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MANAGING STRATEGIC CHANGE AT GEOTHERMAL  
DEVELOPMENT COMPANY IN KENYA  
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## MANAGING STRATEGIC CHANGE AT GEOTHERMAL DEVELOPMENT COMPANY IN KENYA

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### Abstract

**Purpose:** This research project aimed at investigating the management of strategic change at Geothermal Development Company.

**Methodology:** This study adopted a case study since the unit of analysis was biased to one organization that is GDC. Face to face interviews were carried out. Permission from the organization was sought and consent from individual heads of divisions was also requested through a formal letter. The data obtained from the interview guide was analyzed qualitatively.

**Results:** From the study, the researcher found that GDC change management as a critical decision making for the institution. In addition leadership in GDC strongly influences change.

**Unique contribution to theory, practice and policy:** Management should address the challenge of insufficient resources to facilitate strategy implementation. The management of GDC should also be forecasting on the long term strategic change and minimize creation of short term forecasts that requires change that will not take them to the forecasted long term objectives.

*Key words: Strategic change, geothermal, leadership*

## **1.0 INTRODUCTION**

### **1.1 Background of the Study**

A brilliant strategy that cannot be implemented creates no real value. Effective implementation begins during strategy formulation when questions of “how to do it?” should be considered in parallel with “what to do?” Effective implementation results when organization, resources and actions are tied to strategic priorities, and when key success factors are identified and performance measures and reporting are aligned (Deloitte and Touche, 2003). Implementation of strategy calls for alteration of existing procedures and policies. In most organizations, strategy implementation requires shift in responsibility from strategists to divisional and functional managers (Kazmi, 2002). It is therefore important to ensure that there is a shift in responsibility to ensure successful implementation. The implementers of strategy should therefore be fully involved in strategy formulation so that they can own the process. This can be done by conducting management training (Aosa, 2011; Kiruthi, 2001; Sabatier and Weible, 2007).

Managing change in strategy is central to the execution of the organization's strategy. The theoretical framework of organization structures which influence modalities of decision making in strategic change management are anchored on decisions on the outcome, impact, cultural perspectives. Some of the theories that make the basic concept of managing strategic change are resource based view and institutional perspective. Strategic change forms part of the coordination of risk assessment and during strategy development, it is assured that both internal and external stakeholders consistently manage organizational challenges effectively and efficiently.

### **1.2 Research Problem**

Seventy percent (70%) of change initiatives in organizations and businesses fail (Kotter, 1996). Kotter (1996) argues that the reasons that major change initiatives fail include; poor leadership and change management, tendencies toward an inwardly focused culture, paralyzing bureaucracy, parochial politics, a low level of trust, lack of teamwork, arrogant attitudes and the general human fear of the unknown. Change management, as postulated by Jian (2007), is the very mechanism by which contemporary organizations deliver their strategy and remain competitive. Change management initiatives or efforts, as observed by (Kotter, 1995), have gone under many banners: total quality management, reengineering, right sizing, restructuring, cultural change and turnaround. Effective strategic change management is crucial for the sustainability of organization.

GDC is a wholly owned government parastatal and has been tasked with the development of geothermal resources in the country. GDC is in the process of implementing strategic change of SAP- ERP system but has faced countless challenges which have seen the delay of completion of the ERP system for over two years.

### **1.3 Research Objective**

This research project aimed at investigating the management of strategic change at Geothermal Development Company.

## **2.0 LITERATURE REVIEW**

### **2.1 Theoretical Perspective of the Study**

#### **2.1.1 Resource Based View**

Resources of the right quality and quantity are important for strategy implementation (Aosa, 1992, Machuki and Aosa, 2011). Resource based view of the firm starts with the assumption that the desired outcome of managerial effort within the firm is a sustainable competitive advantage

(SCA). Achieving a SCA allows the firm to earn economic rents or above-average returns. In turn, this focuses attention on how firms achieve and sustain advantages. The resource-based view contends that the answer to this question lies in the possession of certain key resources, that is, resources that have characteristics such as value, barriers to duplication and relevance. A SCA can be obtained if the firm effectively deploys these resources in its product-markets. Therefore, the RBV emphasizes strategic choice, charging the firm's management with the important tasks of identifying, developing and deploying key resources to maximize return.

Resources comprise three distinct sub-groups, namely tangible assets, intangible assets and capabilities. Tangible assets refer to the fixed and current assets of the organization that have a fixed long run capacity. Intangible assets include intellectual property such as trademarks and patents as well as brand and company reputation, company networks and databases (Williams, 1992). Capabilities have proved more difficult to delineate and are often described as invisible assets or intermediate goods (Itami, 1987). Essentially capabilities encompass the skills of individuals or groups as well as the organizational routines and interactions through which all the firm's resources are coordinated (Grant, 1991).

### **2.1.2 Institutional Perspective**

Institutional theory attends to the deeper and more resilient aspects of social structure. It considers the processes by which structures, including schemas, rules, norms, and routines, become established as authoritative guidelines for social behavior. It inquires into how these elements are created, diffused, adopted, and adapted over space and time; and how they fall into decline and disuse. Although the ostensible subject is stability and order in social life, students of institutions must perforce attend not just to consensus and conformity but to conflict and change in social structures (Meyer and Rowan, 1991).

The basic concepts and premises of the institutional theory approach provide useful guidelines for analyzing organization-environment relationships with an emphasis on the social rules, expectations, norms, and values as the sources of pressure on organizations. This theory is built on the concept of legitimacy rather than efficiency or effectiveness as the primary organizational goal (McAdam and Scott, 2004). The environment is conceptualized as the organizational field, represented by institutions that may include regulatory structures, governmental agencies, courts, professionals, professional norms, interest groups, public opinion, laws, rules, and social values. Institutional theory assumes that an organization conforms to its environment. There are, however, some fundamental aspects of organizational environments and activities not fully addressed by institutional theory that make the approach problematic for fully understanding organizations and their environment: the organization being dependent on external resources and the organization's ability to adapt to or even change its environment (Scott, 2004).

## **3.0 METHODOLOGY**

This study adopted a case study since the unit of analysis was biased to one organization that is GDC. Face to face interviews were carried out. The study used primary data, original information was collected from a first-hand experience. Permission from the organization was sought and consent from individual heads of divisions was also requested through a formal letter. The data obtained from the interview guide was analyzed qualitatively.

## **4.0 FINDINGS AND DISCUSSION**

### **4.1 Basic Information**

The respondents in the interview included the CEO and four (4) divisional heads of Legal Affairs, Commercial Services, Systems Management, Technical Services and Business

Development Divisions. The CEO has worked for Geothermal Development Company for a period of six years, with the Heads of Legal Affairs, Systems Management, Technical Services and Business Development having a working experience in GDC for a period of five years. The head of commercial services has been working for GDC for four years so far. These results show that GDC offers a good working environment with relevant experience in their areas of jurisdiction. Long term serving employees tend to reuse their success formulas. The results also show that there is good understanding and communication in the corporate level of the organization.

Results also show that the CEO and the head of divisional heads are well educated with the CEO a PhD as the highest level of education while the heads of departments holders of post graduate and graduate degrees. These shows that the management comprises of highly knowledgeable and highly professional individuals. The respondents have been receiving training on strategic management change, monitoring and evaluation of the same from external training institutions such as the Kenya School of Government (KSG) and Institute of Human Resource Management. The latest training received on Strategic change management was from KSG. These results show how dedicated the managerial staff are on ensuring effective strategic change management. Change can arise from the way the organization does its routine work, upgrading of staff skills through training or shifts in departments where the employees' skills fits best among other changes deemed necessary for the organization's success and long term growth.

#### **4.2 Evaluation of strategic management change**

Responses from the interviewees in the Geothermal Development Company revealed that strategic change management is very important for the growth and success of the company. They explained the importance of strategic management change as to increase project success because of staff support. It is true that change in most organizations can be constrained by employees who tend to be resistant to change, as per the answers from the respondents, staff in GDC do not resist change as the management engages other staff in change management. Restructuring and operational changes force GDC to embark on offering good packages to its employees to increase their morale and if the changes require laying off some workers, they again offer exit allowances to affected employees. Responses from the CEO, heads of Legal Affairs and Business Development departments showed that clear message of what can be changed and what cannot be changed is communicated to the employees.

Management in GDC does not ignore existing circumstances as current situations shapes the future. Change in GDC is triggered by external environment factors such as, competition, regulations, changes in technology especially in energy production, need for employment training and recruitment of staff as a result of changes in technology and other technical operations. Strategic management change is important especially when the company wants to meet international standards in energy production as well as meeting the changes in requirements by the Ministry of Energy and International Renewable Energy Agency. Change is more significance when the company is facing stiff competition from its rivals with the objective of gaining a competitive advantage in the market. Strategic management change in GDC also leads to motivation and skill improvement thus its importance.

The Chief Executive Officer together with all departmental Heads in the company participates fully in strategy formulation and implementation. Respondents indicate that strategy formulation follows after the analysis of the situation(s) that require need for strategic change. Strategy formulation involves modification of current objectives and strategies in ways to make the

organization more successful. Strategy formulation in GDC can be of three types; corporate level strategy, business level strategy and functional level strategy. Corporate level strategy is concerned about the overall organization's direction and operation in the long term. Changes here are made on the overall objective of the firm with alteration on the vision and mission of the company. Business level strategy on the other hand involves GDC deciding on best strategies to combat competition with an objective of having cost leadership and competitive advantage opportunities. Functional level strategies include strategies that affect departments in the company thus the involvement of other Heads of the department in strategy formulation and implementation and evaluation.

Strategic change in the functional level requires all heads of departments to participate fully in the strategy formulation, implementation and evaluation. However in corporate level and business level strategy GDC excludes some departmental heads in the evaluation process. The inclusion in evaluation of the change strategy implemented depends on the department which the change affects most. For example if there is need for strategic change on technology, the Head of Systems and Technical Management have to participate in evaluation. Therefore, participation in the evaluation of implemented strategy depends on the department that change affects most.

Respondents agreed that competitive industry factors greatly influence strategic change management. These changes tend to affect business operations with the objective of becoming successful. GDC aligns its change according to Porter's five forces in industry analysis which include; intensity of competitive rivalry, threat from new entrants, threat from substitutes, bargaining power of buyers and bargaining power of suppliers. The threat of new energy companies entering the market results GDC to review its operations and make changes where necessary to avoid losing their position in the market. Change strategy in this situation GDC would consider repositioning itself to provide the best defence, reduce its selling price per unit than the set standard prices of the new entrant or coming up with attractive package for the investors in terms of share price and dividend share.

Intensity of competitive rivalry and threat from substitutes from Kengen for instance, pushes GDC to change management in its technology and technical operations to ensure that they are far better than Kengen in operations that they were trying to take over from GDC. Bargaining power of suppliers at times causes GDC to have a change in the way they price their products. Bargaining power of consumers is another major force that results to strategic change in GDC. Kenya Power and Lighting Company as the only customer of energy in Kenya can sometimes end up controlling the prices of energy products forcing GDC to manage this change to avoid losing their only clients. The analysis of responses indicated that the CEO and all heads of department influenced strategic change at different capacities.

On the question of whether GDC influences change, responses indicate that the leaders in the organization that is the CEO, Head of Legal Affairs, Technical and Systems managers as well as head of commercial services greatly influence change. Strategic management change requires adequate amount of resources to make the change a success. The culture of the organization influences strategic change management in a positive way. The GDC organization members are more inclined to embrace change since organization's culture is aligned with the mission and goals of the company. The CEO however points out that shifting a culture that has to some extent moved away from the values established by its founders is always a challenge because organization change also results to change in the culture. Culture change is illusive, requires

lengthy interventions, and, for many GDC, it is either too costly or too time-consuming thus making successful transformation problematic.

In GDC one objective that has been made is on expansion of the geothermal wells connection to a power plant soon. The CEO, Legal Advisor and Business development manager recommended on more deployment of resources to meet changes in strategy and that the strategies implemented should be sticky ones, those which will not require constant changing. Further, they recommended on forecasting on change to avoid abrupt and quick strategy formulation, implementation that serves a current situation. Another recommendation that corporate managers gave to other managers that seek to adopt strategic changes in their organization should quit office politics. Office politics such as ego centric managers, jealousy feelings among the management and competition to win certain managerial positions may affect organization's performance greatly. Structuring an organization in a way that it can respond to changes in the environment such as competition, natural calamities, security instability is vital in any organization was another recommendation given to GDC management. Results also show that GDC analyses critical success factors in the implementation of strategic change. This is part of their step by step procedure prior formulation of their strategies. Analysis of key success factors places the organization at a better level to mitigate expected and unexpected challenges. There is also sufficient and great leadership in GDC Company which is demonstrated by good communication skills among the management.

## **5.0 CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Conclusion**

The findings of the study show that there is high level of cooperation and understanding in GDC when formulating, implementing and evaluating change strategy. The strategies that all heads of the company formulate and implement together are corporate level and business level strategies, since both strategies are overall decisions that ought to be made about the company. These strategies concern the growth and overall objective of the company. Organizational leaders in GDC seem to carefully revisit and make decisions about the growth objectives and the fundamental strategies the organization will use to achieve them. In some organizations growth strategies selected tend to fail this is a result of pushing a growth strategy when a company is not in the capability of growth or when the leaders in a company greed for ego and fame. This is however not the case in GDC as the managers who act as the leaders in that organization tend to resist such temptations and focus on selecting a growth strategy appropriate for the organization. Change management means to plan, initiate, realize, control, and finally stabilize change processes on both corporate and personal levels. Change may cover such diverse problems as, for example, strategic direction or personal development programs for staff.

Findings from the study also indicate that GDC analyses critical success factors in the implementation of strategic change. This is part of their step by step procedure prior formulation of their strategies. Analysis of key success factors places the organization at a better level to mitigate expected and unexpected challenges. There is also sufficient and great leadership in GDC Company which is demonstrated by good communication skills among the management.

The CEO of GDC explains how change in the company is an ongoing process which needs training in order to successfully carry out the change in the organization. The main aim of change activities in GDC are well thought of before implementation as the same are expected to be successful ensuring that those changes initiated by the organization are controlled internally. The success of a project is not only related to good strategy or good technical management.

Motivation and skills of the team are also important. Change management is of strategic importance, without which companies cannot exist. Their ability to change and adapt quickly brings enormous market advantages. Porters' five forces of the industry analysis help companies to understand the different competitive forces that push them to come up with strategies to manage the changes that results from the industry forces to their advantage. GDC response to strategic management change is well prepared for and organized. Employees are engaged in the change process to avoid constraints in achieving organizations success. The company comes up with strategies that will also not constraint finances and man power during the change. Change management in GDC is a critical factor that receives management cooperativeness and commitment.

### **5.2 Recommendation**

Management should address the challenge of insufficient resources to facilitate strategy implementation. The management of GDC should also be forecasting on the long term strategic change and minimize creation of short term forecasts that requires change that will not take them to the forecasted long term objectives. However, GDC seem to be a company that critically analyses changes and the entire organization embraces changes therefore future forecasts will not be so much a challenge to them. Companies should be structured in such a way that it can respond at all times to pressure to change from the environment and pursue any appropriate opportunities which are spotted

One major reason why strategic changes in some organizations fail as a result of staff resistance to change. The time taken to convince the staff to accept the change makes the organization lag behind in addressing important development. GDC, a company whose employees embrace change should not lag behind in maintain its employees through up to date training on operations as well as important organizational matters as a way of maintaining the employees who from the study do not resist change. This also includes good compensation to the employees, provision of a good working environment and working conditions

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