakeholder engagement on organizational performance. The study surveyed 150 Indian education directors in New Mexico and Oklahoma. Results indicated that stakeholder engagement positively influences organizational performance. Contextual gaps are identified on the need to replicate the study locally where studies on this subject are still rare. Conceptual gaps are unveiled on the need to broaden the concepts analyzed under the stakeholder engagement variable. Kenyoru (2015) analyzed stakeholder engagement and organizational performance. This was done through a case study of Kenya Power and Lighting Company, Eldoret Branch, Uasin-Gishu County–Kenya. The descriptive research design was used for the study which was anchored on stakeholder theory. The analysis produced descriptive along with inferential statistics. Findings indicated a positive effect of stakeholder involvement on organizational performance. Methodological gaps are identified on the need to consider a larger number of organizations for analysis away from case study method to enhance comparability of results.

Mlanya (2015) examined stakeholder involvement in strategic management and performance of British-American Investments Company limited. Primary data was also collected using an interview guide. Analysis produced descriptive statistics to guide answers to research questions. Results demonstrated that stakeholder involvement enhanced organizational performance. Methodological gaps are identified on need to cover a large number of organizations for better comparison. Njenga (2016) examined change management and performance of public universities in Kenya through a case study of the Technical University of Kenya. Specifically, the study was about establishing the influence of change communication, change leadership strategy, change planning strategy, and change execution strategy on performance. Findings indicated that change leadership strategy was a useful predictor of organisational performance. Methodological gaps are clear on the need to cover a wide range of organisations, away from the case study approach, to enhance comparison. More methodological gaps are exposed on the need to use inferential statistics in the analysis to improve generalizability.

Thomas (2014) assessed change management and performance of Nigerian Telecoms Industries. Specifically, Airtel Telecommunication Company was targeted. One-way ANOVA was used in the analysis. Results demonstrated that change leadership was a useful determinant of organisational performance. Empirical gaps are clear on need to consider other change management practices besides leadership for more detailed analysis. Contextual gaps are also presented on need conduct the study locally. Omari, Ateka, and Nyaboga (2013) focused on strategic change management practices and firm performance. Soft drink firms in western Kenya were targeted by the study. Leadership was found to enhance change management and ultimately on organisational performance. Empirical gaps are identified on the need to extend the analysis to cover more change management variables besides leadership.

Tsai (2011) analysed organizational cultures, leadership and job satisfaction amidst organisational change in Taiwan. The study used a cross-sectional study approach and targeted Taiwanese hospital nurses as the participants. Correlation analysis results indicated a significant positive relationship between leadership behaviour and job satisfaction and employee performance. The study presents methodological gaps on need to address organisational performance besides employee performance. Nzioka (2012) examined the link between organisational learning and performance of Kenyan commercial banks. A descriptive study approach was adopted. The population was made up of 43 banks. The
study used descriptive alongside inferential statistics in the analysis. Results showed that organizational learning and firm performance are positively related. Contextual gaps are identified on the need to consider an up to date study as circumstances could have changed from the time the study was done.

Azizi (2017) assessed the association between organizational learning and organizational performance. The study targeted firms operating in the insurance industry of Tehran in Iran. The descriptive survey research approach was considered on a population of 120 insurance companies. Pearson correlation analysis was used to assess the links. Findings indicated a positive relationship between organizational learning and performance. Contextual gaps are presented on the need to replicate the study locally. Empirical gaps are also presented on need to expand the change management practices analysed. Santos-Vijande, López-Sánchez, and González-Mieres (2012) examined organizational learning, innovation, and performance in KIBS in Spain. A sample of 246 knowledge intensive business services (KIBS) was used. The results indicated that organisational learning was an important driver for adaptability to change, innovativeness, and organisational performance. Contextual gaps are identified on the need to replicate the study locally for more applicable results. Empirical gaps are further presented on the need to embrace a wider framework of change management variables, besides organisational learning in the analysis.

Shahrabi (2012) dwelt on the role of organizational learning and agility in change management. A desk study approach was adopted and focused on state owned enterprises. Literature was reviewed from the library, the internet and academic sources. The study concludes that organizational learning and agility determine the success of change management initiatives. Organisational learning enhances growth, better adaptation and effective management of change. Empirical gaps are unveiled on the need to expand the assessment to cover the relationship between change management and performance. Njenga (2016) examined change management strategy and performance of public universities in Kenya through a case study of the Technical University of Kenya. Specifically, the researcher was interested with the determination of the influence of change communication strategies, change leadership strategy, change planning strategy, and change execution strategy on performance. Data was collected through questionnaires. Descriptive statistics were used in the analysis. Results established that communication strategy was useful in determining organisational performance. Methodological gaps are evident on the need to cover a wide range of organisations, away from the case study approach, to enhance comparison of results. Further methodological gaps are clear on the need to use inferential statistics in the analysis to improve generalizability.

Karanja (2015) examined organizational change management and employee Performance. The study specifically targeted the Postal Corporation of Kenya for analysis. The population of the study was made up of 300 employees of the organisation based at the Nairobi headquarters. A sample of 61 employees was reached using stratified random sampling approach. The study relied on descriptive statistics in the analysis. Results indicated that organisational change management influence employee performance. Communication was highlighted as a key dimension to consider for enhancement of employee performance in the context of change. Methodological gaps are exposed on the need to consider a wide range of organisations for analysis to improve on comparison. More gaps are unveiled on need to use both descriptive and inferential statistics for more justifiable conclusions. Harp (2011) explored effective change communication in the workplace anchoring the analysis upon the goal setting theory. The study used a multi-methods approach to determine and construct a new dimension for effective change communication. The participants were more than 1,000 members of the workforce. The study provided a basis for evaluating effective change
communication as focusing on behaviour, trait, and knowledge for individuals. On the other hand, accuracy, clarity, and availability formed the basis of effective change communication at the organisational level. Empirical gaps are presented on the need to extend the analysis to cover the relationship between change communication and performance. Further gaps are unveiled on need to use more change variables in the analysis. Femi (2014) examined the influence of communication on workers’ performance. Narrowed in for analysis were selected organisations in Lagos State, Nigeria. A questionnaire was the choice data collection tool and was distributed on a population of 120 respondents. Findings demonstrated a significant association between effective communication and workers’ performance. Methodological gaps are unveiled on need to shift focus from employee performance to organisational performance. Empirical and conceptual gaps are clear on the need to embrace other dimensions of change management apart from communication in the analysis and need to broaden the concepts.

6. Conceptual Framework

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<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
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<tr>
<td><strong>Stakeholder Involvement</strong></td>
<td><strong>Organisational Performance</strong></td>
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<tr>
<td>- Engagement in decision making</td>
<td>- Market Share</td>
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<tr>
<td>- Investment in employees</td>
<td>- Innovation</td>
</tr>
<tr>
<td>- Participatory performance review</td>
<td></td>
</tr>
<tr>
<td>- Resistance mitigation</td>
<td></td>
</tr>
<tr>
<td>- Team roles</td>
<td></td>
</tr>
<tr>
<td><strong>Leadership</strong></td>
<td></td>
</tr>
<tr>
<td>- Top management support</td>
<td></td>
</tr>
<tr>
<td>- Style of leadership</td>
<td></td>
</tr>
<tr>
<td>- Leaders’ competence</td>
<td></td>
</tr>
<tr>
<td>- Leaders’ Creativity</td>
<td></td>
</tr>
<tr>
<td><strong>Organisational Learning</strong></td>
<td></td>
</tr>
<tr>
<td>- Knowledge creation</td>
<td></td>
</tr>
<tr>
<td>- Knowledge retention</td>
<td></td>
</tr>
<tr>
<td>- Knowledge transfer or sharing</td>
<td></td>
</tr>
<tr>
<td>- Support to newcomers</td>
<td></td>
</tr>
<tr>
<td><strong>Communication</strong></td>
<td></td>
</tr>
<tr>
<td>- Plan and design</td>
<td></td>
</tr>
<tr>
<td>- Delivery channels</td>
<td></td>
</tr>
<tr>
<td>- Methods effectiveness</td>
<td></td>
</tr>
<tr>
<td>- Timeliness</td>
<td></td>
</tr>
</tbody>
</table>

*Figure 1: Conceptual Framework*

*Source: Researcher (2018)*
The conceptual framework was constituted by four independent variables and a dependent variable. The independent variables were the practices of change management in the organisation namely; stakeholder involvement, leadership, organisational learning and communication. The dependent variable was organisational performance. The conceptual framework represents a thematic presentation of the subjects under analysis. The dependent variable was organizational performance of commercial banks. The study used non-financial metrics as the choice indicators of organizational performance. These included customer attraction, customer retention, growth (customer base) and market share. The independent variables were the change management practices namely; stakeholder involvement, leadership, organizational learning and communication. Stakeholder involvement was indicated by analyzing the concepts of decision making, employee investment, participatory performance review resistance mitigation and team roles. Leadership was addressed from a perspective of style of leadership, leaders’ competence, leaders’ creativity. Additionally, organizational learning was analyzed the application of knowledge creation, knowledge retention, knowledge transfers or sharing support to newcomers. Communication focused on communication plan and design, communications channels, communication effectiveness and communication timeliness.

7. Research Methodology

A descriptive survey research design was applied to the current analysis. The approach was considered useful in effectively describing the state of change management and performance of the commercial banks as well as the existing relationships between the variables. According to Fowler (2013), a descriptive survey research approach permits the study not only to observe but also to define the conduct of variables without manipulating them. For the current analysis, the target population was made up of all the 15 commercial banks in Nyeri County, Kenya. The target respondents were the branch managers, accountants, credit managers, and marketing managers of all the commercial banks. The study used a census approach to subject all the banks to study. Ott and Longnecker (2015) highlights that a census subjects all conveniently accessible elements to the study. Where feasible, a census study would be ideal as it effectively controls sampling errors (Mugenda & Mugenda, 2003). The study therefore targeted a total of 60 respondents which meets and exceeds the threshold size of thirty (30) recommended by Mugenda and Mugenda (2003) as ideal to allow normal approximations.

A semi structured questionnaire was used in data collection and collected primary data. A secondary data checklist was used to collect secondary data from financial statements and management reports of the banks. Owing to the busy nature of the target respondents in corporate engagement, the drop and pick method was considered most convenient in questionnaire administration. The drop and pick method involves provision of the research instruments to participating respondents in person and planning to pick them at a later date (Mugenda & Mugenda, 2003). The researcher then gave the participants at least a week to respond to the questionnaire items. Secondary data was collected from financial statements and management reports of the firms and was guided by a secondary data checklist. Before the key analysis, the researcher sought to clean data to free it from possible manipulation and errors. Both descriptive statistics (means and standard deviations and inferential statistics (Multiple linear regression analysis, Analysis of Variance (ANOVA) and correlation analysis) were used in the main analysis. The following regression model was applied as adopted from Kutner, Nachtsheim and Neter (2004).

From the Model summary, the Coefficient of Determination (R squared) revealed the collective effect of influence of the four variables under change management strategies on
organisational performance. The P Values in the ANOVA tables helped in determining whether the influence of each change management strategy on organisational performance is statistically significant. On the other hand, F Test on ANOVA was interpreted using a significance level of 0.05 or 5%. Therefore, if the P Value is greater than 0.05 i.e. P < (α = 5% level of significance), then a conclusion was made that the change management strategy does not significantly affect organizational performance. Values of r which represents the correlation coefficient were utilized to indicate the degree and direction of relationships between variables and were interpreted on a scale of -1 to +1. Values of r= 1.0 would indicate perfect correlation while values of r= 0 to +1 would mean that the two variables tend to increase or decrease together. Correlation values of r=0.0 means that the two variables do not vary together at all while values of r = -1 to 0 indicate that as one variable increases, the other decreases. Finally, values of r= -1.0 would indicate perfect negative or inverse correlation. The results were presented using tables, figures, equations and graphs.

8. Data Analysis Results

The study applied the Pearson correlation analysis to determine and explain the nature, strength, and direction of association between change management and performance of commercial banks in Nyeri County, Kenya. Table 1 gives a summary of results of the Pearson Correlation Analysis.

<table>
<thead>
<tr>
<th></th>
<th>Organisational Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Involvemt</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.780**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.001</td>
</tr>
<tr>
<td>N</td>
<td>50</td>
</tr>
<tr>
<td>Leadership</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.602**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.031</td>
</tr>
<tr>
<td>N</td>
<td>50</td>
</tr>
<tr>
<td>Organisational Learning</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.514**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.002</td>
</tr>
<tr>
<td>N</td>
<td>50</td>
</tr>
<tr>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>.884**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.020</td>
</tr>
<tr>
<td>N</td>
<td>50</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Survey data (2019)

As demonstrated, all the independent variables (stakeholder involvement, leadership, organisational learning, and communication) are significantly and positively related with organisational performance. The coefficient for stakeholder involvement (0.780) and associated P value (0.001) shows a very strong, positive and statistically significant relationship with organisational performance. The strength of association between stakeholder involvement and organisational performance is considered very strong as the coefficient is above 0.70. The relationship is considered statistically significant as the P-value of 0.001 is less than 5% level of significance. The results agree with Conner (2017), Kenyoru (2015) and Mlanya (2015) who indicated that stakeholder involvement was positively correlated with performance.
The Pearson Correlation Coefficient for leadership (0.602) shows a strong, positive, and statistically significant relationship between leadership and organisational performance. The relationship is considered strong as the coefficient is greater than 0.50. In addition, the link is statistically significant since the P value of 0.031 is less than 5% level of significance. The findings agree with Njenga (2016), Thomas (2014), Omari, Ateka, & Nyaboga (2013) and Tsai (2011) who all indicated that leadership has a positive relationship with organisational performance.

The Pearson correlation coefficient for organisational learning (0.514) demonstrates existence of a strong, positive and statistically significant association between organisational learning and organisational performance. The link is considered strong as the coefficient is greater than 0.5. Further, the association is considered statistically significant since the P-value of 0.002 falls below the 5% level of significance. The study results agree with Nzioka (2012), Azizi (2017) and Shahrabi (2012) who found that organisational learning is positively correlated with organisational performance. Finally, the Pearson correlation coefficient for communication (0.884) indicates presence of a very strong, positive relationship between communication and organisational performance. The association is very strong as the coefficient is bigger than 0.7. In addition, the statistical significance threshold is observed as the P-value (0.020) is less than the 5% level of significance. The results agree with past studies including Njenga (2016), Karanja (2015), Harp (2011) and Femi (2014) who also established that communication was positively correlated with organisational performance.

The study also analysed data using the multiple linear regression analysis to understand the effect of change management and its components on organisational performance. The regression analysis was considered appropriate as it would provide evidence on the effect of specific change management practices on organisational performance hence help in fulfilling the research objectives. Results of the F Test on ANOVA are captured in Table 2.

**Table 2: F Test on ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>4.001</td>
<td>4</td>
<td>1.000</td>
<td>.368</td>
<td>.002a</td>
</tr>
<tr>
<td>Residual</td>
<td>294.490</td>
<td>46</td>
<td>6.402</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>298.491</td>
<td>50</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), Stakeholder Involvement, Leadership, Organisational Learning, Communication

b. Dependent Variable: Organisational Performance

Source: Survey data (2019)

At 5% significance level, the Analysis of Variance (ANOVA) output gives evidence that the gradient of the regression line was different from zero. This conclusion is reached as the P value of 0.002 was less than 0.05 or 5% level of significance. To that end, it was concluded that at least one independent variables (stakeholder involvement, leadership, organisational learning and communication) was a useful predictor of organisational performance. The model summary output further demonstrated the useful regression model in predicting organisational performance. Table 3 gives a summary of the output of the model summary.
Table 3: Regression Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.841a</td>
<td>.707</td>
<td>.785</td>
<td>1.002001</td>
<td>1.832</td>
</tr>
</tbody>
</table>

*a. Predictors: (Constant), Stakeholder Involvement, Leadership, Organisational Learning, Communication

*b. Dependent Variable: Organisational Performance

Source: Survey data (2019)

As shown by R square, the Coefficient of Determination (0.707), 70.70 percent of variation in organisational performance was explained by variation in change management and its component variables; stakeholder involvement, leadership, organisational learning and communication. As such, only 29.30 percent of variation in organisational performance was influenced by other factors not included in the model. To that end, a supposition was reached that at least one of the change management variables was a useful predictor of organisational performance (Draper, Smith, & Pownell, 1966; Seber & Lee, 2012). Table 4 presents the regression coefficients output. The coefficients table is key to fulfilling the objectives as it demonstrates the effect of each independent variable; stakeholder involvement, leadership, organisational learning and communication on organisational performance.

Table 4: Regression Model Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>(Constant)</td>
<td>8.521</td>
<td>.500</td>
</tr>
<tr>
<td>Stakeholder Involvement</td>
<td>.616</td>
<td>.323</td>
</tr>
<tr>
<td>Leadership</td>
<td>.599</td>
<td>.273</td>
</tr>
<tr>
<td>Organisational Learning</td>
<td>.803</td>
<td>.409</td>
</tr>
<tr>
<td>Communication</td>
<td>.901</td>
<td>.236</td>
</tr>
</tbody>
</table>

*a. Dependent Variable: Organisational Performance

Source: Survey data (2018)

The multiple linear regression model output indicate that all independent variables analysed; stakeholder involvement, leadership, organisational learning, leadership, organisational learning and communication have a positive and statistically significant effect on organisational performance. The regression model for change management practices and organisational performance was therefore developed as follows;

\[ Y = 0.8521 + 0.616X_1 + 0.599X_2 + 0.803X_3 + 0.901X_4 + \varepsilon \]

Where, \( Y \) = Organisational Performance, \( X_1 \) = Stakeholder Involvement, \( X_2 \) = Leadership, \( X_3 \) = Organisational Learning and \( X_4 \) = Communication. The coefficient for stakeholder involvement (0.616) implies that a unit increase in stakeholder involvement would result to a 0.616-unit improvement in organisational performance. The effect of stakeholder involvement on organisational performance is statistically significant since the associated P-Value (0.002) is below the 5% or 0.05 level of significance. Therefore, stakeholder involvement was a useful predictor of organisational performance. The results agree with Conner (2017), Kenyoru (2015) and Mlanya (2015) who indicated that stakeholder involvement has a positive effect on performance.
The coefficient for leadership (0.599) represents a positive effect of leadership as a change management practice on organisational performance. The effect of leadership on organisational performance is statistically significant since the associated p-value of 0.007 is less than 5% or 0.05 significance level. Hence, a unit improvement in leadership would lead to a 0.599-unit improvement in organisational performance. Hence, leadership is a statistically significant determinant of organisational performance. The findings agree with Njenga (2016), Thomas (2014), Omari, Ateka, & Nyaboga (2013) and Tsai (2011) who all indicated that leadership has a positive effect on organisational performance. The coefficient for organisational learning (0.803) shows a positive effect of the variable on organisational performance. The effect of organisational learning on organisational performance is statistically significant since the associated p-value of 0.013 is less than 5% or 0.05 level of significance. Therefore, a unit improvement in organisational learning would result to a 0.803-unit improvement in organisational performance. Organisational learning is therefore a statistically significant determinant of organisational performance. The study results agree with Nzioka (2012), Azizi (2017) and Shahrabi (2012) who found that organisational learning has a positive effect on organisational performance. The coefficient for communication (0.901) represents a positive effect of communication as a change management variable on organisational performance. The effect of communication on organisational performance is considered statistically significant as the associated P-value of 0.001 is within the 5% or 0.05 significance boundary. Therefore, it was concluded that a unit improvement in communication as a change management practice, would result to a 0.901-unit improvement in organisational performance. Communication was therefore observed to be a statistically significant predictor of organisational performance. The results agree with past studies including Njenga (2016), Karanja (2015), Harp (2011) and Femi (2014) who also established that communication has a positive effect on organisational performance. The study consequently reached a conclusion that all the independent variables under change management practices (stakeholder involvement, leadership, organisational learning and communication) were useful predictors of organisational performance.

9. Conclusion

Conclusions and generalizations are guided by the inferential statistics. On organizational performance, the study concluded that although the general average performance of commercial banks was good, there were wide discrepancies in individual banks’ performance that required to be addressed. On stakeholder involvement, a conclusion was reached based on the Pearson Correlation Analysis that stakeholder involvement was significantly, strongly and positively related with organizational performance. Further the regression analysis results informed a conclusion that stakeholder involvement was a statistically significant predictor of organisational performance. It was concluded that the model of stakeholder involvement in the organization was widely effective in achieving organizational goals. The Pearson correlation analysis informed a conclusion that leadership has a strong, positive and statistically significant relationship with organisational performance. Multiple linear regression analysis results informed a conclusion that leadership has a positive influence on performance of banks. Generally, the banks had largely established an effective leadership practice to guide change initiatives. Regarding organisational learning, the Pearson correlation analysis results led to a conclusion that organisational learning has a positive and statistically significant relationship with organisational performance. Multiple regression analysis results informed a conclusion that organisational learning was a statistically significant predictor of organisational performance. Notably, of all other change management practices, organisational learning was found to have the second largest influence on organisational performance after communication. The Pearson correlation analysis results
informed a conclusion that communication as a change management practice has a very strong, positive relationship with organizational performance. Further, regression analysis results led to a conclusion that communication has a positive and statistically significant effect on organisational performance. Notably, communication yielded the highest effect on organisational performance.

**10. Recommendations**

Although banks were effective in knowledge creation for change initiatives, there was need to improve on knowledge retention and knowledge transfer programs which was found to be moderately implemented. Specific action plans recommends to bank management to improve knowledge retention include enhanced knowledge capture, development of mentorship programs, and up scaling the level of employee training and development. The study recommends that bank leaders consider improvement of change resistance mitigation frameworks that were seen to be weak. The banks’ management further needed to be keener in promoting team roles to ensure smooth transition and diffusion of change. On leadership, the study recommended that leaders enhance the creativity with which they ensured changes are efficiently and effectively being implemented. Notably, the creativity of leaders in change management was found to be unsatisfactory. The results indicated that banks had only moderately adopted the use of a variety of communications channels to ensure information reached all parties. The study recommends adoption of more communication channels as the factor yielded the strongest influence on performance. The study therefore recommends that organizational leaders pursue both formal and informal channels to improve on effectiveness and efficiency with which information is relayed.

**References**


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