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KIBABII UNIVERSITY



UNIVERSITY EXAMINATIONS

**2020/2021 ACADEMIC YEAR
SECOND YEAR FIRST SEMESTER
MAIN EXAMINATION**

**FOR THE DEGREE OF MASTER OF BUSINESS
ADMINISTRATION**

COURSE CODE: MBA 881

COURSE TITLE: STRATEGIC MANAGEMENT OF CHANGE

DATE: 23/02/2021

TIME: 2.00PM-5.00PM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

TIME: 3 Hours

KIBU observes ZERO tolerance to examination cheating

QUESTION ONE

Read the case study provided below and answer the following questions

TransAct Insurance Corporation (TIC) provides automobile insurance throughout the southeastern United States. Last year a new president was brought in by TIC'S Board of Directors to improve the company's competitiveness and customer service. After spending several months assessing the situation, the new president introduced a strategic plan to improve TIC'S competitive position. He also replaced three vice presidents. Ram Kumar was hired as vice president of claims, TIC's largest division with 1,500 employees, 50 claims center managers, and 5 regional directors.

Ram Kumar immediately met with all claims managers and directors, and visited employees at TIC's 50 claims centers. As an outsider, this was a formidable task, but his strong interpersonal skills and uncanny ability to remember names and ideas helped him through the process. Through these visits and discussions, Ram Kumar discovered that the claims division had been managed in a relatively authoritarian, top down manner. He could also see that morale was extremely low and employee- management relations were guarded. High workloads and isolation (claims adjusters work in tiny cubicles) were two other common complaints. Several managers acknowledged that the high turnover among claims adjusters was partly due to these conditions.

Following discussions with TIC's president, Ram Kumar decided to make morale and supervisory leadership his top priority. He initiated a divisional newsletter with a tear-off feedback form for employees to register their comments. He announced an open-door policy in which any claims division employee could speak to him directly and confidentially without going first to the immediate supervisor. Ram Kumar also fought organizational barriers to initiate a flextime program so that employees could design work schedules around their needs. This program later became a model for other areas of TIC.

One of Ram Kumar's most pronounced symbols of change was the "Claims Management Credo" outlining the philosophy that every claims manager would follow. At his first meeting with the complete claims management team, Ram Kumar presented a list of what he thought were important philosophies and actions of effective managers. The management group was asked to select and prioritize items from this list. They were told that the resulting list would be the division's management philosophy and all managers would be held accountable for abiding by its principles. Most claims managers were uneasy about this process, but they also understood that the organization was under competitive pressure and that Ram Kumar was using this exercise to demonstrate his leadership.

The claims managers developed a list of 10 items, such as encouraging teamwork, fostering a trusting work environment, setting clear and reasonable goals, and so on. The list was circulated to senior management in the organization for their comment and approval and sent back to all claims managers for their endorsement. Once this was done, a copy of the final document was sent to every claims division employee. Jim also announced plans to follow up with an annual survey to evaluate each claims manager's performance. This worried the managers but most of them believed that the credo exercise was a result of Ram Kumar's initial enthusiasm and that he would be too busy to introduce a survey after setting into the job.

One year after the credo had been distributed; Ram Kumar announced that the first annual survey would be conducted. All claims employees were to complete the survey and return it confidentially to the human resources department where the survey results would be compiled for each claims center manager. The survey asked the extent to which the manager had lived up to each of the 10 items in the credo. Each form also provided space for comments.

Claims center managers were surprised that the survey Ram Kumar had promised a year ago would be conducted, but they were even more worried about Ram's statement that the results would be shared with employees. What "results" would employees see? Who would distribute these results? What happens if a manager gets poor ratings from his or her subordinates? "We'll work out the details later," said Ram in response to these questions. "Even if the survey results aren't great, the information will give us a good baseline for next year's survey.

The claims division survey had a high response rate. In some centers, every employee completed and returned a form. Each report showed the claims center managers average score for each of the 10 items and how many employees rated the manager at each level of the five point scale. The reports also included every comment made by employees at that center.

No one was prepared for the results of the first survey; most managers received moderate or poor ratings on the 10 items. Very few managers averaged above 3.0 (out of a five-point scale) on more than a couple of items. This suggested that, at best, employees were ambivalent about whether their claims center manager had abided by the 10 management philosophy items. The comments were even more devastating than the ratings. Comments ranged from mildly disappointed to extremely critical of their claims manager. Employees also described their long-standing frustration with TIC, high workloads, and isolated working conditions. Several people bluntly stated that they were skeptical about the changes that Ram had promised. "We've heard the promises before, but now we've lost faith." wrote one claims adjuster.

The survey results were sent to each claims manager, the regional director, and employees at the claims center. Ram Kumar instructed managers to discuss the survey data and comments with their regional manager and directly with employees. The claims center managers, who thought employees only received average scores, were shocked to learn that the reports included individual comments; some managers went to their regional director, complaining that revealing the personal comments would ruin their careers. Many directors sympathized, but the results were already available to employees.

When Ram heard about these concerns, he agreed that the results were lower than expected and that the comments should not have been shown to employees. After discussing the situation with the regional directors, he decided that the discussion meetings between claims managers and their employees should proceed as planned. To delay or withdraw the reports would undermine the credibility and trust that Ram was trying to develop with employees. However, the regional director in that area attended the meeting in each claims center to minimize direct conflict between the claims center manager and employees.

Although many of these meetings went smoothly, a few created harsh feelings between managers and their employees. The source of some comments was easily identified by their content, and this created a few delicate moments in several sessions. A few months after these meetings, two claims center managers quit and three others asked for transfers back to non-management positions in TIC. Meanwhile, Ram wondered how to manage this process more effectively, particularly since employees expected another survey the following year.

Questions:

- a. Carry out SWOT analysis of above case. **[10 Marks]**
- b. Identify the forces pushing for change and the forces restraining the change effort in this case. **[10 Marks]**
- c. Was Ram Kumar successful at bringing about change? Why or why not? **[10 Marks]**
- d. What should Ram Kumar do now? **[10 Marks]**

QUESTION TWO

- a. No matter how successfully or administratively perfect a proposed change may be, individuals in an organization implement or break the change due to representing a form of influence. Even though resistance to change can take many forms, it is possible to identify the reasons for the resistance. You are required to analyze the causes of resistance to change in organizations. **[10 Marks]**
- b. There are numerous models for managing a change process. One of the models particularly well-known and useful in understanding strategic change management is Kurt Lewin's Change Model. Provide a full account of Kurt Lewin's model of change. **[10 Marks]**

QUESTION THREE

- a. A leadership team defines the goals and objectives in the Six Sigma process. Just as a corporate leader sets a tone and course to achieve an objective, the Six Sigma council sets the goals to be met by the team. Critically examine the leadership team responsibilities available to an organization. **[10 Marks]**

- b. Critically evaluate the significance of business process re-engineering in organizational change. **[10 Marks]**

QUESTION FOUR

- a. Every organization that excels at the building, reinforcing, and leveraging their unique culture in support of delivering sustainable performance has built a strong “culture foundation.” Explain the guidelines for organizational culture management. **[10 Marks]**
- b. Managers should develop diverse but appropriate strategies to resolve and manage conflicts as they arise before escalating to unmanageable level. Assuming you're a manager of a large firm with people of diverse interests and backgrounds, point out ten measures you could put in place to forestall future conflicts. **[10 Marks]**

QUESTION FIVE

- a. Critically assess the challenges facing strategic management of change in the modern organizations. **[10 Marks]**
- b. The proper change strategy can be chosen taking into consideration a number of factors. Even a mix of strategies can be adopted depending upon a number of factors. Examine the various factors that are used to determine the choice of best strategy. **[10 Marks]**