CHANGE MANAGEMENT PRACTICES ADOPTED BY KENYA REVENUE AUTHORITY IN ITS REFORM AND MODERNIZATION PROGRAMME

BY

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DECLARATION

This management research project is my original work and has never been presented for the award of a degree in any other university or institution of learning.

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Date: 18th October 2007.

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

Signed: DR. MARTIN OGUTU

Date: 19th/10/2007

DEPARTMENT OF BUSINESS ADMINISTRATION

SCHOOL OF BUSINESS

UNIVERSITY OF NAIROBI
DEDICATION

To the Lord Almighty Jesus Christ who enabled me to undertake this course to completion. Glory be to His Name.

Isaiah 40:31 “but those who hope in the LORD will renew their strength. They will soar on wings like eagles; they will run and not grow weary, they shall walk and shall not faint”.
ACKNOWLEDGEMENT

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My sincere appreciation and gratitude goes to my supervisor Dr. Martin Ogutu for the guidance and invaluable advice he gave me during this entire research period and for availing time in between his busy schedule.

I also thank all my lecturers for guiding me through the course. My great appreciation and gratitude to the entire staff and administration of Kenya Revenue Authority for allowing me to undertake this study and for the support they gave me.
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ABSTRACT

The objective of this study was to determine the Change Management Practices adopted by KRA. The study was conducted through a case study of KRA. Six respondents from the firm were interviewed and then asked to fill a semi-structured questionnaire.

It was found that there have been a lot of changes in the firm that have prompted the management to effectively manage change. New departments have been created, others merged while others split in a bid to deliver better services to clients. Similar to organizations, resistance to change was inevitable but the management was able to contain the pressures that wanted status quo to prevail. The changes have been mainly internal where the change agents have been incorporated into the management system to specifically deal with the issue of change management. Through the strategic plan, KRA has laid down the objectives that each department has to channel its resources and energy towards. The company had long anticipated the changes and had prepared itself to embrace them and deal with those who do not believe in questioning why things must remain the same.

It can be concluded that in undertaking the Reform and Modernization Program, KRA’s management should consider that change management, communication, automation and staff involvement are essential components that will determine program success. Priorities are to ensure that from the onset and throughout the reform period, comprehensive change management and communication initiatives are undertaken and that there is technical capacity to design a credible implementation strategy. This will facilitate the necessary buy-in from management and staff, and the wider public and ensure reforms are implemented on a common platform. While reforming itself, KRA has to consider regional issues such as the development of the East African Community, and the move towards the East African Federation. Consideration will be given to what the other East African countries are undertaking in reform of their revenue bodies.
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<th>Acronym</th>
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<tr>
<td>AIDS</td>
<td>Acquired Immune Deficiency Syndrome</td>
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<td>CDF</td>
<td>Constituency Development Fund</td>
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<td>Chief Executive Officer</td>
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<td>East African Community</td>
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<td>LATIF</td>
<td>Local Authority Transfer Funds</td>
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<td>LTO</td>
<td>Large Taxpayers Office</td>
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<td>PMBO</td>
<td>Programme Management and Business Analysis Office</td>
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<td>PSI</td>
<td>Pre-Shipmennt Inspection</td>
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<td>PSV</td>
<td>Passenger Service Vehicle</td>
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<td>RARMP</td>
<td>Revenue Administration Reform and Modernization Programme</td>
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<td>RTD</td>
<td>Road Transport Department</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background

In an ever-changing global economy Johnson and Scholes (2003) notes that organizations must find ways for operating by developing new competences as the old advantage and competences gained is quickly eroded owing to environmental changes. Because of the fact that changes are a necessity in private as well as public sector, every organization must change with the environment otherwise it would become irrelevant. Rose and Lawton (1999) observes that changes in the public service arise out of the need for efficiency, economy, effectiveness, performance evaluation ethics and market concerns. Rising demand for services and expectations of quality of those services have placed extreme pressure on managers and their organisations, depicting change as a continuous episode in the life of corporations.

1.1.1 Change management

Johnson and Scholes (2002) define change management as the deliberate and coordinated actions taken to transform an organization to overcome environmental challenges in order to achieve its objectives. Hence organisations are undertaking strategic changes in order to align their business strategies to the environment thereby matching the resources and activities of an organisation to that environment. Hill and Jones (2001) further views change management as a move from a present state to a future state that increases competitive advantage. They further propose the following in addressing change management; determining the need to change, determining obstacles to change, implementing the change and finally evaluating the change.

Kanter (1997) on his part says that change management will require; tuning into the environment, challenging assumptions, crafting a vision, using diplomatic skills to get favourable responses (this builds coalitions of backers), keeping actions moving by handling interferences/resistance, maintaining the momentum, incorporating emergent developments and never losing sight of the overall goal.

Strategic change management is defined as actions, processes and decisions that are executed by an organization’s members to realize their strategic intentions Hardy (1995). This helps organizations to achieve the highest impact, efficiency and have the least interruption and negative consequences. According to Hardy (1994) managing strategic change is about
managing the unfolding non-linear dynamic processes during strategy implementation. It involves change or alignment in policy, systems, styles, values staff and skills of an organization to realize a strategy Peters (1994).

Further definition by Lamb (1984) views Strategic change management as a process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [i.e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment, or a new social, financial, or political environment. Hence management of strategic change is seen as how to create conditions that makes proactive change as a natural way of life.

1.1.2 Kenya Revenue Authority (KRA)

Kenya Revenue Authority (KRA) is a state corporation established by an act of Parliament of July 1st, 1995 Cap 469 as a central body. The authority is charged with the responsibility of collecting revenue on behalf of the government of Kenya. The authority is under the general supervision of the Minister of Finance (Treasury). The Authority’s mandate and core business is to assess, account and administrate and enforce all the laws relating to revenue. KRA’s role is assessment, collection, administration and enforcement of laws relating to revenue; restoring economic independence be it elimination of budget deficits and creating organisation structures that maximize revenue collection.

KRA has faced several challenges both external and internal factors ranging from Political, Technological, Legal and Social. These include, among others, the ever widening informal sector and technological advancement, which have led to increased cases of tax avoidance and evasion. Other challenges related to economic integration and regional trading blocs; the HIV/AIDS pandemic, have also contributed to erosion of the tax base. In addition Departments were operating autonomously and lacked managerial cohesiveness and personal approach to customer needs. Income Tax and Vat were under the Ministry of Finance while the Road Transport Department (RTD) was under the Ministry of Roads.
Since its inception in 1995 KRA has undertaken several strategic changes. These were guided by the organisation's vision and mission statements. In response to managerial concerns, KRA has undergone major strategic changes refocusing its business from the traditional authoritative ways of collecting tax to a more modern and customer-friendly approach; change of leadership and various reforms in its management. In regard to structure, KRA has implemented changes which include restructuring departments in order to centralize key operational areas; review and modernization of operational processes to improve efficiency and effectiveness; improving internal resource capabilities through staff appointments and training, that is, there was a merging of different cultures to form one organization. These are supported by the introduction of appropriate technology for increased efficiency.

After putting in place the institutional strategic changes to counter these challenges in key policy and structural reforms since 2003, the following major benefit has been realized, Kenya Revenue Authority revenue collection grew by 48% from KShs. 201.7 billion in 2002/2003 to KShs. 297.7 billion in 2005/06\(^1\). However, the cost of collection rose from 1.6% in 2002/03 to 1.9% in 2005/2006 due to costs associated with the implementation of the Reform and Modernization Programme (KRA's Third Corporate Plan 2006/7-2008/9).

Some of the major changes being implemented within KRA are:

Merging of Income Tax and VAT Departments; Income Tax and VAT departments were merged to form the Domestic Taxes Department (DTD). Roll-out of Direct Banking; KRA implemented direct banking of Customs duties and VAT collections. The importers/agents are now required to assess the duties and taxes due then pay directly into the bank. This system has minimized documentation and revenue leakage. Time Release; the facilitation of the time release study in 2004 and consequent implementation to ensure clearance procedures are effectively managed and goods clearance in a timely manner; Takeover of Pre-Shipment Inspection (PSI) Functions; facilitated through issuance of Import Declaration Forms (IDF), training staff on valuation functions, post-clearance audit and cargo tracking. Strengthening of the Investigation and Enforcement Functions; Investigation and Enforcement functions have been strengthened through merging of the Investigation units and Revenue Protection Services into a single department. Taxpayer Education and Awareness; This was done to enhance the effectiveness of the Taxpayer Education and Awareness Programmes. Consolidation of operations and restructuring; To enhance administrative efficiency the
Authority restructured and harmonized its country wide operational boundaries into five (5) regions.

The Kenya Revenue Authority has the following key strategic goals in its Reform and Modernization Programme, namely:

- Develop a dedicated and professional team – dedicated to be an employer of choice that values staff empowerment and institutionalizes professionalism.
- Re-engineer business processes and modernise technology - dedicated to employ integrated solutions and processes that ensure operational excellence and single view of the taxpayer.
- Improve and expand taxpayer services – dedicated to minimise stakeholder implicit and explicit compliance costs by focusing on client based tax administration procedures.
- Enhance Revenue Collection, improve compliance and strengthen enforcement – dedicated to shift the reform programme to enable achievement of the revenue target at the least cost.

In essence the overall role, goal and objective is to have KRA as a one stop shop for all its services under its operations.

1.2 Research Problem

Since KRA plays an important role in the economy i.e. contributing Kshs. 360 billion in financial year 2006/07\(^1\) and contributing Kshs. 274 billion in financial year 2004/05, which accounted for over 93% of total government revenue, with the rest coming from development partners (KRA's Third Corporate Plan 2006/7-2008/9). Consequently the funds collected being used to run the economy, providing the Kenyan public with goods and services throughout the country, which includes sustaining the Health sector, Education and Infrastructure among others.

In response to this KRA embarked on an ambitious plan in implementing its Reform and Modernization Programme to meet the revenue collection as taxpayers continued to demand value for money and justification which placed a considerable heavy burden to the major revenue collector. Hence establishing the various Reform and Modernization Programme Change structures, KRA had a clear vision on what it wanted to achieve now and in future.

\(^1\) Source: KRA Commissioner General's press release on the financial year 2006/07 revenue performance.
KRA had little room to fail as this would be detrimental to the country’s well being which considerably relies on it to run the economy. It’s at this stage that change management comes in to place and becomes a core objective in ensuring effective change reforms implementation and sustainability are successful. On other hand the role played by lower cadre employees cannot be overlooked in terms of reform management, information sharing, and working environment as this can suggest inconsistent coordination with the top management. This kind of scenario is likely to breed haphazard perceived impact despite the good intentions of the Reform and Modernization Programme. Currently KRA admits that tax payers are not adequately informed; the new management structure has been slow and not fully internalised; lack of full commitment towards implementation and still lacks a communication strategy, all these are well elaborated in the KRA’s 2005/2006 Annual Action Plan and Third Corporate Plan 2006/07-2008/09.

Considerable studies on change management in Kenya have been done. Bett (1995) found out that due to economic reforms in the country, firms in the dairy industry made substantial changes in their change management in order to survive in the turbulent environment. This finding is supported by Njau (2000) who notes that there is need to change when environmental conditions change. A study by Kandie (2001) concludes that whereas Telkom Kenya Limited realized the need to change their strategy due to change in the competitive environment, they lacked finances and managerial empowerment. Although further studies by Mbogo, Rukunga, Ogwora (2003) and Kathuka (2004) noted that more Kenyan organizations have responded to the changing environmental conditions; they did not focus much on how changes in management have been managed and the impact on the introduction of reforms and modernization in public corporations in order to ensure sustained success. Mwangi’s study (2006), focused on the application of the balanced scorecard in the implementation of strategy at KRA while study by Charles Korir (2006) found out that KRA in general, perceived social responsibility (arguments) in favour of the concept to be more important (valid) than the argument against it. Further study by Kieleko (2006) found out that the tax reforms initiated had a positive significant effect on the responsiveness of the tax system at KRA.

There has been Apathy and Uncertainty at KRA. It is important to study KRA’s Change Management Practices during the period the programme is going on. Not many studies have been done to ascertain how change has been managed and the perceived impact of the practices adopted in public reforms sector and no study has been done on KRA in particular
to determine the Change Management Practices adopted at KRA in its Reform and Modernization Programme. Hence the knowledge gap exists. Taking all this into account, it is important to study the practices KRA have used in the Reform and Modernization Programme. The study will focus on practices KRA adopted in carrying out its Reform and Modernization Programme, to bridge the gap. The research seeks to answer the following question. How has KRA managed changes relating to its Reform and Modernization Programme?

1.3 Research Objectives

The objective of the study was:

To determine the Change Management Practices adopted by KRA in its Reform and Modernization Programme.

1.4 Importance of the Study

The results of the study are important to the practitioners and academicians both in the private and public sector by contributing to the existing body of knowledge in the area of strategic management in general and strategic management in particular. Academicians can use findings for further research, while practitioners may apply lessons in planning and implementing future changes.

The study can also be of importance to government agencies whose interest lies on improved services delivery for economic development and creating investor confidence. It will assist the government in pointing out areas of difficulties in the allocating of resources towards addressing priority needs. The findings of the study will also help the government in formulating a policy on the regulatory process in the economy in the areas that necessitate strategic change management, in order to ensure orderly economic growth and development.

More specifically, the study assists KRA in improving change management in its future programmes. KRA's Management also can be able to identify the most appropriate and
sustainable change management practices needed to successfully manage change and to ensure sustained maximum revenue collection for provision of public goods and services, for a stable economy.

The study provides a platform for further research in the area of change management and in particular the practices that will contribute to successful strategic change management in Kenyan state corporations, parastatals and more specifically KRA.
2.1 Theoretical Foundations of Change Management

Change is any planned or unplanned transition from one scenario to another. Change could be biological, chemical, physical or strategic change. Strategic change is long term in nature, effects the entire organization and aims at achieving effectiveness. Operational change on the other hand is short term in nature, effects sections of the organization and focus on efficiency.

According to Burnes (1998) there are three schools of thought that form the central planks on which change management theory stands; first there is the individual perspective school which assumes that individual behavior results from his interaction with the environment. Human actions are conditioned by expected consequences and behavior is rewarded to be repeated and vice versa. Psychologists argue that behavior is influenced by external stimuli. Second there is the group dynamics school, which argues that individuals' behavior is a function of group environment. Individuals behave in a way that conforms to group pressure, norms, roles and values. Change focus in such a case should be on influencing group norms, roles, and values to bring about successful strategic change. And third there is the open systems school whose focus is on the entire organization. It sees the organization as being composed of different sub systems, which are the goals and values sub systems, the technical subsystem, the psychological sub system and the managerial subsystem Miller (1967). A change in one part of the system has an impact on other parts of the system. Change can therefore be achieved by changing the sub systems but one then needs to understand the interrelationship of the subsystems.

2.2 The Concept of Change Management

In recent dialogue concerning organizational change, there has been broad consensus that increasing environmental instability and uncertainty are forcing companies to change continuously Brown and Eisenhardt (1997). However, change itself is a risky and often haphazard and improvised process reaching unsatisfactory results in many companies, sometimes even leaving them worse off than before Katzenbach and Smith (1993). For example, reform change had considerable challenges in their implementation in countries
such as; Argentine where the reforms had disagreements on the benchmarking and funding was inadequate, in the Philippines there were difficulties in customs software development and in Senegal there was weak supervision which lacked a mechanism to detect problems. Farias and Johnson (2000), further state that only about 50 percent of all large-scale change interventions are successful. These facts have given management scholars and practitioners alike pause to solve the puzzle of how companies can ensure successful change without much distracting and distorting the intended change. One answer, proposed by several authors, in response to this puzzle revolves around what managers can do to ensure success in a change process flows smoothly Senge (1990) and Kotter (1996). Several authors argue that the decisions managers make are critical to ensuring that their companies stay apace and aligned with changing demands Child (1972), Romanelli and Tushman (1988).

According to Robin and Coulter (2002), if there was no change and the environment was relatively static, the process of strategic management would appear to be fairly simple and the manager’s job relatively easy. Planning would be simplified, because tomorrow’s operations would be no different from today’s operations. The issues of effective organization design would also be solved since the environment would be free from uncertainty and there would be no need to adapt new changes, which sometimes are expensive and tedious to carry out. However, the management decisions discussed here tends to emphasize the implementation process in line with the intended change. Decisions prior to the rollout of a change program – i.e. especially those related to clarifying the change itself, have received surprisingly little attention Lengnick-Hall and Lengnick-Hall (1988). Nevertheless, strategic change is not merely a matter of defining steps, procedures or systems that will ensure its successful implementation process. But change management also embodies taking a firm grasp on seminal change ideas, purpose and intended output in the whole change program, which must then be thought through and clarified before the enactment of the change.

In contrast, majority of organizations are in favor of systematic decision making processes for developing and executing change management. The following contribution therefore focuses on key priorities in the decisions change management process. Inappropriate set up and executions are two of the major reasons why certain change processes are only marginally successful or even completely unsuccessful Kotter (1996). So from a theoretical and practical standpoint, there is a difference between; ‘How do we do it right?’ and ‘What would be right?’
As Kotter (1996) points out, there is a difference between leading change and managing change. If leading change revolves around conceiving a clear goal as well as logic for how to achieve it, managing change deals with the actual realization of that logic in a controllable process Kotter (1996). In essence organizations must clarify in a straightforward and systematic way what change would be right for their company even before they approach the subject of implementation. When change programs or projects are in their initial steps queries emerge, such as ‘Does the change make sense?’, ‘Is it the right thing for the company?’ or ‘Is it happening at the right time?’. Such queries and misgivings rob organizations of its drive, weaken the process and hinder long-term implementation Bruch and Vogel (2005). This usually happens as nobody wants to be associated with failure and consequential outcome.

2.3 Change Management Practices

The change management practices are related to various things managers do as they handle various aspects of change and practices involved as discussed below:-

2.3.1 Focusing the Change Agenda

Change processes are by nature complex, but they must have clear priorities in order to be manageable. Excessive complexity and an inconsistent focus are deadly to a program’s executability, especially to a company-wide program. So as they ask themselves what the right change would be, companies must systematically define what the focal points of the change will entail and what, as a result, those focal points will not entail.

Another critical factor for the success of a change process is top management credibility Simons (1999). So as they design the change, a company’s top management must ask itself, ‘What can we credibly implement?’, ‘What change can we really commit to?’ and ‘What type of change will fit our style so that we will be able to support it authentically and wholeheartedly later?’. 
2.3.2 Designing the Right Change management

Change programs and projects have to make sense from the beginning, when the actual idea of change came into place. The feeling that a change is right for a company and the necessary sense of urgency to secure its realization will only occur if it is clear that the change has been tailored to the company and its particular business situation Bruch and Ghoshal (2003). Change is only possible when it is contextualized against the backdrop of a company’s particular past and present Pettigrew (1987).

Change processes are only successful if they fit a company’s current culture. Traditions, norms and shared values within a company must be included in the deliberations regarding the selection of a change program Heracleous (2001). Certain change processes cannot be executed in more bureaucratic cultures, while other types of processes simply are not compatible with team-oriented or innovative/dynamic organizations Bruch and Ghoshal (2004b). In addition, the basic process of designing the program for a particular change should also account for a company’s energy. Different types of change programs will be effective with companies characterized by comfortable inertia than for companies with other types of energy, such as change tiredness, high productive energy or resignative inertia Bruch and Ghoshal (2003, 2004a).

Management Decisions – Doing Change Right Once the question of which change program is right for a company at a particular point in time has been answered, the management must also systematically make decisions that will ensure that the change will be implemented successfully and have a permanent impact. Acceptance, attention, effective change agents as well as momentum and sustainability are all key in this regard Davenport and Beck (2000) and Kotter (1996). Without these factors, change processes will not be put in motion, make headway only with great difficulty or have a fleeting or even negligible impact Weick (2000).
2.3.3 Organization Acceptance and Attention

Insufficient acceptance is often considered to be the major source of resistance within organizations and the key reason why change initiatives fail and persists to haunt even in future. Well thought-out acceptance within employers and employees is based on an approach that integrates everyone involved in a way that promotes commitment and desire to change. As organizations continue to experience changes even the slightest, management must ensure that employees see that the change process has priority, is beneficial, is permanently present and that key information is not lost within the chain. So key levers of attention management include effective branding, in-depth, personal, top management communication and demonstrative, regular monitoring Davenport and Beck (2000).

2.3.4 Momentum and Sustainable Change Management Effects

One key factor for implementing change is having the right people to sell, implement, and drive the program from start to finish. One of the reasons change processes fail is because companies underestimate the importance of the individuals involved in the change and their interaction Kotter (1996). Change management loses momentum when a company does not address the issue of its own organizational energy. Organizational energy reflects the extent to which a company has mobilized its potential in pursuit of its goals Bruch and Ghoshal (2003, 2004a). Problems associated with energy during change manifest themselves as either insufficient urgency during the beginning phases of, a loss in momentum during or the reversal of positive impact after a change program. Change initiatives in turbulent environments are filled with unexpected transitions that managers must deal with to secure a change effort Brown and Eisenhardt (1998).

Three things can be done to avert these typical pitfalls. First, the required urgency for initiating a change can be achieved through a large number of visible, tangible activities such as consultations. Second, the primary means for maintaining momentum for a change is to strategically revitalize and refocus on the change. Third, integrating the result of the change into existing organization structures and systems should safeguard the long-term impact of a change.
2.3.5 Styles in Managing Change

Five styles in Managing change have been identified as follows:

i) Education and Communication
Management needs to explain the reasons for and means of strategic change to win the support of every one in the organization. Bowman and Asch (1987) point out that a change strategy of education and communication is based on the assumption that if people are given the rationale for change, they will see the need for it and therefore accept it. This may be useful when resistance, based on inadequate or inaccurate information, is anticipated.

ii) Collaboration or participation
To increase ownership of a decision and change process, and increase commitment to it, it is crucial to involve those who will be affected by the change to participate in identifying strategic issues, setting the strategic agenda, the strategic decision-making process or planning of the strategic change. This leads to better quality of decisions than would have otherwise been achieved.

iii) Intervention
The change agent retains control of the change process but delegates certain tasks to teams or groups. The change agent could delegate certain elements of the change process, for instance, idea generation, data collection, detailed planning or the development of rationale for change to project teams of taskforces. These teams become involved in the change process and see their work building towards the change process. This is beneficial in that it not only involves members of the organization in idea generation but also in the implementation of solutions.

iv) Direction
This involves the use of personal managerial authority to establish a clear future strategy on how change will occur. Direction is usually a top-down management of strategic change and may be associated with clear vision or strategic intent developed by someone recognized as the leader in the organization.
v) Coercion

This involves imposition of change or the issuing of edicts about change. It is the explicit use of power and may be necessary if the organization is facing a crisis. This style may be useful in crisis situations or rapid transformational change.

Other strategies include use of power to bring about change. Change can be implemented in situations where the implementers possess some form of power. According to Bowman and Asch (1987), power strategies are used in situations where the change must be implemented quickly and a few resources are available for programmes of education or negotiation. Power is best used when the commitment of those affected is not necessary for implementation of the change, or when little resistance is expected, since if resistance is crushed by force, it can create problems later. Change implementers can also use manipulation strategies and as Bowman and Asch (1987) suggest, such a strategy could be used to get others in the organization to feel enthusiastic about change. This strategy can be used either through inducement, persuasion, obligation and even coercion. Negotiation strategies are useful when it is obvious there are going to be losers as a result of a change and where losers are likely to resist.

These styles are not mutually exclusive and several of them or all of them may be used at the same time or in the same organization. Bowman and Asch (1987) suggest that in most circumstances it may be appropriate to use two or more strategies simultaneously, with different change targets.

2.3.6 Summary of the theoretical framework relating mainly to the practices

Uncertainty is causing companies to change continuously. Organizations need to anticipate the changes and ensure that the change is implemented successfully without distracting and distorting the intended change. The whole change program must be thought through and clarified before the enactment of the change. The focus of the change needs to be considered as well as the alignment of the changes to the organization’s culture, situation, vision and goals. The management must consider how the change will be carried out and who will be involved; the acceptability, commitment or possible resistance of the change and the momentum of the change. Involving those affected by the change in decision making and planning, will increase ownership and commitment of the change process and will lead to better quality of decisions. The change process should have priority, be beneficial, permanently present and key information should not be lost within the chain. There should be
effective branding, in-depth personal top management communication and demonstrative, regular monitoring. The change agent should retain control of the change process but delegates certain tasks to teams or groups. Direction is usually a top-down management of strategic change and may be associated with clear vision or strategic intent developed by someone recognized as the leader in the organization. Use of coercion to bring about change may be necessary in crisis situations or rapid transformational change, Power strategies in situations where the change must be implemented quickly and a few resources are available for programmes of education or negotiation. Power is best used when the commitment of those affected is not necessary for implementation of the change or when little resistance is expected, since if resistance is crushed by force, it can create problems later. Manipulation strategies such as inducement, persuasion, obligation and even coercion can be used in order to get others in the organization to feel enthusiastic about the change. Negotiation strategies are useful when it is obvious there are going to be losers as a result of a change and where losers are likely to resist. These styles are not mutually exclusive and several of them or all of them may be used at the same time or in the same organization.

2.4 Models in Change Management

Major theorists and practitioners have proposed a number of models for strategic change management. A typical model to follow is the eight-stage process as proposed by Kotter. This practice in change management consists of the following stages; Establishing a sense of urgency: Establishing a sense of urgency is crucial to gaining needed cooperation. With low urgency, it is difficult to put together a group with enough power and credibility to guide the effort to convince key individuals to spend the time necessary to create and communicate a change vision. Examining the market and competitive realities, identifying and discussing crises, potential crises or major opportunities that may establish urgency.

Creating the guiding coalition; no one individual even a monarch-Chief Executive Officer is ever able to develop the right vision, communicate it to large numbers of people, eliminate key obstacles and get the change going. A strong guiding coalition is always needed-one with the right composition, level of trust and shared objectives. The group should be put together with enough power to lead change and also work together like a team. Position, power, expertise, credibility and leadership should be key characteristics to be considered when putting together this team.
Developing a vision and strategy: Without the power of kings and queens behind it, authoritarian leadership is unlikely to break through all the forces of resistance. In order to implement change successfully, it is necessary to create a clear vision to help direct the change effort. An effective vision should be imaginable, desirable, feasible, focused, flexible and communicable. In addition the firm should develop strategies for achieving the vision. The vision should be grounded in clear and rational understanding of the organization, its market environment and competitive trends. Strategy provides the logic and a first level of detail of how the vision can be accomplished.

Communicating the change Vision, Use every vehicle possible to communicate the new vision and strategies. Such vehicles could include employee bulletins, employee meetings, memos, and newspapers, formal and informal interaction. In addition have the guiding coalition role the behavior expected of employees. Nothing undermines the communication of change than that which seems inconsistent with the vision. Careful monitoring of senior management behavior is a good idea so that you can identify and address inconsistencies between words and deeds.

Empowering employees for the broad based action: Empowering involves getting rid of obstacles, changing systems or structures that undermine the change vision and encouraging risk taking and non traditional ideas, activities and actions.

Generating short-term wins: Ruining a transformation without serious attention to short term wins is extremely risky. One should plan for visible improvements in performance or wins and also create those wins. In addition the people who make the wins should be visibly rewarded and recognized. Consolidating gains and producing more change: credibly change all systems, structures and policies that do not fit the transformation vision. Hire and promote people who can implement the change vision. The system is re-invigorated with new projects, themes and changes agents.

Kurt in his work came up with three models of change management;

The Action-Research model. The model is based on the emphasis that change requires action and also the recognition that successful action is based on analyzing the situation, identifying possible alternative solutions and choosing the one most appropriate to the situation at hand. An agent gathers data and solves the problem jointly with the client Burnes (1998).
The Three-step model: this model proposes going through the steps of unfreezing, moving and refreezing. Unfreezing involves removing those forces and maintaining the organization’s behavior at its present level. Moving involves acting on the results of unfreezing, that is, take action to move the desirable state of affairs. Refreezing seeks to stabilize the organization at the new set of equilibrium Burnes (1998).

The phase of planned change: in an attempt to improve on Lewin’s model, Lippt et al (1958) developed a seven phase model while Cummings and Huse (1989) developed an eight phase model. The phases of planned change approach have four stages of exploration, planning, action and integration which were developed by Bullock and Batten (1985). Exploration involves becoming aware of the need for change, searching for outside assistance/agents and establishing a contract with the consultant, which defines each party’s responsibility.

Planning involves the change process of collecting information, establishing change goals and designing appropriate programs so as to achieve these goals and finally, getting key decision makers to approve and support the proposed changes. Action phase involves change implementation and evaluation of results in order to make adjustments or refinements as necessary.

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

Other models by Barbara (1999) identifies three overlapping phases in strategic change management these are; The description phase: this involves describing and diagnosing the situation, understanding what is involved and setting the objectives for the change. The option phase; this involves generating options for the change, selecting the most appropriate and thinking about what might be done. The implementation phase; this involves putting feasible plans into practice and monitoring the results.
Ansoff (1988) recommends four approaches to managing discontinuous change, which are the Coercive method and, the Adaptive, the Crisis method and the Managed Resistance. The Coercive method is applicable where there is high urgency. It has the advantage of speed but has a shortcoming of being highly resisted. Adaptive method is applicable where there is low urgency. Its main advantage is low resistance but the method is very slow. Crisis management method is applicable where there is threat for survival. Its advantage is low resistance but has the shortcoming of extreme time pressure and risk of failure. The managed resistance is applicable under conditions of moderate urgency. Planning and implementation are done together. It has the advantage of low resistance because it is tailored to time and comprehensive capacity to change. The disadvantage is that it is more complex than the other three approaches.

Planned change approaches were challenged by Dawson (1994) and Wilson (1992) due to dynamism and uncertainty in the environment. They are proponents for emergent change handling models. Dawson adopted a processual approach. This approach identifies the substance of change such as technology or legal requirements. The need for change is conceptualized and a transition term of new tasks, activities and decisions is achieved in the contextual framework of politics of change, human resources, administrative, business markets and the operations of new organization arrangements.

2.5 Resistance and Commitment to Change Management

If resistance to change is poorly managed, it can undermine even the most well-intentioned and well-conceived change efforts Bolognese (2002). But in essence there is evidence that no systematic plans had been developed for addressing resistance to the implementation of the system based on: fear of losing jobs Hardwick and Winsor (2002); negative experiences of previous problematic change projects; changes to their internal status McAdam and McGeough (2000), or because of the stressful work conditions that change induces Hansson et al. (2003). Employee commitment to change programmes is crucial given that they actually execute implementation activities Hansson et al. (2003). Ansoff (1994) notes further that resistance to change is a multifaceted phenomena, which introduces unanticipated delays, costs and instabilities into the process of strategic change.

Low employee commitment could therefore obstruct acceptance of an implementation process Saad and Siha (2000). A range of intangible and therefore difficult to measure factors
such as understanding, ownership and involvement, are also important in obtaining commitment. Ghobadian, Gallear (2001) and Hardwick and Winsor (2002). Within the case organization difficulties were experienced in reconciling the rhetorical reasons behind the need for the new performance management system with its practical realities.

In response Johnson and Scholes (1999) notes that resistance can be minimized through, timing the change, identifying where job losses and de-layering should take place and implementing visible short term wins. Without proper leadership, employees will remain skeptical of the vision for change and distrustful of management and management will likewise be frustrated and stymied by employees' resistance to change. Skrebel (1996). Building organizational capacity to the desired level can reduce systemic resistance and increase employee productivity.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Research Design

A case study method was adopted focusing on KRA. Young (1960) describes case study as 'a comprehensive study of social unit be it that unit, a person, a group, a social institution, a district or a community'.

The study was carried out at the Nairobi headquarters of KRA, where the key departmental head offices are located. It was also where most policies are drafted and piloted before being implemented in other branch regions. It was important to get detailed information in order to find out how KRA manages the change in its Reform and Modernization Programme. A case study was most appropriate for this purpose.

3.2 Data Collection

The study involved the collection of primary data. This being a case study the focus was on carrying out an intensified study of the change management at KRA. To achieve this a cross section of employees were interviewed. An Interview guide (see Appendix 1) was used for this purpose. The researcher interviewed six respondents in-depth. The mode of selection was purposeful or judgmental, as it was based on selection of individuals who have been involved in the change program as initiators and / or implementers of the changes. An Interview guide was relied upon to question the people who were interviewed. The questions were addressed to Staff in charge of the Reform and Modernization Program, these were six respondents for the interview and incorporated positions of senior managers in various departments, Senior District Commissioners, Assistant Commissioners, Team leaders, Research Officer and also included a Junior staff member. The interviews covered levels of staff across all departments namely; DTD, Customs, Road Transport and all KRA support departments. The procedure involved personal interviews conducted by the researcher. By doing so the researcher was able to determine how KRA has managed change, in addition, primary data provided insights on the perceived impact of the Reform and Modernization Program.
3.3 Data Analysis

Since the primary data collected was qualitative, content analysis was used to analyze it. This is a systematic qualitative description of the composition of objects or material of study. It involved observation and detailed description of objects, items or things that comprise the study (Mugenda, 1999). This approach has been used previously in similar research papers like the one by Koigi (2000). The qualitative method can be used to uncover and understand what lies behind a phenomenon under study. After the completion of data collection, the Interview guides were checked for accuracy, consistency with the facts gathered, and uniformity entered. They were also edited where necessary to facilitate qualitative data analysis.
CHAPTER 4: DATA ANALYSIS AND INTERPRETATIONS

4.1 Introduction

This chapter presents the findings of the study. It is structured in three sections. The first is the analysis of the respondents. Secondly, the findings on Change Management Practices at KRA are discussed followed by a discussion of the findings on the impact of change at KRA.

4.2 Respondents’ Profile

Data was collected using in-depth interviews aided by an Interview guide from six respondents of KRA from the various departments of KRA. The Interview guide was administered to all six respondents and they gave various views about the Change Management undertaken. The respondents were mainly senior managers who consisted of two female and four male. Majority of the respondents were involved in the initiation, planning and implementation of the Reforms and Modernization Programme. The respondents in this case were Senior District Commissioners, Assistant Commissioners, Team leaders, Research officer and a Junior staff member, covering levels of staff across all departments namely; DTD, Customs, Road Transport and KRA support departments.

4.3 Change Management Practices at KRA

All the respondents interviewed stated that they were aware of the changes taken in the Reform and Modernization Programme, mainly as it related to their various departments. The interviewees were then asked which changes they were aware of. From the responses, it was observed that the Reforms and Modernization changes included: Development of the Simba system in Customs Services Department where lodgment of customs imports and exports entries on-line by taxpayers was to take place; Computerization of RTD operations were done together with merging of VAT and Income Tax departments to form Domestic Taxes Department (DTD). There was also the establishment of LTO as a department to cater for large taxpayers. LTO was formerly a station in DTD; the Automation of the motor vehicle department functions, automating cash receipting and processing of all records and the introduction of the ETR system in Kenya to issue VAT tax invoices by all VAT registered traders in order to enhance accountability of revenue collected. Other reforms carried out and ongoing by KRA includes Investigation and Enforcement Reform and Modernization Project,
Infrastructure Development Project; KRA Automation Project and Training; Change Management and Communication project.

All the respondents were aware of the changes above. Asked about their view on change management practices in public corporations in Kenya, the interviewees reiterated that the practices are not so clear to the staff involved. However, the interviewees added that change management practices are good for the organizations and the country of Kenya at large. Majority of parastatals are now reporting profits after introduction of reforms e.g. Kenya Pipeline; Kenya Power and Lighting Company. Others are able to sustain themselves without having to depend on handouts from the Treasury. Majority of public corporations are now registering growth thereby creating employment e.g. National Bank and Retirement Benefits Authority. Majority of them are also able to deliver improved customer services. The respondents lauded such changes and insisted that they should be entrenched further.

The interviewees were also asked about their views on Change Management Practices at KRA. The respondents said that changes that have taken place over the last four years have contributed to growth in tax revenues, increased opportunities for staff in terms of career growth and training, increased employment, improved tax payer service, reduced taxpayer cost of compliance, and improved corporate image for KRA as an organisation. A few respondents however felt that the taxpayer's cost of compliance was high at the initiation of the reforms, mainly in relation to customs and the introduction of the ETR, and that the benefits of reduced compliance costs were now gradually being realized.

In response to the question on whether or not change management has had a positive or negative impact on the organization, the interviewees were unanimous in answering that the changes have contributed to many positive achievements. Other positive contributions include increased accountability amongst staff as majority of the functions are now automated, reduction of petty corruption as automation of key functions has reduced interaction of staff and customers, for example, SIMBA System improved corporate procedures and processes that has led to efficiency in service delivery.

The interview guide sought answers from the respondents as to whether they were part of the change management implementation team at KRA. All the respondents said that they were part of the team and that they retained their respective departmental roles. From the responses, it was also found that the factors that necessitated change management at the
organization were: duplication of functions and resources, high administrative and compliance costs, lack of coordination in key operations across the departments especially in field visits, poor service delivery, poor coverage / image, non achievement of the core mandate of KRA, poor staff attitudes, corruption, manual business processes, increased cost of taxpayer compliance, increased cost of tax administration, to benefit from economies of scale and inadequate resources, capital and human

The interviewees were also asked what objectives of the change management were meant to be achieved. The objectives included improved service delivery/improved customer service to stakeholders, increased tax revenue, enhanced capacity building, sharing of taxpayer information with a view to increasing taxpayer compliance and broaden taxpayer base, simplified and modernised tax procedures, modern tax administration, improved corporate image, to increase KRA contribution to economic development of the country, develop a holistic approach to taxpayer services, develop simple and up-to-date procedures that promote compliance, to reduce administrative costs and costs of compliance, to realize the economies of scale that accrues through optimal utilization of resources, to come up with a single taxpayers database, elimination of duplication of effort, and to improve staff skills.

They were also asked if they thought the changes were timely and appropriate. The interviewees were unanimous that they were timely. In fact, they alluded that the changes were long overdue. The reforms that have been implemented over the last 4 years have been intended since KRA formation. Several reports and proposals have been made over-time by several interest groups including IMF and World Bank. However, the will to implement the far-reaching changes was not there initially.

The researcher also wanted to know if there was any resistance to change. It was found that majority of staff did not want to leave their 'comfort zones' as major re-organization of departments, functions, programmes, took place. New organization structures were developed, some offices/positions were dissolved/scrapped, majority of staff were to move to new responsibilities and new stations. Many feared the new dawn, increased accountability, that is, fear of the unknown. Taxpayers also objected to the new reforms because of the increased accountability. Resistance was encountered when the Simba and ETR systems were introduced. Staff and taxpayers also objected the changes introduced at Road Transport department e.g. 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.

The interviewees were asked if the organization spared time to anticipate the changes it was to undergo. The respondents agreed that the organisation had spared time to anticipate the changes. It did this by conducting various studies, preparation of situational analysis reports and corporate plans/ balanced scorecards spelling out the changes to be implemented and respective time frames. Senior management workshops and conferences were also held. Sensitization meetings were also held with stakeholders.

The respondents were also asked whether KRA used change agents in carrying out its Reforms and Modernization Programme. The respondents said that the answer to the question was not an equivocal yes or no. They explained that change agents have been identified and plans are underway to train them to undertake the tasks. Reforms are still being undertaken. However, reform-minded staff were identified to spearhead the reforms in various departments – as project managers or project members. Also heads of various departments and sections were mobilised to spearhead the various reform programmes. The change agents referred to above are internal. They were identified from the various operational areas on the basis of their competence, willingness to change, potential to influence other staff in respective operational areas. Each and every station and section heads were supposed to select potential change agents from staff under them. The change agents cut across all cadres of staff but emphasis was more on technical staff than support staff.

For external agents, KRA has been working with specific traders’ associations to ‘buy them-in’. For customs dept KRA worked with officials of KIFWA which is an association of the clearing and forwarding agents who were required to implement the Simba system; for DTD reforms KRA worked with officials of the Institute of Professional Accountants (ICPAK), Kenya Association of Manufacturers (KAM) and the Hindu Council to obtain ‘buy in’ of their members; for Road Transport department KRA worked with the Matatu Welfare Association and other Public Service Vehicle (PSV) associations to implement the reform programmes in the dept. To introduce a new advance tax for PSV drivers and conductors in Jan 2007, DTD sought the services of the same associations and the police to obtain the required support. This assisted in overcoming the expected resistance from these stakeholders. These change agents were used to lobby for their members to accept the reforms.
On the issue of how the changes were carried out, the interviewees responded that the KRA reform projects governance structure was prepared. Responsibilities for each of the committees in the structure was prepared and approved. Project managers and teams were appointed to spearhead the reforms/changes and terms of reference prepared to guide the teams. This was done after consultations with key stakeholders. Project teams prepared respective project implementation plans which were duly approved. Project teams also implemented the tasks contained in the plans in consultation with both external and internal stakeholders. Monitoring and evaluation of implementation was done on monthly and quarterly reports, meetings and workshops/conference. Staff were sensitised on changes taking place and progress being made through reports/briefs, pamphlets, field visits, workshops and external stakeholders and the public were sensitised on changes taking place and progress being made through press notices, pamphlets, consultative meetings, and workshops. A few respondents felt however that the sensitisation and training period for staff in some instances were done hastily. As regards automation, several staff members had not yet been accustomed to the use of computers, thus posing challenges during the implementation of the reforms.

They were then asked if the changes were systematic. The respondents agreed that they were indeed systematic. An implementation plan was drawn for each and every project complete with tasks to be implemented, implementation dates (start and end dates), budgeted amount, potential risks and remedies. The implementation stages were systematic except for in cases where funds and other resources were unavailable. In addition, an elaborate project implementation monitoring and review is in place through the Programme Management and Business Analysis Office (PMBO) department at KRA Headquarters. It is a department under the Commissioner General’s office, with the overall mandate of coordinating the implementation of the reform projects in KRA.

The interview guide sought responses as to whether KRA considered in advance what the focus of the change would be. The study found out that the focus of change had been considered in advance. To achieve the KRA vision of being the leading revenue authority in the world respected for fairness and professionalism. In so doing, KRA started the reforms with the objective of transforming itself into a modern, fully integrated and client-focused organization.
KRA also considered aligning the changes to the organization’s culture, situations, visions and goals. KRA considered where it had come from and where it wanted to be in future in line with its vision. The reform programme in KRA has led to serious restructuring of the various departments including the support departments at KRA head office. A new KRA organization structure was drawn. Various departments also adopted new structures and new responsibilities for the new offices. However, the new changes did not lead to retrenchment of staff or loss of jobs instead more staff were required to fill some of the positions created. Some new positions required specialized skills that were not available in KRA. The changes also led to massive staff transfers within the departments and even across departments in KRA.

KRA also considered the acceptability of the change and possible resistance to the change. Stakeholders (external and internal) involvement: – stakeholders’ consultations, seminars, workshops, tax education, tax clinics and involvement of stakeholders in project teams. Regular communication was done with stakeholders on the changes and progress being made. Capacity building/training of all stakeholders was also done. Change management programme/training introduced for staff was performed.

KRA ensured for momentum by using change agents. The interviewees said that the changes are sustainable because the changes have been institutionalized, by coming up with automated systems to replace the manual systems. New organization structures were also drawn to support the changes. A new dept. in the Chief Executive Officer’s (CEO’s) office, that is, PMBO has been created to oversee the reforms now and in future. Majority of the staff have embraced the changes and are utilizing the opportunities that came with the changes. Majority of staff have returned to class to cope with the current environment. The changes have also brought new staff in senior positions and also at lower technical cadres in the form of graduate trainees who are likely to give the changes the support required. Majority of the reforms had the full support of the government and Treasury in particular. Majority of the reforms have brought positive changes in terms of increased revenue, which has translated to improved service delivery by the government in terms of development funds for example, CDF and LATIF. KRA and staff cannot therefore backtrack on these changes, as the consequences will be felt far and wide. KRA is in the process of training (capacity building) the identified change agents to sustain the momentum of the reforms.
The interviewees were asked if there were necessary preparations for change. The respondents agree that there were. This was done through training, mobilization of resources, consultations and change agents. Preparations were done in respect to stakeholder involvement, undertaking necessary legislative changes, resources (capital and human) mobilization and capacity building/training of all stakeholders. However, in some cases, the resources provided have not been adequate to implement all the projects successfully.

As the Reform and Modernization Programme was initiated and continued, changes were integrated into the existing organization structures. The project team normally hands-over the 'matured' projects to the respective managers of operational programmes with a view to integrate them with other existing operational structures, for example, ETR, merged DTD programmes, incorporation of Domestic Excise (taken over from Customs Department) into the DTD compliance programme.

The respondents agreed that they were involved in the collaboration, participation and the mobilization of the reforms and modernization change programme. KRA also considered the question of commitment. To ensure commitment, the project managers and team members were given letters of appointment indicating their responsibilities. Implementation plans were drawn for all reform projects which in turn are monitored and reviewed on monthly and quarterly basis. Also to ensure commitment from all managers and individual staff members, the implementation of the reform initiatives was incorporated in the annual balanced score cards/work plans and annual performance contracts of the various sections, programmes and stations. The performance of the managers and individual staff is appraised on the basis of their achievements in targets specified in balanced score cards/work plans and annual performance contracts.

The respondents were asked whether it was necessary to delegate certain aspects of the change management. They all agreed that some of the reform initiatives could not be implemented by the project teams and therefore some aspects of it was delegated to sub committees in the respective sections, programmes and stations.

The interviewees were also asked how the change was communicated to the staff in the lower positions in the organization. The study revealed that this was through memos, leaflets, meetings, sensitization meetings, messages passed through KRA intranet/internet, and commissioners' conferences.
Change was communicated to staff in the lower positions in the organization before it was initiated. However, in some instances, the changes were initiated and staff informed later. This mostly happened for changes that can be sabotaged if implementation is known in advance.

It was also found from the response that where staff embraced the changes, there was no need for coercion. However, in some instances, coercion was used by transferring some of the existing staff from sections where the changes were taking place. In few cases, some staff were laid off.

Some of the forms of resistance included staging of street protests by sections of taxpayers; cutting of computer cables by staff; to disable computer systems containing the new changes; go-slow by staff thereby causing long queues in service points and creating tension between KRA and taxpayers because of poor service delivery; instituting court cases against some reforms being undertaken, for example, the introduction of the ETR; some stakeholders lobbying parliament to reject some reform proposals; protest letters by sections of stakeholders, anonymous letters to KRA Top Management expressing negative attitudes towards reforms.

The respondents were then requested to indicate the extent to which the various technologies have been used in the change management process. The responses were ranked on a 5 point likert type scale. ICT had the highest mean score of 4.45, Scanner had a mean score of 3.79 while CCTV had a mean score of 2.34.

This research observed that over the last 10-15 years, there have been major revenue administration reforms within countries of all stages of economic development (e.g., Australia, Canada, Chile, Hungary, Jordan, South Africa Sweden United states of America). Kenya therefore was not alone in implementing these changes. The reforms which Kenya adopted were driven with the desire to improve compliance with tax, customs and trade laws, improve revenue flows, provide improved services to tax payers and traders and reduce their compliance burden, improve staff skills and productivity, improve the effectiveness of protection responsibilities and to reduce the overall cost of revenue administration. These reform strategies are embodied in KRA’s Second Corporate Plan (2003/04 – 2005/06) which are based on the strategic themes of enhanced revenue collection through enhanced quality
services to stakeholders, modernization of internal processes, and revitalization of the work force.

4.3.1 Impact of Changes at KRA

The respondents were also asked to what extent each of the statements in table 2 below had been realized as a result of the KRA Reforms and Modernization programme. The rankings were on a five point likert type scale. The analysis shows that all the variables scored above a mean of two meaning that they are all significant for purposes of generalization.
Table 1: Realization of reforms and modernization program

<table>
<thead>
<tr>
<th>Developing a dedicated and professional team:</th>
<th>Mean score</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) dedicated to be an employer of choice</td>
<td>4.34</td>
<td>0.324</td>
</tr>
<tr>
<td>ii) staff empowerment</td>
<td>4.24</td>
<td>0.453</td>
</tr>
<tr>
<td>iii) institutionalizing professionalism</td>
<td>3.95</td>
<td>0.765</td>
</tr>
</tbody>
</table>

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<tr>
<th>Re-engineering business processes</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Dedicated to employ integrated solutions and processes</td>
<td>4.15</td>
<td>0.365</td>
</tr>
<tr>
<td>ii) Modernizing technology</td>
<td>3.98</td>
<td>0.234</td>
</tr>
<tr>
<td>iii) Operational excellence</td>
<td>3.76</td>
<td>1.234</td>
</tr>
<tr>
<td>iv) Maintaining a single view of the taxpayer.</td>
<td>4.12</td>
<td>1.563</td>
</tr>
</tbody>
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<tr>
<th>Improving and expanding taxpayer services</th>
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</thead>
<tbody>
<tr>
<td>i) dedicated to minimize stakeholder implicit and explicit compliance costs</td>
<td>3.45</td>
<td>1.094</td>
</tr>
<tr>
<td>ii) focusing on client based tax administration procedures</td>
<td>4.23</td>
<td>0.123</td>
</tr>
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<table>
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<tr>
<th>Enhancing Revenue Collection</th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>i) improved compliance</td>
<td>3.76</td>
<td>0.456</td>
</tr>
<tr>
<td>ii) strengthening enforcement</td>
<td>4.23</td>
<td>1.154</td>
</tr>
<tr>
<td>iii) dedicated to shift the reform programme to enable achievement of the revenue target at the least cost</td>
<td>4.02</td>
<td>0.945</td>
</tr>
<tr>
<td>iv) coverage and increased tax base</td>
<td>4.45</td>
<td>1.112</td>
</tr>
<tr>
<td>v) Increase total revenue collected</td>
<td>4.90</td>
<td>1.234</td>
</tr>
<tr>
<td>vi) the overall goal objective is to have KRA as a one stop shop for all its services under its operations.</td>
<td>4.13</td>
<td>0.234</td>
</tr>
</tbody>
</table>

The increase in total revenue collected, coverage and increased tax base and developing a dedicated and professional team dedicated to be an employer of choice with mean scores of 4.90, 4.45 and 4.34 respectively were the most realized, on the other hand dedication to minimize stakeholder implicit and explicit compliance costs, improved compliance and Operational excellence were the least realized.
The study also wanted to establish to what extent each of the following has been realized as a result of the KRA Reforms and Modernization programme.

Table 2: Negativities associated to change

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<table>
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<tbody>
<tr>
<td>Resistance from staff</td>
<td>2.43</td>
<td>1.045</td>
</tr>
<tr>
<td>Apathy</td>
<td>3.34</td>
<td>0.456</td>
</tr>
<tr>
<td>Stress</td>
<td>4.12</td>
<td>1.03</td>
</tr>
<tr>
<td>Suspicion</td>
<td>4.23</td>
<td>0.23</td>
</tr>
<tr>
<td>other (specify)</td>
<td></td>
<td></td>
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</table>

The results indicated that Stress and Suspicion were realized to a great extent on the other hand apathy and resistance from staff were realized to at a moderate and little extent respectively.

The changes at KRA affected the various stakeholders. It affected the firm positively by improved service delivery, a moderate reduction realised in taxpayers cost of compliance, increased career growth prospects for staff, increased training, better remuneration and increased revenue. Revenue collection grew by 48% from Kshs. 201.7 billion in 2002/2003 to Kshs. 360.2 billion in 2006/07

Table 3: KRA Revenue performance

<table>
<thead>
<tr>
<th>Dept</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06</th>
<th>2006/07</th>
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<tbody>
<tr>
<td>CSD</td>
<td>100,575</td>
<td>110,240</td>
<td>124,970</td>
<td>111,155</td>
<td>142,449</td>
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<tr>
<td>DTD</td>
<td>99,711</td>
<td>116,876</td>
<td>146,489</td>
<td>183,614</td>
<td>215,617</td>
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<tr>
<td>RTD</td>
<td>1,413</td>
<td>2,160</td>
<td>2,793</td>
<td>2,930</td>
<td>2,124</td>
</tr>
<tr>
<td>Total</td>
<td>201,699</td>
<td>229,276</td>
<td>274,252</td>
<td>297,699</td>
<td>360,190</td>
</tr>
</tbody>
</table>

Source KRA Commissioner General’s Press release on revenue performance for the financial year 2006/07
To further justify that the high growth has been attributed by the reforms, graphical representation of the trend of revenue performance since the inception of KRA shows the following.

**Figure: KRA Revenue performance**

![Graph showing KRA Revenue performance](image)

Source: KRA Commissioner General’s press release on the financial year 2006/07 revenue performance.

From this graph it is clear that from the fiscal year 2003/04 there is a sharp increase in revenue collection compared to the other years, this has been attributed to the reforms. Professional requirements for key cadres of staff were upgraded, this has resulted in creation of a good relationship between KRA and taxpayers. Regional offices were created based on provincial boundaries to reduce bureaucracy and take services closer to the taxpayers. Computerisation of manual processes and reduced time for lodging documents which is currently on-line by implementing the Simba 2005 System in Customs.

In summary to a great extent the KRA project managers were found to be aware of the fundamentals of change management. They followed some fundamentals but on the other hand, they ignored some. As a consequence there are mixed results which come about with the reforms as explained above.
4.3.2. Implementation of reform strategy

Managing the change associated with the reform strategy has been a difficult task. During the transitional period the respondents observed that operations must continue smoothly and services to taxpayers and traders must not decline whereas revenue must be protected and enforcement and protection obligations must be put in place.
5.1 Summary, Discussions and Conclusions

The study had one objective which was to determine the Change Management Practices adopted by Kenya Revenue Authority in its Reform and Modernization Programme.

The findings indicate that KRA has implemented changes which include restructuring departments in order to centralize key operational areas; review and modernization of operational processes to improve efficiency and effectiveness; improving internal resource capabilities through staff appointments and training, that is, there was a merging of different cultures to form one organization. These are supported by the introduction of appropriate technology for increased efficiency. It was also found that several reforms are ongoing simultaneously, the reforms were: Customs Services Department Reform and Modernization Project, Domestic Taxes Reform and Modernization Project, Road Transport Reform and Modernization Project, Investigation and Enforcement Department Reform and Modernization Project, KRA Business Automation Project, Infrastructure Development Project and Human Resource Revitalisation.

From the findings, in order to manage change to ensure that operations continue smoothly, services to taxpayers and traders do not decline, revenue is protected and enforcement and protection obligations are in place, change management at KRA has been a difficult task. The findings suggested that the change management managers at KRA seemed to be aware of the existing principles of change management and spared some time to anticipate the changes it was to undergo. This is in line with a well established model in Change Management (Kotter, 1995), which observes that Change management entails thoughtful planning and sensitive implementation, and above all, consultation with and involvement of the people affected by the changes. It was however found that a serious shortcoming of the reforms was that these reforms had poor involvement of the staff and some stakeholders at the initial stage of the implementation of the reforms. There was resistance from the taxpayers for example during the introduction of the Simba system, which is a computer system of clearing goods on line, from the traditional manual clearing. Despite the efficiency and many advantages this system had, due to poor involvement of all stakeholders and staff this change faced resistance.
The respondents were asked whether the change was communicated to staff in the lower positions of the organization before it was executed. And secondly, the respondents were asked whether it was necessary to use coercion to bring about change. The response of the respondents on these two aspects of communication and coercion were both positive and negative. Most of the respondents said that staff were informed about the changes through their departments but some respondents said that there was no communication to the staff. Again on the aspect of coercion the respondents remained divided where some said that coercion was inevitable for the staff to adopt the change while others felt that there was no need to coerce the staff. This is contrary to Kotter's (1995) principle which requires that change should not be forced on people and should be realistic, achievable and measurable otherwise problems arise.

KRA should foster and encourage determination and persistence in the on-going change, continuing to highlight achievements and future milestones. Coercion and use of power leads to apathy and internal resistance, if this style of management is used for a prolonged period of time. According to Bowman and Asch (1987), power strategies are used in situations where the change must be implemented quickly and a few resources are available for programmes of education or negotiation. Power is best used when the commitment of those affected is not necessary for implementation of the change, or when little resistance is expected, since if resistance is crushed by force, it can create problems later. Bowman and Asch (1987) further suggest that change implementers can also use manipulation strategies to get others in the organization to feel enthusiastic about change. This strategy can be used either through inducement, persuasion, obligation and even coercion. It may be appropriate for KRA to use the different strategies simultaneously, with different change targets.

The employees do not have a responsibility to manage change - the employees’ responsibility is no other than to do their best, which is different for every person and depends on a wide variety of factors (health, maturity, stability, experience, personality and motivation.). Responsibility for managing change is with the management and executives of the organization - they must manage the change in a way that employees can cope with it. The manager has a responsibility to facilitate and enable change, and all that is implied within that statement, especially to understand the situation from an objective standpoint and then to help people understand reasons, aims, and ways of responding positively according to employees' own situations and capabilities. Increasingly the manager's role is to interpret, communicate and enable, not to instruct and impose, which nobody really responds to well.
John Kotter's books 'Leading Change' (1995) and the follow-up 'The Heart Of Change' (2002) describe a model for understanding and managing change. 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. This research also applied Kotter's principles to ascertain whether KRA's success of the reforms were as a result of the application of the principles.

Kotter's eight principles can be summarized as follows:

1. Increase urgency - inspire people to move, make objectives real and relevant.
2. Build the guiding team - get the right people in place with the right emotional commitment, and the right mix of skills and levels.
3. 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.
4. 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.
5. Empower action - Remove obstacles, enable constructive feedback and a lot of support from leaders - reward and recognise progress and achievements.
7. Don't let up - Foster and encourage determination and persistence - ongoing change - encourage ongoing progress reporting - highlight achieved and future milestones.
8. Make change stick - Reinforce the value of successful change via recruitment, promotion, and new change leaders. Weave change into culture.

To determine the Change Management Practices adopted by Kenya Revenue Authority in its Reform and Modernization Programme are in line with Kotter's eight principles for understanding and managing change the findings from the study showed the following; first, KRA made objectives real and relevant. That is, there was increased urgency. The process was carried by top management meetings to give strategic direction and get ownership, together with 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 were received from our stakeholders (taxpayers) and responses to questionnaires sent out to our stakeholders (taxpayers and employees). Key stakeholders responses were from Central Bank of Kenya, Institute of Certified Public
Accountants of Kenya, Kenya International Frights and Warehousing Association, Ministry of Finance, Retirement Benefits Authority and Kenya Association of Manufacturers. Monthly meetings are also conducted to review the implementation status of the reform projects by the steering committee.

The respondents said that through the application of these measures the following was realized as a result of introduction of reforms. The introduction of Simba 2005 System which has drastically reduced clearance time for goods; real-time revenue reporting has been enhanced by the computerization of all programs and departments have become more efficient and empowered through strategic use of technology and modern practices. These reforms have brought efficient and effective provision of services to the public and taxpayers with the automation of services which has eliminated inefficient, tedious, costly and error-prone data capture operations. They have also brought an effective tax administration through enhanced control, monitoring of taxpayer activities and enhanced taxpayers compliance; elevation of Large Taxpayers Office (LTO) to a fully fledged department; modernization of motor vehicles registration processes with the introduction of Security Printed logbooks and cash receipting system for Road Transport Department (RTD) has been implemented as well as the modernization of business operations, whereby KRA Shifted from a tax based to functional structure with the creation of DTD, CSD, I & E. This also doubles up as a measure to transform KRA into a one stop tax shop. An intelligence unit was established in Investigation and Enforcement Department to enhance KRA’s capacity to generate and disseminate intelligence; Stakeholders’ partnership and engagement programmes were increased to enhance professionalism and performance contracting and the performance appraisal system was implemented based on the Balanced Score Card management tool.

In response to whether or not KRA used change agents in carrying out its Reform and Modernization Program, the respondents answer was affirmative. They all said that donor agencies like Department of International Development (DFID) and the International Monetary Fund (IMF) worked closely with KRA in developing the project memorandum and log frame where these agencies reduced the goal, purpose and outputs to ones they considered more realistic. Internally, at KRA, Project Managers and Teams were appointed to spearhead the reforms/changes and terms of reference prepared to guide the teams. This was done after consultations with key stakeholders. This is in line with Kotter’s second principal of building the guiding team, getting the right people in place with the right emotional commitment, and the right mix of skills and levels.
The results indicate that KRA has very clear Corporate plans from which this project derives. The first being Corporate Plan of 2000/01-2002/03, the second Corporate Plan was the 2003/04-2005/06 which addressed the governance structure of the reforms and the third Corporate Plan of 2006/07-2008/09 which focussed on the implementation phase of the reforms. Since it’s inception in 1995 KRA has undertaken several strategic changes. These were guided by the organisations vision and mission statements. The study focuses on the Reforms carried out from the year 2004 which are still ongoing and are highlighted in the second and third Corporate Plans. The reforms are being conducted under the Revenue Administration Reform and Modernization Programme (RARMP). This is in line with Kotter’s third principal of getting the vision right. The study also found that top management at KRA were credible, highly committed to the reforms and supported the change. KRA had the support of government and other external agencies such as IMF and the World Bank in carrying out these reforms, however in focusing the change agenda, the study found that whereas KRA had clear priorities, vision and strategic goals / focus these were clearer to the initiators, the project owners, managers and coordinators than they were to the staff who were expected to implement them. Change management practices should involve clear goals and priorities that are manageable but should not be done without fully involving the staff who are going to implement these reforms. Staff involvement was found to be minimal.

To determine whether the fourth principle which is concerned with communication for ‘buy in’ of the staff to the reforms process was observed, the study found that reform minded staff were identified to spear head reforms in various departments as project managers, team leaders or project members. This was based on their competence, willingness to change and potential in order to influence other staff in their respective operational areas. For external agents, KRA worked with specific trader associations to ‘buy them in’ for example with KIFWA, an association of the clearing and forwarding agents for implementing the SIMBA system in customs. These change agents were used to lobby their members to accept the reforms.

Project teams prepared respective project implementation plans which were duly approved and implemented the tasks contained in the plans in consultation with both external and internal stakeholders. Staff were sensitized on changes taking place and progress being made through reports/briefs, pamphlets, field visits, workshops, meetings and external stake holders and the public were sensitized through press notices, pamphlets, consultative meetings and
workshops. Monitoring and evaluation of implementation was done on monthly and quarterly reports, meetings and workshops/conferences. A few respondents felt however that the sensitisation and training period for staff in some instances were done hastily and during automation did not consider that several staff members had not yet been accustomed to the use of computers, thus posing challenges during the implementation of the reforms. It was found that staff were not adequately involved/participative from the initiation of the reforms. The changes through training and various modes mentioned were not communicated to the staff and stakeholders effectively leading to some resistance. The staff did not feel adequately informed and the change practices / reforms were not so clear to the staff hence reduced commitment to the reforms. To be in line with Kotter’s fourth principle, KRA needs to further improve the mode of communication and involvement of staff from the initiation of projects / reforms to create adequate awareness to the staff of the changes being made in order for staff to understand, to be involved, to increase acceptance and commitment to the reforms and reduce resistance hence realize an improvement in the change processes and results to be achieved.

Empowerment of staff to take desired action towards success of the reforms has to an extent been done through trainings and sensitization and has been successful in areas where automation processes has began for example SIMBA system and RTD. KRA needs more forums where staff are free to express their opinions and in which KRA can address or remove obstacles, enable constructive feedback and support staff. This is to an extent in line with Kotter’s 5th principle. KRA has rewarded individual progress and achievements in the reform process through promotions and recognition in the KRA bulletins. KRA can exploit staff potential and varied skills within each individual by fostering commitment and ownership through more involvement of all the staff. This is beneficial in that it not only involves members in the organization in idea generation but also in the implementation of solutions. KRA however needs to create short term wins by setting aims that are easy to achieve in bite size chunks; have a manageable number of initiatives and finish current stages before starting new ones. More involvement and commitment of staff will assist in achieving the desired results faster, better quality decisions and still achieve the targeted results.

It was observed that several changes took place and still continue to take place at the same time, for example SIMBA, RTD changes, frequent transfers at DTD – domestic taxes and LTO, automation of the audit process and the integration of VAT and Income Tax departments to integrate the audit functions and process / procedures, the current focus now
being to move towards issue based audits, to some extent similar to the past audits. In designing the right change management, doing change right, change programs and projects have to make sense from the beginning when the actual idea of change came in to place. The feeling that a change is right for a company and the necessary sense of urgency to secure its realization will only occur if it is clear that the change has been tailored to the company and its particular business situation. Brunch and Ghoshal (2003). Management must systematically make decisions that will ensure that the change will be implemented successfully and have a permanent impact. Acceptance, attention, effective change agents as well as momentum and sustainability are all key in this regard Davenport and Beck (2000) and Kotter (1996). Without these factors, change processes will not be put in motion, make headway only with great difficulty or have a fleeting or even negligible impact Weick (2000).

Change initiatives in turbulent environments are filled with unexpected transitions that managers must deal with to secure a change effort Brown and Eisenhardt (1998). There has been a sense of urgency at KRA to secure the realization of desired changes, in line with Kotter's eight stage principles, however KRA needs to inform/involve staff more adequately/effectively before changes are made, including transfers that affect them in order to ensure acceptance of the changes, right emotional commitment, reduce resistance, achieve momentum, sustainability and success of these changes in the long term. Wider consultation and participation of all staff at all levels will help achieve this while at the same time maintaining confidential issues at the top management level will also reduce stress and suspicion currently felt by staff.

Rose and Lawton (1999) observes that changes in the public service arise out of the need for efficiency, economy, effectives, performance evaluation, ethics and market concerns. Rising demand for services and expectations of quality of those services have placed extreme pressure on managers and their organisations, depicting change as a continuous episode in the life of corporations. Uncertainty is causing companies to change continuously. Organizations need to anticipate the changes and ensure that the change is implemented successfully without distracting and distorting the intended change. The whole change program must be thought through and clarified before the enactment of the change. The focus of the change needs to be considered as well as the alignment of the changes to the organization's culture, situation, vision and goals. The management must consider how the change will be carried out and who will be involved; the acceptability, commitment or possible resistance of the change and the momentum of the change. Involving those affected by the change in decision
making and planning, will increase ownership and commitment of the change process and will lead to better quality of decisions. The change process should have priority, be beneficial, permanently present and key information should not be lost within the chain. There should be effective branding, in-depth personal top management communication and demonstrative, regular monitoring. The change agent should retain control of the change process but delegates certain tasks to teams or groups. Direction is usually a top-down management of strategic change and may be associated with clear vision or strategic intent developed by someone recognized as the leader in the organization. Use of coercion to bring about change may be necessary in crisis situations or rapid transformational change. Power strategies in situations where the change must be implemented quickly and a few resources are available for programmes of education or negotiation. Power is best used when the commitment of those affected is not necessary for implementation of the change or when little resistance is expected, since if resistance is crushed by force, it can create problems later. Manipulation strategies such as inducement, persuasion, obligation and even coercion can be used in order to get others in the organization to feel enthusiastic about the change. These styles are not mutually exclusive and several of them or all of them may be used at the same time or in the same organization.

From the foregoing discussions the following conclusions may be made regarding the Change Management Practices KRA has adopted in its Reform and Modernization Programme; the practices have been in line with popularly accepted practices in managing change, that is, increasing urgency, the right vision, communication for buy-in, empowering action and reinforcing the change. Shortfalls were noticed however in KRA creating short term wins and more needs to be done in the areas of communication and wider involvement of staff, taxpayers and stakeholders at the initiation of reforms and feedback to the stakeholders on the progress of the reforms, for sustainability of the reforms. In conclusion, the reforms were good, appropriate and successful to a large extent especially in regard to revenue growth, staff skills, development and automation of the processes.
5.2 Limitations

The limitations of the study included difficulty in accessing the respondents due to their busy schedules and getting information, which they felt, was confidential. The responses were based on the judgments of the interviewees and this could be subjective. In addition to this, change management is a large area thus not all aspects of change could be considered.

5.3 Recommendations for Further Research

The study recommends that further research could be done on the impact of change management on the various stakeholders namely taxpayers, staff and the government. Since change is inevitable, and employees are a major asset towards the success of any reform process, further research could also be carried out to determine how change management is carried out and why employees resist change in Public Corporations. This will contribute to successful strategic change management in Kenyan state corporations, parastatals and more specifically KRA.

5.4 Implications of the Study for Policy and Practice

The relevant KRA departments should be involved to facilitate sustainability and adopt improvements of the process, and lessons learned during the process should be documented. Project reviews should be coordinated by the programme coordination team in collaboration with the respective consultants and other stakeholders.

The study also identified that for any change to be achieved its intended goals managers should have the following information: Identify the change required, KRA with the assistance of the donor agencies did this and key benefits and positive gains can be easily identified; Determine the major issues, the major issues which were identified by the KRA change management team were put in place, these are well explained by the interviewed respondents who also attribute the success of the change on this strategy; Identify and assess the acceptability by key stakeholders, this is an area where the respondents identified to be lacking and therefore while KRA started implementing its reforms several legal issues were experienced with resistance by some of the staff and the stakeholders thus the assessment of key stakeholders and understanding on what they really have to say about the changes an
organization wishes to introduce becomes paramount for a certain change to achieve its desired goals; Win the support of key individuals, the top management introduced and clearly explained the needs for change in the structures of the organization this enhanced smooth implementation of some initiatives and programs and these key individuals played a major role in ensuring the success of the projects. This was achieved at top management level, it remains to be effectively done for all staff.

Identify the obstacles, this is an area which remained challenging to the implementation of the changes introduced by KRA key among these challenges which were not foreseen are the legal and compliance challenges. KRA is still facing legal challenges in some changes it introduced as well as compliance by the taxpayers for example implementation of Electronic Tax Register (ETR). This has increased the cost of implementing these changes thus negating the intended aspect of reducing the cost of operations; Determine the degree of risk and the cost of change, this also goes well with the evaluation of the degree of resistance and the level of compliance each change will achieve; Understand why change is resisted. This remains a very important aspect in any change management.

Managers should be able to act as change agents, to identify the need for change, be open to goods ideas for change and be able to successfully implement change. This study has also identified major strides for achieving desired results in change management as having to consider how each involved party will be affected, involve all parties in the change programmes, consult and inform frequently, be firm but flexible, make controversial change as gradually as possible, monitor the change and develop a change philosophy.

The study has also identified that to overcome resistance, in change management there should be effective Education and communication, if people understand the need for change and what is involved they are more likely to co-operate. This is identified with the computerization aspect of the Reform and Modernization Programme introduced in KRA. Staff were trained and are now embracing the advantages of computerization; Participation and involvement, to encourage people to feel ownership of the change. This is a deficiency encountered in the reforms undertaken by KRA as there was poor involvement of staff and other stakeholders; Facilitation and support, listening to the real concerns of people affected; negotiation and agreement, agreement and compromise if necessary; manipulation, for instance “buying in” leaders of resistance; Explicit and implicit coercion, threats were necessary but this is a high risk strategy.
The study also identified that the aspects which increased resistance in KRA Reform and Modernization Programmes and if addressed can reduce resistance as, failing to explain why change is needed to all the concerned parties that is staff, taxpayers and the stakeholders; not effectively consulting or communicating widely with all the involved parties, especially staff who are supposed to implement the introduced programmes and the taxpayers who are affected in paying the required revenue or to change the mode of payment. These changes are often advantageous, but due to lack of proper sensitization they are resisted due to lack of adequate information hence creating excess work pressure; expecting immediate results; not dealing with fears and anxieties and ignoring resistance. The study also established that several reasons why changes can fail are because employees do not understand the purpose or even the need for change, there is lack of planning and preparation, poor communication, employees lack the necessary skills and/ or there is insufficient training and development offered and lack of necessary resources.

With the use of appropriate change strategies, an organization can achieve the desired results effectively and with minimal resistance. KRA has on the whole adopted and implemented effective change management practices as relates to commonly accepted change management principles. There is still need to improve in communication and the involvement of staff and the relevant stakeholders from the initiation of reforms to their implementation, in order to foster acceptance, commitment and the full realization of the KRA vision and goals.

This study can be used by academicians to conduct further research for purposes of planning and implementing future changes; the government to improve service delivery, increase economic development and investor confidence and for efficient allocation of resources towards addressing priority needs. In addition the study can be used to regulate policy and processes in the economy in areas that necessitate strategic management, in order to ensure orderly economic growth and development. KRA can use the study to improve change management in future programs and identify appropriate sustainable change management practices needed to successfully manage change and to ensure sustained maximum revenue for provision of public goods and services.
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APPENDICES

Appendix 1 Interview Guide

PART I

General Information

1. Name of Employee

2. Job Title

3. Department

4. Are you aware of the changes the organisation has been undertaking in the Reforms and Modernization Programme? (Yes/No)

5. If the answer to Question 4. is Yes, which changes are you aware of?

6. What aspects of the changes are you aware of?

7. What is your view on Change Management Practices in Public Corporations in Kenya?

8. What about KRA in particular?

9. In your view do you think they are impacting positively or negatively? Explain

10. Were you part of the change management implementation team at KRA? What was your role?

11. What were the main factors that necessitated change management at KRA?

12. What were the objectives of the change management meant to achieve?

13. Do you think the changes were timely and appropriate?

14. Was there resistance to change? If Yes, why?
PART II

Change Management Practices at KRA

1. Did the organization spare time to anticipate the changes it was to undergo?
   If Yes, how?
   If No, was it reactive?

2. Did KRA use change agents in carrying out it’s Reforms and Modernization Programme? (Yes/No)

3. If answer to Question 2 is Yes, which change agents did KRA use? And how did KRA use them?

4. How were changes carried out?

5. Were the changes systematic? (Yes/No)

6. If Yes, explain how the changes were carried out.

7. Did KRA consider in advance what the focus of the change was? (Yes/No)
   If so, what was the focus of the changes.
   If no, why was it found unnecessary

8. Did KRA consider aligning the changes to the organization’s culture, situations, visions and goals?

9. Did KRA consider the acceptability of the change and possible resistance to the change?

10. If Yes, what did KRA do to ensure acceptability among the various stakeholders and minimize possible resistance?

11. Did KRA ensure for momentum by using change agents?

12. Were there necessary preparations for change?(Yes/No) If Yes, was this done through, Training, Mobilization of resources, Consultations, Change agents, Education of the people on the need for change, use of resources or any Other?
13. As the Reform and Modernization Programme was initiated and continued, were changes integrated into the existing Organisation structures?

14. Were you involved in the Collaboration, Participation or the Mobilization of the Reforms and Modernization Change Programme?

15. Did KRA consider the question of commitment?

16. What did KRA do to ensure commitment?

17. Was it necessary to delegate certain aspects of the change management?

18. Were you involved from initiation or implementation of the changes?

19. How was the change communicated to the staff in the lower positions in the organization?

20. Was the change communicated to staff in the lower positions in the organization, before it was initiated? (Yes/No)

21. If Yes, how was the change communicated?
   Through seminars, memos, meetings, media, internet, or any other?

22. Was it necessary to use coercion to bring about changes? (Yes/No)
   If it was, why?

23. If No, why was coercion not necessary?

24. Was there resistance to change?

25. If so, what form did it take and how was it addressed?

Q26. Indicate the extent to which the various Technologies have been used in this process:

   Use a 5 point scale, where:-

   5=Extremely  4=To a large extent  3=Moderately  2=A little  1=Not at all.

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Impact of Changes at KRA

Q27. To what extent has each of the following been realized as a result of the KRA Reforms and Modernization Programme.

Rate using the scale 5= Very great extent 4= Great extent 3 = Moderate extent 2 = Little extent 1 = Not at all

i) Developing a dedicated and professional team:

| i) dedicated to be an employer of choice | 5 | 4 | 3 | 2 | 1 |
| ii) staff empowerment | | | | | |
| iii) institutionalising professionalism | | | | | |

ii) Re-engineering business processes

| i) Dedicated to employ integrated solutions and processes | 5 | 4 | 3 | 2 | 1 |
| ii) Modernising technology | | | | | |
| iii) Operational excellence | | | | | |
| iv) Maintaining a single view of the taxpayer | | | | | |

iii) Improving and expanding taxpayer services

| i) dedicated to minimise stakeholder implicit and explicit compliance costs | 5 | 4 | 3 | 2 | 1 |
| ii) focusing on client based tax administration procedures | | | | | |

iv) Enhancing Revenue Collection

| i) improved compliance | 5 | 4 | 3 | 2 | 1 |
| ii) strengthening enforcement | | | | | |
| iii) dedicated to shift the reform programme to enable achievement of the revenue target at the least cost | | | | | |
| iv) coverage and increased tax base | | | | | |
| v) Increase total revenue collected | | | | | |
| vi) the overall goal objective is to have KRA as a one stop shop for all its services under its operations. | | | | | |
Q28. To what extent has each of the following been realized as a result of the KRA Reforms and Modernization Programme.

Rate using the scale 5 = Very great extent 4 = Great extent 3 = Moderate extent 2 = Little extent 1 = Not at all

i)

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<th>4</th>
<th>3</th>
<th>2</th>
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<td>Resistance from staff</td>
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<td>Apathy</td>
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<td>other (specify)</td>
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</table>

Q 29. Did the changes at KRA affect the various stakeholders? (Yes/No)

Q 30. If Yes, were they affected Negatively or Positively?

Q 31. How was the change communicated to the staff, taxpayers and the government?
Appendix II: Approval Letter

Rose P. Odundo,
University of Nairobi,
P.O. Box 30197,
NAIROBI

1st August, 2007

S.D.C. Human Resources
Kenya Revenue Authority
Times Tower
NAIROBI

Dear Sir,

SUBJECT: APPROVAL FOR STUDY

I am a student in the faculty of Commerce, University of Nairobi. In partial fulfilment of the requirements of the degree of Masters in Business Administration (MBA), I am conducting a case study titled “Change Management Practices Adopted by Kenya Revenue Authority in Reform and Modernization Programme”.

I therefore seek your approval to document the Change Management Practices adopted by Kenya Revenue Authority in Reform and Modernization Programme. The study will involve interviewing personnel who have been involved in the planning, executing and management of the Reform and Modernization Programme at the Authority.

Please find attached a copy of my introductory letter from the University of Nairobi.

Your assistance is highly appreciated. Thank you,

Yours faithfully,

R. P. Odundo
MBA Student
Appendix III: Respondents Letter

Rose P. Odundo,
University of Nairobi,
P.O. Box 30197,
NAIROBI

1st August, 2007

Respondent
Kenya Revenue Authority
Times Tower
NAIROBI

Dear Sir/Madam,

SUBJECT: APPROVAL FOR STUDY

I am a post graduate student at the University of Nairobi, studying Masters of Business Administration in the faculty of Commerce. I am currently conducting a case study at Kenya Revenue authority in the area of “Change Management Practices Adopted by Kenya Revenue Authority in Reforms and Modernization Programme”.

The purpose of this letter is to request you to respond to the attached Interview guide. The Interview guide is designed to gather information on the Change Management Practices adopted by Kenya Revenue Authority in Reforms and Modernization Programme.

The information you provide will be treated in strict confidence. The information gathered will be used for academic purposes only.

Please find attached a copy of my introductory letter from the University of Nairobi and an approval from Kenya Revenue Authority (KRA) to conduct this study.

Your assistance is highly appreciated. Thank you,

Yours faithfully,

R. P. Odundo
MBA Student