THE ROLE OF LEADERSHIP IN MANAGEMENT OF STRATEGIC
CHANGE AT NAIROBI BOTTLERS LIMITED, KENYA

BY

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DECLARATION

This research project is my original work and has not been presented for award of any
degree in any university

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This research project has been submitted for examination with my approval as the supervisor.

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DEDICATION

This work is dedicated to my lovely parents Samuel and Grace. Thanks for walking with me through this journey and to my kids. This is for you.
ACKNOWLEDGEMENT

I thank the Almighty God for guiding me through my MBA studies and research project, to Him be all glory. I am also grateful to my supervisor Dr. Vincent Machuki for his continuous support, from the early stages of conceptual inception and through ongoing advice and encouragement to this day. Special thanks to Nairobi Bottlers Limited for allowing me to conduct research on the organization and offering data necessary for the same.

Last but not least, I appreciate my family’s support throughout this project. I also thank my colleagues at KeNIC for allowing me time to pursue my MBA project. Without you all, this project would not have been possible. May the Lord bless you all.
ABSTRACT

The aim of the study was to establish the role of leadership in management of strategic change at Nairobi bottlers limited. The research adopted a case study research design. The case study involved a careful and complete examination of the entire social units and institutions and embraced depth rather than breadth of the study. Both primary and secondary data was collected for this study. Primary data was collected through an interview guide that carries questions pertaining strategic change, the challenges encountered in the process and the role of leadership in addressing the same. The interview guide consisted of open-ended unstructured question to allow greater depth and breadth of responses and was administered through personal interviews. Secondary data consisted of various literatures about the company as recorded in the company profile, company newsletters, annual reports of accounts, pertinent company correspondence as well as various industry publications. The findings revealed that management of Nairobi Bottlers Limited created an environment for participation and involvement of employees. This was done by breaking down big groups into smaller units creating room for growth since members from the team were appointed team leaders in charge of managing operations while top managers concentrated on managing change. This reduced staff resistance and high turnover, as they felt involved in the wider goal of enhancing growth amidst competition and changes in the operating environment. The study noted that a lot of challenges were faced handling competition brought about through unrelated diversification and entry of Pepsi in the market. The challenges were both internal and external. During the period most employees joined trade unions raising fears of unrest and incitement among fellow team member. Nairobi Bottlers Limited also lost some of its experienced employees to competition. Despite investing heavily in bridging gaps and loopholes Nairobi bottlers sales continued to decline due to factors beyond the firm’s control. Such as change in climate, high inflation rate as well as cheap substitutes. The study concluded that leadership role is fundamental in strategic change management. Organizations go through series of changes during which leaderships role is to ensure that the organization aligns to changes in the environment. The organizations leadership should also forecast change and develop a vision of the desired future. Finally, the study recommended that organizations should plan for change in order to maintain competitiveness. Structures should also be put in place to anticipate likely changes in the organizations environment. The implementation phase should also be closely monitored and evaluated.
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CHAPTER ONE: INTRODUCTION

1.1 Background of the study

Nairobi Bottlers Limited (NBL) like most organizations has gone through a series of changes within its operations. The business environment is now more competitive and dynamic; challenging leadership to influence change and sustain competitive advantage amidst uncertainty. Organization change is a complex process for companies to manage. Organizations are arenas of power, in which individuals and groups fight for prestige and possession of scarce resources in the pursuit of their interests, managers compete and come into conflict, the very nature of the organization makes this inevitable (Hills & Jones, 1999). Organizational leadership is fundamental in the directing and implementation of change.

The concept of leadership and change management are closely linked. Kotter (1996) suggests that management is about coping with complexity by bringing about order and consistency by drawing up formal plans, designing rigid organization structures and monitoring results against set plans. Leadership in contrast is about coping with change. Leadership establishes direction by developing a vision of the future; they then align people by communicating this vision and inspiring them to overcome hurdles (Robbins, 2007).
1.1.1 The Concept of Leadership

Leadership can be defined as a process of influencing and directing individuals towards the achievement of set objectives. This definition is similar to Northouse’s (2007, p3). Leadership is a process whereby an individual influences a group of individuals to achieve a common goal. Good leaders are made not born. If you have the desire and willpower, you can become an effective leader. Good leaders develop through a never ending process of self-study, education, training and experience (Jago, 1982). According to U.S. Army (1983) leadership involved four factors: Leaders, followers, communication and situation.

Leaders should win the confidence and trust of their followers. Followers determine the leader’s success. Followers / individuals are unique. Differences in individuals call for different leadership styles. Communication on the other hand promotes effective leadership. Communication can also be non-verbal such as when the leader leads by example. Different situations call for different leadership styles. Situations have a great effect on a leader’s action than his or her traits. This is because while traits may have an impressive stability over a period of time, they have little consistency across situations (Mischel, 1968). That is why most scholars embrace the process theory of leadership more as compared to the Trait theory of leadership.

1.1.2 The Concept of Strategic Change

Strategic change is defined as the action, process and decisions that are executed by organizations members to realize their strategic intentions. Strategic change is about
managing the unfolding non-linear dynamic processes during strategy implementation in policy, systems, values, staff and skills of an organization to realize strategy, Hardy (1989). Change management is a set of processes that is employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organization change (Mullins, 1995).

We have two types of change, the first and second order change. The first order changes also known as evolutionary or incremental changes are described as small changes that alter certain small aspects, looking for an improvement in the present situation; but keeping the general working framework (Blumenthal and Haspeslagh, 1994; Goodstein and Burke, 1991; Greiner, 1972; Levy, 1986; Mezias and Glynn, 1913; Nadler and Tushman, 1998; 1999). The second type of change is strategic, transformational, revolutionary or second order change. They are radical transformations where the organization totally changes its essential framework (Blumenthal and Haspeslagh et al.), looking for new competitive advantage (Hutt, Walker and Frankwick, 1995)

Ansoff and McDonnel (1990) observe that changes are becoming increasingly complex, novel and discontinuous from past experiences. Equally the change challenges have increasingly become simultaneous; the need for revival of entrepreneurship for response to the increasing intensity of global completion and for societal involvement in determining how firms are to be run is more critical now than before.
1.1.3 Beverage Industry in Kenya

The Kenyan beverage industry also known as the Non-alcoholic ready to drink (NARTD) market forms a major part of the Kenyan FMCG market. Products in this segment include juices, carbonated soft drinks, energy drinks and bottled water. The industry has gone through several changes and faces increased competition from imports. Major firms such as EABL have diversified into this segment through its Alvaro non-alcoholic malt drink. Ketepa has also diversified into this segment by introducing its ice tea brands and acquisition of Keringet. Britania Allied Industries has launched Splash beverages. The Sameer group has also ventured into the beverage market through its Daima brands. The Daily sector has made a strong entry into the beverage market by introducing flavored milk, shakes and yoghurt.

The liberalization of the Kenyan market has increased competition. Numerous firms have entered into the industry through related or unrelated diversification strategies or as new entrants in search of growth. Some of the top players in the Kenyan beverage and soft drink industry include Coca-Cola, Pepsi, Excel chemicals, Milly Fruit Processor Ltd, Delmonte, Kevian, Alpha Dairy products, Brookside, New KCC as well as imports from UAE, Egypt and South Africa such as Ceres and Masafi brands.

High inflation rates, rising operation costs and changes in customer preferences with more customers demanding high quality products at reasonable prices has made the beverage and soft drink market more competitive. Organizations are challenged to be more innovative and flexible in developing products that meet growing customer needs.
1.1.4 Nairobi Bottlers Limited

The Coca-Cola Company in Kenya is known for its aggressive marketing strategies to sustain competitiveness in Kenya’s turbulent market. Coca-Cola’s main role is to create demand through marketing while the Bottlers main role is to manufacture and distribute the final products to the consumers. The Coca-Cola Company handles the bottling function in some Countries but prefers to franchise through its “Anchor Bottler” concept. Anchor bottlers are well resourced multinational firms mandated with the bottling of Coca-Cola products across Countries.

Nairobi Bottlers limited was founded in 1948 by The Coca-cola Company. In 1995 Coca-Cola Sabco an anchor bottler for Africa acquired Nairobi bottlers. The firm bottles and distributes coca-cola products in Nairobi and part of Central, Eastern and Rift valley. Since the exit of Pepsi in the Kenyan market Nairobi bottlers has enjoyed a large share of the carbonated soft drink (CSD) market. However, the liberalization of the Kenyan economy, changes in customer preference, high operation costs and increased completion has increased uncertainty in NBL’s operating environment. In order to remain competitive, the Company has undergone several strategic changes. In 2004 Nairobi bottlers closed operations in Nakuru and Machakos consolidating its operations to one manufacturing plant in Embakasi. The company has also diversified into the production and distribution of Juices under the Minute Maid brand as well as Novida non alcoholic malt drinks to counter strong entrants such as Pepsi and EABL that have diversified into the Non-alcoholic ready to drink segment with its Alvaro brand.
To counter change, NBL set a Sh. 4.2 billion budget in 2012 to strengthen the company’s position and ability to satisfy rising consumer demands. Part of the budget to be used in commission a KES 1.3 billion PET production line. The new production line is aimed at meeting rising market demand as well as exports.

In 2008 NBL won the first runner-up award in the prestigious Company of the Year Award in Kenya and in 2009, NBL won the Marketing award in the prestigious Company of the Year Award. Nairobi Bottlers limited is ISO certified and known for its high product quality brand Coca-Cola Changes in NBL’s operating environment demands the leadership to adopt strategic change management practices to match environmental turbulence and consequently not only enhance survival but also facilitate growth.

1.2 Research Problem

Organizations need to embrace change to survive. Kanter et al (1992) suggests the need for strategic change is to create a change adept organization that anticipates, creates and responds effectively to change. However, Farias and Johnson (2000) states that only about 80 percent of all large-scale change interventions are successful. Leadership’s task is to cope with change and ensure that organizations adapt to changes in the environment. Several authors argue that the decisions managers make are critical to ensuring that their companies stay apace and aligned with changing demands (Child, 1972). An organizations leadership should ensure that set strategies are well implemented and that the organization embraces change without resistance. Many organizations formulate new strategies from time to time but unless the implementation stage is well thought out and
planned for in advance, it will remain a big challenge. A firm that desires to see this stage and indeed the entire process of strategic planning succeed must identify the bottlenecks and address them adequately (Machuki, 2005). This study will seek to understand some of the effective leadership principles that can be adapted by organizations in managing change and clearly define the role that leadership plays in managing strategic change at NBL.

Several studies have been conducted in the area of change management; but none has documented the role that leadership plays in the management of change at NBL. Mbogo (2004), Ogwora (2004), Maingi (2004), Nyororo (2006), Gathua (2006) and Ogaada (2007) studies strategic change management practices at different organizations. Murigu (2011) studies the link between leadership behavior and change management. Joster (2011) studies the effect of leadership in strategic change implementation at Telecom. Studies on Nairobi bottlers include Rukunga (2003) study on strategic management practices in Kenya.

In face of dynamic environment, NBL is challenged to make strategic change in response to the dynamic customer demand, technology breakthroughs, and competitive movements. Leadership of a complex organization such as NBL needs a collective cognitions, capabilities, and interactions of the entire top management team (TMT) and thus TMTs yield stronger explanations of strategic behavior than the individual top executive alone.
It is against this background that the researcher has identified the role of leadership in the management of strategic change at Nairobi Bottlers Limited as an appropriate subject of this research. The research question for this study was: What is the role of leadership in managing change?

1.3 Research objective

This study sought to achieve the following objectives:

i. Establish how Nairobi Bottlers Limited manages strategic change.

ii. Determine the role that leadership plays in managing change at Nairobi Bottlers.

1.4 Value of the study

The findings of this study will contribute to theory by add to the body of existing literature in the field of strategic change management in the Kenyan beverage and soft drink / NARTD Industry and provide information to scholars who want to explore the topic further.

The research findings could also be useful to the management of Nairobi Bottlers Limited in the improvement of managerial practices at the organization. This may contribute to the general improvement in the performance of the organization. To policy makers such as the government, the findings of the study give a glimpse of how leadership and strategic change management can harnessed by policy makers to achieve both the millennium development goals and also vision 2030 which is a critical blue print for the economic growth and development in Kenya.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter presents literature on leadership management and strategic change; it also outlines theoretical underpinnings and the empirical review.

2.2 Theoretical underpinnings

Ken Wilber’s (2001) integral psychology theory applies to businesses today. The theory is built on a four-quadrant model that can be used to create change within a company. For organizations to embrace Wilber’s all levels, all quadrants (AQAL), they will need to support the whole employee, including mind, body and spirit. In his vast work, Wilber (2000) describes integral psychology as an endeavor to “honor and embrace every legitimate aspect of human consciousness” (p. 2).

Wilber’s (2000) integral approach to psychology examines pre-modern, modern and post-modern insights as applied to the current field of psychology. Wilber integrates Eastern and Western philosophies in order to explain many levels of individuals in their realities as well as the collective reality. Psychology, according to Wilber, begins with the examination of the psyche; and, the existence of psyche, according to Wilber (2000) has roots in ancient history, “where it almost always meant the animating force or spirit in the body or material vehicle”. Wilber found authors of psychology textbooks explain that “modern” psychology, that is, the “scientific” version of psychology, to come into
existence when Gustav Fechner applied quantitative measurement to the study of the mind. Modern “science” no longer needed the pre-modern study of the soul, the spirit, or the self (Wilber, 2000).

Wilber’s (2000) integral psychology includes pre-modern, modern and post-modern views of the psyche. During each time period (pre-modern, modern and post-modern) the dominant focus on the individual and the collective shifted as they relate to their culture and environment. The pre-modern is the religious and spiritual dimensions of individuals; and the modern is the scientific empiricism of the Enlightenment of the West (anti-religion). Modernity brought: ...the death of God, the death of Goodness, the commoditization of life, the leveling of qualitative distinctions, the brutalities of capitalism, the replacement of quality by quantity, the loss of value and meaning, the fragmentation of the life world, existential dread, polluting industrialization, a rampant and vulgar materialism – all of which have often been summarized in the phrase made famous by Max Weber: “the disenchantment of the world.” (Wilber, 2000, p. 59).

On the other hand, modernity also brought positive ideals. For example, freedom, the movement toward the elimination of slavery, the recognition of the need for equality without regard to race, sex, creed or social class. Wilber’s definition of post-modernism is “constructing and creating capacity of consciousness, itself; the world is not merely a perception but an interpretation” (p. 172). Preferring a constructive view of post-modernity, Wilber (1998) states that constructive post-modernity involves the “integration of the best of pre-modernity and modernity, (the differentiation and evolution
of the big three), resulting in a more integral ‘all-level, all-quadrant’ approach” (explained below) (p. 158). Constructive post-modernism, “takes up the multiple contexts freed by pluralism, and goes one step further and weaves them together into mutually interrelated networks” (p. 172). The constructive view of post-modernity, according to Wilber, is that post-modern philosophy has focused on attempts to be inclusive and avoid marginalization ignored in the modern period of society. The post-modern approach emphasizes diversity and multiculturalism. In other words, “we must avoid hegemony and invite all races, all colors, all people, all genders into a rainbow coalition of mutual respect and mutual recognition” (p. 159).

According to upper-echelons theory and the cognitive resource view, a diverse team has broader cognitive resources, wider vision, and more extensive external contacts than a homogeneous team. However, because of its diversity, the heterogeneous team may experience internal conflict that could result in slow decisions and impair the capability to launch strategic change (Hambrick et al., 1996). Literatures also indicate that the high diversity teams can improve the capabilities to identify new strategic opportunities and new changes in environment (Hambrick and Mason, 1984; Aldrich and Herker, 1997; Hambrick, 2007; Van Knippenberg and Schippers, 2007). Furthermore, heterogeneous teams can pool diverse cognitive resources, knowledge together and thus to develop strategic alternatives in face of dynamic environment (Rodan and Galunic, 2004). As a complex process, new insights, resources, and knowledge are needed for strategic change.
In contrast, diversity may also bring integration problem during strategic change process. Diversity may also fuel conflicts during strategic decision-making process because of in-group bias (Yokota and Mitsuhashi, 2008; Nielsen, 2010). In face of conflict views regarding the effects of team diversity on strategic change, Simons et al. (1999) and Webber and Donahue (2001) distinguished the diversity into job-related diversity and non-job-related diversity and argued that job-related diversity such as educational background diversity and organizational tenure diversity were more relevant to strategic change than non-job-related diversity such as age diversity. The conflict views suggest that the strategic change should be viewed as collective, shared behaviors which depend on both innovative views and integration mechanism (Hambrick, 1994).

2.3 Strategic Change management

Change management is a structured approach of achieving sustained change in human behavior within an organization. Change management uses systematic methods to ensure that organizational change is well planned, conducted at minimum cost and completed within set time frame. Burnes (2004) highlights change management as a structured approach of transitioning individuals, teams and organizations from a current state to a desired future. It is aimed at empowering employees to accept and embrace changes in their current business environment.

Organizational change can be approached as either planned or emergent. Planned change is change that is consciously embarked upon and planned by an organization. Emergent change consists of ongoing accommodations, adaptations, and alternations that produce
fundamental change without a priori intentions to do so. Emergent change occurs when people re-accomplish routines and when they deal with contingencies, breakdowns, and opportunities in everyday work. Much of this change goes unnoticed. Advocates of Emergent change who adopt this perspective tend to stress that there can be no simple prescription for managing organizational transitions successfully, owing to time pressures and situational variables.

Changes in the environment attributes to organizational change. Pressure for change can either be external or internal. Organizations undertake major change in at least four general areas i.e. strategy, technology, structure and people. Forces for change are a major issue of change management. There are various forces for change, which include technical obsolescence and technical improvement. Pressure can stem from outside the organization in the form of new developments by competitors and the availability of new technology, which the organization might not wish to adopt. Internal research and development, and innovatory ideas from managers also generate technical change internally. Political and social events are pressures outside the control of the form but which the companies are forced to respond to, these also include the tendency for large organizations and markets to become increasingly global by responding to competitive conditions. Increase in size, complexity and specialization of organizations where the growth of organizations linked to internal change of structure creates pressure for more changes. The final force for change is the greater strategic awareness, skills of managers and employees who want job satisfaction, personal challenges and need opportunities for growth within the organization. The strategic environment and mostly competitive forces
determine how proactive and change oriented an organization must be if it is to be effective. Organization structure must be designed to enable quick decision-making and ensure services are responsive to customer perceptions and competitor activities essential for competitive advantage.

2.4 Leadership and Management

Leadership and Management are two terms related but often confused. Kotter (1996) argues that management is about coping with complexity. Good managers bring about order and consistency by drawing up formal plans, designing rigid organization structures and monitoring results against the plans. Leadership, in contrast is about coping with change. Leaders establish direction by developing a vision of the future; they then align people by communicating this vision and inspiring them to overcome hurdles.

There are two basic categories of leadership: transformational and transactional leadership. Transformational leadership focuses more on capacity development and increasing personal commitment amongst followers towards achieving organizations objective. Transformational leadership occurs when leaders broaden and elevate the interest of their employees and generate awareness and acceptance of set objectives and motivate employees to look beyond their self interests for the good of the group / organization. However, Transactional leadership starts with the idea that employees agree to obey their leaders totally when they accept a job. The transaction is when the organization remunerates team members for their efforts and compliance. Transactional leadership is arguably more of a management type and not a true leadership style, because the focus is on short-term tasks. It limits creative and knowledge based work.
Unlike transactional leaders, transformational leaders promote trust, admiration, loyalty and respect among followers. This form of leadership requires leaders to engage with followers as whole people, rather than simply as an employee. In effect, transformational leaders emphasize on the actualization of followers (Rice, 1993).

There are different leadership styles that can be used in the management of change in organizations today. The three main leadership styles are: Authoritarian, participative and delegative leadership. Authoritarian leaders also known as autocratic leaders provide clear expectation of what needs to be done, when it should be done and how it should be done. There is a clear division between the leader and follower. Authoritarian leaders make decision independently with little input from the rest of the group. Abuse of this style is controlling bossy and dictatorial. Participative leadership / democratic leadership is the most effective leadership style. Leaders offer guidance to group members, participate in the group and allow input from other group members. They encourage group participation but they make the final decision. Group members working with such leaders feel engaged in the process and are more motivated and creative.

Delegative leaders / Laissez fair, is the least productive of all there. They offer little or no guidance to group members and leave decision making up to group members. This style can be effective in cases where group members are highly qualified in their area of expertise. Such leadership can lead to poor definition of roles and lack of motivation.
2.5 Role of leadership in strategic change management

There are no universal rules with regard to leading change. There are many different ways leadership conceive the overall change process. According to Yukl (2010) top managements role in implementing change is to formulate an integrating vision and general strategy, building a coalition of supporters who endorse the strategy, then guide and coordinate the process by which the strategy will be implemented. During change it is important for leaders to consider the current, the future and the transition. Essential inputs to the diagnosis of the current organizational state are an understanding of the organizations competitive position and the need for change, and an understanding of the internal organizational context. It is the role of leadership to develop a vision of the desired future organizational state. The process of changing the organization from what it is now into the desired future organization, can only be designed once the current organizational state is understood and the desired future organizational state has been specified.

Pettigrew and Whipp (1993) proposed a model for successfully managing strategic change. Leaders should conduct environmental assessment and utilize information about their external and internal environments. They should also lead change by creating a positive climate for change and identify future directions and link together action by people at all levels in the organization. Leaders should link strategic and operational change – this is a two-way process of ensuring that strategic decisions lead to operational changes and that operational changes influence strategic decisions. Leadership should also view human resources as assets and liabilities – just as the pool of knowledge, skills
and attitudes possessed by an organization is crucial to its success, it can also be a threat to the organization’s success if the combination is inappropriate or managed poorly. Leadership should also ensure coherence of purpose – this concerns the need to ensure that the decisions and actions that flow from the above four factors complement and reinforce each other.

2.6 Empirical Review

The Wyatt Company conducted one of the first studies that found a correlation between business excellence and communication in change. In the beginning of the 1990s 531 CEOs of US organizations got surveyed in order to identify one major thing that needed improvement in their change programmes. That thing turned out to be “how they communicated with their employees about the change effort” (Larkin & Larkin in Harris & Nelson, 2008: 95). Thus, the study found not just a general causality link, but highlighted the role of a specific communication domain – the communication abilities, exhibited by leadership.

The role of communication for consolidating top management legitimacy and increasing employee engagement is seen as a key to change management success (Coetsee, 1999; Schweiger & De Nisi in Daly et al., 2003). Leadership communication then is a key variable in change efforts and initiatives, as it promotes and sets a positive image, i.e. it illustrates desired interorganizational patterns and sets a clear vision for the future. Stewar (in Harris & Nelson, 2008: 95) notes that “ever since (Caesar), the greatness of leaders has been measured partly by their ability to communicate".
Hatch et al. (2005) also explore the importance of leadership for effective internal communication and report on its potential for enhancing organizational innovation and performance. The authors define some visionary leaders as carriers of the main virtues of the Greek god Hermes: constant passion for innovation and good ability for communicating between heaven and earth. This metaphor can be seen as an illustration of two-way communication for the sake of mutual benefit. Analyzing the personal characteristics and leadership style of various CEOs of Fortune 500 companies, the authors conclude that such a “modern-day Hermes believes in the creative powers of communication.”

Numerous authors observe that the leaders of today need to realize and fully grasp the potential of informal talk and face-to-face communication. Rodgers (2007) urges leaders to “reframe communication: valuing everyday talk and interaction as their primary action tool and seeing its main purpose as sense making and relationship building rather than message passing”. Communication is also seen as an important means for creating and sustaining a positive collective identity. This in turn is a prerequisite for a good corporate image and over time, a positive reputation (Bronn et al, 2007). Shared collective identity is also described as a strong mark of unification that can be manifested at an extra-organizational level (Klandermans, 2004).
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the methodology that was used to carry out the research. It presents the research design, the data collection, and data analysis procedures.

3.2 Research Design

The research design adopted in this study was case study. The case study involved a careful and complete examination of the entire social units and institutions and embrace depth rather than breadth of the study. The focus of the study was to understand the role of leadership in managing strategic change at Nairobi Bottlers Limited. A comprehensive inquiry into the company’s strategic change management procedures was conducted. This approach provided an exhaustive assessment to help understand the role that leadership plays in managing strategic change as well as the challenges faced and identify mechanisms used to overcome the challenges.

The case study design has been used successfully in numerous studies in the past. Several researchers have used it in their studies, some include; Aosa (1992), Rukunga (2003), Machuki (2005), Muhoro (2011) among others. This design was chosen due to its ability to provide exhaustive understanding of the issue.

3.3 Data Collection

Both primary and secondary data was collected for this study. Primary data was collected through an interview guide that carries questions pertaining strategic change, the challenges encountered in the process and the role of leadership in addressing the same.
The interview guide consisted of open-ended unstructured question to allow greater depth and breadth of responses and was administered through personal interviews. Secondary data consisted of literature about the company as recorded in the company profile, company newsletters, annual reports of accounts, pertinent company correspondence as well as various industry publications.

3.4 Data Analysis

Being a qualitative study, data was scrutinized using content analysis. According to Mugenda (1999), content analysis is the systematic qualitative description of the composition of the objects or materials of the study. The technique involves observation and detailed description of objects, items to things that comprise the study. This technique was selected to enable the researcher understand the role that leadership plays in strategic change management.

For this study, examining relationships was the centerpiece of the analytic process, because it allows the researcher to move from simple description of the people and settings to explanations of why things happened as they did with those people in that setting. The process of examining relationships was captured in a matrix that showed how different concepts were connected. All data was vetted and edited for consistency, validity and reliability ahead of analysis.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the qualitative analysis of the primary data collected from Nairobi Bottlers Limited. It gives the interpretations of findings from the analysis of the primary data. The chapter also makes a comparison of the findings, the literature and findings of previous studies on the leadership and strategic change in response to the research problem in chapter 1. The chapter will seek to confirm the hypothesized relationship between leadership and change management.

4.2 Data Analysis

Qualitative content analysis was used in data analysis. Bryman (2004) states that qualitative content analysis is “probably the most prevalent approach to the qualitative analysis of documents” and that “it comprises a searching-out of underlying themes in the materials being analyzed (p. 392). He defines qualitative analysis as follows: “An approach to document that emphasizes the role of the investigator in the construction of the meaning of and in texts. There is an emphasis on allowing categories to emerge out of data and on recognizing the significance for understanding the meaning of the context in which an item being (and the categories derived from it) appeared (Bryman, 2004, P. 542). Theory – guided analysis was also integrated in data analysis. The analysis offered a chance to compare and complement the primary data collected within the research project with secondary data. The analysis of complementary secondary data ensures the quality of content analysis, especially validity.
Data collected was analyzed in three phases: Preparation, organizing and reporting. The preparation phase involved the selection of units of analysis McCain (1988). According to Robinson (1995), researchers are guided by the research question of the study in choosing the content they analyze. When analyzing data the researcher strives to make sense of the data and to learn what is going on Morse (1995). The data was then organized using inductive content analysis. This helped reduce the number of categories by collapsing those that are similar into broader higher order categories (Burnard, 1991).

4.3 Results of Data Analysis

The research confirmed that Nairobi bottlers limited has gone through a series of changes within its operations. The business environment is now more competitive and dynamic; challenging leadership to influence change and sustain competitive advantage amidst uncertainty. Organization change is a complex process for companies to manage. Organizations are arenas of power, in which individuals and groups fight for prestige and possession of scarce resources in the pursuit of their interests, managers compete and come into conflict, the very nature of the organization makes this inevitable (Hills & Jones, 1999). Organizational leadership is fundamental in the directing and implementation of change.

The process of adopting to the changing environment through diversifying and restructuring was spearheaded by top management. Those involved were NBL's country management team as well as senior managers from Coca-cola East and Central Africa.
A transition team known as the change management committee was formed constituting of the management of both Nairobi Bottlers and Coca-cola East and Central Africa. The main role of the committee was to ensure Nairobi bottlers adopts to the changing environment without losing its market share and ensure that profitability is maintained.

The change management committee was mandated to carry out a gap analysis. The analysis reviewed overall operations of Nairobi bottlers, identifying loopholes and strived to ensure employees were actively engaged in addressing key areas of weakness. Open communication within the company and customers was facilitated to ensure alignment in countering competition. The change management committee also engaged in benchmarking activities. This helped the firm define best practices in countering competition and sustaining growth.

The benchmarking exercise engaged key decision makers and personnel. The focus of the exercise as noted by the respondents was to improve understanding of opportunities and priorities at all levels within the organization, minimize resistance to change and garner support for action, foster a “winning spirit” to do better than the external benchmark as well as promote discussions based on data rather than assumptions or emotions. Respondents noted that the benchmarking exercises helped evaluate and prioritize improvement opportunities.

During the process, employees of Nairobi bottlers were given chance to give their views during forums enabling the change management committee to collect feedback on staff concerns and address the same. Respondents stated that it was difficult to handle staff
expectations. Some employees had unrealistic expectations on upward salary adjustments sighting greener pastures in rival firms while others feared loss of employment due to fierce competition. The human resource team set up training and counseling to manage psychological fears and developed a staff reward scheme and incentive programs to increase moral and promote high performance and employee devotion to assigned tasks. Management created an environment for participation and involvement of employees. This was done by breaking down big groups into smaller units creating room for growth since members from the team were appointed team leaders in charge of managing operations while top managers concentrated on managing change. This reduced staff resistance and high staff turnover as they felt involved in the wider goal of enhancing growth amidst competition and changes in the operating environment.

Feedback was frequently collected on competitor activities during scheduled weekly meetings. Accomplishment timeframes for any unfinished tasks were reviewed. This monitoring process was essential as it ensured that deviations were detected early and corrective actions taken. Through the meetings employees were given updates on the progress and any feedback collected from them was incorporated in the plans for future courses of action. This made employees appreciate change and reduce panic. Employees were given time to seek guidance through the change process. They were also rewarded for successful innovations in managing competition.
Performance targets were also set and employees who achieved such were rewarded. Some of the reward schemes used included issuing double salaries and shopping vouchers to good performers. Management also introduced a performance competition dabbed, “Uza Ushinde” swahili meaning “Sell and Win”. The promotion aimed at tracking employee achievement of set targets. Achieved weekly targets would accumulate points that employees would redeem for holidays or home shopping. Bonuses were also introduced to help increase staff motivation towards achievement of set goals.

The study noted that a lot of challenges were faced handling competition brought about through unrelated diversification and entry of Pepsi in the market. The challenges were both internal and external. During the period most employees joined trade unions raising fears of unrest and incitement among fellow team member. NBL also lost some of its experienced employees to competition offering better terms of employment. Despite investing heavily in bridging gaps and loopholes NBL’s sales continued to decline to factors beyond the firms control. Such include; climatic change, high inflation as well as cheap substitutes. There was a lot of anxiety due to uncertainty in maintaining market share. Continued decrease in revenue would eventually lead to lay offs. Human resource department had to redefine its policies. Employees were all put on performance contracts and remunerations linked to performance.

Findings revealed that organizational tenure diversity and educational background diversity enable the strategic change while age diversity has not significant effect on strategic change. This findings support the argument of Simons et al. (1999) and Webber
and Donahue (2001). The findings indicate that distinguishing work-related and non-work-related diversity can offer more insights for the different dimensions of team diversity. The work-related diversity would offer top leadership with complementary cognitive resources while non-work-related diversity would not. Pay imparity was found to weaken the positive effects of organizational tenure diversity and educational background diversity while weakens the negative effect of age diversity. This finding indicates that pay imparity may cause pay competition that jeopardize the effectiveness of diverse teams by hamper team constructive and leadership conflicts.

However, pay imparity can resolve the deconstructive conflicts caused by age diversity. These findings extend previous team diversity research of Harrison and Klein (2007) by proposing and testing the interactive effects of diversity as variety and diversity as disparity. The findings suggest that the low pay imparity benefit work-related diversity such as organizational tenure diversity and educational background diversity while a high pay imparity benefit non-work-related diversity.

**4.4 Discussion**

As suggested by Kotter (1996), leadership is the backbone of successful change. The result of this study identifies essential roles that leaders play in implementing change. Such include the integration of the organization's vision to strategy; to ensure that team members’ support set strategies. The research findings showed that successful change must be well defined and planned. With set targets to be achieved at given timeframes. Kotter's eight step model in managing change suggest the same approach in managing change. In the case of Nairobi bottlers the implementation of change necessitates that
majority of the activities in the change process be identified and a plan on how to achieve the target be clearly established.

The change management team at Nairobi bottlers limited had to motivate all involved in the change process as well as deal with any difficulties encountered in the process. They also had to provide resources for change, develop new skills as well as promote desired behavior to help sustain the desired change. Most change, whether large or small, will encounter a number of challenges. Just as Burnes (2004) highlighted those leaders must address people's fear and concerns, as well as understand the main reason for their resistance to change. The research findings at Nairobi Bottlers shows that customers, employees and other stakeholders shared fears which leadership had to address. Though leaders view change as a way of strengthening the organization, most people view it as a disruptive process leading to resistance.

Change mostly requires change of behavior or status quo and that's why it is mostly resisted. Issues relating to those affected by change usually hinder change. The findings of this study confirm that human issues must be addressed to avoid resistance. Burlton (2001) recommends that leaders should constantly reassure and build staff confidence, focusing on long-term benefits of the intended change. Results from other studies show that change management is complex resulting to failure. In some projects the leaders of change fail to involve affected parties leading to resistance. In others, the approach used by leaders of change to achieve and manage change does not work. Other studies by
Mute (2008) and Muhia (2008) showed that leadership is critical for successful change and attributed successful change to the management who are the drivers of change.

They also agree that human resistance is a major challenge. The attempt to move an organization’s culture, even a department’s culture, to a new value or belief is one of the greatest challenges facing any manager, and the temporal dimensions (those indoctrinated over time) of culture (Bluedorn, 2000) may be the hardest of all to change because they represent the culture’s most fundamental values and beliefs. In most mergers, change is often imposed on the leaders themselves. Despite this, leaders must act as agents of change (Van Knippenberg and Hogg, 2003) prompting others to follow. Champy (1995) notes that successful re-engineering requires that managers ‘discard the fantasy of a corporate culture of reflexive obedience and undertake the hard work of creating a culture of willingness and individual accountability’ (p. 29). This process takes time, and it is often the pace of change that inhibits the successful re-engineering of the culture.

Schein (1985) also highlighted the role of the leader in creating and managing organizational culture and suggested that, when a culture becomes dysfunctional as a result of change, it is the leader who must act to assist the group to unlearn some of its cultural assumptions and to learn alternative assumptions. Schein (1985) did, however, recognize that the formation of a strong leader-dominated culture may not be effective if external realities should change. In such cases, he suggests that a flexible, loosely applied culture, based on some diversity of assumptions, and possibly involving the existence of a number of subcultures, may prove more effective.
Trice and Beyer (1993) suggest that consensus and transactional leaders are most effective at integrating cultures. For this to occur, participants must feel that they are consulted and involved as part of the decision-making process. Indeed, it is well accepted that communication is the key tool within any change process and that failure to communicate generally results in individuals feeling uncertain and anxious about their future.
CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a discussion of the findings reported in chapter four, the conclusions of the study are drawn and recommendations made. The chapter further presents the suggestions for future research.

5.2 Summary

The objective of the study was to establish how Nairobi bottlers limited manages change and also identify the role that leadership plays in managing change. The research question for this study was: What is the role of leadership in managing change? It was apparent from the research findings that leadership is critical in any change process and that lack of proper leadership leads to poor change management.

Leaders of change encounter challenges during the change management process. The management must identify a guiding team whose main task is to communicate the vision and drive others to embrace the change and work towards deriving the new desired state. The research identified that mid-level managers and front line staff are the most resistant group to change in the organization. Poor support and alignment with “middle management” obstructs effective change. Therefore, managers and front line supervisors should be involved in communicating change.
Managers play an important role in implementing change. A manager acts as a Communicator; communicates with direct reports about change. Advocate; demonstrates support for change. Coach; offer coaching through the change process. Liaison; provide support to the change management team. Resistance manager; identify and manage resistance.

5.2.1. Role of Leadership In Managing Change

Leaders managing change must have well defined plans on how they intend to implement change. A schedule should be set of all major activities in stages, with timeframes clearly stating intended review dates to facilitate measurement of progress and deviations easily identified. Leaders should also address individuals concerns during the change process. Frequent and open communication on the intended courses of action, progress and benefits should be communicated to ensure everyone understands why change is necessary. This would help eliminate resistance. Informal teams can also be created to facilitate easy transition.

5.2.2 Leadership Challenge In Managing Change

The process of change is expensive. Existing structures and systems may not be adequate enough to accommodate the required change. As in the case of Nairobi Bottlers, the firm had to invest 2 billion shillings in the establishment of a PET line and acquire Beverage service of Kenya now known as Coca-cola Juices. The firm produces Coca-Cola’s Minute maid juice. Employee interests must be addressed before employees can embrace change. Nairobi Bottlers ensured that communication enhanced through frequent staff forums and brainstorming meetings where ideas were collected and feedback given on competitor
strategies. Fostering a new culture that adopts to change is a challenge. Most employees prefer holding on to old ways of doing business. NBL had to establish reward schemes to promote good performance. NBL also introduced a staff training and development department. The role of the department being to identify and address any training gaps in employees. NBL also sort to acquire fresh skills by introducing a management trainee program.

5.3 Conclusion

Leadership role is fundamental in strategic change management. Organizations go through series of changes during which leaderships role is to ensure that the organization aligns to changes in the environment. The organizations leadership should also forecast change and develop a vision of the desired future. Change is inevitable, but if well managed, organizations will survive turbulence and sustain competitiveness. NBL being a monopoly in the carbonated soft drink industry had to ensure that a strong leadership team was in place to help forecast changes in the environment, develop and implement strategies as well as evaluate performance. The firm also engaged in benchmarking exercises aimed at ensuring that managers acquire change management skills and define best practices.

Changes in the external environment facilitated change at Nairobi bottlers. For example high cost of production led to the closure of production plants in Machakos and Nakuru. Changes in customer preferences has led product development and related diversification through the introduction on healthy drinks such as minute maid juices and low calorie carbonated soft drinks such as coke zero, diet coke, light drinks and non-alcoholic malt
drinks. Nairobi bottlers has also been able to align managers and employees in embracing change and achieving the firms strategic goal of market growth despite environmental turbulence.

5.4 Recommendations

In order for organizations to maintain competitiveness, structures have to be put in place to anticipate likely changes in the organizations environment. Organizations should also plan for change. The implementation phase should also be closely monitored and evaluated. Teams should also be involved in the change process to help minimize resistance. Leaders should offer direction, advocate for change by demonstrating support, coach employees through the change process and manage resistance. Leadership establishes direction by developing a vision of the future; then align people by communicating this vision and inspiring them to overcome hurdles (Robbins, 2007)

5.5 Limitation of the Study

This research was a case study on Nairobi bottlers limited and does not therefore give a general picture on the role of leadership in managing strategic change in the beverage industry in general. The findings are organization specific and thus apply to Nairobi bottlers only. This research measures the leadership with observable leadership characteristics following previous methodology, which may sacrifice construct validity for higher measurement reliability. The complexity of role of leadership in strategic change as a theoretical construct needs to be operationalized in future research.
The study focused on the role that leadership in strategic change management only it fails to focus on aspects such as the role of leadership behavior in managing change or leadership styles embraced in change management.

5.6 Suggestions for Further Study

Due to the limitations of this study, there is need to carry out further studies in the area of leadership styles and behavior in managing strategic change and also seek to identify how other players in the beverage industry cope with change. It may also be important to replicate this study in future to identify changes in approach, attitudes, challenges and identify new mechanisms of managing change.
REFERENCES


Appendix I: LETTER OF INTRODUCTION

20\textsuperscript{TH} OCTOBER 2012

THE HUMAN RESOURCES MANAGER  
NAIROBI BOTTLERS LIMITED  
P.O. BOX 18034 - 00500  
NAIROBI, KENYA

Dear Sir / Madam,

REQUEST TO CONDUCT A CASE STUDY ON THE ROLE OF LEADERSHIP IN MANAGEMENT OF STRATEGIC CHANGE AT NAIROBI BOTTLERS LIMITED, KENYA

I wish to request for your permission to conduct a case study on the role of leadership in management of strategic change at Nairobi Bottlers Limited as part of my MBA research project.

During the research, I will need to collect data through personal interviews and literature such as company profile, company newsletters, annual reports of accounts and industry publications. Kindly note that the results of the report will be used solely for academic purposes and a copy of the same will be availed to you on request.

Attached is an authorization letter from the University of Nairobi, School of Business.

I anticipate your kind consideration and look forward to conducting a research project on the role of leadership in management of strategic change at Nairobi bottlers limited.

Yours sincerely,

Eric Muthundo Ndungu  
MBA Student  
University of Nairobi
DATE.................................

TO WHOM IT MAY CONCERN

The bearer of this letter ....Eric......MULTI6NIA......NRN6G6Y......

Registration No.................Baal1.AUST.12006..................

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

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

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

Thank you.

Patrick Nyabuto
MBA Administrator
School of Business
Appendix III: INTERVIEW GUIDE

1. Which are some of the changes that Nairobi Bottlers Limited has gone through?
2. What triggers change at Nairobi Bottlers?
3. Who is involved in leading change?
4. How would you describe the leadership style used at Nairobi Bottlers?
5. What strategies have you employed to respond to changes in Nairobi Bottlers?
6. What challenges did you face in managing change?
7. How did you counter the challenges?
8. What was the role of Nairobi Bottlers leadership in planning change?
9. What was the role of Nairobi Bottlers leadership in implementing change?
10. How did you evaluate change?