Journal of Human Resource & Leadership

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ISSN: 2616-8421

Stratford Peer Reviewed Journals and Book Publishing
Journal of Human Resource & Leadership
Volume 4||Issue 1||Page 1-9|February||2020|
Email: info@stratfordjournals.org ISSN: 2616-8421

Change Management on Performance of Sugar Manufacturing Firms in Kenya

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How to cite this article: Kegoro, H., O., Akoyo, S., I. & Otieno, D., A. (2020). Change Management on Performance of Sugar Manufacturing Firms in Kenya. *Journal of Human Resource & Leadership* 4(1), 1-9

Abstract

The aim of the study was to establish the effect of change management on performance sugar manufacturing firms in Kenya. This study was anchored on Kurt Lewin Theory. Cross-sectional research design approach was adopted. Random sampling technique was used to select respondents from two randomly selected sugar manufacturing in Kenya. Total population of the study was 43 respondents. Respondents of the study comprised of employees selected from top, middle and lower levels of management. The sample size of 39 respondents was calculated using Israel formula. Primary data was collected using structured questionnaires with closed -ended questions. Simple regression analysis method was used to analyze data. The results revealed that there existed a positive significant relationship between change management and performance of sugar manufacturing firms in Kenya ($r=.631$, $p<0.05$). The study concluded that despite the fact that change management was considered to influence performance directly or indirectly, sugar manufacturing firms in Kenya were not living up to the expectations of stakeholders due to constraints of change management. The study also concluded that despite change management having a significant impact on firm performance, to some extent implementing change, training, motivating workers and adopting technology were challenges among pharmaceutical manufacturing firms in Kenya. The study recommended that, for improved performance of sugar manufacturing firms in Kenya, management should emphasize and appreciate the role of change management on performance of sugar firms in Kenya. The study further recommended that for pharmaceutical manufacturing firms to perform effectively they should be embracing organizationally practices such as change awareness, implementation and evaluation change of results.

Keywords: *Change Management, Firm Performance and Sugar Manufacturing Firms.*

1.1 Introduction

Firm performance has a direct link with the competence of the management. even though change management and firm performance are concepts defined and conceptualized differently in the world of scholars (Ade, Namusonge & Sakwa, 2019). Firm performance is considered to be a function of change management (Alhadid, 2016). Firm performance is defined as the ability of the firm to meet its intended objectives within a given timeframe using the limited resources available (Nafei & Wageeh, 2016). The change management is described as the ability of the organization to move from its old ways of doing things to new ways which as more efficient and effective (Okotoh, 2015). Effective change management in any organizations is determined by top leadership. The knowledge, skills and personality of leaders is directly associated with effective change implementation which in turn result to improved firm performance (Kaplan & Norton, 2010). To change any organization, both internal and external factors should effectively have managed (Okotoh, 2015). Thorough audits of employee skills, structure, culture and readiness as well as the potential threats and opportunities from the business environment should be understood.

Organizational performance in terms of profits, volume of sales and customer loyalty are directly attributed to change management (Arif, 2018). Organizations committed in training workers, embracing organic structures, rewarding behaviour not individuals and solidifying new behaviours through financial and non-financial rewards can perform effectively unlike firms that disregard the practices (Salojarvi, Ritala, Sainio & Saarenketo, 2015). Creating urgency for change and timely awareness of employees on reasons behind change is key in any successful change (Agboola, 2011). Individual resistance to change is attributed to inability of the organization to invest in human capital in order to change the mind-set of workers to implement change (Kabagambe, Ogutu & Munyoki, 2012) while systemic resistance to change is attributed to inability of the top leadership to support the new changes, inappropriate change management policies and rigidity of the structures (Raineri, 2011). Scholars such as Saeed et al. (2013) in Australia, Nafei and Wageeh. (2016) in Italy, Appelbaum et al. (2017) in Egypt, Alhadid (2016) in South Africa ascertained that firm performance is a function of change management. The authors acknowledge that non-performance of organizations is attributed to inability of leaders to get maximum employee support. Employee willingness to accept new changes and contribute positively on organizational development is dependent on top leadership support.

Kabagambe, Ogutu and Munyoki (2012) in Rwanda Agboola (2011) in Uganda and Okotoh (2015) in Kenya also observed that change implementation is a predominant factor of organizational performance. The authors concluded that, for organizational competitiveness, change management is the most crucial aspect as compared to other aspects. Leaders with the ability to set an enabling climate for employees to own the change process is a significant step in any successful change. Even though change is resisted by majority of workers at its introductory stage (Aarons, Ehrhart, Farahnak & Hurlburt, 2015), it can be institutionalized if leaders of the organization have the good will and determined to allocate time, money, information and any other resources (Adair, 2012). For global competitiveness, sugar manufacturing firms in Kenya should rethink on change management in order to perform effectively. Development in the agricultural sector since independence is directly correlated to economic growth. Performance of the sugar industry in Kenya has been attributed to favourable government policies and conducing farming climate (Kenya Sugar Board, 2019). Establishment of Muhoroni sugar company limited in 1966 by the government of Kenya was intended to make Kenya a self-reliant country in sugar production thus minimal import of sugar from foreign countries. Later, other companies such as Chemilil (1968), Mumia (1973), Nzoia (1978) and South Nyanza (1979) were formed to boost local production of sugar thus less reliance on imported sugar. Despite interests of private investors in the sugar industry since the colonial period in Kenya, majority of these local production firms have been put under receivership due to deteriorating performance (Kenya Sugar Board, 2019). With increased competition, change of industry regulations, change of technology and influence of globalization, sugar manufacturing firms in Kenya are experiencing deteriorating performance thus the need for this study in order to unfold issues in this area.

1.2 Research Problem

Despite the effort of the government of Kenya to fulfil the economic pillar of Vision 2030, the manufacturing sector and more specifically the sugar manufacturing sector has continued to perform dismally. Deteriorating performance of the Kenyan economy is directly attributed to inability of the local sugar manufacturing firms to produce the expected metric tons of sugar to sustain local demand. Efforts of the government to divest from the local sugar industry is an issue of concern not only to members of the general public but also cane farmers. High rate of sugar company receivership not only indicate deteriorating performance of the sugar manufacturing firms but also the need of conducting an investigation to unearth the problem. Kenya's dream of being self-sufficient in sugar production is off its legacy due to over-reliance on imported sugar. Local production of sugar is below the expected level and this has resulted to increased rate of imported sugar in the country. Receivership of sugar manufacturing firms in Kenya has negatively affected to growth of local sugar manufacturing firms. Sugar cane shortage has not only been attributed with inability of sugar companies to pay farmers on time but also failure of the companies to train farmers to embrace modern technologies in sugar cane farming. Extenstive studies which have been conducted globally, regionally and locally (Ade et al., 2019; Appelbaum et al., 2017; Nafei and Wageeh, 2016, Alhadid, 2016 and Okotoh 2015; Ade, Namusonge and Sakwa, 2019), vividly indicate that change management can directly or indirectly influence firm performance. However, findings of this studies are non-generalizable in this study due to conceptual, theoretical and methodological constraints. Considering the fact that limited studies have been conducted in Kenya to examine variables of this study, it against this background this study sought to investigate the effect of change management on performance of sugar manufacturing firms in Kenya.

1.3 Research Objective

The research objective of this study was to assess the effect of change management on performance of selected pharmaceutical manufacturing firms in Nairobi City County.

2.0 Literature Review

2.1 Theoretical Review

This model was established by Kurt Lewin (1951). The theory proposes that for effective change implementation in any successful organization, three chronological steps should be actualized. Unfreezing stage involves the ability of the leaders to disrupt or dismantle old behaviors or ways of doing things. At this stage, leaders should use all means to discourage old practices or traditions that make employees stick to the status quo. The second stage involves introduction of change which involves creation of maximum awareness and suggesting the alternative way of doing things to existing workers. At this stage, change should be gradual rather than accidental. If employee tend to reject new ways of doing things, leaders can look for other strategies of managing systemic and behavioural resistance to change. The third stage involves freezing which entails the ability of leaders to solidify new behaviours in the organization by rewarding new behaviours but not individuals. Raineri (2011) attests that the theory emphasizes that for effective change implementation in any organization which can be measured in terms of service delivery, leaders in organizations should ensure they lay down frameworks of implementing new changes which rotates around, creation of awareness about the new change, training employees, restructuring, motivating workers, allocating employee new duties, delegating and rewarding new behaviours. The theory argues that with increased competition, influence of technology, change of regulations and influence of globalization, public and private organizations not only need to adopt strategic leadership in order to implement new changes (Karuhanga, 2015). This theory was applicable in this study based on the assumption that sugar manufacturing firms in Kenya can experience improved performance if embrace change management practices such as change awareness, implementation and evaluation.

2.2 Empirical Review

2.2.1 Change Management and Firm Performance

Efendioglu and Karabulut (2010) established that quality customer service deliver in organizations is dependent on effective change implementation. The study pointed out that for effective change implementation in any competitive organizations, transformational leadership is inevitable. Leaders who can mobilize resource and influence employee behaviours towards organizational goals not only contribute to quality customer service delivery but also facilitate service efficiency and effectiveness. The study noted that despite the fact that employees always tend to resist change, transformative leaders have the ability to institutionalize and conceptualize change among workers. However, it noted that the study did not examine variables the effect of change management on performance of sugar manufacturing firms in Kenya. Further, it was noted that the study was confined to performance of financial institutions in Turkey which is a different context. Aarons, Ehrhart, Farahnak and Hurlburt (2015) pointed out that effective change implementation in organizations is directly correlated leadership. Despite the fact that leaders can perform effectively in different contexts, visionary leaders are more likely to succeed in dynamic contexts as compared to transactional leaders who tend to be rigid to changes and ignore to empower and motivate worker. Success of any organization in implementing new changes in determined by the kind of leadership styles. Inability of leaders to recognize and identify employee talents, survival of any organization will be a challenging task. However, it was noted that the study sought to examine the effect of leadership on change implementation but did not examine the relationship between change management on performance of sugar manufacturing firms in Kenya.

Achitsa (2014) attests that for effective change implementation and performance of any organizations, leaders should not only adopt democratic style of management but also embrace new ways of introducing new changes such as regular meeting, allocating new duties to employees, training of workers, delegating and rewarding new behvaiours rather than individuals. Similarly, Adair, (2012) opines that, effective change implementation in any organizations is facilitated by initiatives of transformative leaders. Leaders who challenge the status quo and involve employees in key decision making process are likely to implement change more easily that transactional leaders who believe in rewarding individuals rather than new behaviours. Moreover, the study by Adair (2012) ascertained that the spirit of team work and minimal resistance in the organizations is only promoted if top leaders act and conduct themselves as role models and steer the change process rather that giving instructions or orders only. However, it was noted that the independent variable of the study was strategic leadership while the dependent was change implementation which are different from variables of this study.

3.1 Methodology

Cross-sectional research design was utilized in this study. The target population of the study was 43 respondents randomly selected from three sugar manufacturing firms; Mumias, Muhoroni and Miwani. Respondents were categorized into three groups which included: top level management, middle level and lower level. Respondents included directors of departments, managers and officers of various departments. The sample size of the study was 39 respondents which translated into 88% of the response rate. To analyze data quantitatively, Statistical Package for Social Sciences (SPSS) was used.

4.0 Research Results

4.1 Descriptive Statistics of change management

Respondents were asked to indicate the extent to which they agreed or disagreed change management influenced performance of sugar manufacturing firms and the findings are summarized as shown in Table 1.

Table 1: Change Management

Statement	Mean Score	SD	CV%
My managers always encourage teamwork	4.79	.446	26.3
My leaders are appreciative	3.53	.724	11.3
Top management has created programs that sensitize employees about implementation of new polices	3.33	.445	19.3
Employees who implement new initiatives are rewarded	2.83	.511	07.4
My managers always encourage dialogue	2.82	.524	13.1
There is interpersonal relations between top and lower level employees	2.44	.406	17.2
My immediate supervisor always recognize my commitment to quality service delivery	2.33	.344	13.1
My immediate supervisor always ensures that I understand the need for any change in the system	2.15	.237	14.3
My leaders are proactive in introducing new changes	2.42	.353	15.7
My leaders have set an atmosphere that encourage employee creativity and innovation	2.03	.127	07.0
Aggregate Mean Score	**3.01**	**0.365**	**27.21**

Source: Research Data (2019)

The results in Table 1 indicated a moderate agreement regarding change management and performance of sugar manufacturing firms in Kenya with an aggregate mean of 3.01 and coefficient of variation (CV) =27.21%. Only 2 of the 10 statements showed a mean score of more than 3.00 indicating that a few respondents had agreed that managers encouraged teamwork while majority of the workers indicated that change management practices were not embraced effectively. 8 statements of the 10 statements indicated a mean score of less than 2.00 reflecting that most of the managers did not reward workers who implemented new initiatives. It was reported that there was no interpersonal relationship between top and lower level managers, managers did not encourage dialogue, employee commitment to work was unnoticed by managers, introduction of change was reactive rather than proactive, leaders did not set a climate to facilitate change implementation and leaders did not emphasize the urgency of change to workers.

These findings imply that even though change management was considered to influence firm performance, it can be concluded that most change resistance from workers was likely due to lack of proactive measures by managers to influence workers. Inability to involve workers in key decisions and providing maximum support had a negative impact on change implementation. These findings are consistent with that of Saeed et al. (2013), Salojarvi et al. (2015), Scott (2014) and Tarus et al. (2015) who concluded that even though change implementation had a significant effect on performance, there also existed differences between change implementation and firm performance.

4.2 Correlation Coefficients Matrix

The study sought to determine whether there existed a significant correlation between change management and performance of sugar manufacturing firms in Kenya. The findings are depicted in Table 2 below

Table 2: Correlation Coefficients Matrix

		Firm Performance	Change management
Firm Performance	Pearson Correlation Sig. (2-tailed)	1.000	
Change Management	Pearson Correlation	.631*	1.000
	Sig. (2-tailed)	0.028	
	Sig. (2-tailed)	0.027	0.039

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

Using Pearson's product-moment correlation coefficient (r) as depicted in Table 2, it was revealed that there existed a significant positive relationship between change management and performance of sugar manufacturing firms in Kenya. r value was more than 0.5 reflecting a strong association as recommended by Black (2010). Change management was positively and statistically significant ($r=.631$, $p<0.05$) thereby confirmation for further data analysis.

4.2 Relationship between Change Management and Firm Performance

Simple regression was conducted ascertain the statistical relationship between change management and performance. The model is depicted in Table 3

Table 3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.243	.074	.058	.52293

a. Predictors: (Constant), Change management

The regression model $Y= \beta0 + \beta1X1+\varepsilon$ was thus fitted to the data and the model was found to be significant. As shown in Table 3, the R value of 0.243 indicated that there was a positive linear relationship between change management and performance of pharmaceutical companies. The R^2 value indicated that the explanatory power of the independent variables was 0.074. This meant that 7.4% of the variation in change management was explained by change management.Table 4 presents the Analysis of Variance (ANOVA).

Table 4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	.655	1	.655	5.335	0.011
1	Residual	50.274	38	.357		
	Total	50.929	39			

Dependent Variable: Performance of sugar manufacturing firms
Predictors: (Constant), Change management

As demonstrated on Table 4, results on the analysis of the variance (ANOVA) showed that F statistic of 5.335. This indicated that the overall model was significant as it was exceeded

Stratford Peer Reviewed Journals and Book Publishing
Journal of Human Resource & Leadership
Volume 4||Issue 1||Page 1-9|February||2020|
Email: info@stratfordjournals.org ISSN: 2616-8421

the critical F value degrees of freedom at the P=0.05 level of significance. The P value of 0.000 was less than 0.05 depicting that the coefficient in the equation fitted was not equal to zero, therefore suggesting a good fit thus appreciating the simple regression fitted, change management had an effect on performance of sugar manufacturing firms

Table 5 below shows the regression analysis for change management and firm performance.

Table 5: Regression Analysis for Change Management and Firm Performance

	Unstandardized Coefficients		**Standardized Coefficients**	**T**	**Sig.**
	B	**Std. Error**	**Beta**		
(Constant)	3.333	0.226		14.724	0.00
Change Management	0.189	0.018	0.023	2.273	0.031
Dependent Variable: Firm Performance					

The results of coefficients to the model Y= 3.333+ 0.189X_1 estimates were significant at the 0.05 level of significance as shown on Table 5. This was because the significance was 0.031, which was less than 0.05. The results indicated that at zero change management, performance of sugar manufacturing firms in Kenya will increase at a magnitude of 3.333 units. The coefficient 0.189 infers that a unit increase in change management will result to an increase in performance of sugar manufacturing firms by 0.189 units.

5.1 Conclusion

This study concluded that there existed a positive significant relationship change management on performance of sugar manufacturing firms in Kenya. The results indicated that aspects such as change awareness, implementation and change evaluation had a significant impact on firm performance in terms of profits, volume of sales, customer and employee satisfaction, service efficiency and effectiveness. However, it was noted that even though change management had a significant impact on firm performance, to some extent the sugar manufacturing firms were not embracing change management practices effectively. It was noted that employees were not sensitized on new policies at the right time, funds required to implement new policies were inadequate, time allocated to implement the new policies was limited and the criteria of measuring results of change was unclear.

6.1 Recommendations

The study recommended that management of sugar manufacturing firms should emphasize on change management for effective performance. Creation change awareness and need for the urgency are key aspects that can lead to institutionalization of change. Further, allocation of adequate funds for training and evaluation results of change, rewarding behavior rather than individuals, participatory decision making, regular meetings, involvement of external change consultants and provision of adequate time are all key practices considered to enhance performance of sugar manufacturing firms.

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