

**A STUDY ON SYSTEMIC CHANGE MANAGEMENT AT KENYA  
REVENUE AUTHORITY**

**By**

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requirement for the Award of the Degree of Master of Business  
Administration, School of Business, University of Nairobi**

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## DECLARATION

I declare that this project is my original work and has never been submitted for a degree in any other university or college for examination/academic purposes.

Signature: .....  ..... Date: ..... 12/11/2009 .....

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This research project has been submitted for examination with my approval as the University Supervisor.

JACKSON MAALU  
Signature: .....  ..... Date: ..... 13/11/09 .....

## **DEDICATION**

This project is dedicated to my mom, Beatrice A. Ayoma who has been my source of inspiration throughout my life. I also dedicate this work to my husband Mr. Kariuki and my children who have been there for me all along to the extent of assisting in the household duties, and finally to all those who supported me throughout the entire study period.

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## LIST OF ACRONYMS/ABBREVIATIONS

BOFFIN	- Bishops Gate Office Freight Forwarders Infrastructure Network
CCRS	- Common Cash Receipting System
CEO	- Chief Executive Officer
CSD	- Customs Services Department
DLMS	- Driving License Management System
DTD	- Domestic Taxes Department
ERP	- Enterprise Resource Planning
ETR	- Electronic Tax Register
FOSS	- Free Open Source System
ICT	- Information Communication Technology
ITMS	- Integrated Tax Management System
KRA	– Kenya Revenue Authority
KREISA	- Kenya Revenue Enterprise Information System Architecture
PAYE	– Pay As You Earn
PIN	- Personal Identification Number
PMBO	- Project Management and Business Office
RARMP	- Revenue Administration Reform and Modernization Programme
RTD	- Road Transport Department
TPS	- Taxpayer Services
VAT	– Value Added Tax

## ABSTRACT

Organizations change due to many causes, with major changes occurring quite often spanning up to three years, while minor changes take place continuously. There are no signs that this pace of change will slow down. Changes in public corporations are sparked by challenges of growth, technology, competitive pressure and increasing awareness of stakeholders regarding their rights and expectation from government departments. The Kenya Revenue Authority presents such a striking example of a complex organization in the public sector that has successfully embraced change. It has emerged as one of the most successful public sector organizations in Kenya. This achievement has primarily been a culmination of measures and reform agenda focusing on automation of manual processes (KRA, 2009). The Kenya Revenue Authority has modernized its procedures to eliminate bureaucracy that is common in public corporations. To get a complex organization that has modernized and reformed its systems is worth studying at least to find out how the Kenya Revenue Authority management succeeded.

The objectives of this study were to establish systemic change management practices employed by the Kenya Revenue Authority in its quest to implement systemic changes and to determine the factors that led the management to change its systems. The case study method was preferred. Both primary and secondary data was used in the research. The interview guide was used to collect primary data from selected respondents. Qualitative data analysis was used.

The study concludes that KRA spared time to anticipate the systemic changes it was to undergo by conducting various studies, preparation of situational analysis reports and corporate plans/BSC spelling out the changes to be implemented and respective time frames. The study also concludes that systemic change have been successfully managed at KRA and the adoption of the new systems have resulted in the public being made more aware of what KRA is doing, staff becoming more technologically advanced, increased accountability among staff and improved corporate image of KRA.

The study recommends that for the staff to fully appreciate and use the KRA new systems comfortably there is need for more training in IT skills, more involvement of all stakeholders and provision of computers to all staff.



## CHAPTER ONE: INTROCUCTION

### 1.1 Background

Society in many parts of the world and particularly in Kenya has moved from the industrial age into the information age. We are recognizing how new technologies affect transportation, communications, businesses, workplace operations and social changes that alter every aspect of our lives. The transformation to the information age can be illustrated by the way people can perform several tasks at a time as opposed to the days of a single operation for each worker. We find technologies now changing so fast that continued training is necessary to cope with new tasks as they arise. These changes place new needs on our systems, which require the development of initiative, creativity and skills in critical thinking and problem solving. Mental and physical skills are needed for productive work using advanced technology, engaging in group processes and developing good habits for self-direction and personal growth.

According to Debowski (2006), most people do not yet realize that the Industrial age paradigm of having linear reasoning by consumers that requires rote memory and convergent thinking within a standardized organizational format is counter productive for meeting many of the organizational needs. To accomplish information age organizational goals, major systemic changes are essential, in line with major changes occurring in other sectors.

Due to high complexity, no firm has effectively addressed high-level system change. Yet system change is the most important sustainability issue because sustainability is not possible without it. This presents a major opportunity. Companies aggressively working in this area will be seen as the most visionary and courageous – the true sustainability leaders (Dixon, 2004).

The study of systemic change management is of interest since there is no adequate literature on it. Most research studies have put little or no emphasis on this topic, by concentrating more on people. People resist change for many reasons such as lack of understanding of the need for change; a feeling of threat and discomfort using new technology and fear of loss of control and power. They also fail to appreciate the benefits of new systems as workload increases in the short term. This resistance to change often means that the new systems are not used to their full potential and in many cases fails to return on the investment.

### 1.1.1 Concept of Change Management

There are two types of change that can create challenges and impact on organizations, that is, the internal and external change. Internal change refers to structured shifts or programs that are an ongoing phenomenon within an organization. These changes may be undertaken to avoid deterioration of current performance or to improve future performance of a process or system. In this sense they are controlled and managed from within the organization in an orderly, planned, and systematic way. External change refers to the environmental changes that come from outside the organization and the organization exercises little or no control over them. In business, this could mean shifting economic tides, new competitors, or radical technology developments. In government, it can mean changes in the world situation, the administration, legislation, budgetary issues, or management reform (Nickols, 2008).

Webster's Ninth New Collegiate Dictionary deals with change management in terms of process and tools. On one hand, it defines change management as a 'structured process' that will: cause proposed changes to be reviewed for technical and business readiness in a consistent manner that can be relaxed or tightened to adjust to business needs and experiences, and communicate the status and existence of changes to all affected parties. On the other hand, Webster's definition also refers to tools that can be used, for example database and inventory systems, to ensure an overview of the process that could involve a database to help staff make better decisions about future changes based on historical data such as success or failure of similar changes or yield an inventory system that indicates what and when actions were taken that affected status of key resources, as an aid in problem determination or resource management.

According to Recklies (2001) change management entails planning, initiating, realizing, controlling and finally stabilizing the change processes on both corporate and personal levels. Change may cover such diverse problems as strategic direction or personal development programs for staff. It is important to note that even the best plans can fail, and this calls for consultation with, and the involvement of the stakeholders who are affected by the changes.

Generally, change must be realistic, achievable and measurable and should not be forced on people. These aspects are especially relevant to managing personal change. Bennis (1969) suggests that before starting organizational change, one must ask: what do we want to

achieve with this change, why, and how will we know that the change has been achieved? Who is affected by this change, and how will they react to it? How much of this change can we achieve ourselves, and what parts of change do we need help with? These aspects also relate strongly to the management of personal as well as organizational change.

Modern business environment is perennially changing. To keep pace with the times, organizations regularly, need to alter their existing systems and processes. They need to redefine and define their strategies and business practices. Effective change management framework should be evolved in organizations to successfully manage change and gain sustainable competitive advantage.

### **1.1.2 Systemic Change Management**

Fiore and Tanner (2004) consider systemic change both as a process and an outcome. As a process, reformers use strategies consistent with systems theory to change targeted systems. It can also be an outcome where changes to relevant systems occur that alter how organizations and individuals operate and relate to each other, thus resulting in improved outcomes for a target group. Hence this means that systemic change is change that occurs in all aspects and levels of a process and affects all of the people included. It is a dynamic process that requires constant communication and evaluation and has implications for development.

According to Fiore and Tanner (2004), systemic change can be measured as a shift in values, assumptions, beliefs, and a new awareness and new behaviors which incorporate and reflect the shift in perspective. Firstly, it occurs when people become aware of and understand systemic and ecological principles. Secondly, when they become system thinkers and adopt a systemic perspective, and finally when people shift their thinking, lifestyles and organizational behavior through grounding in systemic principles and values.

Systemic change process takes into account the interconnectedness and interrelatedness of all parts of a system. It tries to establish how the entire system functions and looks for ways to break free from the current system by designing, developing and implementing a new one. This means that the existing one has to be replaced in favor of a totally new system. Systemic change should involve all of the stakeholders to the system and the design for change should

not occur in isolation of its members. The importance of this is to ensure that the new system is well understood, accepted and thereby elicit full support.

Evolving systems into sustainable forms is the most complex challenge facing business and society. Success can only be achieved through collaboration, strong leadership, systems thinking and having the courage to deal with uncertainty. The work involves articulating a clear, compelling vision of a sustainable world, developing a practical transition strategy, and working together to implement it (Dixon, 2007).

Dixon (2007) further states that Sustainable Systems implementation is not intended to take anything away from anyone or force individuals and firms to change. Instead, the goal is to develop more appealing and effective systems that draw citizens and firms toward more responsible activities. Better systems will allow more satisfying lifestyles while producing more sustainable business performance. This approach is far more complex because all voices must be heard and considered. In practice, some firms not committed to full responsibility might resist change. But the principle of developing appealing systems with reasonable transition strategies should minimize resistance to change.

### **1.1.3 Kenya Revenue Authority Origin**

The Kenya Revenue Authority (KRA) was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1<sup>st</sup> July 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya. A Board of Directors, consisting of both public and private sector experts, makes policy decisions to be implemented by KRA Management. The chairman of the Board is appointed by the President of the Republic of Kenya. The Chief Executive of the Authority is the Commissioner General who is appointed by the Minister for Finance. The purpose of KRA is assessment, collection, administration and enforcement of laws relating to revenue. As a Government agency KRA runs its operation in the same way as a private enterprise, in order to offer better single-window services to taxpayer. KRA is divided into five regions which are; Rift Valley, Western, Southern, Northern and Central. In terms of revenue collection and support functions the Authority is divided into four departments; Customs Services, Domestic Taxes, Road Transport and Support Services. Each department is headed by a commissioner.

## **Kenya Revenue Authority Systems**

In the years since its inception, the KRA, through a series of corporate strategic plans, has laid out and followed a focused course for reform and modernization, outlined in its Reforms and Modernization Project which runs through 2008–2009. From the onset Information Communication Technology (ICT) was identified as a major driver in implementing institutional reforms within the Authority. It is equally important to appreciate that a good ICT strategy supports the overall organizational strategy. The main challenge that the Authority grappled with was the issue of having an ICT that would enhance service delivery and reduce lead time substantially, thus cutting costs, reducing interactions between Kenya Revenue Authority officers and the Customer, thereby reducing the occurrence of integrity issues (KRA, 2009).

The Authority's information system was not, first of all, capable of facilitating seamless sharing of information. Secondly, it could not provide a single view of a taxpayer across all functions and thirdly, could not enable data matching in order to detect non compliance and facilitate combined enforcement actions. With this in mind, the Kenya Revenue Enterprise Information System Architecture (KREISA), a corporate wide project was conceived to address the challenges (KRA, 2009).

In Customs Department, there existed the BOFFIN, (Bishop Gate Office Freight Forwarders Infrastructure Network), an outdated system which posed numerous operational challenges to revenue collection in the Department. The BOFFIN System had become increasingly vulnerable due to age, unreliability, and associated institutional weaknesses coupled with bureaucratic and discretionary procedures. The processes in this department were characterized with lengthy queues, tedious data capture processes and the integrity issues at the Customs Clearance offices. Another important process worth noting is the payment of duties which was slow and posed a risk on collection of revenue, thereby providing complete inaccuracy of the audit trails.

Under the Domestic Tax Department (DTD), the challenge was the perennial problem of poor record keeping for business transactions. Traditionally, VAT registered persons are supposed to keep specific records in a manner which has been overtaken by technological changes including the use of computerized accounting packages. Taxpayers for a long time have been known to keep two sets of accounts, thereby cheating the Authority by concealing taxable

income. Other issues are internal to the organization and have to do with employee integrity, tedious, mostly erroneous, data capture by insufficient staff, which negatively impact on revenue collection.

The Road Transport Department (RTD) has lacked a process which allows seamless flow of motor vehicle details from the Customs Department and the collection of registration fees. A good system should significantly facilitate clearance and expedite registration of imported motor vehicles, and thus simplify revenue collection process.

Reforms in Public sector top the agenda not just in Kenya or Africa but throughout the world in recent years (Pollitt & Geert, 2004). The widespread initiation of reforms provides us with an empirical basis for deeper understanding of management aspects of the reform. At the same time, the increasing popularity of reforms calls for further insights from research by decision makers who are to decide on new reforms as well as practitioners who will be executing the reforms. However, according to Dixon (2007) many public sector organizations seek capacity but not change, and are often perceived as resisting change. The introduction of increased use of appropriate change management strategies and methods will often be resisted due to the difficulty of precise definition of their results and the uncertainty of their outcomes (Pollitt & Geert, 2004). According to Weick (2000) managers and academicians often criticize change management literature and models as being too generic, insufficient in today's dynamic world and private sector based. This study seeks to provide a response to these requests for further knowledge into change management aspects of public management reform, by adding to the development of research into the field based on lessons learnt from the Kenya Revenue Authority.

## **1.2 Statement of the Research Problem**

Organizations change due to many causes, with major changes occurring quite often spanning up to three years, while minor changes take place continuously. There are no signs that this pace of change will slow down. Changes in public corporations are sparked by challenges of growth, technology, competitive pressure and increasing awareness of stakeholders regarding their rights and expectation from government departments. Even though organizational change is increasing, there are still high levels of failure, indicating that effective

their rights and expectation from government departments. Even though organizational change is increasing, there are still high levels of failure, indicating that effective management of these changes is lacking. This means that there is much to learn about how to manage change more effectively, especially in public corporations.

The Kenya Revenue Authority presents such a striking example of a complex organization in the public sector that has successfully embraced change. It has emerged as one of the most successful public sector organizations in Kenya. This achievement has primarily been a culmination of measures and reform agenda focusing on automation of manual processes (KRA, 2009). The Kenya Revenue Authority has modernized its procedures to eliminate bureaucracy that is common in public corporations. To get a complex organization that has modernized and reformed its systems is worth studying at least to find out how the Kenya Revenue Authority management succeeded.

Even though each change situation will be unique to each organization, it is worth noting that there is no single model of change and no single solution to effective change management. However, still there are a number of common themes that will help ensure that the change process stands the greatest chance of success.

A number of studies have been carried out addressing the strategic issue of change management in response to the changing business environment. Such studies include Kamau (2006); Ondiek (2005); and Odundo (2005). However, these studies address the 'people aspect' of change. There is no evidence of research done on systemic change management in public corporations in Kenya. Even though it is a fact that the human factor plays an important role in reform efforts, it however is necessary to address the systemic aspects of implementing change. Since systemic change in organizations has received very little attention, this study deliberately makes an effort to address the systemic aspects of implementing change. This research study on systemic change management at Kenya Revenue Authority seeks to identify the systemic change management practices that can be applied in public sector reforms to help overcome challenges that emerge from the reorganization.

### **1.3 Research Objectives**

The objectives of the study were to establish systemic change management practices employed by the Kenya Revenue Authority in its quest to implement systemic changes, and to determine the factors that led the management to change its systems. The study sought to:

- i) Determine the factors that influenced systemic changes at Kenya Revenue Authority.
- ii) Establish the systemic change management practices at Kenya Revenue Authority.

### **1.4 Significance of the Study**

This research study would be useful to academicians pursuing studies in strategic management, to establish whether there is pattern that will trigger further research. It would further document the efforts made by the Kenya Revenue Authority and provide a record highlighting insights that can be extracted from the work. This would also be a point of reference for similar or related projects not only at Kenya Revenue Authority but also in public corporations. For the general staff and other stakeholders there would be improved understanding and appreciation for the need to change systems, thus eliciting full support and contribution. Finally, at the completion of the research study, the researcher was able to get an opportunity to enhance understanding of change management strategies, its effects on performance and also improve on analytical, evaluative and writing skills.



## **CHAPTER TWO: LITERATURE REVIEW**

### **2.1 Concept of Change Management**

In the modern business world it is accepted that organizations need to adapt to the constantly changing environment to remain relevant and to retain consistent competitive advantage. Recklies (2001) defines change management as the process, tools and techniques to manage business change to achieve the most successful business outcome, and to realize that change effectively within the social infrastructure of the workplace. In change management, there exist two aspects: the behavioral and the systemic issue of change management. The people aspects of implementing these changes have largely been taken into account through various researches. Even though it is a fact that the human factor plays an important role in reform efforts, it however is necessary to address the systemic aspects of implementing change.

### **2.2 Systemic Change**

From the point of view of an individual in an organization, a new job description or a new post may be seen as change, whilst from the perspective of higher management this may seem insignificant. Even changes which higher management feels to be important may from outside the organization appear relatively minor. Furthermore, the same phenomena can often be perceived as evidence of change and stability depending upon the perspective that is taken, and on how the boundaries of the system within which the change is taking place are defined. Such issues have led to a number of different ways of categorizing systemic change, e.g.: strategic and non-strategic change (Rajagopalan and Spreitzer, 1996); incremental and radical change (Goodstein and Warner, 1997); incremental change and “quantum” change (Greenwood and Hinings, 1993); changes of identity, co-ordination and control (Kanter *et al.*, 1992); human-centred classification of change at individual, group, inter-group or organization level (Burnes, 1992); planned change and emergent change (Wilson, 1992); and change in terms of scale (from incremental to radical) and centrality (from peripheral to core) to the primary task of the organization (Buchanan and Boddy, 1992).

In summary, systemic change is argued to be a phenomenon characterized by subjectivity rather than objectivity. It can be perceived as either change or stability depending upon people’s perceptions and boundary judgments, and consequently focus needs to be not so

much on what type of change is taking place, but rather on diversity within a systemic framework, to order our thinking and help manage systemic change.

### 2.3 Types of Systemic Change

Systemic change exhibits a diversity which relates to all of the different but interrelated dimensions of an organization, including the interaction of technical and human activities, of the organization with its environment, and of organizational design and management style. To help order our thinking by distinguishing the key dimensions of systemic change and to illuminate how to manage them successfully, a classification of four types of systemic change is used within this paper (Cao *et al.*, 1999): *Changes to organizational processes*. According to Hammer (1996, ), “a process is a related group of tasks that together create a result of value to a customer” or “a black box that effects a transformation, taking in certain inputs and turning them into outputs of great value.” Organizational processes often involve material flow from raw materials to finished products, cash flow from investments to profits, and human resource input. Therefore, one of the key issues in change management is dealing with changes in organizational processes and controls over processes.

The commonly used horizontal and vertical structures and the basis for grouping activities may be altered, the decision systems or policy and resource allocation mechanisms may change from individual and directive to collective and consensual, or the criteria used for recruitment, appraisal, compensation and career development may change. The main concern of organizational design is consequently how responsibilities and authorities are differentiated and integrated vertically and horizontally (Greenwood and Hinings, 1993).

Changes in values, beliefs and human behavior in terms of relationships to social rules and practices. For instance, the recently developed cultural diversity management (Milliken and Martins, 1996) argues that “multicultural organizations” should be created, thereby encouraging more creativity, better problem-solving and flexible adaptation to change, and keeping the company ahead of the competition through mutual learning among organizational members.

Changes in power distribution and the way organizational issues are influenced (Pfeffrey, 1993). This view sees organizations as coalitions of interest groups in tension. For example, management versus workers, production versus sales, accounting versus research and

development, head office versus production location, and so on. The organization is therefore a balance of forces, which are continually subject to modification. An appreciation of political dynamics in organizations helps to explore those who hold the power and how that power is exercised.

However, despite this diversity, these different perspectives on systemic change are nevertheless interconnected (Lancourt, 1994). Change is a dynamic process, with change in any one dimension often resulting in compensatory change in others (Nadler, 1988).

## **2.4 Systemic Change Management**

Nickols (2008) defines a system as much more than a computer, and says that it can be an arrangement of resources and routines intended to produce specified results. It reflects an organization and, by the same token, an organization is a system. A word processing operator and the word processing equipment operated form a system. So do computers and the larger, information processing systems in which computers are so often embedded. These are generally known as 'hard' systems. There are 'soft' systems as well, examples of which are compensation systems, appraisal systems, promotion systems, and reward and incentive systems. This study is going to address the 'hard' systems, which are, information processing systems as well as those operating the system.

In his view, Nickols (2008) further sees a system either as 'closed' or 'open'. On the one hand, he describes a 'closed' system as a mechanistic or contrived system with no purpose of its own and incapable of altering its own structure. It cannot learn and it cannot change of its own volition. An 'open' system on the other hand, deals with people, organizations, industries, economies and even nations as socio-technical systems. It is also referred to as purposive system, carrying out transactions with other systems and bent on survival, continuance, prosperity dominance, plus a host of other goals and objectives.

Systemic change approach involves players from throughout the system in considering all parts of an organization or group, how change in one area affects another, and how to coordinate change in a system so that it furthers the shared goals and visions. It is closely linked to the concept of continuous improvement, in which people work in a specific process to keep improving their results. Banathy (1991) considers the individual and collective adoption of a systems perspective being required for systemic reform efforts. With a systems

perspective and a redefinition of a system, it is possible to design systems that will encourage and support full development. A facilitator for the systemic change process must help the community develop a vision of their ideal system, stakeholders must create and take ownership of a shared vision of the new system, and everyone must develop a passion for their new vision.

Systemic change can thus be viewed as a democratic decision-oriented approach to changing fundamental values and beliefs about organizations within the changing environment of an increasingly complex interconnected global society. Systemic change is a cyclical process that considers the impact of change on all parts of the whole and their relationships to one another. Systemic change suggests a change of the system rather than within the system. Both inner (personal-psychological) learning and outer (social-psychological) learning are required for the systemic change process to occur. Thus learning to change is a necessary part of the process for change in complex systems to occur. This process of learning to change is, in turn, connected with systems thinking, generative learning, higher levels of conscious awareness, and the development of an evolutionary consciousness (Banathy, 1991; Fullan, 1993; Senge, 1990). Banathy (1991, 1992) considers reconnecting stakeholders and the system in which they are involved, and the systems design to be a creative and generative learning process for all involved in the system.

In his paper comparing the systemic change models, Lane (1997) defines systemic change as change that occurs on a global level, taking into account the interconnectedness and the inter-relatedness of all parts of a system. Systemic change is not linear, and therefore cannot be brought about in a linear, systematic way. Lane (1997) further argues that systemic change, instead looks at the whole picture and tries to establish how the entire system functions. Systemic change is not looking for ways to adapt the current system. Instead systemic change looks for ways to break free from the current system, by designing, developing, and implementing a new one. Finally, Lane (1997) says that systemic change should involve all of the stakeholders to the system and design for systemic change should not occur in isolation of its members.

In the field of staff training and education, Reigeluth and Garfinkel (1994) consider systemic change practices to offer tools that can help an organization to remain effective in the rapidly

changing and dynamic marketing environment. A system in employee training and education can range in size from the seminar, workshop, conference, to the on-job-training.

'Change management (or change control)' is the process during which the changes of a system are implemented in a controlled manner by following a pre-defined framework/model with, reasonable modifications. The term systemic change management can also refer to: Change management (engineering), a process in systems engineering; Change management (people), a structured approach to change in individuals, teams, organizations and societies; Change management (health), a systematic health-care reform; Change management (documentation), a systematic process of managing the changes of official documents (Reigeluth & Garfinkel, 1994).

## **2.5 Models of Systemic Change**

Organizations are constantly engaged in attempts to improve systems by introducing new practices and technologies. According to Box (2008) the management still tends to do a mediocre job of dealing with the ensuing organizational changes. He continues to identify the problem partly as being reliance on very simplistic models of organizational change. In his research he found a useful model out of the work of *Virginia Satir*, a family therapist who adopted a dynamic systems perspective of interaction that translates into organizational settings.

### **2.5.1 Satirs Model**

In this model, the change process starts with the introduction of some "foreign element," which might be a new system or a new manager or a new performance mandate from on high, disrupting the "Old Status Quo." "Chaos" ensues and performance both falls and becomes more erratic until a "transforming idea" develops or is introduced. This transforming idea constitutes a new theory about how to operate in the new system. With a good transforming idea in place, there is a period of integration and practice as the organization learns how to perform in its new configuration. Eventually, we reach a "New Status Quo" operating a new, hopefully higher, level of performance (Box, 2008).

Box (2008) found a number of features of this model valuable. According to him the model first of all acknowledges that performance is always variable, even during periods of relative stability. It is an important reminder that the systems we are talking about are made up of

people and we must allow for their humanity. Secondly, it makes it clear that change is fundamentally a learning process not a deployment process. Moreover, it is “learning how” not “learning that,” which should help us keep in mind that things will get worse as an inevitable and necessary part of getting better and the learning will take time. Finally, Box found the model to contain the notion of a “transforming idea.” All too often, according to him, by the time we get to deployment, we have forgotten why we embarked on the journey to begin with. Articulating and sharing an effective transforming idea is an essential step in achieving the new levels of performance we are seeking. Human systems are homeostatic; they seek out and maintain stability. Absent compelling transforming idea, these homeostatic forces will drag the system back to its current status quo. With a good “big picture” in mind, the participants in the changing system have a goal that can guide them through the necessary integration and practice.

Satir model of systemic change argues that a transforming idea at the moment of chaos can push organizations onward to the next. This model is similar to Lewin’s model of change management, which involves a move from one static state via a state of activity to another static status quo. Lewin specifically considers a three-stage process of managing change: unfreezing, changing and re-freezing.

### **2.5.2 Checkland’s Model**

In this model, Checkland (1981) divides it into real world and systems thinking. He implies that the two areas can be separated and therefore are neither interconnected nor inter-related. While an attempt is made to connect the stages just above and just below the dividing line in the model, the designer clearly delineates the two areas. The model seems to imply two separate design areas, that is one, the real world where the problem is identified, expressed, changed, and implemented; and two the systems thinking area, where the relevant systems are looked at and conceptual models are developed. The designer does not mention what happens after the comparison is made and how any differences are accounted for. Checkland’s model clearly takes the linear approach to systemic change. He seems to believe that there is an established path that should be taken during the design phase and that no changes can take place once the process begins. With respect to systemic change, this approach holds little promise. Instead, it implies a systematic approach that will only create change within the existing system.

The problem with this model is that first, it fails to take into account the importance of the interconnectedness and interrelatedness of all parts of a system during the design phase. Secondly, it takes the linear approach to systemic change, implying that no changes should take place once the process begins.

### **2.5.3 Banathy's Model**

This model shows the interconnectedness and the inter-relatedness of systemic design. Clearly, Banathy (1992) does show that there is no dividing line between the different parts of the design process and the presentation style implies interconnectedness. Banathy's model looks at some aspect of the enabling and connected systems. These areas include: societal characteristics, enabling systems, future system environment, social systems, and core values of society. By taking this approach, Banathy (1992) suggests a way of looking at systemic change from the perspective of all of the involved systems. This approach, according to Lane (1997), is more practical because it does not involve design in isolation of relevant systems. Therefore, any systemic change that might occur after the use of this model will have more success and is less likely to meet opposition from those affected by the change.

This model is advantageous since it does a better job of showing interconnectedness and interrelatedness of systemic design. According to Lane (1997), Banathy's model presents a less linear approach, thus the design process relies on movement back and forth between phases. But, since a linear approach still exists, it may create problems for the designers if they need to make any revisions to their overall design. Again, while this model does show more promise for systemic change, its somewhat linear approach still suggests a systematic design process and may only result in changes to the existing systems. As a shortcoming, a crucial element that is left out of this model is what happens when change is implemented and does not work. This is where the slightly linear and less wholistic approach weakens the model. It is worth noting that by neglecting to link all phases of the model together, leaps from one area to another are not easily facilitated and therefore the burden is placed on the systemic designer to retrace their steps back thorough the model. This in turn, suggests a more systematic approach to the design process with the end result being less systemic change.

#### **2.5.4 Frantz's Model**

Frantz (n.d) also emphasizes the need to take relevant systems and societal values into account during the design phase. The number of interactions between each of the stages of this model also imply interconnectedness and inter-relatedness by giving the designer the feeling that each phase is linked and cannot operate in isolation of the other parts. In this model, there is no defined starting or ending point, neither is there a clear path that should be taken during the design process. This allows the systemic designer the freedom to move in and out of the design solution space and therefore does not stifle creativity. The model clearly illustrates the leap that is necessary for systemic change to occur. By embodying the stages of design as well as all of the relevant parts of the system inside one complete unit, Frantz implies a breaking free from the current system. The natural result of this process would be the development of an entirely new system (Frantz, n.d).

The overall design of Frantz's model is the best example of the interconnectedness and inter-relatedness of both systemic design and systemic change. There is no delineating between each portion of model and every stage is connected to every other stage in some way.

The last three models do not make direct reference to the use of stakeholders during the design phases of systemic change. This is one of the areas where Lane (1997) feels improvements are needed in order for successful systemic change to occur. Checkland's model makes no reference as to who will be used in the design phase. Lane (1997), therefore, had many doubts as to whether or not this model would ever produce successful systemic change. While Banathy's model does take into account society and environment as part of the systemic change process, once again no reference is made as to what parts of the system the designers will come from. Finally, Frantz (n.d.) does mention a community of designers and also takes stakeholders into account in the future system phase, but there is no mention as to the inclusion of stakeholders in the actual design process.

#### **2.5.5 Lanes Model**

In his paper, Lane (1997) compares, contrasts and evaluates three different systemic design models, and they are: Checkland's Model (1981); Banathy's Model (1992); and finally Frantz's Model of Idealized Design Inquiry (date unknown). Having analyzed the three models, Lane presents his own model which integrates the key aspects of the above models as



well as presents some new ideas that he feels should be included in the systemic design process. He decided to use a slightly modified form of Frantz's model as the one that represents optimal change process model. The reason he used this particular model as the catalyst for optimal change is that it best fitted the criteria that he felt are necessary to facilitate systemic change. In summary, the criteria is: representation of the interconnectedness and inter-relatedness of a system; representation of the wholistic nature of the systemic change; use of stakeholders as part of the design community, and; development of an entirely new system. According to Lane (1997), systemic change requires the acknowledgement of the interconnectedness and the inter-relatedness of the parts both within and outside of the system to be changed. The model that he proposed presents this by conceptually representing each area as being connected to all others. Not only does this give the designer the freedom to move about from phase to phase but also suggest the idea that no phase can operate in isolation of the other parts of the model. The model has been laid out in such a way that the design community becomes the background for the entire design process. This format best serves to remind the design community that they are one small piece of the entire system as well.

The layout of the model, Lane (1997) asserts, is an excellent representation of the wholistic nature of systemic change. By showing no clear path to follow during design, development and implementation of the proposed change, designers are free to move about throughout the model as it best fits their needs. Another feature of this model is that by staying away from a linear approach to design, the design community is given the sense that they are operating within the whole model at once. This should translate into a more systemic view of the entire change process.

Seemingly, the only change that Lane (1997) made to Frantz's model is to add a better defined description of who should be included in the design community. While the original model did take stakeholders into account during the future system phase, the changes that have been made to the model include stakeholders as part of the design community itself. This has been done not only as a way of incorporating them into the design process, but also as a way to insure a more successful systemic change process once changes begin to be implemented. As with any type of change, people are less willing to give up if they feel that they have an ownership to the process itself. By including a wide representation of

stakeholders in the design community, people will begin to feel that their needs have been represented in the change process and therefore a sense of ownership will emerge.

Finally, the model that Lane (1997) presents does not look for ways to adopt the current system. Instead, the model focuses on the development of an entirely new system. Even though the inclusion of stakeholders will invariably cause some of the old beliefs to remain, it is assumed that the members of the design community will realize that change is desirable and are not afraid to make the 'leap' necessary to facilitate the emergence of a new system. It would be naïve to assume that every part of the old system would be thrown out, but the model that Lane proposed gives a sense that it is okay to break free from the current system and to follow any dreams that result in successful systemic change.

## **2.6 Why Systemic Change Initiatives Fail**

### **2.6.1 Resistance to Change**

Resistance to change can be defined as an individual or group engaging in acts to block or disrupt an attempt to introduce change. Resistance itself can take many different forms from subtle undermining of change initiatives, withholding of information to active resistance for instance via strikes. Two broad types of resistance can be considered. The first one is resistance to the content of change, for instance to a specific change in technology, to the introduction of a particular reward system. The second one is resistance to the process of change. This concerns the way a change is introduced rather than the object of change per se, for instance, management re-structure jobs, without prior consultation of affected employees.

According to Degnegaard (2006) people resist change for many reasons: they do not understand the need for change; they feel threatened and uncomfortable using new technology; they fear loss of control and loss of power; and/or they may fail to appreciate the benefits of new systems as workload increases in the short term. Other suggested reasons include uncertainty and competence fears. This resistance to change often means that new systems are not used to their full potential and in many cases fail to return on the investment. It is therefore important to diagnose the cause of employee resistance as this will determine the focus of effort in trying to reduce or remove the issue.

## **2.6.2 Failure to Involve Stakeholders**

Systemic change should involve all of the stakeholders to the system and design for systemic change should not occur in isolation of its members. This especially important if the proposed change is to be successful. According to Reigeluth and Garfinkel (1994) without the backing, support, and involvement of the stakeholders during the development and design phases, systemic changes are almost guaranteed not to work. This is evidenced by the lack of success of the current changes that are being made in education today. Duffy (2008) feels that to be successful, there is need for support and participation of internal and external stakeholders who might have different ideas about what is best for the school system and its students. Due to the fact that most decisions are made without consultation of the members that will ultimately be involved, most changes do not work and are usually met with adversity and sometimes sabotage.

## **2.7 How to Implement Successful Systemic Changes**

From the issues identified as having negative impact on effective change management, it can be seen that change is complex and there is no single solution. However, some key areas of focus emerge. These areas include: Leadership, organizational culture, communication and linking all the change agendas.

### **2.7.1 Leadership**

Effective leadership is a key enabler as it provides the vision and the rationale for change. Different styles, for instance coercive, directive, consultative or collaborative, may each be appropriate depending on the type and scale of change being undertaken. It has been identified that where there is large-scale organization-wide change, directive style of leadership is most effective. According to Buckingham (2005) leadership operates not only at the senior level, but throughout the various layers of the organization. Those who lead work groups play a critical role in guiding and promoting the change strategy. Each leader contributes by articulating the vision and interpreting how the process will impact on work roles and individuals. They lead through their own modeling of the desired changes and by assisting others to translate the necessary processes into their work activities. Buckingham (2005) further says that as senior leaders they offer an important mechanism for people to seek advice and to provide feedback on the translation of principle into practice. They can also play a significant role in identifying issues that require further consideration.

### **2.7.2 Organizational Culture**

Debowski (2006) argues that organizational culture that encourages innovation, quality outcomes, collaboration and high performance can significantly influence the likelihood of individual commitment and engagement with a change agenda. Supportive, positive colleagues can be very powerful mechanisms to promote different forms of behavior. Organizational culture can be positive, robust and constructive, or they can undermine the change agenda considerably. Even in a positive environment, work groups and individuals can make a significant impact if they are highly resistant to the proposed change process.

### **2.7.3 Communication**

It is important to promote change across the various levels within the organization. Two-way communication with employees and their active involvement in implementation has also been identified as a key enabler of change. Active participation is one suggested means of overcoming resistance to change. However research has indicated that part of the communication/participation issue might arise from a potential mismatch between what the employer and employee opinions are regarding levels of communication. Blanchard (2003) says that at the broad organizational level, there is need to encourage a common understanding of the change across the entire community. Good articulation of the need for change and the likely outcomes are paramount. Ideally each stakeholder should be able to describe how the proposed change will improve the organization, their own work group and themselves. They should have a clear picture of the final outcome. Finally, linking all the change agendas within an organization coherently, rather than completing changes in isolation is vital to ensure that change effectiveness is maximized.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

The chapter brings out the research design, data collection methods, and the data analysis technique that was employed in the research study.

### **3.2 Research Design**

The case study method was preferred since it made it possible for an intensive investigation of the way systemic change was managed at KRA. It enabled the researcher to have an in-depth understanding of systemic change management practices at KRA and the factors that led to systemic changes. Kothari (1990) acknowledges case study method as a powerful form of qualitative analysis that involves a careful and complete observation of a social unit, irrespective of what type of unit is under study. A survey would not be appropriate since different organizations implement different systems. There are several studies on change management which have used this method, examples of which are: Mwangi, (2006); Odundo, (2007); and Ondiek, (2008).

### **3.3 Data Collection**

Both primary and secondary data was used in the research

#### **3.3.1 Primary Data**

The researcher used primary data, which is information collected for the first time, especially for this study. The interview guide was used to collect data from selected respondents, in the organization under study. The interview guide enabled the researcher to conduct in-depth interviews especially with the project section which is charged with the responsibility of developing and improving the KRA systems. Information was collected from top management because of the experience in the management and running of the organization. Nine respondents were used in this study: three from top management, two from the project team and four from the rest of the staff of the Kenya Revenue Authority.

### **3.3.2 Secondary Data**

This is data that has been previously collected for some project other than the one at hand. It is usually historical, already assembled and does not require access to respondents or subjects. The researcher used information from organization's strategic plans and other relevant documentations, internal memos, and minutes of meetings about systems change and implementations in the organization. This is internal secondary data that originates from the organization.

### **3.4 Data Analysis**

The data analysis sought to determine the factors that influenced systemic changes at KRA and to establish how KRA went about managing systemic change. This study was of a qualitative nature and therefore qualitative data analysis was used. This method constitutes content analysis which is used to identify and extract the key themes, concepts and arguments. Content analysis is the systematic qualitative description of the composition of the objects or materials of the study (Mugenda & Mugenda, 2003). The method is preferred for this kind of data that was collected. Content analysis has previously been well used to conduct similar qualitative studies, such as (Thiga, 1999; Koske, 2003; Mwangi, 2006).

## **CHAPTER FOUR: DATA ANALYSIS AND FINDINGS**

### **4.1 Introduction**

This chapter presents the findings of the study and the analysis of the information collected from KRA. The interviewees comprised; two respondents from the project team, three from top and middle management, and four were non management staff. These are the nine respondents projected in the previous chapter to be interviewed which makes a response rate of 100 %. The commendable response rate was achieved after the researcher made frantic efforts at booking appointments with the heads of sections despite their tight schedules and making phone calls to remind them of the interview. There was total cooperation during the interviews.

#### **4.1.1 The Profile of Kenya Revenue Authority**

The Kenya Revenue Authority was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1<sup>st</sup> July 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya. A Board of Directors, consisting of both public and private sector experts, makes policy decisions to be implemented by KRA Management. The chairman of the Board is appointed by the President of the Republic of Kenya. The Chief Executive of the Authority is the Commissioner General who is appointed by the Minister for Finance. The purpose of KRA is assessment, collection, administration and enforcement of laws relating to revenue. As a Government agency KRA runs its operation in the same way as a private enterprise, in order to offer better single-window services to taxpayers. KRA is divided into five regions which are; Rift Valley, Western, Southern, Northern and Central. In terms of revenue collection and support functions the Authority is divided into four departments; Customs Services, Domestic Taxes, Road Transport and Support Services. Each department is headed by a commissioner.

The Kenya Revenue Authority is a state corporation that has successfully embraced change. It is a complex organization and has emerged as the best example of a successful public sector organization in Kenya. This achievement has primarily been a culmination of measures and reform agenda focusing on automation of manual processes (KRA, 2009). The Kenya Revenue Authority has modernized its procedures to eliminate bureaucracy that is common in public corporations. To get a complex organization that has modernized and reformed its

systems was worth studying at least to find out how the Kenya Revenue Authority management succeeded. The study focused on the drivers of systemic change and the change management practices employed by the KRA management in the successful implementation. The researcher sought to determine the factors that led to systemic changes at KRA and the to establish the change processes that led the achievements.

#### **4.1.2 Respondents profile**

The interview guide was designed to stimulate thinking and to allow respondents to give detailed information on the factors that led to systemic changes at the KRA. This information was given by both the project team respondents and the management staff from the three revenue departments; these are CSD, DTD and RTD. The role of the project team is to develop new systems after they are designed, and to provide technical support for the emerging issues. Management personnel are people with expertise and have served in the organization for a considerable period. With their wealth of experience, they are responsible for overseeing the implementation of the changes, compiling reports on emerging issues and escalating them to the relevant project officers. The interview guide was also designed to gather information on the systemic change management practices and this information was gathered from all the respondents interviewed including the non management staff. The non management staff are long serving officers, involved in the actual implementation of the changes, and are in constant touch with the external stakeholders, offering them advice, guidance and training where necessary.

Change is a common thread that runs through all businesses regardless of size, industry and age. Our world is changing fast and, as such, organizations must change quickly too. Organizations that handle change well thrive, while those that do not may struggle to survive. Just like in the case of the KRA, the change management process in any organization normally takes place due to the awareness of the need for change. In recent years change has increased not only in degree, but also in pace. In this regard, an organization has to first identify the factors that have created this necessity for change, identify their characteristics and then determine how the changes will take place.



## **4.2 Factors that Influenced Systemic Changes at Kenya Revenue Authority**

The KRA recognizes that improved service delivery is the cornerstone to improved taxpayer compliance. Accordingly, the researcher established that improved service delivery therefore borders on the ability of the revenue administration to identify and recognize the factors affecting taxpayer compliance some of which include simplified processes and creation of an environment that is conducive to all stakeholders. However it is difficult to achieve some of these initiatives without embracing technology. It is in this context that KRA has endeavored to further improve on its customer service delivery by developing new systems for the administration of taxes in Kenya.

From the responses, it was also found that the factors influencing systemic changes at KRA include change in technological environment, poor service delivery, obsolete systems, decline in revenue collection, reduced level of compliance, duplication of functions and resources, non achievement of core mandate of KRA, corruption, manual business processes, increased cost of taxpayers compliance, lack of coordination in key operations across the departments especially in field visits, poor corporate image, increased cost of tax administration, and inadequate resources (capital and human). Both the project team respondents and the different officers in management positions were in agreement that all these factors centre on poor service delivery and the change in technological environment.

To deal with these factors the KRA had its vision mind. The KRA's vision is to be a leading revenue authority in the world respected for its professionalism, integrity and fairness. The researcher sought to determine these factors from the insightful responses by the interviewees, which were combined and are presented below in the major themes of subtopic 4.2.1 and 4.2.2.

### **4.2.1. Poor Service Delivery**

The researcher found out that the KRA was not offering services in line with its mission statement. Provision of services was characterized by long queues and tedious data capture. The crowds of taxpayers waiting at the KRA premises made it extremely difficult for the revenue officers to concentrate on their work. The monumental pressure placed on the officers by the customers to expedite the processing of their documents invariably caused the officers to commit errors on those documents. The duplication of processes combined with

the often unnecessary human interaction created possibilities for rent-seeking behavior among the staff, thereby undermining revenue. With the introduction of web-based document processing centre at the Customs Services Department, for instance, customers can now lodge their customs documents from anywhere in the world through the internet.

To improve the delivery of services, according to the researcher, the launch of the KRA website in the year 2000 effectively signaled a change of service delivery and further direction in KRA operations by venturing into web based services. The website enabled the organization to provide many online services and in addition it has become a very good medium to provide information which has drastically reduced the enquiries and physical visits into the KRA offices. A good informative website should act as a reference point for provision of information at first glance and be easily navigable. The website seeks to meet this standard continuously and to disseminate the required information to the public through the tools such as frequently asked questions that are updated regularly as well as providing links to other useful government websites.

The website has also been able to provide download links for requisite forms required to carry out various services, facilities to check the status of a VAT registration number and first time driving license application. In addition the website has allowed users to download updated legislation on Revenue Acts, Public Notices, Taxpayer charter, corporate plans and provides current information for advertised tender opportunities, thereby reducing the need for taxpayers to physically visit the KRA offices. From the research findings, it was also established that reducing the physical interaction between the KRA officers and taxpayers was meant to eliminate corruption.

#### **4.2.2 Technology**

The role of information technology (IT) cannot be understated. KRA's capacity to receive, access and process data in seamless and integrated manner and thereby provide efficient services to stakeholders and achieve higher levels of taxpayer compliance is reliant on the automation of revenue administration at all levels. From the onset Information Communication Technology (ICT) was identified as a major driver in implementing institutional reforms within the Authority. It is equally important to appreciate that a good ICT strategy supports the overall organizational strategy. The main challenge that the Authority grappled with was the issue of having an ICT that would enhance service delivery

and reduce lead time substantially, thus cutting costs, reducing interactions between Kenya Revenue Authority officers and the Customer, thereby reducing the occurrence of integrity issues (KRA, 2009).

ICT is therefore critical to KRA's overall goals and objectives. According to the researcher however, the findings indicate that at the inception of the reform process, KRA's IT systems were found not to meet even basic operational and management requirements. The systems had been developed independently with little thought given to the advantages of integrating them or to share information. They therefore did not support efficient data processing, proper staff utilization, and they did not provide adequate management information. In view of the inherent inadequacies of the ICT systems, KRA embarked on a comprehensive business automation project whose aim was to modernize and integrate business systems in order not only to promote efficiency and effectiveness but to also enhance tax compliance.

Organizations are engaged in attempts to improve systems by introducing new technologies. Along with the new technologies, new practices must also be introduced. This is usually not easy especially when the ensuing organizational changes are endless. According to the findings the new systems at the KRA have greatly succeeded and have resulted in the public being made more aware of what KRA is doing, staff becoming more technologically advanced, increased accountability among staff as majority of the functions are now automated, improved corporate image of KRA, improved taxpayers cost of compliance, reduction of corruption, improved service delivery and increased revenue.

#### **4.3 Systemic Change Management Practices at KRA**

The concept of change management is a familiar one in most businesses today, according to Mullins (1995), change management is a set of processes that is employed to ensure that significant changes are implemented in an orderly, controlled and systematic fashion to effect organizational change. But, how businesses manage change and how successful they are at it varies enormously depending on nature of the business, the change and the people involved. A key part of this depends on how far people within it understand the change process.

The KRA operates in a continuously changing environment, which is sometimes turbulent with an open future, an environment with very few shortcuts and naturally very few lucky

winners. In order to succeed there must be proper planning, positive attitude, clear focus, self esteem and hard work. The challenge posed in today's working environment is the challenge to create, nurture and sustain a collective will to succeed or win as well as an earnest desire to create a winning organization. From a corporate point of view, organizations that truly succeed are those with a clearly spelt out purpose. For such organizations their state of being is defined, the collective will and values project a clear picture of the preferred tomorrow. This is precisely the essence and purpose of the corporate planning. It involves active participation of the stakeholders in deciding the future.

#### **4.3.1 Planning**

The KRA usually develops a three year corporate plan. The first corporate plan ran from 2000/01-2002/3 which detailed the KRA corporate strategy. This was followed by the second corporate plan of 2003/04-2005/06, and the third one of 2006/07-2008/09. The financial year 2009/10 marks the first year of the current and fourth corporate plan 2009/10-2011/12. The theme of this plan is "attaining international best practice in revenue administration by investing in a professional team, deepening reforms and quality service delivery to enhance compliance". It is these plans that have guided KRA in the continuous implementation of reforms and administrative measures to enhance revenue collection. In these reforms include the systemic changes that continue to take place.

The researcher found that KRA spared time to anticipate the systemic changes it was to undergo by conducting various studies, preparation of situational analysis reports, besides corporate plans which spell out the changes to be implemented and the respective time frames for completion. In order to come up with the best systems, a delegation comprising of the KRA and treasury officials visited countries with renowned modern tax systems. The Authority also held senior management workshops and conferences, in which sensitization of the impending changes were made.

The involvement of stakeholders cannot be overemphasized. This is because relevant stakeholders are an integral part of the planning of the reform. They are active participants with significant involvement in decisions. The input, participation, and commitment of multiple relevant stakeholders with diverse viewpoints are continuously solicited.

### **4.3.2 Creating Awareness and Understanding**

KRA created taxpayer services (TPS) division to organize awareness campaigns on television and through electronic media broadcasting. There was also sponsorship of themes on tax issues at drama and music festivals, routine sensitization of newly registered taxpayers, partnerships with universities on development of tax curriculum and collaboration with the Ministry of Education. Concerted efforts were also made to make compliance easier for taxpayers who wanted to comply voluntarily. This was done by, for instance, publishing pamphlets, through the organization's website, organizing of sector-based and general seminars, and workshops, providing assistance to taxpayers in filling up tax returns, improving waiting areas and keeping tax offices open for longer hours on due dates. Efforts have also been made to reduce procedures, and to re-engineer business processes.

### **4.3.3 Change Leadership**

Effective leadership is a key enabler as it provides the vision and the rationale for change. Different styles, for instance coercive, directive, consultative or collaborative, may each be appropriate depending on the type and scale of change being undertaken. It has been identified that where there is large-scale organization-wide change, directive style of leadership is most effective (Buckingham, 2005). Effective leadership is necessary for change to occur, and reformers act as change agents by promoting a vision of an outcome state, monitoring progress toward the desired outcome state, and modifying reform efforts when needed. Reform leaders are persuasive advocates for change, effective facilitators of collaborations among organizations, and strategic negotiators able to influence policy-making. They seek to distribute power, authority, and responsibility among system stakeholders.

The KRA has had several leaders with the chief executive officer being the commissioner general. Up to date the Authority has had five commissioner generals. In terms of reforms there is not much documentation regarding the first four commissioners, the argument being that their tenures were not long enough for any meaningful reform initiatives to be conceived and implemented. The researcher found out that the current commissioner general was the lead person in the systemic change process, and he is the one who came up with the first proposal to adopt new information processing systems.

The systemic changes were carried out through project teams implementing the tasks contained in the strategic plans in consultation with both internal and external stakeholders. The project section was involved in the preparation of reform projects, governance structures, appointing project managers and teams to spearhead the changes. It was also indicated that there were no change agents used in carrying out systemic changes but agents were being identified among the staff and plans to train them were ongoing.

#### **4.3.4 Project Design and Development**

It was established that the project management and business office (PMBO) was responsible for the KRA systemic change project design and development. Through this office KRA ensures that the systemic changes capture all aspects of its departmental operations by involving all staff in the process of change. KRA has various phases of its corporate plan which is reflected in the KRA new information processing systems through the performance contracts. The PMBO serves a crucial role in the reform process. It acts as the custodian of project guidelines, metrics, standards and methodologies, offering project management consulting and mentoring and acting as the hub for project management best practices. PMBO developed a project management structure that defined how all reform projects across the organization should be structured and managed. The structure has ensured that all stakeholders are involved and a proper communication structure is in place within the projects. The PMBO also developed a project management handbook, which outlines standardized project management guidelines to deliver a professional approach to managing projects.

#### **4.3.5 Coordination, Monitoring and Evaluation**

According to the findings, monitoring and evaluation of implementation was done by the management staff and the project team. The project teams prepared respective project implementation plans which were duly approved. The staff were sensitized on changes taking place and the progress being made through memos, meetings and bulletins, while external stakeholders and the public were sensitized on changes taking place and the progress being made through press notices, pamphlets consultative meetings and workshops.

The project team was responsible for planning, coordinating and organizing all activities. Among the same team, were officers whose role was to provide direct support to ensure the servers and supporting equipment were up and running. Backups were also done on a daily

basis and the team also ensured that all facilities were availed. The management staff had a role to escalate complex emerging issues to the relevant parties like the strategic team, whose responsibility was to prepare and load data, install and configure new applications and infrastructure, and provide software tools. The role of the management staff was also to provide daily reports, identify, sensitize and train target taxpayers. The researcher also established that the project manager ensured necessary preparations were in place and that all emerging issues were resolved. The project manager was also responsible for overseeing the training of users and that the publicity and marketing was done.

#### **4.3.6 Communication**

It is important to promote change across the various levels within the organization. Two-way communication with employees and their active involvement in implementation has also been identified as a key enabler of change. Active participation is one suggested means of overcoming resistance to change. However research has indicated that part of the communication/participation issue might arise from a potential mismatch between what the employer and employee opinions are regarding levels of communication (Blanchard 2003). It is important for reformers to establish and maintain ongoing communications with relevant stakeholders and other affected parties. This communication serves to promulgate the vision and related ideals, garner support, urge change, coordinate initiatives, and publicize results. Furthermore, ongoing communication among individuals at different levels of the system serves to ground the reform effort in the concerns of stakeholders.

The researcher found out that the concept of systemic change was communicated to the entire organization through memos, leaflets, meetings, bulletins, sensitizations, messages passed through KRA intranet, word of mouth among staff and also through the commissioner general's conferences.

To the external customers communication was through public notices, the internet, and the print and electronic press. The external stakeholders also got communications by physically visiting the KRA offices, through enquiries by telephone, and through such forum as the taxpayer services (TPS) week and tax clinics.

#### **4.3.7 Overcoming Resistance**

According to Degnegaard (2006) people resist change for many reasons: they do not understand the need for change: they feel threatened and uncomfortable using new technology; they fear loss of control and loss of power; and/or they may fail to appreciate the benefits of new systems as workload increases in the short term. Other suggested reasons include uncertainty and competence fears. This resistance to change often means that new systems are not used to their full potential and in many cases fail to return on the investment. It is therefore important to diagnose the cause of employee resistance as this will determine the focus of effort in trying to reduce or remove the issue.

KRA envisages continuous consultation with its key partners on the implementation of the new systems. In addition, the Authority believes that more effective stakeholder interaction will result into a better tax system being implemented. This kind of interaction generates creative and effective solution to implementation problems. This forum is unique in many ways since it touches on areas of interest to quite a number of institutions. To achieve the objectives of these consultative forums, KRA considered creating a stakeholder forum within the project governance structure to facilitate exchange of views and solicit support for the project by all stakeholders. KRA's experience in the past points to the fact that stakeholder involvement is very crucial to the success of initiatives geared towards improving tax administration. The forum therefore was aimed at obtaining and incorporating the views of the stakeholders in addition to giving an update on the progress of the project (KRA,2009).

From the findings, it was indicated that necessary preparations for systemic change were done in respect to stakeholder involvement. The KRA considered undertaking necessary legislative changes, and ensured that the relevant changes were in place. There was both human and capital resource mobilization. To further curb opposition there was capacity building and training of all stakeholders. This was done through workshops and seminars. This correlates with Lane (1997) who says that systemic change should involve all of the stakeholders to the system and design for systemic change should not occur in isolation of its members.



However, there were still occurrences of resistance. The researcher found out that resistance took the form of staging of street protests by a section of taxpayers. Other external stakeholders took to instituting court cases against some reforms being undertaken, and yet still some stakeholders lobbying parliament to reject some reforms proposals. It was found out that there were protest letters by sections of stakeholders and anonymous letters to KRA top management expressing negative attitudes towards reforms. Resistance was also encountered when the Simba and ETR systems were introduced. Staff and taxpayers also objected to the changes introduced at Road Transport Department, for instance automation of the receipting system. However, majority of taxpayers who objected were the so-called 'brief case' taxpayers and 'brokers' who were benefiting from the manual and lengthy processes.

There was also resistance by staff and this involved cutting of computer cables to disable computer systems containing the new changes. According to the findings there was also a go-slow by staff thereby causing long queues in service points and creating new tension between KRA and taxpayers because of poor service delivery. This was addressed by the systemic changes being communicated to all stakeholders, all stakeholders being involved in the process, training of the staff on the need for change and in some cases coercion was used by transferring some staff from the sections where the change was taking place. However, in some cases staff were dismissed from the organization for becoming a road block to reforms being undertaken. These findings collates with previous findings by Duffy (2008) who felt that to be successful, there is need for support and participation of internal and external stakeholders who might have different ideas about what is best for the system and its users. Due to the fact that most decisions are made without consultation of the members that will ultimately be involved, most changes do not work and are usually met with adversity and sometimes sabotage. The methods employed in managing resistance to change collates to the ones proposed by Kotter and Schlesinger (1989).

According to Reigeluth and Garfinkel (1994) without the backing, support, and involvement of the stakeholders during the development and design phases, systemic changes are almost guaranteed not to work. This is evidenced at the introduction of these reforms where there was poor involvement at the design stage, of the staff and some stakeholders. At the initial stage of the implementation of the reforms there was a lot of resistance from the taxpayers. Examples are the introduction of the Simba system which is computer system of clearing goods on-line from the traditional manual clearing. Despite the efficiency and many

advantages, this system had resistance due to the poor involvement of all stakeholders and staff.

According to Kotter and Schlesinger (1989), dealing with resistance to change can be done using various ways. The first is education and communication, where resistance can be reduced through communication with employees to help them see the logic of change. This tactic basically assumes that the source of resistance lies in the misinformation or poor communication. The second way is participation and involvement. It's difficult for individuals to resist change in decisions in which they participated. Prior to making the changes those opposed can be brought into the decision process. Thirdly, facilitation and support through change agents can offer a range of supportive efforts to reduce resistance. When employees' fear and anxiety are high, employee counseling and therapy, new skills training, or short paid leave of absence may facilitate adjustment. The fifth way to deal with resistance is manipulation and co-optation. Manipulation refers to converting influence attempts. It involves twisting and distortion of facts to make them appear more attractive, withholding undesirable information and creating false rumors to get the employees accept a change.

Basic rules for effective management of change as elucidated by Kotter (1995) in his works 'Leading Change' suggest that; managing organizational change will be more successful if one applies the following principle: Change management entails thoughtful planning and sensitive implementation, and above all, consultation with, and involvement of, the people affected by the changes. The respondents were in agreement that that the KRA spared some time to anticipate the changes it was to undergo. Thus it can be concluded that this basic principle of thoughtful planning was considered. The project managers said that KRA has its own project document outlining its goals, purpose and objectives, which is contained in the larger Corporate Plan with several components. KRA considers these particular project components to be its priorities for donor support and has strong ownership of this project.

#### **4.3.8 Integrating the New Processes**

The researcher found out that in CSD, there existed the BOFFIN, an outdated system which posed numerous operational challenges to revenue collection in the Department. The BOFFIN System had become increasingly vulnerable due to age, unreliability, and associated institutional weaknesses coupled with bureaucratic and discretionary procedures. The processes in this department were characterized with lengthy queues, tedious data capture processes and the integrity issues at the Customs Clearance offices. Another important process worth noting is the payment of duties which was slow and posed a risk on collection of revenue, thereby providing complete inaccuracy of the audit trails.

In order to deal with the above issues, BOFFIN was replaced with the Simba2005. According to the research findings, the Simba came into effect in 2005. The new Simba2005 system has since been the epicenter of customs modernization in Kenya and has received numerous commendations from tax administrators in Africa and beyond. It has enabled the automation of about 90 per cent of customs operations and dispensed the need for taxpayers to physically visit KRA offices due to the web based characteristic of the system. Currently taxpayers can remotely lodge entries electronically if they have access to the internet and directly bank customs duties and other fees through local commercial banks. The researcher further found out that the Simba2005 has revolutionized the conduct of customs business by introducing on-line lodgment of manifest and entries, electronic processing, automated reports and reconciliation, electronic presentation of customs entries, automatic calculation of duties and taxes, and internal accounting.

In the past, once documents were processed they would be counter checked by the officer in charge and then delivered to the release points in a diplomatic bag. In the event there was no transport to deliver the documents it resulted in delays thus cost implication and hindrance to trade facilitation. This also provided an opportunity for manipulation and/or substitution of documents in the bag.

Under the Domestic Tax Department (DTD), the researcher established that the challenge was the perennial problem of poor record keeping for business transactions. Traditionally, VAT registered persons are supposed to keep specific records in a manner which has been overtaken by technological changes including the use of computerized accounting packages. Taxpayers for a long time have been known to keep two sets of accounts, thereby cheating

the Authority by concealing taxable income. Other issues are internal to the organization and have to do with employee integrity, tedious, mostly erroneous, data capture by insufficient staff, which negatively impact on revenue collection.

The introduction of the Electronic Tax Register (ETR) in 2005 as an enforcement tool was aimed at addressing the perennial problem of poor record keeping for business transactions. The ETR system has enforced improved and secure receipting and record keeping methodologies. It was further established that extensive study visits to Italy, Greece and Turkey were made before the system was introduced.

Another major achievement that was established in DTD is the Integrated Tax Management System (ITMS). This is a key systemic change that has successfully been implemented. Among the services that have been rolled out is the online registration of taxpayers which include: Personal Identification Number (PIN) application and registration of a variety of tax obligations like VAT, Excise Duty, Pay As You Earn (PAYE) and Corporation Tax. The electronic filing of returns is yet another major systemic change that has taken place in this department. Taxpayers can now access these services without visiting the KRA offices, so long as there are internet facilities in place.

The Road Transport Department (RTD) has lacked a process which allows seamless flow of motor vehicle details from the Customs Department and the collection of registration fees. A good system should significantly facilitate clearance and expedite registration of imported motor vehicles, and thus simplify revenue collection process.

In this department, it was found out that a new system was put in place in 2007. The new system was the integration of the Simba2005 and the Vehicle Management System (VMS). It created an interface between the Road Transport Department and the Customs Services Department processes which allowed seamless flow of motor vehicle details into the VMS. In the same year collection of registration fees was co opted in Simba2005. This significantly facilitated clearance and registration of imported motor vehicles. The implication of this development is that once a car is imported, the full registration and clearance process are simultaneously carried out and it leaves the port with a number plate. This process has now been streamlined and it has expedited the clearance of motor vehicles from the port and simplified the revenue collection process. In the same department the researcher established

that the Driving License Management System (DLMS) was implemented recently. The aim is to enhance efficiency in processing of driving licenses.

The findings indicate that KRA will continue to enhance integration of ITMS, VMS/ integrated RTD system, simba system, Common Cash Receipting System (CCRS) and other systems. These systems will be available through the KRAonline. The enhancement of RTD and CSD systems will incorporate registration of transit motor vehicles to avoid the diversion and fraudulent registration of transit and overage vehicles in the local market. KRA began piloting the CCRS, which provides a platform for payment of taxes. It will enable taxpayers to pay their taxes at any of the KRA offices and provide a platform for integration with banks' systems. The CCRS seeks to provide a harmonized payment method across the KRA with the capacity to support remote data transmission between the Authority, taxpayers and the banks. CCRS provides a further plank that broadens the KRA's service menu in complement with existing or planned systems such as Simba2005 and the ITMS. In respect of the latter, the CCRS will form part of the electronic payments systems that enables taxpayers to settle tax obligations from their desktops.

#### **4.3.9 Evaluation of the Systemic Change Process**

It is observed that both the planned and emergent approach to change management is evident in the systemic change processes at the KRA. In the Kotter's (1995) eight models, each stage acknowledges a key principle identified by Kotter relating to people's response and approach to change, in which people see, feel and then change. In this study Kotter's models were applied to ascertain whether KRA's success of the reforms were as a result of application of these models.

Kotter's eight models can be summarized as follows: Increase urgency - inspire people to move, make objectives real and relevant; Build the guiding team - get the right people in place with the right emotional commitment, and the right mix of skills and levels; Get the vision right - get the team to establish a simple vision and strategy, focus on emotional and creative aspects necessary to drive service and efficiency; Communicate for buy-in - Involve as many people as possible, communicate the essentials, simply, and to appeal and respond to people's needs. De-clutter communications - make technology work for you rather than against; Empower action - Remove obstacles, enable constructive feedback and lots of support from leaders - reward and recognize progress and achievements; Create short-term

wins - Set aims that are easy to achieve - in bite-size chunks. Finish current stages before starting new ones; Don't let up - Foster and encourage determination and persistence - ongoing change - encourage ongoing progress reporting - highlight achieved and future milestones and make change stick - Reinforce the value of successful change via recruitment, promotion, and new change leaders. Weave change into culture.

Going with each of these eight principles in the Kotter's model the research deduced the following: First KRA made the objectives real and relevant. The process of change was carried as follows: Top management meetings to give strategic direction and get ownership; Focused Group Discussion sessions held with KRA employees in the regions and head office. These were aimed at getting ideas relating to the Authority such as training, welfare and career progression, ways to improve processes and involvement of all staff in developing the plan; Proposals received from the stakeholders (taxpayers) and responses to questionnaires sent out to all stakeholders (taxpayers and employees). Key stakeholders responses were from Central Bank of Kenya, Institute of Certified Public Accounts of Kenya, Kenya International Frights and Warehousing Association, Ministry of Finance, Retirement Benefits Authority, and Kenya Association of Manufacturers. There are monthly meetings to review the implementation status of the reform projects by the steering committee.

Another observation is the evident application of Satir's model of systemic change. In this model, the change process starts with the introduction of some "foreign element," which might be a new system or a new manager or a new performance mandate from on high, disrupting the "Old Status Quo." "Chaos" ensues and performance both falls and becomes more erratic until a "transforming idea" develops or is introduced. This transforming idea constitutes a new theory about how to operate in the new system. With a good transforming idea in place, there is a period of integration and practice as the organization learns how to perform in its new configuration. Eventually, we reach a "New Status Quo" operating a new, hopefully higher, level of performance (Box, 2008). This can be seen by the way the KRA management introduced new information processing systems, the stakeholders both internal and external resisted causing chaos, there was integration as learning took place and finally a new status quo was reached.

## **CHAPTER FIVE: DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter presents the summary of key data findings, conclusion drawn from the findings are highlighted and recommendations made there-to. The conclusions and recommendations drawn are in quest of addressing the research question or achieving the research objective which is the systemic change management practices at KRA.

### **5.2 Discussions**

The main drivers behind systemic changes at KRA include change in technological environment, decline in revenue collection, reduced level of compliance, poor service delivery, duplication of functions and resources, non achievement of core mandate of KRA, poor staff attitudes, corruption, manual business processes, increased cost of taxpayers compliance, inadequate resources (capital and human) poor corporate image and high administrative and compliance cost. All these factors have been collapsed in two main ones which are poor service delivery and the change in technological environment.

The KRA usually develops a three year corporate plan. The financial year 2009/10 marks the first year of the current and fourth corporate plan 2009/10-2011/12. The theme of this plan is “attaining international best practice in revenue administration by investing in a professional team, deepening reforms and quality service delivery to enhance compliance”. It is these plans that have guided KRA in the continuous implementation of reforms and administrative measures to enhance revenue collection. In these reforms include the systemic changes that continue to take place.

The KRA spared time to anticipate the systemic changes it was to undergo by conducting various studies, preparation of situational analysis reports, besides corporate plans which spell out the changes to be implemented and the respective time frames for completion. In order to come up with the best systems, a delegation comprising of the KRA and treasury officials visited countries with renowned modern tax systems. The Authority also held senior management workshops and conferences, in which sensitization of the impending changes were made.

KRA created taxpayer services (TPS) division to organize awareness campaigns on television and through electronic media broadcasting. There was also sponsorship of themes on tax issues at drama and music festivals, routine sensitization of newly registered taxpayers, partnerships with university on development of tax curriculum and collaboration with the Ministry of Education. Concerted efforts were also made to make compliance easier for taxpayers who wanted to comply voluntarily. This was done by, for instance, publishing pamphlets, through the organization's website, organizing of sector-based and general seminars, and workshops, providing assistance to taxpayers in filling up tax returns, improving waiting areas and keeping tax offices open for longer hours on due dates. Efforts have also been made to reduce procedures, and re-engineering business processes.

The KRA has had several leaders with the chief executive officer being the commissioner general. Up to date the Authority has had five commissioner generals. The current commissioner general was the lead person in the systemic change process, and he is the one who came up with the first proposal to adopt new information processing systems. The systemic changes were carried out through project teams implementing the tasks contained in the strategic plans in consultation with both internal and external stakeholders. The project section was involved in the preparation of reform projects, governance structures, appointing project managers and teams to spearhead the changes. There were no change agents used in carrying out systemic changes but agents were being identified among the staff and plans to train them were ongoing.

The project management and business office (PMBO) was responsible for the KRA systemic change project design and development. Through this office KRA ensures that the systemic changes capture all aspects of its departmental operations by involving all staff in the process of change. KRA has various phases of its corporate plan which is reflected in the KRA new information processing systems through the performance contracts. The PMBO serves a crucial role in the reform process. It acts as the custodian of project guidelines, metrics, standards and methodologies, offering project management consulting and mentoring and acting as the hub for project management best practices. PMBO developed a project management structure that defined how all reform projects across the organization should be structured and managed. The structure has ensured that all stakeholders are involved and a proper communication structure is in place within the projects. The PMBO also developed a



project management handbook, which outlines standardized project management guidelines to deliver a professional approach to managing projects.

Monitoring and evaluation of implementation was done by the management staff and the project team. The project teams prepared respective project implementation plans which were duly approved. The project team was responsible for planning, coordinating and organizing all activities. Among the same team, were officers whose role was to provide direct support to ensure the servers and supporting equipment were up and running. The management staff had a role to escalate complex emerging issues to the relevant parties like the strategic team, whose responsibility was to prepare and load data, install and configure new applications and infrastructure, and provide software tools. Another role of the management staff was also to provide daily reports, identify, sensitize and train target taxpayers. The researcher also established that the project manager ensured necessary preparations were in place and that all emerging issues were resolved. The project manager was also responsible for overseeing the training of users and that the publicity and marketing was done.

The concept of systemic change was communicated to the entire organization through memos, leaflets, meetings, bulletins, sensitizations, messages passed through KRA intranet, word of mouth among staff and also through the commissioner general's conferences. To the external customers communication was through public notices, the internet, and the print and electronic press. The external stakeholders also got communications by physically visiting the KRA offices, through enquiries by telephone, and through such forum as the taxpayer services (TPS) week and tax clinics.

KRA envisages continuous consultation with its key partners on the implementation of the new systems. In addition, the Authority believes that more effective stakeholder interaction will result into a better tax system being implemented. This kind of interaction generates creative and effective solution to implementation problems. This forum is unique in many ways since it touches on areas of interest to quite a number of institutions. To achieve the objectives of these consultative forums, KRA considered creating a stakeholder forum within the project governance structure to facilitate exchange of views and solicit support for the project by all stakeholders. KRA's experience in the past points to the fact that stakeholder involvement is very crucial to the success of initiatives geared towards improving tax

administration. The forum therefore was aimed at obtaining and incorporating the views of the stakeholders in addition to giving an update on the progress of the project.

The necessary preparations for systemic change were done in respect to stakeholder involvement. The KRA considered undertaking necessary legislative changes, and ensured that the relevant changes were in place. There was both human and capital resource mobilization. To further curb opposition there was capacity building and training of all stakeholders. This was done through workshops and seminars.

However, there were still occurrences of resistance, which took the form of staging of street protests by a section of taxpayers. Other external stakeholders took to instituting court cases against some reforms being undertaken, and yet still some stakeholders lobbying parliament to reject some reforms proposals. There were also protest letters by sections of stakeholders and anonymous letters to KRA top management expressing negative attitudes toward reforms. Resistance was also encountered when the Simba and ETR systems were introduced. Staff and taxpayers also objected to the changes introduced at Road Transport Department for instance automation of the receipting system. However, majority of taxpayers who objected were the so-called 'brief case' taxpayers and 'brokers' who were benefiting from the manual and lengthy processes.

There was also resistance by staff and this involved cutting of computer cables to disable computer systems containing the new changes, and also a go-slow by staff thereby causing long queues in service points and creating new tension between KRA and taxpayers because of poor service delivery. This was addressed by the systemic change management being communicated to all stakeholders, all stakeholders being involved in the process, training of the staff on the need for change and in some cases coercion was used by transferring some staff from the sections where the change was taking place. However, in some cases staff were dismissed from the organization for becoming a road block to reforms being undertaken.

In CSD, the BOFFIN, an outdated system which posed numerous operational challenges to revenue collection in the Department was replaced with the Simba2005. The new Simba2005 system has since been the epicenter of customs modernization in Kenya and has received numerous commendations from tax administrators in Africa and beyond. It has enabled the automation of about 90 per cent of customs operations and dispensed the need for taxpayers

to physically visit KRA offices due to the web based characteristic of the system. Currently taxpayers can remotely lodge entries electronically if they have access to the internet and directly bank customs duties and other fees through local commercial banks. The researcher further found out that the Simba2005 has revolutionized the conduct of customs business by introducing on-line lodgment of manifest and entries, electronic processing, automated reports and reconciliation, electronic presentation of customs entries, automatic calculation of duties and taxes and internal accounting.

Under the Domestic Tax Department (DTD), the introduction of the Electronic Tax Register (ETR) in 2005 as an enforcement tool was aimed at addressing the perennial problem of poor record keeping for business transactions. The ETR system has enforced improved and secure receipting and record keeping methodologies. It was further established that extensive study visits to Italy, Greece and Turkey were made before the system was introduced. Another major achievement that was established in DTD is the Integrated Tax Management System (ITMS). This is a key systemic change that has successfully been implemented. Among the services that have been rolled out is the online registration of taxpayers which include: Personal Identification Number (PIN) application and registration of a variety of tax obligations like VAT, Excise Duty, Pay As You Earn (PAYE) and Corporation Tax. The electronic filing of returns is yet another major systemic change that has taken place in this department. Taxpayers can now access these services without visiting the KRA offices, so long as there are internet facilities in place.

The Road Transport Department (RTD) has lacked a process which allows seamless flow of motor vehicle details from the Customs Department and the collection of registration fees. In this department, a new system was put in place in 2007. The new system was the integration of the Simba2005 and the Vehicle Management System (VMS). It created an interface between the Road Transport Department and the Customs Services Department processes which allowed seamless flow of motor vehicle details into the VMS. In the same year collection of registration fees was co opted in Simba2005. This significantly facilitated clearance and registration of imported motor vehicles. The implication of this development is that once a car is imported, the full registration and clearance process are simultaneously carried out and it leaves the port with a number plate. This process has now been streamlined and it has expedited the clearance of motor vehicles from the port and simplified the revenue collection process. In the same department the researcher established that the Driving License

Management System (DLMS) was implemented recently. The aim is to enhance efficiency in processing of driving licenses.

The KRA will continue to enhance integration of ITMS, VMS,/ integrated RTD system, simba system, Common Cash Receipting System (CCRS) and other systems. These systems will be available through the KRAonline. Enhancement of RTD and CSD systems to incorporate registration of transit motor vehicles to avoid the diversion and fraudulent registration of transit and overage vehicles in the local market. KRA began piloting the CCRS, which provides a platform for payment of taxes. It will enable taxpayers to pay their taxes at any of the KRA offices and provide a platform for integration with banks' systems. The CCRS seeks to provide a harmonized payment method across the KRA with the capacity to support remote data transmission between the Authority, taxpayers and the banks. CCRS provides a further plank that broadens the KRA's service menu in complement with existing or planned systems such as Simba2005 and the ITMS. In respect of the latter, the CCRS will form part of the electronic payments systems that enables taxpayers to settle tax obligations from their desktops.

The management prepared for the switch from the legacy systems to the new systems in their section using the parallel method where the new and old systems were running together as the old system was being phased out and that the new system has helped in their day to day work or area of responsibility in eliminating paperwork, reduction of work backlog and generally improving efficiency. The KRA considered aligning the new systemic changes to the organization's culture, situation, visions and goals by considering where it has come from and where it want to be in future in line with the vision and also considered the acceptability of the change and possible resistance to the change. Further, KRA ensured acceptability among the various stakeholders and also minimized possible resistance through regular communication with the stakeholders on changes and the progress being made, change management programme/training introduced for staff, capacity building/training for all stakeholders and also through stakeholders (external and internal) involvement through consultations, seminars workshops, tax education, tax clinics and involvement of stakeholders in project teams.

In the findings, it was established that the top management require more training on change management; external independent persons need to be involved in the process, change

management practices has helped in improving the organization (KRA) making it have world class performance standards and that more new systems should be developed and implemented to cover all areas of operation.

The new systems have greatly succeeded and the public has been made more aware of what KRA is doing. The staff have become more technologically advanced, and there is increased accountability among them, as a majority of the functions are now automated. There is also improved corporate image of KRA, improved taxpayers cost of compliance, reduction of corruption, improved service delivery and increased revenue.

### **5.3 Conclusions**

The main drivers behind systemic changes at KRA include change in technological environment and poor service delivery. The KRA spared time to anticipate the systemic changes it was to undergo and the changes were carried out through project teams implementing the tasks contained in the plans in consultation with both internal and external stakeholders. Systemic changes have been successfully managed at KRA and the adoption the new systems have resulted in the public being made more aware of what KRA is doing, staff becoming more technologically advanced, increased accountability among staff, improved corporate image of KRA, improved taxpayers cost of compliance, reduction of corruption, improved service delivery and increased revenue.

This is evident from the recent achievement made by the organization, when KRA was awarded a certificate of excellence in service delivery. KRA scooped the first prize in the public administration sector in recognition of if excellence in showcasing public administration during the public service week, held in August 2008. KRA was also honoured in appreciation of its contribution to adoption of an Enterprise Resource Planning (ERP) system using the Free Open Source System (FOSS) during the first Kenya Open Source Award Ceremony held in May2009.

## **5.4 Limitation of the Study**

A limitation for the purpose of this research was regarded as a factor that was present and contributed to the researcher getting either inadequate information or responses or if otherwise the response given would have been totally different from what the researcher expected.

The main limitation of this study is that the sample of nine respondents was limited to employees based at the KRA headquarters in Nairobi leaving out potential information from stations outside Nairobi. This could have limited confidence in the results and this might limit generalizations to other situations. At the same time most of the respondents were busy throughout and had to continuously be reminded and even persuaded to provide the required information.

The study was carried out when KRA was still rolling out various changes in its reform and modernization processes, and there is a possibility that a true reflection of the effects of systemic changes at the organization could have been affected.

## **5.5 Recommendations**

The study recommends that for the staff to fully appreciate and use the KRA new systems comfortably there is need for more training in IT skills, more involvement of all stakeholders especially at the design phase, and provision of computers to all staff. The study also recommends that the top management should be given more training on change management and that external independent persons need to be involved in the process.

## **5.6 Areas of Further Research**

This study focused on the systemic change management practices at the Kenya Revenue Authority (KRA). Further research should also be conducted to determine the systemic change management practices in other state corporations in Kenya. The studies could use case study or survey designs.

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**APPENDICES**

**Appendix I: Letter of introduction**

Dear respondent,

**Re: Collection of data**

I am a masters’ program student at University of Nairobi, School of Business. In order to fulfil the master’s program requirements, I am undertaking a management research project on **“systemic change management at Kenya Revenue Authority (KRA)”**

You have been selected to form part of this study. I kindly request you to assist me to collect information by filling out the accompanying interview guide.

The information provided will be used purely for academic purposes and will be held in strict confidence. Thank you.

Yours faithfully,

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## Appendix II: Interview Guide

**NB:** The information provided will be treated confidentially and will purely be used for than academic purposes.

Kindly answer all questions by filling in the spaces provided.

### **(For projects section interview)**

1.     (a) What were the main drivers behind systemic changes at KRA?  
       (b) How was the concept of systemic change communicated to the entire organization and the external customers?
2.     (a) What were the objectives of the systemic changes meant to achieve?  
       (b) Do you think the changes were timely and appropriate?
3.     What was the role of this section?
4.     Who were/was the lead person/officer in the KRA systemic change project design and development?
5.     (a) Who came up with the first KRA systemic change proposals?  
       (b) How does KRA ensure that the systemic change captures all aspects of its departmental operations?
6.     KRA has various phases of its corporate plan, how is this reflected in the KRA new information processing systems?
7.     What is your comment on the success or failure of these new systems?
8.     a) Did the organization spare time to anticipate the systemic changes it was to undergo?  
       b) Were there necessary preparations for systemic change?  
       c) How were they done?
9.     a) Were change agents used in carrying out systemic changes?  
       b) If yes which change agents did KRA use and how were they used?  
       c) How were the changes carried out?
10.    Any other information you may want to share about your experience on new systems application?

### **(For the top & middle management interview)**

1. What is the mandate of this division/section and how does it contribute to the overall KRA objective?
2. How was KRA adoption of new information processing systems communicated to you?

- a) How did you communicate the introduction of the new systems to KRA staff under you?
- b) Was the same communication passed on to the external customers? If yes how was it done?
3. How did you prepare for the switch from the legacy systems to the new systems in your section?
5. How has the new system helped in your day to day work or area of responsibility?
6. What is your comment on the success or failure of using the new systems in your division/section?
7. Did KRA consider aligning the new systemic changes to the organization's culture, situation, visions and goals?
8. a) Did KRA consider the acceptability of the change and possible resistance to the change?  
b) What did KRA do to ensure acceptability among the various stakeholders and minimize possible resistance?
9. What is your view on systemic change management practices in KRA?
10. Any other information you would like to share regarding the introduction of new systems at KRA?

#### **Interview Guide (For non management staff interview)**

1. a) Have you ever heard about the KRA new information processing systems?  
b) How did you get to hear about them?
2. How does your section use the new systems in its day to day operations?
3. Is there any relationship between KRA new information systems and KRA corporate strategy?
4. What would you like to see done so that you can fully appreciate and use the KRA new systems comfortably?
5. How would you compare the legacy systems and the new systems?
6. What is your comment on the success or failure of the new systems?
7. a) Was there resistance to change?  
b) If so what form did it take and how was it addressed?
8. Any other information you would like to share regarding the introduction of new systems at KRA?