

**CHALLENGES OF MANAGING STRATEGIC CHANGE IN
THE IMPLEMENTATION OF BUSINESS AUTOMATION
PROGRAM AT KENYA REVENUE AUTHORITY**

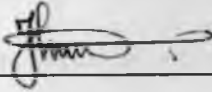
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
FOR THE REQUIREMENTS OF THE AWARD OF DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF
BUSINESS, UNIVERSITY OF NAIROBI**

DECLARATION

This management research project is my original work and has not been submitted for examination in any other university.

Signature  _____

Date 8th Nov 2012

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This management research project has been submitted for examination with my approval as the university supervisor.

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May God bless you all!

DEDICATION

I dedicate this management research project to my loving wife, Liz, who encouraged me to pursue the program in spite of various challenges and my lovely son and daughter Lee and Lindsey, whose smiles motivated me to pursue the program to completion.

To my mum, Jesker C. B. whose struggle has seen me through my education through many challenges, I also extend my heartfelt thanks.

ABSTRACT

This management research project is titled Challenges of Managing Strategic Change in the implementation of Business Automation program at KRA. Kenya Revenue Authority is a state corporation in the ministry of Finance mandated to collect and account for government revenue. KRA has undergone many strategic and operational changes in the recent past, all aimed at improving efficiency and effectiveness in discharging its mandate. The objective of this project was therefore to determine the challenges of managing strategic change in the implementation of Business Automation program at KRA and how KRA responded to those challenges. The research design was a case study. In-depth study on the respondents was done. Respondents were interviewed and documented for analysis. The responses were analyzed using content analysis in a continuous prose. The study found out that the greatest challenge KRA encountered was resistance to change and by lack of requisite skills. Other challenges included lack of resources and a supportive telecommunication infrastructure. KRA responded to these challenges by training and sensitizing the staff and stakeholders and hiring new staff with the requisite skills. They also sought political support and improved their project management style. The study concludes that KRA has successfully managed strategic change. This is evident through various achievements. The revenue collected has been on the increase, customer satisfaction has improved, and on line filing uptake has been satisfactory. Staff has also generally been motivated, there is more participation and innovation, change is readily accepted and staff is more informed. KRA has become a respected company in the public sector and is benchmarked with other advanced revenue authorities regionally and globally due to its level of automation. Other phases of projects are still being implemented.

TABLE OF CONTENTS

DECLARATION.....	ii
ACKNOWLEDGEMENT.....	iii
DEDICATION.....	iv
ABSTRACT	v
TABLE OF CONTENTS	vii
CHAPTER ONE	
INTRODUCTION.....	1
1.1 Background of the study.....	1
1.1.1 Strategic Change Management.....	2
1.1.2 Kenya Revenue Authority	4
1.1.3 KRA Business Automation Project	6
1.2 Research problem	9
1.3 Research Objectives	11
1.4 Value of the study.....	11
CHAPTER TWO	
LITERATURE REVIEW	12
2.1 Introduction	12
2.2 The Concept of Strategic Change.....	12
2.3 Strategic change management	14
2.4 Business Process Automation and Change Management.....	15

2.5 Models of change management	16
2.6 People Side of Change Management.....	20
2.7 Strategies for implementing successful Change programs.....	22

CHAPTER THREE

RESEARCH METHODOLOGY	23
3.1 Introduction	23
3.2 Research Design	23
3.3 Data collection.....	23
3.4 Data Analysis.....	24

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION.....	25
4.1 Introduction	25
4.2 General information.....	25
4.3 Challenges faced in implementing Business Automation program.....	26
4.3.1 Resistance to change.....	26
4.3.2 Lack of Skills.....	26
4.3.3 Lack of Resources	27
4.3.4 Long Procurement Processes.....	28
4.3.5 Infrastructural Challenges.....	28
4.3.6 Delayed Resolution of System Problems	29
4.3.7 Technological Challenges.....	29
4.3.8 Lack of Clear Strategy	30

4.3.9 System Inadequacies.....	31
4.4 KRA's Strategies to Manage the Challenges.	31
4.4.1 Staff Promotions, Transfers and Dismissals.....	31
4.4.2 Seek Government and Industry Support.....	31
4.4.3 Training and Sensitization	32
4.4.4 Communication and Transparency	32
4.4.5 Hiring Staff.....	33
4.4.6 Budgetary Reallocation Donor Funding.....	33
4.4.7 Laptop Loan scheme and Purchasing More Computers.....	33
4.4.8 Install Fiber Links and Expand Bandwidth	34
4.4.9 Government-to-Government Agreements	34
4.4.10 In house Software Development.....	34
4.4.11 Develop a Reforms and Projects Division.....	35
4.4.12 Develop an ICT Security Unit and Policy	35
4.4.13 Optimize System Database	35

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	37
5.1 Introduction	37
5.2 Summary.....	37
5.3 Conclusion	39
5.4 Recommendations	39
5.5 Limitations of the study	40

5.6 Recommendation for further study.....40

REFERENCES41

APPENDIX: INTERVIEW GUIDE.....43

2.1 Background of the study

Qualitative research is concerned with understanding the meaning of human experiences. They are also concerned with the social and cultural contexts in which these experiences occur. The purpose of qualitative research is to understand the meaning of human experiences from the perspective of the participants themselves. Qualitative research is often used to explore new or complex issues, to generate hypotheses, and to provide a deeper understanding of a phenomenon. It is also used to evaluate the effectiveness of interventions and to explore the experiences of marginalized groups. Qualitative research is often used in combination with quantitative research to provide a more comprehensive understanding of a phenomenon.

For qualitative and interpretive research, the researcher's perspective and involvement are central. The researcher's perspective is shaped by the researcher's own experiences, beliefs, and values. The researcher's involvement is shaped by the researcher's relationship with the participants. The researcher's perspective and involvement are both shaped by the researcher's own experiences and beliefs, and by the researcher's relationship with the participants. The researcher's perspective and involvement are both shaped by the researcher's own experiences and beliefs, and by the researcher's relationship with the participants.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Organizations operate in environments that are in constant flux. They are thus compelled to change as their internal and external environments change. The change of necessity may either be planned, emergent or in most cases a combination of both. Planned change is “the systematic attempt to re-design an organization in a way that will help it to adapt to changes in the external environment in order to achieve new goals” (Stoner et al, 2003).

The organization and environment share a closed loop interaction. Environment affects the organization followed by the generation of a response from the organization, thus completing the cycle. It implies that the effect of environment on the organization cannot be fully understood without evaluating the organizational response (Tarun, 2009).

What distinguishes planned/strategic change from operational change or routine changes is its scope and magnitude. Planned change aims to prepare the entire organization or a major part of it to adapt to significant changes in the organization’s goals and direction, while operational change is the type of change aimed at ensuring that the organizational activities are being performed in the best way possible. Its focus is excellence in whatever the organization does. According to Stoner et al, change programs are necessary

today precisely because of shift in time and relationships that we have throughout the organizational world.

The sophistication of information technology together with the increase in the globalization of organizations means that managers are bombarded with more new ideas, new products and services and new challenges than ever before. To handle such an increase in information accompanied by a decrease in the decision making time managers can afford to take, managers must improve their ability to manage change.

Different types of organizational change can be identified. Corporate level strategic change (re-orientation) occurs when a company shifts its resources into new businesses in more attractive markets and industries. Strategic change at business level (revitalization) occurs when a company competes better and serves the industry and markets it is in. Turnaround occurs in the worse case, when a company has experienced serious losses and failure to improve threatens its survival. Turnaround occurs at both corporate and business level.

1.1.1 Strategic Change Management

Strategic change management is a structured approach to shifting/transitioning individuals, teams, and organizations from a current state to a desired future state. It is an organizational process aimed at empowering employees to accept and embrace changes in their current business environment. Change management is the process, tools and techniques to manage the people-side of business change to achieve the required business

outcome and to realize that business change effectively within the social infrastructure of the workplace. 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 time frame and with the desired results (Davis and Holland 2002).

Change management entails planning and coordinating the transition from one state to another in an organization. “Change management is a structured and systematic approach to achieving a sustained change in human behavior” (Todd, 1999). Organizational change can be strategic or operational. Whereas operational change aims at ensuring that organizational activities are done in the best way possible, strategic change involves fundamental changes in the business of the organization or its future direction. All changes take place under certain contexts which invariably include forces that operate to bring about change.

The three main areas in corporate strategy are strategy analysis, strategy development and strategy implementation. Lynch (1999) states that there are two main approaches to corporate strategy including the prescriptive approach, which includes strategy analysis and strategy development followed by strategy implementation. Then there is the emergent approach to strategy which holds that strategy development and strategy implementation are essentially interrelated. Strategy implementation is the most crucial of the three and this project is about how KRA has been able to

overcome the challenges of managing strategic change in the implementation of Business Automation program, which involves changes that were strategic in nature.

1.1.2 Kenya Revenue Authority

Kenya Revenue Authority (KRA) was formed in July 1995 by an Act of Parliament. It was established with the core function of collecting revenue for the Central Government through effective tax administration and customs control. KRA is required by law to assess, collect, and account for all revenues in accordance with the various revenue Acts and advise on matters relating to the administration and collection of revenue, and perform such other functions in relation to revenue as the Minister (for Finance) may direct. (KRA 4th Corporate Plan). Formerly these functions were administered by various departments in the ministry of Finance and Ministry of transport. All these functions have now been consolidated under the same roof, one board of directors and one CEO (the Commissioner General), who is in charge of the management team.

The changing economic, technological and operational environment has played a role in the change process. There are a number of forces that have driven the change process in the authority. There has been pressure for more revenue from the treasury. As the economy and population grows, more and more services are demanded by citizens from the government. This pressure is inevitably felt by the authority being the main revenue collection agency. There have also been rapid developments in the ICT.

Telecommunication and use of computers is now the order of things in the business world. The authority therefore needs to cope with these rapid developments.

Demand for efficient services from government agencies by the populace has been on the increase. KRA has not been an exception. PIN registration, Licenses issuance, and overall service delivery needs to improve with customer awareness. This is coupled by the fact that there's the objective of achieving voluntary compliance. Customers have also demanded for more transparency and integrity from public officials. Growth of business enterprises, multinational corporations and globalization challenges have brought with it the issues of transfer pricing, double taxation issues among other challenges. The KRA management has also generally been more informed on modern management approaches, strategic approaches to management etc. National politics has also played a critical role, the demand for good corporate governance, equal employment opportunities for all, stakeholder management etc

These pressures and challenges have made KRA see the need for enhancement of professionalism in revenue administration processes. KRA has increasingly introduced changes in its activities every succeeding year through reform strategies which are enunciated in its three-year corporate plans. KRA's second corporate plan included strategies to address these challenges and it actuated the Revenue Administration Reform and Modernization Program (RARMP) which commenced in 2004/05 with the

objective of transforming KRA into a modern, fully integrated and client-focused organization.

The RARMP included the Customs Reforms & Modernization Project, the Domestic Taxes Reform & Modernization Project, the Road Transport Reform & Modernization Project, Investigation & Enforcement Reform & Modernization project, KRA Infrastructure Development Project, KRA Business Automation Project and the Human Resource Revitalization Project. This project focuses on the Business Automation Program.

1.1.3 KRA Business Automation Project

The Business Automation Project embarked on a comprehensive automation initiative to modernize and integrate business systems. The objective was to promote efficiency and effectiveness and enhance tax compliance (Saina, 2010). Its aim is to provide services to both internal and external stakeholders enabling a 'single view' of the taxpayers across all KRA functions and facilitating operational excellence. The initiatives include: customs system (SIMBA), ITMS, Vehicle management System, Electronic Cargo Tracking System (ECTS), Enterprise Resource Planning, Online Portal, and Common Cash Receipting System. The launch of KRA website signaled a change in the mode of information access, making it easier and cheaper for taxpayers to access vital information conveniently. It allows users to download updated legislation on revenue Acts, public notices, taxpayer's charter etc. It is interactive and allows taxpayers to forward questions, which are responded to appropriately within the defined time frames.

The organization has been able to introduce system checks and audit trails as well as minimize interaction between customers and officers, which greatly reduce breaches in integrity in the organization. These initiatives include implementation of the Simba 2005 system which facilitates rapid cargo clearance and electronic exchange of data with the trading community (Saina, 2010)

Currently KRA is promoting the use of Electronic Funds Transfer (EFT) by implementing a Common Cash Receipting System (CCRS) by developing a separate application dedicated to banks only for direct revenue collection. The Orbus system is the document collection component which brings together external stakeholders who are major players in trade facilitation including transporters, insurance companies, banks and various government agencies.

Due to the need for an integrated system within Support Services Departments, The Support Departments are in the process of implementing a Free Open Source ERP Software within the Authority. An Enterprise Resource Planning (ERP) System is an integrated application with a unified database that cuts across the common areas of an organization. These areas usually are: Finance processes, Asset management, Human resources process, Procurement process and stores management. ERP systems typically attempt to cover all basic functions of an organization, regardless of the organization's business. A key factor in ERP systems is the integration of data from all aspects of an

organization. To accomplish this, an ERP system typically runs on a single database instance with multiple software modules providing the various business functions of an organization.

A more recent business automation program in KRA is the implementation of the Integrated Tax Management System (ITMS) which is still in process. It aims at enhancing online revenue operations within the authority. The project has been undertaken in two phases. Phase One which is already over enables domestic tax payers, agents, KRA officers as well as KRA registration officers to file Value Added Tax (VAT) returns online. ITMS Phase One has enabled taxpayers to access online services such as PIN application, filing and processing of tax returns, Excise duty, Individual income tax, Pay As You Earn (PAYE) Schemes and Corporation Tax.

Once it is fully implemented, the ITMS second phase will handle processes internal to the Kenya Revenue Authority as well as boost the Authority's online operations. The phase will involve development and implementation of core tax modules including audit, compliance monitoring, debt management, external information management, management statistics, tax credits and refunds. The phase will also enable tax payers as well as KRA to access such services as technical support services, taxpayer services and payments plan processing among others. A lot of business is now concluded online and payments made through the same medium. This development has revolutionized KRA's approach to tax audit, thereby requiring tax administrators to enhance their technical capacity to deal with it in order to keep abreast and stay ahead.

The ECTS project aimed at replacing the normal plastic security seals used to secure transit goods from the Port to our neighboring countries with the electronic types which offer more security and can be tracked along the route from a central location. This helps reduce instances of diversion of transit goods thus seal the loopholes for tax evasion and dumping of unwanted goods to our country. However the project has not kicked on well due to legal issues.

1.2 Research problem

Strategic change management is an important area in the process of strategic implementation. We can have the best designed strategies in an organization by having well formulated and articulated strategies. The major part is the strategy implementation whereby the strategies laid down are now implemented practically. This part is where the changes are introduced, either to the way systems operate or how people perform their operations. The transitions are not always smooth due to many challenges, either behavioral or systemic. People often tend to resist any change naturally; therefore, organizations need to ensure that this part is handled carefully as this might lead to project failure.

KRA has effected numerous changes aimed at making it effective and efficient in collection and accounting of revenues. This has resulted in improved service delivery and collection of revenues. The changing economic, technological and operational

environment has necessitated the change process. There has been change in systems, procedures, people, and structures among other components. These changes have made KRA adopt new strategies thus the need to address the challenges faced in implementing the strategies.

Many studies have been done on change management in Kenyan companies including Strategic change management practices at Teachers Service Commission (Mimaita 2010), Strategic Change management at National Museums of Kenya (Kendi 2009) among others. Many studies have also been done in KRA including the following; Change Management Practices adopted by KRA in its Revenue and Administration Program (Odundo 2007), Strategic Responses by KRA to its operating environment (Chemtingen 2009), Management perception of social responsibility at KRA (Korir 2006), Effectiveness of Technology as a strategy in motor vehicle registration by KRA (Owala 2006) and The impact of automation as a structural change strategy on customs procedures at KRA (Sigey 2010) among others. However no study has been done on challenges of managing the strategic change in the implementation of Business Automation at KRA. This project therefore seeks to bridge this gap. The research question therefore is: What are the challenges KRA faces in implementing the Business Automation program?

1.3 Research Objectives

The study was guided by the following objectives:

1. To determine the challenges KRA faces in implementing the Business Automation program.
2. To establish the strategies KRA adopted to manage challenges brought about by implementation of Business Automation program.

1.4 Value of the study

To academicians and students of strategic management, this study will present the kind of challenges that are encountered when implementing strategic changes in the public sector. To KRA, this research will provide valuable lessons learnt in the implementation of the Business Automation program. This will be useful to both current and future reform initiatives that KRA will implement.

For public corporations, this study will document and evaluate the efforts of the KRA with a view to serve as a record about the insights that can be extracted from their work and so as to provide a reference point for similar or related projects in the public sector.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section presents relevant literature review on the concept of strategic change, strategic change management and how business automation is related to the change management. It also covers areas on models of change management, people side of change management and strategies of implementing successful change programs.

2.2 The Concept of Strategic Change

Strategy is the direction and scope of an organization over the long term which achieves advantage for the organization through its configuration of resources within a changing environment and to fulfill stakeholder expectations (Johnson and Scholes, 2004). They also note that “strategic decisions will very often involve change” (Exploring Corporate Strategy, p.10) and this is because of the changing business environment and the changing Stakeholder expectations. As such, change management and strategic management go hand in hand.

Change is a transition from one state to another. Change can influence strategy, structure, behavior and organizational culture. Burnes (2004) states that on the one hand, visions and strategies of an organization direct change by creating the climate and conditions within which change takes place, while at the same time, organizational change is

sometimes necessary in the realization of the organization's strategy and vision. As such, the relationship between strategy and change is a two way street. Change can be operational if it only affects the operations and can be regarded as strategic change if it involves fundamental changes in the activities of an organization (Johnson and Scholes, 2004).

Johnson and Scholes note that it is important to identify the scope, type and the context of the change in order to know the magnitude of the challenge faced in trying to effect the strategic change, the blockages that exist and which forces might exist to facilitate the change process. Strategic change can be incremental or revolutionary; realignment or transformational (Balogun and Hope,1999). They identify four types of strategic change based on the nature of change and the scope of the change. They identify two natures of change: incremental change which occurs gradually is favored because it builds on the skills, routines and beliefs of the stakeholders. Where an organization is facing a crisis or needs to change direction very fast, a big bang approach to change is required though it may be very disruptive and painful. This is also referred to as revolutionary change.

In terms of the scope of the change process, change is evaluated as per whether it can occur within the current paradigm i.e. the current organizational beliefs and assumptions. If it can, it is regarded as a realignment strategy rather than a fundamental change of strategic direction. If it cannot, it is regarded as a transformational change.

Transformational changes are revolutionary if they are rapid and involve major strategic and paradigm change and are regarded as evolutionary if they involve paradigm change, but over time (Johnson and Scholes, 2004).

Realignment strategies are regarded as adaptive when they can be accommodated within the current paradigm and occur incrementally. They are regarded reconstructive when they involve a good deal of upheaval within the organization but without fundamental change of the paradigms.

2.3 Strategic change management

Change management is a structured approach to shifting/transitioning individuals, teams and organization from a current state to a desired future state. It is an organizational process aimed at empowering employees to accept and embrace changes in their current business environment. 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 time frame and with the desired results (Davis and Holland 2002). Change management is a structured and systematic approach to achieving a sustained change in human behavior within an organization (Todd, 1999).

It has the aspect of adapting to change, controlling change and effecting change. A proactive approach to dealing with change is at the core of all the three aspects. For an organization strategic change management means defining and implementing procedures

and technologies to deal with changes in the business environment and to benefit from the unfolding opportunities (Deem and Brehony, 2005).

The more effectively you deal with change the more likely you are to thrive. It may involve establishing structured methodology for responding to changes in business environment (for instance fluctuations in economy or a threat from a competitor) or establishing coping mechanism for responding to changes in the workplace such as new policies or technologies (Mintzberg et al, 2003).

2.4 Business Process Automation and Change Management.

Business process automation or BPA is the use of technology components to substitute and/or supplement manual processes to manage information flow within an organization to lower costs, reduce risk and increase consistency. It is the technology-enabled automation of activities or services that accomplish a specific function or workflow. Business processes can be determined for many different segments of company activities including sales, management, operations, supply chain, human resources and information technology.

There are various techniques for achieving business process automation. First is the extension of existing Software Applications. This is because many software applications are functionally disparate. Businesses may have two or more software applications that each performs an individual function, but are incapable of communicating or sharing

information when it is time to produce a final report or analysis. Custom software developers can modify existing software applications to allow for collaboration. Such an interface can provide for automation of many manual reporting and other daily business tasks.

Secondly, you can purchase a BPA tool or a Custom Software Application. If your business is unique, chances are that there is no application available as-is in stores. In this case, having professional software experts discuss your specific needs and design a one-of-a-kind custom software application is your best option. Benefits of Business Automation include: increased efficiency, reduced transaction costs, elimination of paper work, improved data and information quality, improved access to information, no duplicate data and a centralized location for documentation.

2.5 Models of change management

There are a number of theoretical models of change, each of which attempts to describe the process through which organizations successfully alter their business practices, their organizational structure or their organizational climate.

Lewin (1946) first coined Action Research. Action research is research on an action with a goal of making that action more effective. It refers to programs and interventions designed to solve a problem or improve a condition. It emphasizes that change requires action and also recognizes that successful action is based on analyzing the situation,

identifying possible alternative solutions and choosing the one most appropriate to the situation at hand.

He later came up with three step model which are: Unfreezing previous behavior, changing and refreezing the new patterns. Unfreezing involves dismantling those factors that support or maintain the previous behavior. It is the readiness to acquire or learn new behavior. Change involves the organization presenting a new alternative. This means introducing a clear and appealing option for a new pattern of behavior. Refreezing requires that changed behavior be reinforced both formally and informally in the organization. It is in this step that managers can have a great amount of influence through their use of positive reinforcement.

Bullock and Batten (1985) summarize the steps in four broad stages: Exploration phase which involves awareness of need for change, searching for solutions e.g. searching for outside assistance/agents and establishing a contract with the consultant, which defines each party's responsibility etc.

Planning phase involves understanding the problem, collecting information, setting change goals, designing action plans so as to achieve the these goals and finally, getting key decision makers to approve and support the proposed changes. Action phase involves arrangements for managing change, feedback processes and evaluation of results in order to make adjustments or refinements as necessary.

Integration phase involves consolidating and stabilizing change, reinforcing new behaviors, gradually decreasing reliance on consultants, diffusing successful aspects of change in the organization and training managers and employees to monitor the change constantly and seek to improve upon them. This model according to its authors has a great applicability to change situations since it incorporates key aspects of many change models. It overcomes the confusion between the processes and phases of change.

Kotter (1996) came up with 8 steps which can lead to successful change. He argues that his eight steps are a process and not a checklist. Successful change goes through all eight stages. Establish a sense of urgency, forming a powerful guiding coalition, creating a vision, communicating the vision, empowering others to act on the vision, planning for and creating short term wins, consolidating improvements and producing still more change and institutionalizing new approaches.

Dawson (1984) advanced Processual model which stipulates that temporal aspects of change are used as a means of breaking down the complex process of organizational change into manageable portions. Conception of need for change, process of organizational transition, operation of new work practices and procedures is needed.

Logical incrementalism was advanced by Brian Quinn. He argues that managers consciously and proactively move forward but incrementally. It involves a pattern of change through creating awareness and commitment incrementally, amplifying understanding and awareness, changing symbols, building credibility, legitimizing new viewpoints making tactful shifts and partial solutions, broadening political support, overcoming opposition, structuring flexibility, systematic trial and waiting. Solidifying progress incrementally; creating pockets of commitment, focusing the organization, managing coalitions, formalizing commitments by empowering champions, continuing the dynamics by eroding consensus, integration of processes and of interests. An incremental process not piecemeal, establishing, measuring and rewarding key thrust.

Senge (1990) advanced the Learning Organization model. A learning organization does not suddenly adopt strategic change, but is perpetually seeking it. A Learning organization uses learning, experimentation and communication to renew itself constantly, Strategy development involves knowledge creation that is best undertaken in groups, developing shared mental models of an issue through group dynamics.

Kanter et al (1992) proposed the Ten Commandments for executing change: Analyze the organization and its need for change, separate from the past, create a sense of urgency, support a strong leader role, line up political sponsorship, craft an implementation plan, develop enabling structures, communicate, involve people and be honest, reinforce and institutionalize change.

2.6 People Side of Change Management

Projects implement innovations into organizations by introducing new technologies and processes. That is the good news. The bad news is that these same innovations typically impose changes in the way people work, what they need to do and how and that can be a real problem. Most projects fail, or are less successful than they could be, because the people who are expected to adopt a new technology, process or business practice, refuse or reject the change. This constitutes an unnecessary and expensive mistake that could have been avoided. This is why the people side of change management has to be addressed. Willingness and ability are key concepts in the management of human side of change. They can be thought of as hearts and minds, or will and skill. People need to be supported on both an emotional level, to commit and on an intellectual level, to be able.

Willingness, or hearts, is the commitment to go forward. This is impacted by many things including the following elements: Leadership, which is the perceived support, or lack of support, for the change from senior executives in the company, the cascade of sponsors down through the organization, and, just as importantly, from the employee's direct supervisor. Communication, quality and frequency of verbal and written messages that describe the desired future state, tell why the change needs to happen and what will happen if change isn't made, set clear expectations, explain how the company will prepare and support people to success, and describe local details such as timelines etc. (Mintzberg et al, 2003).

Reinforcement, which is the degree of appropriateness and timeliness of rewards for demonstrating desired new behaviors and consequences for sticking to the old ways. Participation is the degree to which users are involved, every step of the way, either directly as individuals or indirectly by being effectively represented by trusted local opinion leader peers who serve as liaisons between users and the project team. Organizational history with change, previous organizational experience with change be it good and bad will influence user perceptions and expectations of the project implementation. Understanding the past is important in planning for the future. Remember that the change may require people to give up the very things that they believe made them successful in the past.

Ability, or minds, is about the actual capability to successfully meet new job expectations. This is impacted by many things including the following elements: Training and Support, in most cases, the new technology abilities must be learned. An effective training program that is role-based and intentionally focused on preparing people to perform new job expectations is important. Just discussing desired outcomes is not enough though; people have to be told clearly what they are expected to do. Most people need to practice something new to develop competence and confidence. (Stephen P. 2005).

2.7 Strategies for implementing successful Change programs

Doyle *et al.* (2000: S72) suggest the following strategies for successfully implementing organizational change initiatives: Establishing corporate control over the time, pacing and scheduling of change initiatives, taking a controlling overview of multiple initiatives, avoiding initiative overload and allowing those affected time to adjust; Establishing systematic and visible preplanning, monitoring and assessment mechanisms; Developing effective stress management procedures;

Adopting an innovative, focused approach to organizational communication particularly targeting employee involvement, management–employee relations, cross-functional communications and also communication between senior and middle managerial ranks; Developing systematic mechanisms for capturing effectively the personal and Organizational learning from change; Introducing effectively resourced ‘damage control’ strategies, where change has increased work intensification, fatigue, burnout, self interest and cynicism and reduced loyalty, commitment and trust. Lastly is by introducing pan-organizational programmes for the development of change management expertise. (Stephen P. 2005).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter represents the methods, techniques and approaches the researcher used in collecting data in order to achieve the desired results. The research methodology to be used in this study will be the interview method.

3.2 Research Design

The research design used in this study is case study. According to Mugenda and Mugenda (2003), a case study is an in-depth investigation of an individual, group, institution or phenomenon. Kombo and Tromp (2006), contend that a case study seeks to describe a unit in detail, in context and holistically.

A case study was chosen because it involves a careful and complete observation of social units. It is a method of in depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other inter relations. It yields reliable and up to date data.

3.3 Data collection

Both primary and secondary data were used. Primary data was collected using interview guide with unstructured (open ended) questions to elicit information from the

interviewees. This technique enabled the researcher to collect views, backgrounds, opinions, motivation, interest and feelings about strategic change management at KRA. The secondary sources comprised of internal memos, strategic plans, project plans and documentation relating to Business Automation activities.

The interviewees targeted comprised various heads of departments whose mandates include project implementation, drive change and are affected by the change process. The researcher also targeted the KRA officers in various departments who implement the changes or are affected by the changes.

3.4 Data Analysis

This being a qualitative study, content analysis was used. It is a technique of making inferences by systematically and objectively identifying specific characteristics of messages and using the same to relate to trends. It provides a qualitative picture of the respondents, concerns, ideas, attitudes and feelings. Content analysis will be carried out to identify key themes as expected through the choice of words by the interviewees.

Analysis of data collected will be compared with theoretical approach and themes in literature review. The analyzed data will then be interpreted with respect to research question and theory. Summary of findings, conclusions thereof and the recommendations made shall be presented in chapter 5.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter will present the research findings. The interview guide sought information on the challenges of managing strategic change in the implementation of Business Automation program at KRA. The first part of the questionnaire sought information of general nature while the second part sought information on challenges of managing strategic change in KRA. A total of ten respondents were interviewed.

4.2 General information

The interview was conducted in departments that drive the change process and the user departments. The units driving change are the projects office (PMBO), ICT department, Human resource department and taxpayer services, while the user departments are the revenue departments. Each of these departments was represented by at least one respondent.

The respondents experience was varied. Four of the respondents have more than 15 years experience and are very familiar with strategic change practices, both in the past and at present. Five of them were Heads of departments. They appreciate the improvement of processes over time.

4.3 Challenges faced in implementing Business Automation program.

This study sought to determine the challenges KRA faced in implementing Business Automation initiatives and how KRA addressed those challenges. The challenges found are described below.

4.3.1 Resistance to change

Resistance to change is one of the greatest challenges KRA faced in implementing the business automation programs. The findings indicate that 70% said internal stakeholders resisted the changes and 82% say external stakeholders resisted the changes. The external stakeholders went to court seeking an injunction to stop KRA from implementing some of the computerized systems allegedly because KRA had introduced the systems without informing them. They also enlisted the support of politicians who led them in public protests. On the other hand, the internal stakeholders resisted the change by criticizing the system and blaming it for all undesirable issues, including non-system issues and exaggerating the systems perceived failures and weaknesses. This was also driven by malicious allegations by some staff that benefited from the status quo.

4.3.2 Lack of Skills

The second greatest challenge was lack of skills both internally and externally. Most of the KRA staff lacked computing skills and were slow to learn how to use computers and reluctant to adjust to using automated systems. Whereas KRA

planned to acquire new systems e.g. ITMS which made a radical shift from manual way of doing business to automated ways. The X-Ray scanners that were obtained for scanning cargo, and the patrol boats required specialized staff that KRA had never recruited before. Recruiting them, training them and developing their job descriptions were a challenge to KRA.

4.3.3 Lack of Resources

Another challenge was lack of resources. This took the form of financial resources, physical amenities and human resources. Because of a shortage of funds due to underfunding from treasury, some of the staff members were constrained to sharing computers or doing without them while in fact they needed to have personal computers.

Lack of staff was a challenge that was further aggravated by the high staff turnover as a result of employees who were dismissed because of lack of integrity. Lack of staff to handle automation projects meant that the projects were not properly monitored and evaluated. This affected the progress and success of the projects. Because the activities of the KRA officers were stream lined through the automated system, roles that were hitherto performed by a single individual required multiple individuals. This arrangement required a good number of staff and the staff shortage hampered the realization of the benefits of automation initiatives.

4.3.4 Long Procurement Processes

Long and bureaucratic procurement process was also a challenge and this delayed several initiatives. For example, the tendering process for the Electronic Cargo Tracking System took four years to complete and was mired by controversy and court cases. The tendering and the procurement process have also seen the delay in the implementation of some important systems because of delay in procuring resources e.g. network equipment and personal computers.

4.3.5 Infrastructural Challenges

Infrastructural problems have been a major challenge because most of the KRA systems were automated and replaced with internet-based systems. Because most KRA border stations like Isebania, Lungalunga and Malaba did not have any Internet Service Providers (ISPs), KRA had to invest in VSAT systems to make it possible for the staff in those stations to be able to connect to the main system. And even with the stations that had internet access, there was often unreliable connection with low bandwidth that could not handle the data traffic. The unstable electrical power and inadequate infrastructure affected the system availability, speed and reliability. This prompted KRA to procure alternative sources of power e.g. generator and battery back-up.

4.3.6 Delayed Resolution of System Problems

Another challenge has been in form of delayed reaction to identified system problems in the automated systems. This delay arises because KRA outsourced some software from outside countries e.g. Gainde 2000, a Customs software was from a Senegal company and DTD's ITMS software was from Chile while relying on them to support the system and implement enhancements to meet changing business needs. Because of distance and commitment to other projects, the system developers have not been able to respond quickly and adequately to emerging needs or identified problems. This has slowed down the improvement of the system.

4.3.7 Technological Challenges

KRA also faced technological challenges. The X-ray scanner systems were purchased from China and it has been difficult to integrate them with other existing computerized systems because they run on proprietary hardware and software. This has undermined the realization of the full benefits of the X-ray scanner systems because it has not been integrated with other existing KRA systems.

The KRA system also required integration with banks to enable taxpayers to pay money directly at the banks instead of KRA cash offices. But the banking systems, including the Central Bank systems were different from that of KRA and were supplied by a different vendor. This posed a challenge that required wide consultation and reworking of the existing systems. It was also a challenge to find local providers for the cargo tracking system because it's a technology that is new in the region.

The customs web-based system christened Simba 2005 was also prone to security risks that were exploited by some traders who hacked into the system and logged in using other people's accounts and proceeded to carry out illegal transactions. Some staff tampered with the payment data as it is being transmitted from the bank to the customs system and committed fraudulent transactions. The payment system was subsequently reengineered to make it more secure. Because of a higher security requirement in Kenya relative to Senegal, the system's security has had to be gradually tightened over the years.

4.3.8 Lack of Clear Strategy

Lack of a clear strategy is a challenge that was evident when KRA purchased scanners worth hundreds of millions of shillings without a clear plan of how the scanned images would be accessed by the relevant officers throughout the country. With respect to the Electronic Cargo Tracking system, KRA started first with the intention of acquiring an electronic cargo tracking system but later decided to seek private partnership in the initiative, arguing belatedly that KRA's core business is not management of cargo tracking equipment. The Electronic Cargo tracking equipment that were purchased were inadequate in number because the Container Freight Stations in Mombasa kept multiplying and each required installation of the equipment. These problems associated with the scanners and electronic cargo tracking systems are linked to the fact that the project decisions, like the purchase of X-Ray scanners, were made at the treasury without a proper feasibility study, and KRA was left to ensure they are properly utilized.

4.3.9 System Inadequacies

System inadequacies have also been a great challenge because most systems were found to be lacking several required KRA functions. This is because they were inherited from a previously existing systems in other countries that used different rules and had to be altered to accommodate the needs of Kenyan environment, which in turn were not exhaustively documented. In addition the Customs system had several faults that resulted in inaccurate calculation of taxes, inaccurate posting of data and low system speeds. The database was also not optimized and could not be improved because of unclear impact it would have on the systems.

4.4 KRA's Strategies to Manage the Challenges.

4.4.1 Staff Promotions, Transfers and Dismissals

Internal resistance was handled in various ways and this included promotions and rewarding of those that were compliant with the system and dismissal or transfers of those that proved inflexible. Customs regularly carried out employee reshuffles that aimed at placing the more skilled and change responsive officers in charge of critical areas

4.4.2 Seek Government and Industry Support

In handling the resistance to change, which took the form of court cases, KRA sought the intervention of the Minister of Finance and the Kenya Manufacturers

Association who rallied alongside KRA in selling the idea of the system as good for business. This left the few disgruntled agents without support and they soon consented to comply with the required reforms. KRA also organized workshops and joint meetings with stakeholders to discuss the concerns of stakeholders and agree with them on how to address the issues. KRA has made it a policy to include all stakeholders in all discussions regarding issues that could change how KRA does business. .

4.4.3 Training and Sensitization

The staff that lacked skills and had the right attitude were trained and sensitized on the importance of the reforms and information and computer technology. They were also kept abreast of other reforms activities KRA was planning in other areas and helped to see the benefits of modernization. Project training was given to all the core team members and their assistants.

4.4.4 Communication and Transparency

KRA also developed an internal magazine called Revenews and used it to educate staff, recognize top reformers and publicize the gains of reforming and modernizing. This magazine has made it possible for all staff to know how much revenue KRA's departments are collecting every month and has provided an avenue for the staff to gauge and monitor the results of their own efforts in the reform agenda. It also uses internal mails, memos and seminars to educate and sensitize staff.

4.4.5 Hiring Staff

KRA tackled the skills gap by hiring skilled personnel and making it a policy to only recruit graduates who could quickly acquire computer skills. For the patrol boats marine unit, KRA hired crew from the Navy and trained them on customs procedures while Border Control Officers (BCOs) were also trained on marine and patrol work. The new staff, being fresh and not acquainted with the old system of doing things, can easily embrace the new systems thus reduce resistance.

4.4.6 Budgetary Reallocation Donor Funding

KRA sought donor funding to help finance its business automation projects. Budgetary reallocation that involved prioritization of the initiatives was also done and the projects of high priority were financed first as funds were sought. KRA also asked the Ministry of Finance to increase budgetary allocation for the authority to enable it implement its third corporate plan, which spelt out the reforms and modernization initiatives.

4.4.7 Laptop Loan scheme and Purchasing More Computers

In dealing with lack of computers, which is linked to lack of funds, KRA introduced a laptop loan scheme for all its staff to enable staff equip themselves with computers and enhance computer literacy. This is a loan facility without any interest rate and has been taken by many of the KRA staff. KRA also purchased more computers to fill the shortage of computer equipment. The number of staff to computer ratio has increased tremendously with time thus making work easier for the staff.

4.4.8 Install Fiber Links and Expand Bandwidth

KRA has dealt with the infrastructural problems by installing Fiber links in most of its stations spread across the country and by using wireless technology to connect various offices in remote stations. KRA expanded the bandwidth of its existing lines to accommodate the huge amount of data traffic flowing as transaction data is exchanged with shipping agents, customs clearing agents, taxpayers, Banks and KRA officers among others. It has also installed back-up links in critical stations to reduce downtime and business interruptions.

4.4.9 Government-to-Government Agreements

To circumvent the bureaucracy of the procurement process, which also disallows single-sourcing, KRA has sought and obtained a government-to-government agreement between Senegal and Kenya to acquire the Simba 2005 system and likewise with Chile in procuring the ITMS system.

4.4.10 In house Software Development

In dealing with delayed system enhancements from Senegal and Chile, KRA has resorted to using in-house system developers who have since developed some three systems to meet urgent user's needs albeit with resulting integration challenges. KRA has also recruited more staff to revamp the ICT application management section in preparation for taking over the outsourced systems.

4.4.11 Develop a Reforms and Projects Division

To ensure proper project management along clear strategies, Customs Services Department introduced a Reforms Section and Projects section to spearhead reforms initiatives and to manage projects respectively. KRA also set up a Program Management and Business Analysis Office (PMBO) to oversee and interlink departmental projects to ensure there was synergy and harmony in their execution.

4.4.12 Develop an ICT Security Unit and Policy

KRA formed an ICT (Information and Technology) security unit within the ICT division to be in charge of the security matters in the computer systems that are used by KRA. The ICT division also published an ICT security policy that covers all security aspects from simple user security such as password protection to technical security requirements that must be met by all systems KRA implements. This ICT security policy has been implemented and is continually improved through CSIP (Continuous Service Improvement Programme).

4.4.13 Optimize System Database

The KRA ICT team has made improvements on the database system that underlies the KRA systems in order to optimize its performance. KRA has made preparations to receive the system from the Senegalese developers after which KRA will consider an overhaul of the database structure in order to enable the system to

realize optimal performance. KRA has sent the ICT officers for training in the relevant tools and systems in order to build in-house ICT capacity.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings. It then gives conclusions derived from the study, recommends and finally gives suggestions for further studies.

5.2 Summary

The objective of this study was to determine the challenges KRA faced in implementing Business Automation initiatives and how KRA addressed those challenges. An extensive literature was reviewed in the areas of strategy, strategic change management, people side of change management and implementing successful change programs. The approach used in the study was case study. A number of departments were targeted and the resource persons identified for interviewing. The data there from was analyzed using content analysis.

The study findings can be summarized as follows: both internal and external environment affects the operations of KRA. The components such as political and legal framework, economic factors, and technological developments are important and have to be monitored. KRA has to adapt to the changing environment. The authority has also responded to the changing environment by undertaking some initiatives such as automation and setting up a reforms office to co ordinate reforms. These initiatives have been instrumental in the change process. The factors that favor change in the organization

are top management commitment, government support, committed staff and involvement of stakeholders.

The findings also indicate that KRA encountered a number of challenges with most of the respondents citing resistance to change as the greatest challenge. This is consistent with the findings of Maurer R. (2006) and Whittington, R. (1993) who indicate that resistance to change is one of the greatest challenges change managers face, particularly when the changes involve the use of information technology. KRA's case is particularly interesting because the changes KRA was putting in place on the one hand affected external stakeholders as well who were influential and whose co-operation was essential to the success of the project. On the other hand, the internal stakeholders, who were supposed to champion the changes, were also resisting the changes.

The findings indicate that KRA responded to the resistance by external stakeholders by getting allies from amongst the external stakeholders and also by using its power as an arm of the government to sustain the change process. KRA also closed ranks with the external stakeholders by listening to them, helping them manage the change through training and recognizing them by seeking their inputs in subsequent change activities. This combined approach in handling resistance to change helped KRA succeed in implementing the changes.

With respect to internal stakeholders, who also resisted the changes, KRA used its internal quarterly Revenews magazine to publicize its strategic plans and achievements

and thereby promoted openness as a way of dealing with resistance to change. Mabey and Mayon-White (1993) cite promotion of openness as a strategy of dealing with resistance to change so this finding was consistent with the literature. The findings also indicate that KRA promoted teamwork by recognizing sections and project units as opposed to individuals and the according to McCalman and Paton, encouraging teamwork is an effective way of managing resistance to change. Kanter et al (1992) include lining up political sponsorship among the commandments for executing change. We see that KRA did this by calling upon the Minister of Finance to publicize his support for the changes and encouraging the doubters to comply.

5.3 Conclusion

Based on the above, KRA has to a great extent successfully managed strategic change to be at par with the changing environment by responding well to the challenges encountered in the implementation of its automation programs. The revenue collected has been on the increase, customer satisfaction has improved due to ease of availability of information, the cost of collection has remained substantially low and on line filing uptake has been satisfactory. Staff have also generally been motivated due to reduced workload, participates more and are more informed. KRA is respected now than it was before the changes took place. Other phases of projects are still being implemented.

5.4 Recommendations

KRA management structure should be more flexible and lean so that management of change can go either way, up and down. There is also need for more consultation and

involvement at all levels so that change initiatives can be readily accepted and implemented. Change proposals, though on a smaller scale should be encouraged and rewarded. These could be operational improvements of processes to strategic changes. Change should be part of the organizational culture so that everyone becomes innovative.

5.5 Limitations of the study

This study faced a number of challenges. The time available was limited. Conducting of interviews with the resource persons needed planning. Most respondents are engaged in their work and so time to interview them was limited. The other limitation is scope. The various aspects of change management were not covered in depth given the general nature of the study.

5.6 Recommendation for further study

This project aimed at determining challenges of managing strategic change in the implementation of business automation program at KRA. Further studies should be done on managing resistance to change more extensively, effect of management style and organizational structure on strategic change management. This will yield further insights useful for building the body of knowledge on this area of strategic management.

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APPENDIX: INTERVIEW GUIDE

Part A: General Information

Department

Designation.....

How many years have you worked in KRA?

Part B: Challenges of Managing Strategic Change

1. What are some of business processes which have been automated in KRA you are aware of?
2. What role did the KRA's Top Management play in the implementation of Business automation program?
3. How were you involved in the implementation of the changes?
4. Were the changes properly communicated to the stakeholders and staff involved?
5. Were the staff adequately sensitized and prepared to handle the new systems?
6. What challenges have KRA faced in managing strategic change in the implementation the business process automation initiatives?
7. How has KRA been able to deal with the challenges in item 6 above?
8. What are the major outcomes/ successes of strategic change management at KRA?
9. In your view, is there any other way the management could best deal with the challenges?