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**University Examinations 2015/2016**

FIRST YEAR SECOND SEMESTER EXAMINATION FOR THE DEGREE OF

MASTER OF

BUSINESS ADMINISTRATION

**BFA 5180: INNOVATION AND CHANGE MANAGEMENT**

**DATE: AUGUST 2016 TIME: 3 HOURS**

**INSTRUCTIONS:** *Answer question* ***one*** *and any other* ***three***questions.

**QUESTION ONE (24 MARKS)**

**Study the case and answer the questions that follow:**

**Deciding Whether to Let People Go**

Before making cuts the first step of your change plan, it’s important to stop and examine if they will make the company or its change initiative more efficient.

Take a look at Virginia Mason Medical Centre. Their approach to restructuring was surprising. When Dr. Gary Kaplan became CEO in 2002, he was faced with a tangle of problems that included million-dollar losses and fading staff morale. And when he tacked those problems, he also instituted a no-layoff policy. 78% of Virginia Mason’s costs are labour, so leaving that intact meant serious work was needed everywhere else. Part of Kaplan’s motivation was to get by-in form the staff. They might not be committed to making the solutions work if, he said, “they might improve themselves right out of a job.”

Inspired by the Toyota Production System, Kaplan and his team created what eventually became the Virginia Mason Production System (VMPS). Focused on cutting waste and improving process, this philosophy still guides the hospital today. The BMPS worked. Over two years, Virginia Mason saw savings between $12 and 15 million. Productivity increased, and staff whose positions became redundant (remember, they couldn’t be fired) were redeployed within the hospital.

Research provides conflicting answerers on whether cuts work. It also risks employee morale, sacrifices institutional memory, and in some cases doesn’t reduce costs. A 2009 study indicates that the gains might not outweigh the losses: After job cut productivity improved in only 25% of cases, 40% of employees lost motivation after layoffs and 41% of employees lost respect for their employer.

1. What were Dr. Gary Kaplan’s key result areas (KRAs) of change. (2 marks)
2. How did Kaplan manage to go around the KRA challenges in his change effort (4 marks)
3. Using McKinney’s 7S model, explain how staff and style strategies worked for Gary Kaplan (6 marks)
4. Using suitable examples, discuss generic strategies for implementing changes effectively

(12 marks)

**QUESTION TWO (12 MARKS)**

Changes in an organization are affected both by internal and external environments. Explain key internal dimensions of organizational capacity for change. (12 marks)

**QUESTION THREE (12 MARKS)**

Explain five stages of innovation adoption processes. What challenges are commonly encountered during these processes. (12 marks)

**QUESTION FOUR (12 MARKS)**

Nonalla and Takenchi (1995) identified some key enablers of innovation in an organization. Contextualize these enablers for an innovation in a learning institution. (12 marks)

**QUESTION FIVE (12 MARKS)**

 One of the reasons for devolving government structures in Kenya is to enhance service delivery to the citizens. In some cases, the service providers were part of the central government structures with its long standing organization cultures. As an innovation and change champion, how will you use organization culture to bring about innovative changes to an organization (12 marks)