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Organizational Transformation and Performance of Kengen Company Limited, Kenya

Abel Kipkoech Rotich
Department of human resource management
Kenyatta University

Dr. Rosemarie Wanyoike
Lecturer Human resource management and Change management
Department of Human Resource Management
Kenyatta University

Abstract: Recognizing the need for change and leading organizations through that change is one of the most challenges for any leadership. Transformation is the only constant in today's life for individuals and organizations. Some changes can be reversible while others are not hence the risk involved in managing change. The study adopted a descriptive cross- sectional research design. The target population was be 1200 employees. A sample size of 300 employees was be selected using Yamane (1967) formula. Primary data was collected using Semi-structured, self-administered questionnaires. The Data collected was analysed using descriptive and inferential statistics tools. Results were presented using tables and charts. The study concluded that there was a positive and significant relationship between organizational transformation and performance of Kengen Company limited.

Key Terms: Organizational Performance, Organizational Transformation, Power Utility Company, Organizational Restructuring, State Monopolies, Corporate Governance

Background Information

In today's world, business environments are undergoing continuous change more suddenly and frequently than before. Organizations around the world are putting tremendous energy into the process of change so that they are in a better position to compete in a global economy (Friedman, 2005). Organizational change strategies contain five infrastructure strategies. These strategies include goals, human resource, technology, structure and culture and when they are changing the organization also changes accordingly (Sadeghi, 2011).

Burtonshaw-Gunn and Salameh (2011) note that change has now become a regular feature of business life as part of the desire for continuously increased business performance and the ever important need to demonstrate increased stakeholder value however, successful management of resistance to change was the critical factor to achieve any degree of long-term and lasting success. Organizational change was both the process in which an organization changes its Structure, Strategies, Operational Methods, technologies or organizational culture to effect change within the organisation (Grimsley, 2016).

Hortho (2008) notes that "...change was presented as an objective fact that happens to the organization, either as a consequence of external drivers, or as an outcome of management choice." (p.725). To maintain a competitive advantage, organizations must be able to adapt and change quickly. Change was driven by economic, social and environmental factors as well as business trends. Many organizations strategically use change to improve organizational effectiveness.

Organizational transformation will transition between organizational states that differ substantially in crucial features such as strategy and structure. From a practical standpoint, organizational transformation may be critically important in establishing appropriate internal and organization-environment alignment, which in tum influences organizational performance (Wischnevsky & Damanpour, 2006).

Samentery (2006) describes organizational transformation as a term referring to such activities as re-engineering, redesigning and redefining business systems, and goes ahead to identify three types of transformation: the improvement of operations to achieve quantum improvements in efficiency; strategic transformation to regain sustainable competitive advantage; and corporate self-renewal for change agility. All the above three are changes that can be initiated in an organization, but their successful realization is brings

about a transformation. In essence, while change may be unplanned and reactive, transformations are rather deliberate initiatives and are more proactive than reactive.

The post quips that while change might be spontaneous and rather disjointed, transformations are more integrated and strategic. They identify some ''three axes of change'' and indicate that while change may focus on only one of them, transformations will focus on all the three. The three axes include: Top-down direction setting for organisational focus; Broad-based bottom-up involvement for performance improvement and a cross-functional core process redesign to link activities, functions and information. Proper management of these three axes forms the basis for a transformation. They indicate that together these three forms the 'transformation triangle' – a balanced, integrated framework for combining separate initiatives into a coherent overall program and that no single change initiative will offer magic bullet to unfreeze and redirect an organization.

Due to the importance of organizational change, its management was becoming a highly required managerial skill (Senior, 2002). Graetz (2000) argues that against a back drop of increasing globalization, deregulation, the rapid pace of technological innovation, a growing knowledge force and shifting demographic trends, few would dispute that the primary task for management today was the leadership of organizational change. Hayes (2007) perceives management as being about modifying or transforming organizations in order to maintain or improve their effectiveness.

This deliberate conscious use of strategies was characteristic of change management. Change management is the use of systematic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted timeframe and with the desired results (Davis &Holland, 2002).Todd (1999) perceives organizational transformation as a structured and systematic approach to achieving a sustained change in human behaviour within an organization. For any identified changes to be successfully adopted, merely introducing some new pieces of equipment, or a new process, was unlikely to have any major impact on the organizations performance unless introduced as part of an overall and coordinated change process.

Kelvin (1992) identifies effective change management program as involving mission and strategy, stakeholder support, development of the right organizational structure and culture, introduction of new technology, designing of new individual roles, reward systems and management processes. Improved organizational performance was not only about the application of hard and fast rules for achievement Senge (2006). In fact separating managers from leadership in terms of style was difficult because every manager needs to have leadership skills to get activities done and every leader should have managerial skills to induce workers to change directions. This is especially important in organizations or institutions which are going through change since constant motivation and guidelines are needed for effectiveness of employee performance (McLagan, 2002).

In Africa, change is well inevitable. Most African countries have undergone series of changes. Electricity in Africa have gone through tremendous changes due to growth and expansion of energy sector. In order to compete globally, energy sector have embraced change management factors such as culture, technology, leadership and structure which affects both employee and organizational performance. In on to remain competitive energy sector have adopted transformation strategies that may influence performance (Olubayo 2014).

Today government and private institutions are facing many challenges in many areas of operation, this was mainly due to stiff competition and lack of change or even failing to implement change if at all change has been introduced. Rapid environmental changes, competition to provide innovative and competitive products and services, changing customer and investor demands and globalization have become the standard backdrop for firms.

Kengen's Company

Kengen was hived off from the Kenya Power and Lighting Company (KPLC). The new public company was to take charge of the electricity generation function while the KPLC would retain the transmission and distribution functions. Subsequent significant changes in Kengen's operating environment forced the Company to moot a transformation initiative – the Good – to – Great (G2G) transformation in the year 2006. The transformation was championed by the McKinsey Consultants. The Company requires to transform and align its operations with the emerging new order as it seeks to continually meet the expectations of its stakeholders, customers and the Kenya Populace. The Kenya Engineer (2009) features an excerpt on the challenges facing the energy sector in Sub-Saharan Africa. The citation argues that in order to measure up to rising challenges in the sector, there was need to establish a robust management approach involving both the governments as well as the utility service providers. This would be a critical enabling factor in the delivery of electricity in the midst of power sector reforms.

Consequently, the Company contracted Mckinsey consultants to drive its transformation agenda and define its future trajectory path. The new strategy sought to deliver up to 2000MW over a 10 year period in line with the Country's Vision 2030. Most of the power was profiled to come from the Company's geothermal Sources, (Kengen management report 2007). The consultant started with an identification of specific challenges facing the Company's business operations. The hyped regionalization agenda on the sector faced with a growth in market capacity coupled with the development of a regional interconnecting grid, and a significant capacity expansion in the region were equally critical challenges to be addressed. (Government Session Paper no. 4 on Energy, May 2004.)

Mckinsey consultants developed a robust strategic plan leveraged on a reduction of the overall cost position of the company :a road map to transform the company into a performance –driven organization, and an urgency to build internal capacity to relentlessly drive implementation of the strategy. In a bid to ensure a turnaround in the Company's efficiency and improved internal services, the consultant emphasized on need to restructure its operating systems, chains of command, skilling levels as well as heighten its agility for change through an improved change readiness training. The Company's bid to changing most of its critical aspects of business operations called for dexterous management of change. This development warrants an in-depth investigation to be able to point out its notable milestones and success rate of the approaches employed thereabout.

Research Objective

To establish the effect of the organizational transformation and Performance of Kengen Company Ltd.

Research Hypothesis

H_{01} There is no statistical significant effect of organizational transformation and Performance of Kengen Company Ltd.

Statement of the problem

In Kenya the studies on organizational transformation are generally limited. These studies are, however descriptive in nature and done on specific firms or industries and used financial profits as the measures of performance leaving non-financial measures.

Despite the efforts made to introduce change in the way energy sector was managed, effective implementation of these changes and their management still remains questionable within Kengen Company. Poor execution of drivers of effective change management was still seen as a key hindrance towards achieving improved organizational performance. Therefore. This study wants to establish whether there is a relationship between organizational transformation and performance of Kengen co ltd, Kenya

Practical implications of the study

The study will largely benefit the Government and especially the energy sector institutions which shall use the findings of this research work in their long term development plans and Policies. The decision by the Government to unbundle the Electricity sector and introduce private sector players into the industry is a major leap in its development strategy. The change brought a lot of pressure to the state corporations including Kengen Company Ltd to relook at their work processes to enable them meet the expectations of their stakeholders.

This study therefore shall benefit Kengen company Ltd and all its employees. It shall also benefit all the stakeholders including shareholders and investors interested in working and investing in the energy industry, particularly Kengen Company Ltd. It will also benefit other research students handling change transformation studies, scholars and researchers with specific interest on change strategy, impacts of change on institutions and how some of them have responded.

Literature review

The ADKAR model was developed by Prosci inc. in 1999 and has highly been acclaimed to present an excellent framework for managing especially individual change (ADAR model,2006). It has equally been used in managing and guiding organization change without success. The model focuses on the facilitation of change in the individual person who is the smallest and most influential unit of change.

The model points out five basic building blocks or outcomes of a change management process whose abbreviation form the term ADKAR. These are: Awareness which emphasizes on essence to be conscious of the necessity of change; Desire – the urge to take part and back; the knowhow on how to change; the capability of implementing necessary abilities and mannerisms and Reinforcement to sustain and make the change stick.The model matches up these change outcomes (the A.D.K.A.R) with requisite change activities that change leaders

need to put in place for successful transitioning to happen. The ADKAR change management model characterizes the process for individual change in five key stages which consist of; Awareness of the necessity of change, Desire to participate and support the change, Ability to use new skills and behaviours and finally Reinforcement to keep the change in position. This model captures how one person goes through change (Hiatt and Creasey – 2003). Organizational transformation is a change process which is supported the AKDAR model of change which helps in positioning the organization so as to achieve performance.

Empirical Review

Hao, Kasper and Muehlbacher (2012) conducted a study in Austria and China on the relationship between organizational structure and performance, using organizational learning and innovation. A theoretical, conceptual and structural equation model was done using a questionnaire and a sample of 90 Austrian and 71 Chinese samples. Data analysis was done using Partial least squares and results tested. The findings stated that the Organizational structure had more effects on organizational learning than on innovation, organizational learning had indirect effect on performance through innovation. This study used structural equation model while the current study used regression for data analysis.

Dauda and Akingbade (2011) study on employee relation could be employed for technological change management. Further it sought to determine effective method of using technological innovation for improved performance in the manufacturing industries of Nigerian. 1256 questionnaires were distributed to 30 selected manufacturing industry in beverages, textile, steel, cement and chemical industry in Nigeria. Findings revealed that employee relations do not have significant relationship with technological change. This used manufacturing companies to undertake their study while the current study is based on service industry.

An empirical study by Abbas, Muzaffar, Mahmood, Ramzan & Rizvi (2014) examined the effects of information technology on performance of Allied Bank employees in Pakistan. The data was gathered through unstructured interviews. It was figured out that technology greatly escalates the productivity of employees along with time saving. It greatly affects the workload on employees and ensures control over mistakes and frauds. Quick access to information and ease of use enables the bank employees to deliver quality service. The study recommended that organizations which implement new technology should provide proper training to its employees to increase their performance.

Awadh and Saad (2013) investigated the relationship between organizational culture and performance. Literature review was adopted as methodology to assess the culture of an organization impacts upon process, employees and systems. The study found certain dimensions of culture have been identified so far and research shows that value and norms of an organization were based upon employee relationship. The study recommended that strong culture of an organization be based upon managers and leaders help in improving level of performance. Managers need to relate organizational performance and culture to each other as they help in providing competitive advantage.

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A study by Abbas and Yaqoob (2009) examined the effect of leadership development on employee performance in Pakistan. The study was conducted considering five factors of leadership development, that is, coaching, training and development, empowerment, participation and delegation. The study found that the combined effect of these factors influenced employee performance with 50%. However, rest of the 50% contribution towards employee performance other factors such as: attitude, commitment, motivational factors, and trust in the organization, compensation, reward and bonuses that increase the employee performance.

Methodology

The study adopted a descriptive cross sectional survey. It enabled the researcher to capture data at a given time of the study while minimizing temporal effect of the study variables so as to interpret the relationships among study variables (Namada *et al.,* 2014). A cross sectional approach was preferred because it facilitates data collection from different respondents at one point in time.

Saunders, Lewis, and Thornhill, (2009) observed that cross sectional approaches are robust in relationship studies and enhance the credence of results. Data was collected using both primary and secondary

sources. Each of these methods complimented one another by filling in data gaps which the other method was incapable of capturing.

Target Population

The target population for the study was drawn from 1200 employees of Kengen Company, Kenya. The employees were categorized into three stratus, the top management, middle level management and all employees from various departments.

Table 3.1 Target Population

Population category	**Target population**	**Sample size**
Senior management	72	22
Middle level management	175	53
Employees	953	286
Total	**1200**	**300**

Source: Kengen Management Records (April 2017)

Empirical Model

The studyused a regression model to gauge the connection amongst independent and dependent variables, The findings from the analysis was sorted out, condensed and exhibited utilizing tables. Multiple regression models was utilized to interface the independent variables to dependent variables as outlined;

$Y= \beta_{o +} \beta_1 OT+ \mu$

Where;
Y= Performance
β_o =Beta coefficient (constant term)
β_1 = Coefficient of independent variable
OT= Organizational Transformation
μ = Error term that accounts for the variability in Y that cannot be explained by the linear effect of the predictor variables.

Data Analysis

Primary data was collected using self-administered questionnaires. The questionnaire consisted of two parts. Part A for General information and Part B for indicators of independent and Dependent variables.

Data was analysed by use of elements of descriptive statistics mainly the frequencies and percentages and presented basically in table. Responses from the open-ended questions and the interview were analysed by comparison of the responses through discourse analysis and flow tracking. The trends depicted hereby was used to make conclusions in regard to the research parameters.Findings were reported in tables and figures for easy interpretation and understanding; while qualitative data was reported by use of statistical summaries and narratives coded from the respondents open responses.

Data was analysed using SPSS version 21.A regression model was developed and correlation analysis was conducted at 0.05 level of significance. Pearson product moment correlation® was derived to show the nature and strength of the relationship. Coefficient of determination (R^2) was used to measure the amount of variation in the dependent variable explained by the independent variable.

Findings

300 questionnaires were administered to the respondents and a total of 243 questionnaires were returned. This represent 81 % response rate. For generalization, Mugenda (2003) noted that a response rate of 70% and above was excellent. The response ratewill therefore satisfactory to make conclusions for the study.
The Pearson correlation coefficient of organizational transformation versus performance of Kengen was computed as .703(p value =0.000) which is a positive relationship between the variable. The R-Square value .494, indicating that the independent variable (organizational transformation) explained 49.4% of the variable in performance. The remaining 50.9 % is explained by other variable not fitted in the model.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.703	.494	.476	.4721

a. Predictors: (Constant), organizational transformation

A further test on the beta coefficients of the resulting model shows that
Alpha = 7.59 is significantly different from zero. The coefficient β=0.751 is also significantly different from zero with a p –value =0.000 which is less than 0.005.The findings indicate that when organizational transformation is increased by 1 unit , performance of Kengen is expected to increase by 0.751 units

Conclusions

Performance is a key focus of the company's management. This study investigated the relationship between organizational transformation and performance. Based on findings of this study, it was reasonable to conclude that organizational transformation contributed to performance of Kengen Company ltd in Kenya. Based on the findings of the study, the researcher inferred some important conclusions. Corporate culture was found to be statistically significant in influencing the firm's performance; therefore, managers should look for ways of monitoring and sustaining performance through embracing positive culture and by ensuring continuous cultural values are inculcated on the systems of Kengen Company.

Contributions to knowledge

The study recommends that manager's work at improving the effectiveness and efficient production of electricity so that customers can have adequate supply and this will enhance performance of Kengen company ltd. The current study was unique in contributing to the literature by conducting research analysis that statistically identifies the best predictors for the successful implementation and maintenance of organizational transformation. The results throw light on the confusion and contradictions which exist in the literature on the value of organizational transformation on performance.

Policy Recommendations

The study recommended that the government in collaboration with industry regulators and management of Kengen Company limited should come up with policies that embrace organizational transformation to increase the output energy in the grid using cheaper and more economical ways to enhance production.

Suggestions for further research

This study was a cross-sectional survey. It was hoped that a longitudinal survey will validate informed interpretations in future studies. Future research should further investigate the impacts of organizational transformational, leadership style and firms' performance. Further research should also validate the findings and conclusions of the study by undertaking replicative researches in other sectors in Kenya.

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