CHALLENGES OF STRATEGY IMPLEMENTATION IN PUBLIC SECTOR REFORMS IN KENYA: A CASE STUDY OF KENYA REVENUE AUTHORITY

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DECLARATION

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

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

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DEDICATION

I dedicate this research project to my dad whose love, care and guidance throughout the years has enabled me to come this far. Thank you Dad, I wish you were here…

ABSTRACT

Strategy implementation has been a challenge for many organizations and scholars in the field of management have debated these challenges for many years. This debate has gained momentum over the recent past with the introduction of new public management where public sector organizations take on market-type reforms. The Kenya Revenue Authority initiated market type reforms called the Revenue Administration Reform and Modernization Program (RARMP) which commenced in 2004/05 with the objective of transforming KRA into a modern, fully integrated and client-focused organization. The present study focused on public sector reforms in KRA but from a new public management (NPM) perspective. The study sought to determine the types of public management reforms, the effects of public management reforms, and the challenges of implementing public management reforms.

A qualitative research design was used in this study. Primary data was collected using structured interview guides with the managers of KRA. Content analysis was used to perform data analysis where the interview responses were structured based on various themes as espoused by objectives of the study. Secondary data were also used to corroborate the results of the interviews by looking at the documents for the reforms and modernization programs.

The study found that the reforms included automating processes, integration of systems, business process re-engineering and enhancement of tax-payer services. The reforms had led to improved revenue collection and decrease in cost of revenue collection. It was

noted that there were several challenges that the reforms had to go through from funding to resistance. The study concludes that the Kenya Revenue Authority adopted the management instruments used in the private sector (New Public Management) and used the same tools to address the challenges it was facing. The reforms had improved the revenue collection of the authority and employee productivity. It is recommended that public sector organizations seeking to implement change process or any other reforms should emulate the process utilized by KRA if the reforms are to be successful. The study recommends need for firms undergoing change process to communicate more and sensitize all stakeholders about the aims of reforms so as to reduce resistance from both internal and external stakeholders.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The public sector has long been subjected to criticisms for, among others, inefficiency, red tape, lack of flexibility, ineffective accountability and poor performance. Such criticisms have paved the way for administrative reforms and reorganizations seeking to address various administrative ailments and enhance the efficiency and performance of public bureaucracies (Langfield-Smith, 1997). With changes in time and circumstances reform agenda has varied, but reforms have always been seen and applied as a means to bring about desired changes in administration and improve its capacity as well as performance. While reforms are nothing new in public services, the period since the early 1980s has seen a major shift in public management reforms in both developed and developing countries. The recent reforms are unprecedented in terms of their scale and intensity and they have brought about far more profound changes than those experienced in the past. In many cases, such reforms have not only transformed the structure of public bureaucracy or the way it operates, they have also radically altered the nature of the government and its role in the society (Aaltonen and Ikåvalko, 2002).

1.1.1 The Concept of Strategy

According to Munive-Hernandez et al. (2004), strategy is defined as the pattern or plan that integrates an organization's major goals, policies, and action sequences into a cohesive whole. It is a well-formulated strategy which helps to marshal and allocate an organisation's resources into a unique and viable posture based on its relative internal

competencies and weaknesses, anticipated changes in environment, and contingent moves by intelligent opponents. This is the definition that is adopted in the present study. Businesses must formulate a competitive strategy. Competitive strategy, as defined by Slack et al. (1982) is positioning a business to maximize the value of the capabilities that distinguish it from its competitors. Further, three generic competitive strategies were identified by Porter (1982) as cost leadership, differentiation, and focus. Effective strategic management is essential for organisations to cope with increasing competition and business complexity (Munive-Hernandez et al., 2004).

There are two schools of thought on strategy formulation. These are the design, rational or deliberate school; and the learning, incremental or emergent school (Munive-Hernandez, 2004). According to rationalists, strategy should be deliberate while incrementalists, on the other hand, are of the idea that strategy can only be emergent. Porter was the first supporter of the rational school who had the view that a firm could gain competitive advantage by its strategic positioning (Munive-Hernandez et al., 2004). Munive-Hernandez et al. (2004) aptly put it that business strategies need to be consistently re-defined to effectively reflect the different requirements of customers and to respond to changes in the business environment such as the growing local and international competition.

1.1.2 Strategic Implementation Challenges

According to Alexander (1985), the most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the

external environment had an adverse impact. Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting "it is possible for the planning intent of any resource redistribution to be ignored" (Reed and Buckley, 1988, p. 68). Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the "entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment" (Reed and Buckley, 1988, p. 68).

The major challenges to be overcome appear to be more cultural and behavioral in nature, including the impact of poor communication and diminished feelings of ownership and commitment (Aaltonen and Ikåvalko, 2002). Aaltonen and Ikåvalko (2002) recognize the role of middle managers, arguing they are the "key actors" "who have a pivotal role in strategic communication" (Aaltonen and Ikåvalko, 2002) meanwhile Bartlett and Goshal (1996) talk about middle managers as threatened silent resistors whose role needs to change more towards that of a "coach", building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes. In addition to the above, another inhibitor to successful strategy implementation that has been receiving a

considerable amount of attention is the impact of an organisation's existing management controls (Langfield-Smith, 1997) and particularly its budgeting systems (Marginson, 2002). Although it is increasingly suggested that budgets suffer from being bureaucratic and protracted, and that they focus on cost minimization rather than value maximization (Brander Brown and Atkinson, 2001), they still represent the main integrative control mechanism in many, if not most, business organisations (Otley, 2001).

1.1.3 Public Sector Reforms

Much of the contemporary administrative reforms are seen as either related to or an integral part of what is known as the new public management (NPM). Otherwise known as managerialism, the NPM has not only questioned the philosophical, institutional and operational aspects of the conventional public administration, but also proposed radical changes in different areas of the public sector. The NPM advocates the application of market logic within the public sector for solving the problems of big and inefficient government. As it has offered better solutions to the perennial problems of the public sector, the NPM has attracted the attention of policy framers and practitioners all over the world. Osborne and Gaebler' (1992) bestseller has provided further impetus to the process. "Reinventing government" has since then become the slogan in many societies and by the end of 1990s it has assumed a global character, although the scale of implementation has been uneven and the NPM has also been a matter of controversy and debate. Despite skepticisms in some quarters and debates and controversies surrounding it, the NPM has lately become so widespread that it is seen as a new paradigm that is replacing the classical bureaucratic paradigm of public management (Gow and Dufour, 2000). The influence of NPM is clearly evident in most developing countries (Cheung

and Scott, 2003). Over the past decades, a range of NPM-type reforms have been initiated and implemented in the Kenyan public sector with the aim of transforming it into an efficient, dynamic and market-driven administration.

The Government of Kenya has been carrying out civil service reforms over the past decade by downsizing the core civil service, harmonizing pay and benefits and putting in place interventions to enhance civil service efficiency. Indeed, the civil service has declined from 272,000 in 1991 to 193,000 in 2002. In spite of this reduction, the wage bill as a percentage of Government revenue is currently around US$40 in Kenya as compared to 30-33% in other countries within the sub region. The Government is strongly commended for its announced commitment to accelerating the Public Service Reform to create a leaner, efficient, motivated and more productive institution that concentrates public finance and human resources on the delivery of core government services. Throughout the world, the consensus is that governance and service delivery are improved when managed as close to the beneficiary as possible to better respond to his/her needs. In addition, businesses generally choose to locate in those areas where essential services are delivered in a reliable and low-cost way. To date the most significant reform implemented is the Local Authority Transfer Fund (LATF) and associated measure to strengthen local authorities' capacity to manage their finances and improve service delivery.

One of the principal findings of the 2003 Public Expenditure Review was the inordinate level of funding which was transferred from core Government services to cover the debt

incurred by loss-making parastatals involved in economic activities that are generally more efficiently managed by the private sector. Therefore, the Government statement that it "remains fully committed to moving away from commercial activities that can be performed more efficiently and effectively by the private sector" is welcomed by the donor community, investors, and Kenyan consumers.

1.1.4 Kenya Revenue Authority

The Kenya Revenue Authority (KRA) was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1st July 1995. The Authority is charged with the responsibility of collecting revenue on behalf of the Government of Kenya. A Board of Directors, consisting of both public and private sector experts, makes policy decisions to be implemented by KRA Management. The Chairman of the Board is appointed by the President of the Republic of Kenya. The Chief Executive of the Authority is the Commissioner General who is appointed by the Minister for Finance.

The purpose of KRA is to assess, collect, administer and enforce laws relating to revenue. KRA is a Government agency that runs its operations in the same way as a private enterprise. In order to offer better single-window services to taxpayers, KRA is divided into five Regions as follows: Rift Valley Region, Western Region, Southern Region, Northern Region, and Central Region. In terms of revenue collection and other support functions, the Authority is divided into the following Departments: Customs Services Department, Domestic Taxes Department, Road Transport Department, and Support Services Department. Each Department is headed by a Commissioner. In addition to the four divisions the Authority had seven service Departments that enhance its operational

efficiency. These are as follows: Investigations and Enforcement Department, Human Resources Department, Finance Department, Board Corporate Services and Administration Department, Internal Audit Department, Information and Communication Technology Department, and Research and Corporate Planning Department.

Since the inception of KRA, revenue collection has continued to grow while professionalism in revenue administration has been enhanced. However, a number of processes remain manual and KRA is yet to operate as a fully integrated organisation. Thus the KRA Second Corporate Plan while acknowledging these challenges recommended appropriate strategies to address the same. This actuated the Revenue Administration Reform and Modernization Program (RARMP) which commenced in 2004/05 with the objective of transforming KRA into a modern, fully integrated and client-focused organization. The RARMP process adopted project management and business analysis techniques in accordance with international best practice with the creation of the Programme Management and Business Analysis Office (PMBO) under the Office of the Commissioner General. This has led to the development of an institutionalized administrative framework for the RARMP making it easier to track progress in the reform initiatives and enhance project ownership and acceptance to change from both internal and external stakeholders.

1.2 Statement of the problem

Strategy implementation has been a challenge for many organizations for years and scholars in the field of management have debated these challenges for many years (Reed

and Buckley, 1988). This debate has gained momentum over the recent past with the introduction of new public management where public sector organizations take on market-type reforms (Scharpf and Scmidt 2000). These challenges include underestimation of time needed for implementation (Alexander, 1985), fit between strategy and structure issues (Reed and Buckley, 1988), culture (Aaltonen and Ikåvalko, 2002) and management control systems (Aaltonen and Ikåvalko, 2002) among others.

The Kenya Revenue Authority initiated market type reforms called the Revenue Administration Reform and Modernization Program (RARMP) which commenced in 2004/05 with the objective of transforming KRA into a modern, fully integrated and client-focused organization. The organization has faced many implementation challenges along the way as some of the objectives were never met. But a systematic documentation of these challenges has not received attention of scholars and it would be important to determine what specific challenges the organization is facing in terms of implementation of its reform agenda.

A few studies have been done on public sector reforms in Kenya. Such include Nyamache (2003) who studied strategic change management process in the public sector focusing on the civil service reform program in Kenya from 1993-2003. Further, Odundo (2007) studied change management practices adopted by Kenya Revenue Authority (KRA) in its reform and modernization program. Wambua (2008) did a study on the effects of reform programs on staff morale in the KRA. The present study focused on

public sector reforms in KRA but from a new public management (NPM) perspective. This differs from the focus of previous studies on KRA reforms.

1.3 Objectives of the study

The objectives of this study were:

i) To determine the public sector reforms that Kenya Revenue Authority has been carrying out.

ii) To establish the extent to which the reforms have been implemented by Kenya Revenue Authority.

iii) To establish the challenges encountered in the implementation of the public sector reforms at Kenya Revenue Authority.

1.4 Importance of the study

This study will add on to the growing body knowledge of new public management (NPM). Since most of the studies in this area have been done in Europe, America and Asia, the African perspective will be useful to the scholars.

The study will also be important to the management of various public sector organizations in Kenya. The fact that the results of this study will show the extent to which various market-type reforms have been implemented as well as their effects will help the management in discerning what types of reforms to put in place and how to go about them so that their effects may be positive.

This study will also be important to scholars and researchers in this area by offering new areas of further research as well as acting as a guide for future references on new public management in Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction to Strategy Implementation

Strategy implementation is the effective direction, use and control of an organization's resources in order to achieve the desired results (Pierce and Robinson, 2007). It is a process by which management allocates available resources to put a chosen strategy in motion. It involves various activities including decision making on how to best apply the organization's resources to achieve the desired outcomes, how to monitor the progress against targeted outcomes and how to manage deviation in order for the end goal to be achieved. Strategy implementation is typically the most difficult process in the strategic management field. Many organizations make excellent strategic plans but are not able to implement them successfully to achieve the desired results.

Strategy implementation involves organization of the firm's resources and motivation of the staff to achieve objectives. The environmental conditions facing many firms have changed rapidly. Today's global competitive environment is complex, dynamic, and largely unpredictable. To deal with this unprecedented level of change, a lot of thinking has gone into the issue of how strategies are best formulated. Strategic management is about managing the future, and effective strategy formulation is crucial, as it directs the attention and actions of an organisation, even if in some cases actual implemented strategy can be very different from what was initially intended, planned or thought. The assessment of strategy formulation processes becomes crucial for practitioners and researchers alike in order to conduct and evaluate different formulation processes (Olson

et al. 2005). In recent years organisations have sought to create greater organisational flexibility in responding to environmental turbulence by moving away from hierarchical structures to more modular forms (Balogun and Johnson, 2004). Responsibility, resources and power in firms has been the subject of decentralization and delayering. Given an intensifying competitive environment, it is regularly asserted that the critical determinant in the success and, doubtlessly, the survival of the firm is the successful implementation of marketing strategies (Chebat, 1999). The role and tasks of those employees charged with strategy implementation duties, the mid-level managers, in these new restructured organisations is under scrutiny.

Historically, numerous researchers in strategic management bestowed great significance to the strategic formulation process and considered strategy implementation as a mere by-product or invariable consequence of planning (Wind and Robertson, 1983). Fortunately, insights in this area have been made recently which temper our knowledge of developing strategy with the reality of executing that which is crafted (Olson et al., 2005). However, as strategy implementation is both a multifaceted and complex organisational process, it is only by taking a broad view that a wide span of potentially valuable insights is generated.

2.2 McKinsey's 7-S Model of Strategy Implementation

This model of was named after McKinsey and Company, a consulting company which conducted applied research in business and industry (Pascale & Athos, 1981; Peters & Waterman, 1982). It can be used in various scenarios including when determining how to

best implement strategy. McKinsey's model describes the seven factors critical for effective strategy execution (Kaplan, 2005). The 7-S model identifies the seven factors as strategy, structure, systems, staff, skills, style/culture, and shared values. Strategy is the plan of action an organization prepares in response to, or anticipation of, changes in its external environment. Strategy is differentiated by tactics or operational actions by its nature of being premeditated, well thought through and often practically rehearsed. It deals with essentially three questions: where the organization is at a given moment in time, where the organization wants to be in a particular length of time and how to get there. Thus, strategy is designed to transform the firm from the present position to the new position described by objectives, subject to constraints of the capabilities or the potential (Kaplan, 2005).

Structure refers to the way in which tasks and people are specialized and divided, and authority is distributed; how activities and reporting relationships are grouped; the mechanisms by which activities in the organization are coordinated (Kaplan, 2005). Organisations are structured in a variety of ways, dependent on their objectives and culture. The structure of the company often dictates the way it operates and performs (Waterman et al., 1980). Traditionally, the businesses have been structured in a hierarchical way with several divisions and departments, each responsible for a specific task such as human resources management, production or marketing. Many layers of management controlled the operations, with each answerable to the upper layer of management. Although this is still the most widely used organisational structure, the recent trend is increasingly towards a flat structure where the work is done in teams of

specialists rather than fixed departments. The idea is to make the organization more flexible and devolve the power by empowering the employees and eliminate the middle management layers (Boyle, 2007).

Systems refer to the formal and informal procedures used to manage the organization, including management control systems, performance measurement and reward systems, planning, budgeting and resource allocation systems, and management information systems (Kaplan, 2005). Every organization has some systems or internal processes to support and implement the strategy and run day-to-day affairs. These processes are normally strictly followed and are designed to achieve maximum effectiveness. Traditionally organisations have been following a bureaucratic-style process model where most decisions are taken at the higher management level and there are various and sometimes unnecessary requirements for a specific decision (e.g. procurement of daily use goods) to be taken. Increasingly, organisations are simplifying and modernizing their process by innovation and use of new technology to make the decision-making process quicker. Special emphasis is on the customers with the intention to make the processes that involve customers as user friendly as possible (Lynch, 2005).

Staff refers to the people, their backgrounds and competencies; how the organization recruits, selects, trains, socializes, manages the careers, and promotes employees. (Kaplan, 2005). Organisations are made up of humans and it's the people who make the real difference to the success of the organization in the increasingly knowledge-based society. The importance of human resources has thus got the central position in the

strategy of the organization, away from the traditional model of capital and land. All leading organisations such as IBM, Microsoft, Cisco, etc put extraordinary emphasis on hiring the best staff, providing them with rigorous training and mentoring support, and pushing their staff to limits in achieving professional excellence, and this forms the basis of these organizations strategy and competitive advantage over their competitors. It is also important for the organization to instill confidence among the employees about their future in the organization and future career growth as an incentive for hard work (Purcell and Boxal, 2003). Skills refer to the distinctive competencies of the organization; what it does best along dimensions such as people, management practices, processes, systems, technology, and customer relationships (Kaplan, 2005).

Style/culture refers to the leadership style of managers – how they spend their time, what they focus attention on, what questions they ask of employees, how they make decisions; also the organizational culture which includes the dominant values and beliefs, the norms, the conscious and unconscious symbolic acts taken by leaders such as job titles, dress codes, executive dining rooms, corporate jets, and informal meetings with employees (Kaplan, 2005). All organisations have their own distinct culture and management style. It includes the dominant values, beliefs and norms which develop over time and become relatively enduring features of the organisational life. It also entails the way managers interact with the employees and the way they spend their time. Businesses have traditionally been influenced by the military style of management and culture where strict adherence to the upper management and procedures was expected from the lower-rank employees. However, there have been extensive efforts in the past couple of decades to

change the culture to a more open, innovative and friendly environment with fewer hierarchies and smaller chain of command. Culture remains an important consideration in the implementation of any strategy in the organization (Martins and Terblanche, 2003).

Lastly, shared values refer to the core or fundamental set of values that are widely shared in the organization and serve as guiding principles of what is important; vision, mission, and values statements that provide a broad sense of purpose for all employees (Kaplan, 2005). All members of the organization share some common fundamental ideas or guiding concepts around which the business is built. This may be to make money or to achieve excellence in a particular field. These values and common goals keep the employees working towards a common destination as a coherent team and are important to keep the team spirit alive. The organisations with weak values and common goals often find their employees following their own personal goals that may be different or even in conflict with those of the organization or their fellow colleagues (Martins and Terblanche, 2003).

According to the 7-S model, organizations are successful when they achieve an integrated harmony among three “hard” “S's” of strategy, structure, and systems, and four “soft” “S's” of skills, staff, style, and super-ordinate goals (now referred to as shared values) (Kaplan, 2005). The hard components are the strategy, structure and systems which are normally feasible and easy to identify in an organization as they are normally well documented and seen in the form of tangible objects or reports such as strategy statements, corporate plans, organisational charts and other documents. The remaining

four Ss, however, are more difficult to comprehend. The capabilities, values and elements of corporate culture, for example, are continuously developing and are altered by the people at work in the organization. It is therefore only possible to understand these aspects by studying the organization very closely, normally through observations and/or through conducting interviews. Some linkages, however, can be made between the hard and soft components. For example, it is seen that a rigid, hierarchical organisational structure normally leads to a bureaucratic organisational culture where the power is centralized at the higher management level (Waterman et al., 1980).

It is also noted that the softer components of the model are difficult to change and are the most challenging elements of any change-management strategy. Changing the culture and overcoming the staff resistance to changes, especially the one that alters the power structure in the organization and the inherent values of the organization, is generally difficult to manage. However, if these factors are altered, they can have a great impact on the structure, strategies and the systems of the organization. Over the last few years, there has been a trend to have a more open, flexible and dynamic culture in the organization where the employees are valued and innovation encouraged. This is, however, not easy to achieve where the traditional culture has been dominant for decades and therefore many organisations are in a state of flux in managing this change (Waterman et al., 1980).

2.3 Factors to Consider During Strategy Implementation

The fatal problem with strategy implementation is the de facto success rate of intended strategies. In research studies it is as low at 10 percent (Judson, 1991). Despite this

abysmal record, strategy implementation does not seem to be a popular topic at all. In fact, some managers mistake implementation as a strategic afterthought and a pure top-down-approach. Instead, management spends most of its attention on strategy formulation. This can be documented by the focus on strategy formulation in strategic management literature. To resolve this, strategic management should accomplish its very own shift of emphasis by moving from a 90:10 concern with strategy formulation relative to implementation to a minimum 50:50 proportion with each (Grundy, 1998). To overcome and improve the difficulties in the implementation context, Rapa and Kauffman (2005) compiled the following checklist of ten critical points.

2.3.1 Commitment of Top Management

The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategy implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members (Rapa and Kauffman, 2005).

To successfully improve the overall probability that the strategy is implemented as intended, senior executives must abandon the notion that lower-level managers have the same perceptions of the strategy and its implementation, of its underlying rationale, and its urgency. Instead, they must believe the exact opposite. They must not spare any effort to persuade the employees of their ideas (Rapa and Kauffman, 2005).

2.3.2 Involvement of Middle Manager's Valuable Knowledge

Strategy implementation is not a top-down-approach. Consequently, the success of any implementation effort depends on the level of involvement of middle managers. To generate the required acceptance for the implementation as a whole, the affected middle managers' knowledge (which is often underestimated) must already be accounted for in the formulation of the strategy. Then, by making sure that these managers are a part of the strategy process, their motivation towards the project will increase and they will see themselves as an important part in the process (Rapa and Kauffman, 2005).

Unfortunately, in practice, managers and supervisors at lower hierarchy levels who do have important and fertile knowledge are seldom involved in strategy formulation. When they are, however, the probability for realizing a smooth targeted and accepted strategy implementation process increases substantially. Research studies indicate that less than 5 percent of a typical workforce understands their organization's strategy (Kaplan and Norton, 2001). This is a disturbing statistic as it is generally believed that, without understanding the general course of strategy, employees cannot effectively contribute to a strategy implementation.

2.3.3 The Role of Communication

At first look, the suggestion that communication aspects should be emphasized in the implementation process seems to be a very simple one. Even though studies point out that communication is a key success factor within strategy implementation (Miniace and

Falter, 1996), communicating with employees concerning issues related to the strategy implementation is frequently delayed until the changes have already crystallized.

In this context, it is recommended that an organization institute a two-way-communication program that permits and solicits questions from employees about issues regarding the formulated strategy. In addition to soliciting questions and feedback, the communications should tell employees about the new requirements, tasks and activities to be performed by the affected employees, and, furthermore, cover the reason ("the why") behind changed circumstances (Alexander, 1985).

2.3.4 Integrative Point of View

Traditional strategy implementation concepts generally over-emphasize the structural aspects and reduce the whole effort down to an organizational exercise. It is dangerous, however, when implementing a new strategy, to ignore the other existing components (Rapa and Kauffman, 2005). It is of great importance to integrate soft facts as well in the reflection of the implementation process. It is the consideration of soft and hard facts together that ascertains that cultural aspects and human resources receive at least the same status as organizational aspects. Altogether, such an integrative interpretation allows an important scope of development for implementation activities (Rapa and Kauffman, 2005).

2.3.5 Clear Assignment of Responsibilities

One of the reasons why strategy implementation processes frequently result in difficult and complex problems – or even fail at all – is the vagueness of the assignment of responsibilities. In addition, these responsibilities are diffused through numerous organizational units (Rapa and Kauffman, 2005). Cross-functional relations are representative of an implementation effort. This is indeed a challenge, because as already mentioned before organizational members tend to think only in their "own" department structures. This may be worsened by over-bureaucracy and can thus end up in a disaster for the whole implementation (Rapa and Kauffman, 2005). To avoid power struggles between departments and within hierarchies, one should create a plan with clear assignments of responsibilities regarding detailed implementation activities. This is a preventive way of proceeding. Responsibilities are clear and potential problems are therefore avoided (Rapa and Kauffman, 2005).

2.3.6 Preventive Measures against Change Barriers

Change is part of the daily life within an organization. The ability to manage change has shown to be a core competency for corporations. A great challenge within strategy implementation is to deal with potential barriers of the affected managers (Rapa and Kauffman, 2005). Implementation efforts often fail when these barriers are underestimated and prevention methods are not adopted at the beginning. One has to be aware that barriers against the implementation of the strategy can lead to a complete breakdown of the formulated strategy. In psychology, much research is done about human barriers. The cause for these barriers is seen in affective and non-logical

resistances, which are, in a way, incomprehensible because they come out of the subconscious of human beings (Rapa and Kauffman, 2005). Barriers to implementing a strategy range from delay to outright rejection. However, this psychological point of view is often downplayed during discussions of implementation issues, even though it is becoming more and more obvious that strategy implementation consists, for the most part, of psychological aspects (Rapa and Kauffman, 2005). By changing the way they view and practice strategy implementation, senior executives can effectively transform change barriers into gateways for a successful execution.

2.3.7 Teamwork

Teamwork plays an important role within the process of strategy implementation. When it comes down to implementation activities, however, it is often forgotten. It is indisputable, that teams can play an important part to promote the implementation (Rapa and Kauffman, 2005). To build up effective teams within strategy implementation the Myers-Briggs typology can be useful to ascertain person-to-person differences. Differences in personality can result in serious inconsistencies in how strategies are understood and acted on. Recognizing different personality types and learning how to handle them effectively is a skill that can be taught. Over one million surveys are performed each year in corporate settings for team building and management development. More than any other field of activity, implementation is the area that benefits most from a trained and personality-sensitive management team (Noble, 1999).

2.3.8 Individuals' Differences

Human resources represent a valuable intangible asset. Latest study research indicates that human resources are progressively becoming the key success factor within strategy implementation. In the past, one of the major reasons why strategy implementation efforts failed was that the human factor was conspicuously absent from strategic planning (Lorange, 1998). This leads to a dual demand (Rapa and Kauffman, 2005). First, considerations regarding people have to be integrated into considerations about strategy implementation in general. Second, the individual behavior of these persons is to be taken into account. Individual personality differences often determine and influence implementation. The difference of individuals requires, as a consequence, different management styles. For the purpose of strategy implementation it is desirable to create a fit between the intended strategy and the specific personality profile of the implementation's key players in the different organizational departments (Rapa and Kauffman, 2005).

2.3.9 Supportive Implementation Instruments

To facilitate the implementation in general implementation instruments should be applied to support the processes adequately. Two implementation instruments are the balanced scorecard and supportive software solutions (Rapa and Kauffman, 2005). The balanced scorecard is a popular and prevalent management system that considers financial as well as non-financial measures. It provides a functionality to translate a company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1993). When it comes to meeting the criteria of a strategy implementation instrument, there is an

excellent fit. The individual character of each balanced scorecard assures that the company's strategic objectives are linked to adequate operative measures. As a consequence, it provides even more than a controlling instrument for the implementation process. It is a comprehensive management system, which can support the steering of the implementation process.

A strategic planning system cannot achieve its full potential until it is integrated with other control systems like budgets, information and reward systems. The balanced scorecard provides a framework to integrate the strategic planning and meets the requirements that the strategic planning system itself can display (Rapa and Kauffman, 2005). In the context of implementing strategies, the application of software solutions seems to be neglected. Recent experience has shown that IT-support is gaining more and more importance. Information tools must be available and adequate to allow strategic decision makers to monitor progress toward strategic goals and objectives, track actual performance, pinpoint accountability, and most important provide an early warning of any need to adjust or reformulate the strategy (Rapa and Kauffman, 2005). Unfortunately, this seems to be limited to enterprise resource planning (ERP) systems, which are prevalent in the operative environment of a company's day-to-day business. The strategy implementation perspective demands systems with different criteria than those of conventional systems. The supportive character in monitoring and tracking the implementation process should be in the center of interest (Rapa and Kauffman, 2005).

2.3.10 Buffer Time for Unexpected Incidents

One of the most critical points within strategy implementation processes is the exceeding of time restrictions. This can be attributed to an underestimation on the part of many executives who do not have a clearly focused view on the complexities involved in implementing strategies and on the general process to deal with these multifaceted complexities (Rapa and Kauffman, 2005). Basically, it is difficult enough to identify the necessary steps of the implementation. It is even more difficult to estimate an appropriate time frame. One has to find out the time-intense activities and harmonize them with the time capacity. One method for accomplishing this is to work with the affected divisions and the responsible managers. In addition to calculating the probable time frame an extra buffer should be calculated to account for unexpected incidents that might occur at any time (Rapa and Kauffman, 2005).

2.4 Challenges of Strategy Implementation

Organisations face numerous challenges as they endeavor to implement the strategies laid down in the strategic plans. These challenges include underestimating time needed to implement the strategy, organization structure, leadership style, resistance to change and culture as discussed below.

2.4.1 Implementation Time

According to Alexander (1985), the most frequently occurring strategy implementation problems include underestimating the time needed for implementation and major problems surfacing that had not been anticipated, in addition uncontrollable factors in the

external environment had an adverse impact. Based on empirical work with 93 firms he observed that senior executives were over optimistic in the planning phase and it is noteworthy that the first two issues which occurred most frequently in Alexander's study are planning issues. He also found the effectiveness of coordination of activities and distractions from competing activities inhibited implementation, in addition key tasks were not defined in enough detail. With regard to people, the capabilities of employees involved were often not sufficient, leadership and direction and "training and instruction given to lower level employees were not adequate" (Alexander, 1985, p. 92). Although the least frequent in this study in many cases the information systems used to monitor implementation were not adequate.

Al Ghamdi (1998) replicated the work of Alexander (1985) in the UK and found for 92 percent of firms implementation took more time that originally expected, that major problems surfaced in 88 percent of companies, again showing planning weaknesses. He found the effectiveness of coordination of activities as a problem in 75 percent and distractions from competing activities in 83 percent cases. In addition key tasks were not defined in enough detail and information systems were inadequate in 71 percent of respondents. What is interesting is that there is congruence between these findings, which implies that lessons have still not been learned; as Al Ghamdi states, "the drama still continues" (Al Ghamdi, 1998, p. 322).

2.4.2 Organization Structure

Reed and Buckley (1988) discuss problems associated with strategy implementation identifying four key areas for discussion. They acknowledge the challenge and the need for a clear fit between strategy and structure and claim the debate about which comes first is irrelevant providing there is congruence in the context of the operating environment. They warn that, although budgeting systems are a powerful tool for communication, they have limited use in the implementation of strategies as they are dominated by monetary based measures and due to their size and the game playing associated budget setting "it is possible for the planning intent of any resource redistribution to be ignored" (Reed and Buckley, 1988, p. 68). Another problem is when management style is not appropriate for the strategy being implemented, they cite the example of the "entrepreneurial risk taker may be an ideal candidate for a strategy involving growth, but may be wholly inappropriate for retrenchment" (Reed and Buckley, 1988, p. 68).

2.4.3 Management Style

More recent articles confirm notable barriers to successful strategy implementation about which there appears to be a degree of accord including Beer and Eisenstat's (2000, p. 37) who assert that six silent killers of strategy implementation comprise: a top-down/laissez-faire senior management style; unclear strategic intentions and conflicting priorities; an ineffective senior management team; poor vertical communication; weak co-ordination across functions, businesses or borders; and inadequate down-the-line leadership skills development (Beer and Eisenstat, 2000). It is recognized that such change requires a shared vision and consensus (Beer et al., 1990) and "failures of strategy implementation

are inevitable" if competence, coordination and commitment are lacking (Eisenstat, 1993).

Corboy and O'Corrbui (1999), meanwhile, identify the deadly sins of strategy implementation which involve: a lack of understanding of how the strategy should be implemented; customers and staff not fully appreciating the strategy; unclear individual responsibilities in the change process; difficulties and obstacles not acknowledged, recognized or acted upon; and ignoring the day-to-day business imperatives. Overall though, it is increasingly acknowledged that the traditionally recognized problems of inappropriate organisational structure and lack of top management backing are not the main inhibiting factors to effective strategy implementation (Aaltonen and Ikåvalko, 2002).

2.4.4 Organization Culture

Organizational culture is the shared values, beliefs and norms within an organization, and is the foundation from which strategy emerges. In order for strategy to receive sustained support, it must be aligned with organizational culture (Grimm and Lee, 2005). The major challenges to be overcome appear to be more cultural and behavioral in nature, including the impact of poor communication and diminished feelings of ownership and commitment (Aaltonen and Ikåvalko, 2002). Aaltonen and Ikåvalko recognize the role of middle managers, arguing they are the "key actors" "who have a pivotal role in strategic communication" (Aaltonen and Ikåvalko, 2002) meanwhile Bartlett and Goshal (1996) talk about middle managers as threatened silent resistors whose role needs to change

more towards that of a “coach”, building capabilities, providing support and guidance through the encouragement of entrepreneurial attributes.

A study by Grimm and Lee (2005) characterized culture as having a strong internal focus and a tendency towards stability, which is not typically supportive of sustained change initiatives. Analysis of interviews indicated that the ability to achieve evidence based practice (EBP) within the Canadian Neonatal Intensive Care Unit (NICU) might be limited by the disparity between the desire to work in teams to achieve excellence in quality of care, and the provision of resources to achieve this goal in practice. Each professional group had a unique perspective, rooted in values and priorities, on the ability to achieve change within the environment. Facilitators for change include: a strong commitment to provide quality of care; and the desire to work on teams. Barriers to change include a lack of: resources (e.g., time, funds); multi-disciplinary collaborative teamwork; and consistent communication between professions.

In addition to the above, another inhibitor to successful strategy implementation that has been receiving a considerable amount of attention is the impact of an organisation's existing management controls (Langfield-Smith, 1997) and particularly its budgeting systems (Marginson, 2002). Although it is increasingly suggested that budgets suffer from being bureaucratic and protracted, and that they focus on cost minimization rather than value maximization (Brander Brown and Atkinson, 2001), they still represent the main integrative control mechanism in many, if not most, business organisations (Otley, 2001).

2.5 Public Sector Reforms

Generally, the NPM is used to refer to a set of contemporary administrative changes aimed at improving public sector efficiency and performance in the delivery of services. As indicated earlier, at the core of these changes are the application of private sector values and management tools in the public sector and the delivery of public services through market mechanisms (Pollitt, 1993; Manning, 2001). Rooted in the neo-liberal economic theory, the NPM ideology is based on the assumption that the existing structures and policies of the government are the root causes of inefficiency and poor performance. It further asserts that the problems of the government are so pervasive and deep-seated that they cannot be resolved simply by altering the structures of public bureaucracies. Therefore, the proponents of the NPM offer alternatives in the form of market-based solutions and customer-driven management (Pollitt, 1993; Manning, 2001).

There is hardly any precise definition of or consensus on what constitutes NPM. In fact, reforms initiated in different parts of the world during the past two decades under the rubric of NPM are so varied that it is hard to capture them in a single definition. This explains why some analysts tend to view the NPM as a "menu" from which the countries may choose and apply depending on their specific situations (Pollitt, 1993; Manning, 2001). Nevertheless, based on available literature in the field, it is possible to identify some important elements of the NPM as a generic model. It emphasizes, among others, decentralization of authority with a wide variety of alternative service delivery mechanisms including contracting out and quasi-privatization; downsizing (reducing

budget and staff of public agencies), deregulation, and employee empowerment in the public sector; outcomes and results rather than inputs and processes, performance contracts and performance management to hold staff accountable; private sector-style management and flexibility; cost recovery, entrepreneurship by allowing employees/teams to pursue program delivery outside established mechanisms, competition between public and private agencies for the contract to deliver services; improving quality of regulation and the management of human resources; and management culture that emphasizes on the centrality of citizens/customers and accountability for results (Osborne and Gaebler, 1992; Hood, 1995; Pollitt and Bouckaert, 2000).

Therefore, the NPM represents a major shift in public sector administration – a shift that redefines and incorporates changes in its structures, processes and values. The structural changes entail organizational decentralization, reduction in hierarchies, streamlining organizational arrangements to eliminate unnecessary units/agencies. This also implies the creation of single purpose agencies, quasi-privatization and contracting out functions. The changes in the processes include, among others, the injection of management techniques and market values in the public sector. More specifically, the NPM suggests changes in the process of budgeting, human resource management, and quality initiatives that would enhance efficiency of public bureaucracy and force it to be more responsive to the needs of its customers (for an exhaustive list, see Common, 2001). Clearly, the values NPM seeks to promote through such changes include efficiency, effectiveness, flexibility and dynamism. In short, the NPM calls for putting the customers first, making service

organizations compete, using market mechanisms to solve problems, entrepreneurship and cost recovery initiatives, employee empowerment, downsizing and decentralization of decision making, streamlining the budget process and decentralization of personnel management. With all this, the NPM seeks to change the traditional rule-bound, process-oriented administrative culture into flexible, innovative, dynamic and result-oriented one. Obviously, the more these elements are present in a particular country the thorough its NPM reform is believed to be.

In the 1980s, the traditional bureaucratic public administration model of Max Weber and Woodrow Wilson was challenged in Anglophone countries such as England, Australia and New Zealand. A new model of public sector management emerged in these countries which was called NPM. NPM is not a coherent theory but rather a discrete set of ideas that can be broadly divided into two categories. First, there is the use of private management ideas, such as the provision of more responsive and efficient services, performance agreements including service standards, greater autonomy and flexibility for managers and new financial techniques. Second, there is greater use of market mechanisms, such as privatization and public-private partnerships in service provision. NPM is generally inspired by the values and concepts of the private sector. It was seen as a way of cutting through the red tape and rigidity associated with old-style public administration. It was seen as a way of improving efficiency and service delivery (Hood 1991; Pollitt 1993; Laegrid 2001; Hughes 2003; Gow and Dufour, 2000; McCourt 2001; Pollitt and Bouckaert 2000; Kikert 1996; Minogue, 1998).

Hood (1991) points out that NPM is a marriage of two different streams of ideas. The one stream was business-type managerialism borrowed from the private sector. The other partner was new institutional economics which draws on public choice, transaction cost theory and principal-agent theory. This paper focuses primarily on the managerialism stream. The United Nations (2005) stated much of the influence of the NPM currency could be said to have been derived from the ongoing attention to it by organizations such as the Organisation for Economic Co-operation and Development (OECD) (Hughes, 2003). The extent to which NPM reforms have supplanted traditional Public Administration in practice has been debated (Bouckaert and Pollitt, 2004).

There is no single NPM model of public sector reform. Countries have responded to reform demands and challenges differently. Nevertheless, common reform trends can be identified. Three vital elements of new public management stand out: an emphasis on restructuring and downsizing, a closer focus on customer and result-oriented approach, and replacement of rigid traditional hierarchical government structure with competitive, autonomous, decentralized ones. Over the past three decades, criticisms about government performance have surfaced across the world from all points of the political spectrum. Critics have alleged that governments are inefficient, ineffective, too large, too costly, overly bureaucratic, overburdened by unnecessary rules, unresponsive to public wants and needs, secretive, undemocratic, invasive into the private rights of citizens, self-serving, and failing in the provision of either the quantity or quality of services deserved by the taxpaying public (Barzelay and Armajani, 1992; Osborne and Gaebler, 1993; Jones and Thompson, 1999).

Fiscal stress has also plagued many governments and has increased the cry for less costly or less expansive government, for greater efficiency, and for increased responsiveness. High profile members of the business community, financial institutions, the media, management consultants, academic scholars and the general public all have pressured politicians and public managers to reform. So, too have many supranational organizations, including OECD, the World Bank, and the European Commission. Accompanying the demand and many of the recommendations for change has been support for the application of market-based logic and private sector management methods to government (Moe, 1984; Olson et. al., 1998; Harr and Godfrey, 1991; Milgrom, and Roberts, 1992; Jones and Thompson, 1999).

Application of market-driven solutions and business techniques to the public sector has undoubtedly been encouraged by the growing ranks of public sector managers and analysts educated in business schools and public management programs (Pusey, 1991). Driving the managerial reform movement has been a notion that the public sector builds on the wrong principles and needs reinvention and institutional renewal (Barzelay and Armajani, 1992; Osborne and Gaebler, 1993; Jones and Thompson, 1999). The strategies have included caps on public spending, tax cuts, selling off of public assets, contracting out of many services previously provided by government, development of performance measurement, output- and outcomes-based budgeting, and business-type accounting (Guthrie et. al., 1999). The reforms produced all sorts of promises: a smaller, less interventionist and more decentralized government; improved public sector efficiency

and effectiveness; greater public service responsiveness and accountability to citizens; increased choice between public and private providers of public services; an "entrepreneurial" public sector more willing and able to work with business; and better economic performance, among others.

In recent years the NPM movement has come under increasing criticism. Argyriades (2000) takes issue with the use of the market paradigm in public administration. Goodsell (2004) states that a major criticism of the application of the business model to governance is that it introduces individualized values in place of common community ideals. Kickert (2006) points out that NPM (erroneously) presumes that the public sector is not distinctive from the public sector. An older study (Allison, 1983) argues that public and private management are at least as different as they are similar, and the differences are more important than the similarities. There is also some studies that have shown that private sector organizations are not always more efficient than public sector organizations (Rainey and Chun 2005). Many have pointed out its "Anglo Saxon" origins and the extent to which it is a creature of that culture and its history (United Nations, 2005). There is also a view that NPM is perhaps inappropriate for developing countries (Manning, 2001, United Nations, 2005).

Furthermore, there is little evidence that NPM strengthens the quality and integrity of the civil service (United Nations, 2005). Minogue (1998:30) argues that the NPM emphasis on efficiency sits uneasily with traditional Public Administration values with equity, community, democracy, citizenship and constitutional protection. In a similar vein

Farazmand (2006) states that NPM's overriding concern is with managerial flexibility and cost efficiency without concern for fairness, equity, transparency and accountability. Haque (2000) suggests that traditional Public Administration values such as values such as impartiality, equality, representation, integrity, fairness, welfare, citizenship, and justice have changed toward business values such as efficiency, competition, profit, and value for-money. Rosenblaum and McCurdy (2006) argue that attacks on rules and regulations are misguided. They state that play an important stabilizing force; they structure conduct in organizations.

As (Hughes, 2003:67) points out, there are concerns that giving managers greater powers may detract from the accountability of elected politicians. If public servants are to be managerially accountable, this may detract from the political accountability of politicians. In both practice and study, NPM is an international phenomenon (Hood, 1995; Hood, 2000; Olsen and Peters, 1996; Jones and Schedler, 1997; Borins, 1997; Gray and Jenkins, 1995; Kettl, 2000a). The OECD continues to monitor NPM developments across a range of countries (OECD, 1997; PUMA, 1999), and researchers report on developments in particular countries, especially New Zealand, which have drawn international attention (Boston et. al., 1996; Jones and Schedler, 1997; Guthrie and Parker, 1998; Pallot, 1998).

Though there has been broad application of these techniques, there has been little research about what results these strategies are likely to produce. Attempts to understand the global public management reform movement suggest two general implications for research. First, there is a glaring need to understand the short and long-term outcomes of

the reforms where they have been implemented. Second, despite the importance of conducting this research, doing so is almost impossible in the short term and exceedingly difficult in the long term. It is hard enough simply to keep pace with management changes in each nation. It is even harder to make sound multi-country comparisons. Efforts to solve this problem sometimes have led researchers to use a particular nation's reforms -- often New Zealand's --as a benchmark, but the particular problems facing each nation weaken the value of such comparisons (Riley and Watling, 1999; Barton, 2000; Olson, Humphrey and Guthrie, 2000). The paucity of "results about reforms"—and the need to assess whether management reforms have helped each nation solve its particular problems—should motivate researchers to press ahead.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research design

This research was in the form of a case study. One of the advantages of a case study is that it helps in studying rare phenomena (Holme and Solvang, 1997). Given that what was being studied here is a rare phenomenon as far as the public sector reforms in Kenya are concerned, the case study was a good method to study the underlying problem. In order to fulfill the purpose of this study in the best possible way, a qualitative approach was chosen. A qualitative study ensured that the relevant information was gathered in a flexible way and enabled the researcher to acquire a rich and in-depth understanding of the research topic (Holme and Solvang, 1997).

3.2 Data collection

Primary data was collected for the study using an interview guide (see appendix). The population of this study was four managers drawn from the various departments in KRA. An authority was sought from the management of KRA to conduct the interviews.

3.3 Data analysis

Data was analyzed through the use of content analysis. To eanble this, the interview results were structured based on various themes as espoused by objectives of the study. In order to determine the types of public management reforms in Kenya, the records of interviews with the managers of KRA were perused for various types of reforms such as deregulation of line management, performance management systems, responsibility and

accountability for public managers, competition, quality management techniques, privatization and downsizing. To establish the effects of public sector reforms at Kenya Revenue Authority, the analysis was performed based on the effects it has had on the employees as well as the challenges it brings about in the organization.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSIONS

4.1 Introduction

This chapter presents the results of the analysis. Interviews were conducted with four managers in the organization. One on one interviews were conducted with the managers between October 10 and October 18, 2010 in their offices at the times chosen by the managers. The results are presented as per the research objectives that were earlier identified.

4.2 General Information

This section presents the results of the analysis on the demographic characteristics of the respondents in terms of their gender, age, departments and experience in the organization. These demographics are important in establishing the quality of the respondents who took part in the study.

Of the four managers interviewed, three were male while one was female. This gender difference mirrors the actual representation of managers in terms of gender in most organizations and specifically in Kenya Revenue Authority. Thus, these differences should not have a major bias in terms of their reflections on the reforms that occurred in KRA. The study found that one of the managers was aged less than thirty years while the remaining four were aged 30-40 years. This shows that most of the managers in the organization are forty years or below which shows the vibrancy of the workforce in the organization. The age might have a major influence on the pace with which reforms take

place in an organization and especially technologically oriented reforms. Older workforce tend to resist more of such reforms that younger workforce hence the importance of analyzing the age distribution of respondents.

The study noted that two of the interviewees were from customs services department, one was from the human resources department while the other one was from programme management and business analysis department. These were the departments that major reforms were initiated. Thus, the responses from the managers in these departments are very crucial as they depict the general picture of reforms in the organization. It was also noted that three of the four managers had been working in the organization for more than ten years while only one had worked for less than that period. This analysis was performed in order to show the experience of employees in the organization. Thus, most of the respondents had vast experience hence were able to respond effectively to issues of reforms in the organization.

4.3 Types of Management Reforms Carried out at Kenya Revenue Authority

The study sought to determine the types of public management reforms at Kenya Revenue Authority. The study sought to understand how the modernization program was implemented at KRA. The results of the interviews suggest that the process was gradual and phase-based. As one interviewee noted, the reforms and modernization programme was implemented by first developing a strategy on the components of the reforms, governance structure, priorities and sequencing of the reform agenda. This was to be synchronized to the cycle of the Corporate Plan. In addition, frequent monitoring and

evaluation of progress and assessment of achievements was conducted. Another interviewee was more specific on where the reforms began. The interviewee noted that the reforms at KRA were implemented on a phased approach which started with Customs Services Department by implementing a self-assessment/declaration model (Simba 2005). The programme was later spread to various other departments of the organization.

The respondents were asked what modernization programs had been planned and they noted that the reform programs planned were numerous and well articulated in the KRA 2nd, 3rd and 4th Corporate Plans such as introduction of web based systems for Customs Services Department and Domestic Taxes Department, introduction of enforcement tools, improvement of staff terms of service. The interviewees were of the opinion that the programs were based on automating processes, integration of systems, business process re-engineering and enhancement of tax-payer services. The respondents were asked to state the extent to which they believed that reforms were necessary in KRA. From the interviews, it emerged that all of the respondents were of the opinion that the reforms were very necessary to a very large extent. The respondents were asked to state how satisfied they were generally with the reforms at KRA. It was noted that most of them were moderately satisfied with the reforms that had taken place in the organization. The respondents cited that to a large extent, the reforms had impacted on the employee work performance. This is because the reforms had speeded up the processes in the organization.

The interviewees were asked to state what areas the reforms had occurred. The results showed that the reforms had occurred mostly in the use of new information technology (IT) solutions. Major reforms had also occurred in customer orientation and change of processes and procedures. Some changes had also occurred in transfer of tasks within administrative systems as well as personnel management reforms and restructuring. The interviewees also cited the management instruments that were used for the reforms. These mostly included strategic planning, personnel development, contract management, quality management, controlling, project management, and guiding principles/mission statements. Other management instruments included outsourcing, process automation, e-Government, customer satisfaction surveys and marketing, performance measurement and reports and benchmarking. These instruments were cited as being very useful during the reform process.

These results confirm the previous results by scholars on the types of public sector reforms among them Manning (2001), Osborne and Gaebler (1992) and Pollitt and Bouckaert (2000). To conclude this section, the study revealed that there were several types of reforms that were carried out at the Kenya Revenue Authority. These included automation of service by introducing programs such as Simba. Other reforms were integration of systems, business process re-engineering and enhancement of reform of tax-payer services.

4.4 Effects of Public Sector Reforms at Kenya Revenue Authority

The study sought to determine the effects of reforms at the Kenya Revenue Authority. On the effects the reforms had on employees and the organization as a whole, it was noted that major impact had been on the organization as opposed to the employees. The organization had improved its revenue collection due to the reforms. For instance, the documents from the organization reveal that the corporation has maintained a 10% annual growth in revenues for the past years since the reforms were implemented. The study also revealed that the reforms at the Kenya Revenue Authority had led to a large decrease in cost of revenue collection. This is because the automated systems had made the process smoother and faster and also reduced the cost of the whole revenue collection.

The study found that another effect was introduction of an efficient electronic storage of data for electronic interrogation. This has increased efficiency in the organization. Another effect was improved electronic compliance programs as the changes have been made at the port of Mombasa as well as in all the internal depots. It is also currently possible to file tax returns online for corporations and also for individuals. The study also revealed that there had been reduced data entry by employees. This is because the automation process does not demand that the employees enter the data as was before when the process was manual. The tax payers or the clients make all the entries online for themselves. Only very few data entry roles are left for the employees.

The study also found that customers were enjoying the implementation of web based transactions 24 hrs a day. Thus, they can access the website and fill in the forms online at

their own convenience anywhere anytime. This reduces the queues that were once witnessed in the organisation and reduces the time wasted by clients on the queues. The study revealed that the service delivery had immensely improved through the online tax computations. This is because the online system has internal computational programs that compute the taxes once the data is entered by the client or the tax payer. The reforms have also enabled the organisation to give prompt responses to taxpayers. The employees are able to respond quickly to enquiries from the clients online or offline either by email or telephone calls made. The study noted that there had been reduction in processing times for KRA related processes as the integration of departments as well as the general reforms had enabled the employees to be swift. This is what has led to reduced processing times. The results in this study coincide with those of Manning (2001) who noted that public sector management reforms have several advantages to the organisations and the economy.

4.5 Challenges of Public Sector Reforms at Kenya Revenue Authority

The study also sought to determine the challenges of implementing public sector reforms at the Kenya Revenue Authority. Just like the challenges implementation of change programs face, the reforms at KRA faced a myriad of challenges. These challenges slowed down the reform process.

All the respondents identified resistance to change as the biggest challenge that KRA faced while implementing the reforms. The resistance was from employees as well as external stakeholders. One respondent noted that employee resistance was mainly due to

fear because the new systems were computer based and many of the older employees had limited computer skills. He noted that this was greatly reduced by KRA by sensitizing and training the employees on how to use the new systems. The resistance by external stakeholders was more complicated especially with the introduction of the Simba system and the Electronic Tax Registers (ETR). A section of the external stakeholders even took KRA to court to compel KRA to stop these reforms.

Another challenge identified was inadequate funding and resources to effectively meet the objectives of Modernization and Reforms. Theory has shown that resources are very instrumental in implementing any change process. Thus, the fact that inadequate funding was one of the major issues may have hampered the implementation outcome of the reforms.

The study found that there was teething problems associated with the new automated systems. Capacity had to be built quickly to cope with the demands of the new systems in terms of software and hardware as well as the employee skills necessary to manage and use the new systems. The other challenges included slow pace of some of the reform initiatives especially for donor funded components due to stringent procedures, lack of adequate project management skills among project teams, cumbersome procurement procedures leading to delays in reforms, delays in amendments of legislative changes to support the reforms, lack of supporting infrastructure for ICT in Kenya, and challenges due to public sensitization on the reforms.

The challenges the corporation faced are a reminiscence of what most organizations face when implementing changes. The challenges coincide with the recommendations of Al Ghamdi (1998) and Clarke (2000). It is concluded that the challenges were numerous but the management of the organization was able to overcome most of the challenges hence the reforms were implemented. Some of the reforms are still ongoing at the moment.

In conclusion it can be noted that there has been a lot of positive changes that had occurred due to the implementation of reforms in the organisation. All the respondents agreed that the reforms carried out had positively affected the operations of the Kenya Revenue Authority, despite the challenges that were encountered during the implementation process.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

This section presents the summary of major research findings. The summary will be made based on the demographics, the reform process, types of reforms, impact of reform and challenges of reform implementation.

The study revealed that of the four managers interviewed, three were male while one was female. The study found that one of the managers was aged less than thirty years while the remaining four were aged 30-40 years. The study noted that two of the interviewees were from customs services department, one was from the human resources department while the other one was from programme management and business analysis department. It was also noted that three of the four managers had been working in the organization for more than ten years while only one1 had worked for less than that period.

The results of the interviews suggest that the reform process was gradual and phase-based. It was noted that several reform programs had been planned. These included automating processes, integration of systems, business process re-engineering and enhancement of tax-payer services. The results showed that the reforms had occurred mostly in the use of new information technology (IT) solutions. Major reforms had also occurred in customer orientation and change of processes and procedures. Other had also occurred in transfer of tasks within administrative systems as well as personnel management reforms and restructuring. The management instruments used was strategic

planning, personnel development, contract management, quality management, controlling, project management, and guiding principles/mission statements. Thus, regarding the types of reforms, the study revealed that the kind of reforms that KRA carried out were consistent with the theory of new public management as the reforms carried out mirror those of the management in the private sector –just what new public management is all about.

The major impact of reforms was on the organization. The organization had improved its revenue collection due to the reforms. The study also revealed that the reforms at the Kenya Revenue Authority had led to a large decrease in cost of revenue collection. Other effects included introduction of an efficient electronic storage of data for electronic interrogation, improved electronic compliance programs, reduced data entry by employees, service delivery had immensely improved through the online tax computations, and reduction in processing times. These results coincide with on the effects of public sector reforms in organisations.

The study found that there were several challenges that the Kenya Revenue Authority faced. These included inadequate funding, teething problems with the new automated systems, slow pace of some of the reform initiatives especially for donor funded components due to stringent procedures, lack of adequate project management skills among project teams, cumbersome procurement procedures leading to delays in reforms, delays in amendments of legislative changes to support the reforms, resistance to change from internal and external stakeholders, lack of supporting infrastructure for ICT in

Kenya, and public sensitization on the reforms. These are consistent with previous studies on the challenges change programs face in organizations.

5.2 Conclusions

The study sought to determine the types of public management reforms at Kenya Revenue Authority. Several types of reforms were noted. These were change of process and procedures, customer orientation, new IT solutions, task transfers, personnel management reforms, implementation of management instruments, and restructuring. The study concludes that the Kenya Revenue Authority adopted the management instruments used in the private sector (New Public Management) and used the same tools to address the challenges it was facing.

The study sought to establish the effects of public sector reforms at Kenya Revenue Authority. It was noted that the effects had been positive mostly on the organization. As much as it had improved the employee productivity, revenue collection of the organization had improved in the process. Thus, the study concludes that the reforms had improved the revenue collection of the authority and employee productivity.

The study also sought to establish the challenges reform programs faced. It was noted that there were several challenges that the reforms had to go through from funding to resistance. Thus, the study concludes that the reforms and modernization program at the Kenya Revenue Authority had a lot of challenges that were consistent with most change programs in organizations.

5.3 Limitations of the Study

There were a number of limitations that affected the outcome of the study. The design of this study was case study. Thus, the study suffers from the limitations of all case studies. The other limitation was time factor as the researcher had issues getting the managers to undertake the interviews within the time allocated and therefore had to camp at the KRA offices for long hours and for several days trying to get the managers to agree to an interview.

5.4 Recommendations for Policy and Practice

The study made very interesting findings as regards the process of reforms in Kenya Revenue Authority, the types of reforms and the impact of reforms on the organization. It is recommended that public sector organizations seeking to implement change process or any other reforms should emulate the process utilized by KRA if the reforms are to be successful.

The study recommends that the management instruments especially outsourcing and process automation can be very useful tools in speeding up the reform process in public sector organizations and should be used more often. These are very essential tools that have been used in other corporations all over the world and yet public sector organizations such as KRA do not use much of it.

The study recommends need for firms undergoing change process to communicate more and sensitize all stakeholders about the aims of reforms so as to reduce resistance from

both internal and external stakeholders. This can be done through workshops to sensitize the public and other external stakeholders as well as communicating more with employees on what the organization seeks to do and the role of employees.

5.4 Suggestions for Further Research

The study suggests that there is need to replicate this study to other organizations to determine whether the same conclusions can hold. There are several other public sector organizations that have undergone change processes and it would be better if studies were done on such firms.

The study also suggests that a survey method be used in the future instead of a case study method. This is because generalizing the results of a case study is limited and hence surveys would act as better pointers of the reform management process in the public sector.

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APPENDICES

Appendix 1: Interview Guide

Section A: Demographics

1. Name: ……

2. Department: …….

3. Designation: ……

4. How long have you been working at KRA? ……..

Section B: Public management reforms

5. To what extent do you believe that reforms were necessary in KRA?

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6. How satisfied are you generally with the reforms at KRA?

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7. In what ways do you think that the reforms have impacted on employee work?

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8. In what areas did the reforms occur?

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9. What management instruments were used for the reforms?

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10. How useful were the management instruments for new public management reforms?

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11. How was the modernization program implemented at KRA?

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12. What modernization programs had been planned?

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13. What effects have the reforms had on employees and the organisation as a whole?

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14. What challenges did the management face during implementation of reforms?

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