

THE EFFECTS OF REFORM PROGRAMMES ON STAFF MORALE
IN THE KENYA REVENUE AUTHORITY (KRA).

BY:

DANIEL WAMBUA ZAKAYO

*A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION
(MBA), SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI.*

DECLARATION

This research project is my original work and has never been presented in any other University or College for the award of degree or diploma or certificate.

Signature: Date: 10/ 3 0 0 ?

Daniel Wambua Zakayo

Reg. No. D61/P/7048/06

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

Signature: Date:
Mr

Ms Florence Muindi

Lecturer, Dept. of Business Administration,

School of Business

DEDICATION

To my beloved wife, father, mother, brothers, sisters and all my friends.

ACKNOWLEDGEMENT

Foremost to Almighty God for his greatness and without whom I would not have made it.

To my supervisor, Ms Florence Muindi, whose patience, guidance and constructive assistance throughout this study was invaluable.

To my beloved wife, Josephine Wambua, whose support and encouragement has been enormous and inspiring.

To my colleagues, classmates and friends for their tireless and continuous support and advice in my pursuit of knowledge, particularly Samuel Andati, Sally Serem, Sam Makori and Fatuma Mohamed whose technical academic advice on this study was overwhelming.

Finally I am thankful to all the people who in their special ways made this study a success.

ABSTRACT

The role of reforms is to take forward the development and strategic co-ordination of the organizations development agenda to ensure that business planning supports service delivery and therefore as such most reforms agenda focus on improving services by meeting the expectations of their customers.

Staff morale consists of all the drives, forces and influences, conscious or unconscious that causes an employee to want to achieve certain aims. Managers need to know about the factors that create energy in order to be able to induce employees to work harder, faster, more efficiently and more enthusiasm.

KRA was established in 1995 to take over the tax administration responsibilities of revenue collection. The overall objective was to transform operational autonomy in revenue administration and in the process the evolution of a modern flexible and integrated revenue collection agency. Overall, good progress has been made towards attainment of the same evidenced by gradual increase in revenue collection, upon embarking on reform programmes in the year 2004.

The objective of the study was to determine the effects of reform programmes on staff morale in the Kenya Revenue Authority (KRA).

In the literature review the researcher examined the role of staff in the success of the reforms which is very crucial in implementations of the reforms programmes. The researcher also went further and highlighted the major components of reforms and how they have played a significant role in driving the reforms. Further effort was also made to establish the effects of reform programmes on staff morale in various organizations in various secondary data sources, which formed the framework through which this study was to be undertaken.

The aspect of staff morale and motivation was also carefully researched and studied to provide a deeper understanding on the issues that form the framework and foundation through which staff morale is understood and can be boosted in the organizations.

This was a case study which sought to investigate and determine the effects of reform programmes on morale of the staff of KRA. It was limited to KRA staff based at the head office as well as the Managers who played key roles in the implementation of the reforms. Both primary and secondary data was collected though the study relied mainly on the primary data sources.

The data was collected from a population of fifty respondents working at KRA. The findings were presented in percentages, frequency distribution (Mean and Standard Deviation), graphs and written reports. The data analysis, findings and interpretation clearly highlighted on the major variables discussed in the study and their fundamental relation to reforms programme as well as their contribution to staff morale at the Kenya Revenue Authority.

The study clearly shows that reform programmes contributed greatly to boosting staff morale at KRA. Staff felt that reforms impacted positively in the way work is done at KRA hence boosting their morale.

The researcher also recommended various intervention measures in line with findings of the study which included; improvement of salary and benefits to commensurate with qualifications and work experience, putting in place relevant training programmes and the need to foster a sense of teamwork amongst staff in KRA.

LIST OF ABBREVIATIONS

- KRA - Kenya Revenue Authority
- WCO - World Customs Organization
- ITMS - Integrated Tax Management System
- PRS - Public Sector Reforms
- GOK - Government of Kenya
- ERS - Economic Recovery Strategy
- PC - Performance Contracts
- DPM - Directorate of Personnel Management
- BSC - Balanced Score Card
- VAT - Value Added Tax

TABLE OF CONTENTS

DECLARATION.....	11
DEDICATION.....	1.1
ACKNOWLEDGEMENT.....	IV
ABSTRACT.....	v
LIST OF ABBREVIATIONS.....	VII
CHAPTER ONE.....	1
INTRODUCTION.....	1
1.1 Reforms Programmes.....	1
1.2 Staff Morale.....	3
1.3 Kenya Revenue Authority (KRA).....	5
1.4 KRA Reforms Programmes.....	6
1.5 Problem Statement.....	8
1.6 Objective of the Study.....	9
1.7 Significance of the Study.....	9
CHAPTER TWO.....	10
LITERATURE REVIEW.....	10
2.1 Reform programmes.....	10
2.2 Role of staff in success of reform programmes.....	11
2.3 Elements of Reforms and Modernization Programmes.....	12
2.3.1 Performance Contracting.....	12
2.3.2 Balanced Score Card (BSC).....	14
2.4 Effects of reform programmes on staff morale.....	15
Motivation and staff morale.....	16
CHAPTER THREE.....	21
RESEARCH METHODOLOGY.....	21
3.1 Research Design.....	21
Sample Size.....	21
3.3 Data Collection.....	21
³ - 4 Data Analysis.....	21

CHAPTER FOUR	22
DATA ANALYSIS, FINDINGS AND INTERPRETATION	22
4.1 Introduction	22
4.2 Characteristics of KRA staff surveyed	22
4.2.1 Profiles of the respondents	22
4.2.2 Distribution of respondents on grade	22
4.2.3 Age Bracket	23
4.2.4 Distribution of respondents on gender	24
4.2.5 Distribution of respondents on education levels	24
4.2.6 Length of Service with the KRA (years)	25
4.3 Awareness of reforms programmes at KRA	26
4.3.1 Extent of Involvement in implementation Reforms by KRA staffs	26
4.3.2 Extent you believe reforms impacted positively on the following variables	27
4.3.3 Respondents opinion on the following variables after the implementation of reform programmes in KRA	28
4.3.4 Overall effects of reforms on staff morale at KRA	29
CHAPTER FIVE	31
SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	31
5.1 Introduction	31
5.2 Summary and discussion of the findings	31
5.3 Conclusion	33
5.4 Recommendations	33
REFERENCES	35
APPENDICES	37
APPENDIX 1:	37
LETTER OF INTRODUCTION	37
APPENDIX 2:	38
QUESTIONNAIRE	38

CHAPTER ONE

INTRODUCTION

1.1 Reforms Programmes

The primary goal of any organization is to achieve broad based, sustainable improvement of the goods and services offered to its customers. The public service and in particular the civil service has continued to play an indispensable role in the effective delivery of public services that are key to the functioning of the state economy(DPM (K), 2005).

The role of reforms is to take forward the development and strategic co-ordination of the organizations development agenda to ensure that business planning supports delivery of service. In this case (reforms can be defined as a way to create services that are focused on delivering the outcomes that the customers need and expect, affirming essential principles of equality and integrity and characterized by responsiveness, flexibility and efficiency (Budget, 2004).

The focus of the reforms agenda in most Revenue Authorities in Africa and the world at large focus on improving services, in such a case where reform is a means to an end rather than an end in itself. There is a strong focus on meeting the needs of the customers as a whole rather than concentrating exclusively on who uses the organizations services, therefore there is a need to understand what the customers expect from organizations and to assess the gap between these expectations and what they actually experience (WCO 2005).

With respect to reform programmes, Public services in many African countries contend with many challenges such as human resources factor, relating to the shortages of manpower in terms of numbers and key competencies, lack of appropriate mindset and social- psychological dispositions. The framework for the WCO's 162 members of revenue Administrations considered reforms and modernization as one of the major ten elements considered essential in improvement of delivery of service in these organizations (Blasi, 2002).

The technocratic approach has often overlooked one fact that reforming a tax administration, though it has important technical aspects, is also a social and political phenomena driven by human behaviors and local circumstances. It is a long and difficult process that requires tax officers to change the way they regard their jobs, other tasks and their interaction with the taxpayers. The technocratic remedies supported by donors have underplayed the degree to which progress in tax administration depends upon through culture change in the public sector (Schaster, 2006).

The motives of individual actors are often inextricably tied to the interest of social groups which they belong. In many African Tax Administrations patronage runs through networks grounded on ties of kinship and community origin. As such people recognize the benefits of large extended families and strong kinship ties, even their social and economic aspirations may be unambiguously modern. This implies that shall social relations may rule out the bureaucratic structures and positions (Mann, 1995).

Recent economic research on human behavior indicates that reformers and economists have an inclination to exaggerate over the impact of the monetary incentives because of a too narrow understanding of intrinsic motivation and group dynamics. In most cases the failure of reforms and modernization programmes in poor countries apply monetary rewards and incentives, this may have a more straight-forward explanation. Because of the importance of family networks, increased pay rates may imply more extreme social obligations in some cases actually result in net loss to the individual(DPM (K), 2005).

This state of affairs can develop into a vicious circle with higher wages leading to more captives such obligations. An outsider may conclude that officials lack intrinsic motivation to perform well and do not respond to incentives. However a more careful study of the situation is likely instead to conclude that the tax officers are responding very well to monetary incentives, in a situation where higher nominal pay actually makes the official poorer. This might be the reason for the popularity in - all kind benefits among civil servants which may be harder to share with ones kin (Mecklin, 1976).

1.2 Staff Morale

Staff morale to work consists of all the drives, forces and influences - conscious and unconscious that causes the employee to want to achieve certain aims. Managers need to know about the factors that create energy in order to be able to induce employees to work harder, faster, more efficiently and with more enthusiasm. Much research has to be **sought** to discover the sources of motivation and morale at work but the theory of **motivation** is tentative and no definite conclusions can be reached (Graham, 1998).

Although most of us in real life situations would prefer to be out enjoying our leisure time or on holiday rather than working for a living it's also better to enjoy our work rather than loathe it. There are many ways in which an employer can motivate their workforce and boost morale, but it's a sad fact many of them choose not to wonder why it is always costing thousands of shillings to recruit and train new staff and why there is an above level of absenteeism (Torrington, 2002).

In this case if employers were to look closely, they would probably find that the reasons predominantly lie within the fact that their staff feel little motivation to remain in work there and it only takes a couple of people to start showing signs of low morale and it can then spread like the wildfire through the whole workforce. Therefore, it is important that employers try to cultivate an environment in which rewards performance, improve morale in a setting which people feel comfortable working in (DeCenso, 1999). Some of these several methods as identified by various authors are as discussed below:-

The first method to improve staff morale entails encouraging open communication, many companies due to an actual or perceived feeling of it's and "us" and 'them, culture between the management and the workforce. If workers feel that there is an imaginary white line between them and the management, they will often become resentful. It's therefore important to have regular meetings between management and members of staff gives the management an opportunity to discuss any new developments that may affect the workers, but more generally allow workers to express opinions or problems that they might have with the work and how it is done (Armstrong, 2003).

The second aspect entails training, whilst some jobs require more training than others, having a number of recognized training programmes available to all, is one of the factors that workers often cite as lacking in their decision to leave the company. By offering training, they not only feel more valued but it also allows them to increase their skills base in the hope that they can achieve career progression, hopefully within the same company. Thus practice makes long term staff retention far much easier (Graham, 1998).

The third aspect entails considering workers' lives outside the working environment. Many employers tend to overlook the fact that their workers are people first and 'staff' second and forget that their workforce will have other commitments, priorities, issues and problems to overcome outside of work as well as in it. Things like flexible working patterns, working from home, gyms among others, can often boost your image as a company and make you seem attractive to work for. Consequently your workers are likely to reward you in turn with increases in level of performance or productivity and your workplace will seem a much happier and motivated place to work in (Armstrong, 2003).

The fourth aspect entails team building exercises. The dynamism between work colleagues is often at the centre of successful workforce, it only takes one or two cynical sullen team members to bring the whole team crashing down to earth and ruin morale. So team building exercises are a good way of ensuring that this does not happen. There can be fun days out, paint ball games, rope courses, a night at the pub, or a good meal, all these make a welcome break for the traditional working day from time to time and are usually rewarded by better team comrade and performance (DeCenzo, 1999).

The fifth aspect entails or centers on recognition schemes, if we have done well at work, we're most likely to get a pat on the back from our immediate manager or even the employer themselves. This is always good for our ego but in having a recognition scheme, it allows our peers to acknowledge our achievements too which can be even valued by a worker and this also creates an environment in which others aspire to achieve as well (Armstrong, 2003).

The sixth aspect entails suggestion schemes; workers often feel more of a kinship with their workplace if they are able to have some kind of input, instead of simply being told what to do. Suggestion schemes enable workers to come up with ideas that might improve the way which an organization does something which the management team overlooked. If implemented, the suggestions will then usually benefit both sides in the workplace i.e. It will make their work easier and it will also benefit the employer too, either in staff morale improvement, may be financial or even both (Torrington, 2002).

The seventh element entails rewards: we all to work to earn money, yet it should always be remembered that money and the potential to earn more money via incentives, bonus payments, commissions among others, is not always at the top of our list of things we seek in an employer or choice of job. Balancing work and personal commitments, opportunities for career growth/progression among others will often far much outweigh money a lot of times and employers should remember this (Armstrong, 2003).

1.3 Kenya Revenue Authority (KRA).

Kenya Revenue Authority was established in 1995 to take over the tax administration responsibilities of the four key departments in existence at the time that is Customs and Excise, Income Tax, Value Added Tax (VAT) and Road Transport Departments. The overall objective of KRA was to provide operational autonomy in revenue administration and in the process enable the evolution of a modern flexible and integrated revenue collection agency.

Overall, good progress has been made towards attainment of the objectives for establishing KRA. Revenue collection has increased gradually from Kshs. 122 Billions in 1995/96 to Kshs. 360 Billions in 2006/07 financial year accounting for over 93% of total government revenue. KRA has become a competitive employer attracting professionals from other sectors including the private sector.

1.4 KRA Reforms Programmes

Since inception, KRA is yet to operate as a fully integrated organization. This has inhibited the full achievement of the results that come along with the establishment of an agency like KRA. Specifically the lack of integration and/or joint initiatives has impeded the creation of common practices/procedures/culture across KRA.

It is in this regard that KRA Board of Directors recognized the need to undertake a comprehensive tax administration reform and modernization programme whose primary objective was to modernize and integrate functions across KRA in order to promote efficiency and effectiveness as articulated in KRA's second corporate plan(2003/04 - 2005/06).

In a bid for KRA to operate as a fully integrated organization to gain the full potentials of gains accruing from establishment of KRA, the Board of Directors and Management in year 2004 embarked on comprehensive Revenue Administration Reform and Modernization Programme whose primary objective was to modernize and integrate the operations of KRA in line with international best practice and the vision of being, 'the leading revenue authority in the world'. This Reform and modernization programme is consistent with government objectives as spelt out in the 'Economic Recovery Strategy for wealth creation' 2003 - 2007. These objectives included improving competitiveness and efficiency of local business environment, alleviating poverty, securing sources of revenue, enhancing the stability of the taxation system, improving transparency in the public sector and reducing cost of compliance.

The programme was also inspired by reforms in other best practice revenue administrations for example in Canada, Germany, United Kingdom, Chile and New Zealand where they have successfully reformed theirs. Revenue Administration Reform comprises of four systems namely, Simba/Trade 'X' & Orbus System, Road Transport modernization System, Integrated Tax Management System (ITMS), KRA Automation as well as Training & Change Management System. The reform and modernization programme was aimed at driving KRA to a modern and fully integrated revenue administration by the year 2008. This entailed the implementation of simple,

stable and more coherent tax systems that reduce the cost of compliance, improve competitiveness of the Kenyan economy, enhance productivity, lead to more robust investment decisions, create jobs and increase the Gross Domestic Product (GDP).

Currently KRA has trained all the employees in all aspects of revenue administration to ensure all employees of the Authority are competent enough to handle all aspects of revenue irrespective of their departments. As a result of job analysis for all employees, coupled with assessment of the workload for each employee and ensuring that job descriptions were prepared and put in place.

Another significant area of the reform entailed automation of all KRA processes and procedures in a bid to create a friendly and efficient working environment. As a result of this currently in the KRA we have reduced interaction between members of the public who are our customers and the KRA employees. This has significantly reduced some the major long queues previously witnessed at the KRA Headquarters', Times Tower in Nairobi as well as other KRA offices country wide.

In line with the International Standards Organization(ISO), KRA has completely reformed the work environment for its staff in all its offices, this included creation of smart work stations including migrating to the spacious Times Tower offices in Nairobi, where it has consolidated all its offices for the comfort of the staff and effective service delivery.

In the year 2006, in line with the proposal in the third corporate plan which focuses on the people perspective, KRA set to review the salaries and benefits of its employees in a bid to enable the organization compensate its employees competitively compared to other similar organizations in both the public and private sector.

The objectives of the reform and modernization programme in KRA targeted to improve the working conditions for all KRA employees, enhance efficient utilization of resources through integration of functions across KRA with a highly trained and motivated staff, to make KRA a competitive employer to be the organization attract and retain highly qualified caliber of staff and improve staff skills and productivity.

The expected outcomes included: - nurturing of highly skilled and professional staff acting with fairness, honesty and transparency, boost the staff morale and increase the motivation of all KRA staff, improved working conditions and increased levels of productivity amongst all KRA staff.

The tax administration reform and Modernization process was implemented on project basis comprising the following key components:- Customs Reform and Modernization, Domestic Taxes Reform and Modernization, Road Transport Reform and Modernization, Infrastructural development and Training and Change Management.

1.5 Problem Statement

A major factor contributing to the failure of many tax administrations, which is also the case for many other types of public sector reforms and staff morale, has been the technocratic approach taken by the donors and reformers. Tax administrative reforms in poor countries especially in Africa have often been treated as an "engineering problem" and such a phenomena to be addressed through 'blue print' or 'text book' solutions. There seems to be an assumption that tax administrative problems and more so staff morale and their solutions can be fully specified in advance, and that the required measures can be wholly defined at the outset and implemented on a predictable timetable over a fixed period of time.

Experience from several countries that have introduced Revenue Authority reforms such as Chile, Peru, Tanzania, Senegal and Uganda show that the establishment of a proclaimed autonomous Authority with comparatively generous remunerations packages and substantial budgets has not to a greater extent boosted the morale of these organizations key resource, which is the people who work for these organizations (Sculter, 2002).

Findings on staff morale from internal surveys at KRA indicate despite increasing productivity upon implementation of reform programmes indicate that morale of the staff sector is still way below the expectations. The staff appears stressed; we

have prevalence of cases of integrity on members of staff as well as a lot of dismissals and resignations (Njoroge, 2003).

In line with this view the effects of reforms on staff morale has not been investigated in any study and more so revenue administration organization. Furthermore tax administrative reforms and their effects on revenue collection and staff morale cannot be addressed in textbook manner only and there is a need to analyze all the concerned aspects due to the ever changing environment and people's psychological dispositions (Odundo, 2007).

In view of the same this study will investigate empirically the effects of reforms and modernization programmes in KRA on staff morale.

1.6 Objective of the Study

The objective of the study was to determine the effects of reform programmes to the staff morale of Kenya Revenue Authority.

1.7 Significance of the Study

The study will be important to the following groups;-

The Top management of the KRA, public and private sector to assist them in making vital decisions regarding employees.

The information gathered will also be beneficial to the managers and supervisors of KRA to highlight to them on how to manage employees.

The findings of the study will also benefit future researchers as well as fill the existing gaps in terms of literature in this field and part of scholarly work for private and public universities.

CHAPTER TWO

LITERATURE REVIEW

2.1 Reform programmes

Political and regulatory environment have had a significant effect on the corporate **governance** systems. Most corporate plans in many organizations give more emphasis to **the people** perspective. This basically captures five major themes namely; the working **environment**, training opportunities, communication, job satisfaction as well as staff **welfare** and benefits. In such a case many public organizations have identified various **mechanisms** that are intended to ensure that management acts in the best interest of the **employees**. The key areas of concern in this case include performance appraisal, **promotions**, recruitment and disciplinary matters (Odundo, 2007).

This sheds light on the essence of reform programmes as the human resources factor in the organizations in their bid to define and lay out clearly the extend of staff morale in both the private and public sector as well. Since inception many organizations have continuously implemented piece-meal reforms and modernization programmes aimed at achieving corporate objectives and goals of par excellence in their organizations. Though pockets of success have been achieved, some programmes have had minimal impact mainly as a result of differences arising from change and staff morale management. Most organizations reforms and modernization programmes heavily relied on good human resources practices and management of staff (Mann ,1995).

The success of any reforms to a greater extends hinges on no doubt in wide acceptance and involvement of all staff in all the stages and initiatives of the process. Reforms in this case will inevitably redefine operations, relationships and hence a need for attitude and cultural changes, skill needs redefinition as well as training and retraining. In such a case reforms and modernization programmes call for continuous training aimed at preparation °f staff for the imminent changes (Jensen, 1983).

The establishment of KRA involved the bringing together of different revenue functions under one roof clearly marking the beginning of reforms and modernization programme. It entailed adoption of private as opposed of public sector work practices and process re-engineering to develop business approach to operations. Taxation is a specialized field and this creates a major challenge for sharpening competences in the industry. To drive reforms and modernization programmes there is a need to develop resilience (unpublished KRA third Corporate Plan).

2.2 Role of staff in success of reform programmes

Any reform programme that seeks to achieve its goals and objectives must realize that employees are its most important resource and this important resource has to be well trained and compensated to give them the morale that will steer the organization to greater levels of prosperity (Armstrong, 1996).

The mandate requires high caliber multi skilled staff with adequate competencies in technical and managerial functions. Organizations in such will obtain require skill upgrading programmes, salary reviews, improvement of working conditions and environment as well as proper channels of communication at all levels in the organization at all levels. It will also seek to assess skills gap and equip staff with the knowledge, skills and attitudes set to sustain reforms in the organization (Jensen, 1993).

The greater essence lies on the need to prepare staff to view reforms and modernization programmes positively and ensure more involvement of staff at all levels. These normally in many cases will enhance staff and organization alignment towards the achievement of reform objectives. Such aspects as discussed above normally lay a good foundation for instituting reform programmes in any organization that seeks to bear fruits through its reform initiatives. Staff buy-in of the reform agenda through the development of efficient and effective communication strategy. This aims at ownership by all employees hence

providing a free flow of information within the organization as well as its stakeholders. There is also the need to implement an integrated team building initiatives to share

1986 Ending forum for all employees in the organization (Yair,

2.3 Elements of Reforms and Modernization Programmes

The major elements of reforms and modernization programmes entails integration of both **Performance Contracts** and **Balanced Score Card** as the main measures to drive the reform agenda (Odundo, 2007). These are discussed below in greater details.

2.3.1 Performance Contracting

Performance contract is an agreement between two parties that clearly operates that mutual performance obligations intentions and responsibilities. It is a freely negotiated **performance agreement** between the government action in the owner of the government agency **and** the agency itself up to including other levels of management of the organization (Blasi, 2002).

The use of performance contracts has been acclaimed as an effective way of improving the performance of public enterprises (GOK, 2007). In this case it establishes which general goals for the agency, sets targets for work performance and provides incentives for achieving these targets.

Performance contract is mainly aimed at addressing economic, social or other tasks that an agency has to discharge for economic performance or for other desired results. It organizes and defines tasks so that management can perform them systematically, purposefully and with reasonable probability of accomplishments. It also assists in developing point of view, concepts and approaches for determining what should be done and how we should go about it. Performance contracts comprise of mutually agreed performance targets, review and evaluation of periodic and terminal performance (England, 2000)

According to Directorate of Personnel Management (DPM) Training Manual (2005)

Performance contracts should focus on two levels. For the state corporations, the first level is between the government and Board of Directors. Generally, Boards of Directors and management of public enterprises bind themselves to achievement of mutually

agreed targets in return for operating autonomy and specified rewards. The second level **is** between the Board of Directors and Chief Executive officer, since the Board of **Directors** is not in charge of routine management of the corporation, it governs through **signing of** a performance contract with the chief executive.

Performance contracts (PC) have their origin in the general perception that the **performance** of the public sector and in general government agencies in particular has **consistently** fallen below expectations of the public (Odundo, 2007). The problems that have **inhibited** the performance for government agencies are largely common and have been **identified** as excessive controls, multiplicity of principals, frequent political **interference**, poor management and outright mismanagement.

Mann (1995), observes that performance contracting is among the multiple ways of improving efficiency of public enterprises. Malathy (1997), argues for the adoption of performance contracts as an alternative public enterprise reform strategy where privatization may be less feasible due to political or technical results, particularly thus requiring sophisticated legal and regulatory structures or those that cannot be easily privatized for political reasons. Performance contracts includes a range of management instruments used within the public sector to define responsibilities and expectations between parties to achieve agreed results (Blasi, 2002).

The fundamental principle of performance contracting is the devolved management style where emphasis is management by outcome rather than management by process (Odundo, 2007). It therefore provides a framework for changing behaviors in the context of devolved management structures. Government views performance contracting as a useful vehicle for articulating clear definitions of objectives and supporting new management monitoring and control methods, while at the same time leaving day to day managers themselves. Performance contracts includes a range of management instruments used within public sector to define responsibilities and expectations between parties to achieve agreed results (Blasi, 2002).

2.3.2 Balanced Score Card (BSC)

This was also in line with the reforms programmes as implemented in majority of the public sector corporation. In such a case the guiding factor was that if you can not measure then you cannot manage. In that case Kaplan and Norton (1996), defined **Balanced Score Card** as performance management tool that assesses employees **performance** in four perspectives namely finance, customer, people and internal **processes**. In this regard whereas the Senior Staff signed Performance Contracts to **measure** their performance the middle level and junior staff performance was to be **measured using** BSC as a performance management tool.

"The collision between the irresistible force to build long range competitive capabilities and immovable object of the historical-cost financial accounting has created a new synthesis: the Balanced Score Card" (Kaplan and Norton, 1996). In such a case Balanced Score Card entails a comprehensive framework that translates the company's strategic objectives into a coherent set of performance measures (Kaplan and Norton, 1996). The Balanced Score Card is a management and measurement system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and the external outcomes, in order to continuously improve strategic performance and results.

The BSC was developed to communicate the multiple, linked objectives that organizations must achieve to complete on the basis of capabilities and innovation, not just tangible physical assets (Kaplan, 1998). When fully deployed the BSC transforms planning from an academic exercise into a nerve centre of an enterprise, The BSC retains traditional financial measures. But according to Kaplan and Norton (1996), financial measures tell the story of past events, an adequate story for industrial age companies for

investments in the long term capabilities and customer relationships were not critical for success. The financial measures are inadequate, however for guiding and

the journey that information age companies must make to create a future value through investment in customers, suppliers, employees, processes, technology and innovation. The BSC is a structured methodology for using performance measurements

information to set agreed upon performance goals, allocate and prioritize resources, inform managers to either confirm or change current policy or program direction to meet these goals, and report on the success in meeting those goals.

2.4 Effects of reform programmes on staff morale

In most organizations where reforms programmes have been undertaken the level of staff morale in these organizations has considerably been boost through various reform initiatives (Odundo, 2007).

Reform programmes have led to increased training opportunities in many organizations as they restructure and position themselves a new in their respective industries or organizations. This has equipped the staff with knowledge, skills and attitudes to enable them understand and implement the reforms thereby boosting their desire to work for the organization hence boosting their morale (Graham, 1998).

Reform programmes have led to improved working conditions as organizations strife to improve the welfare of their key resource, who are the people who work for these organizations (Langat, 2006), greatly boosting the staff morale in these organizations. They have led increased pay packages in a bid to attract and retain highly qualified manpower to implement and manage the reform agenda. This as provided a major boost to majority of the staff in these organizations (Bowey, 2001).

Reform initiatives and programmes have also led increased team building and bonding sessions **geared at** bringing together the staff to discuss the reforms. This as a result enables **the staff to** understand the essence of team work and the need for each other, which drives **the** organization to greater levels of prosperity and goes a ling way in boosting **the staff** morale (Blasi, 2002).

Reform **programmes** have also led increased productivity levels which as a result leads to **sense of** satisfaction amongst staff thereby greatly boosting their staff morale (Torrington, 2002).

Reform programmes have led to retrenchment programmes in most organizations in a bid to trim organizations and make them much more effective. This as such as greatly **lowered** the staff morale in these organizations (Berle, 1932).

2.5 Motivation and staff morale

An **employee's** motivation to work consists of all the drives, forces and influences - **conscious** and unconscious - that cause the employee to want to achieve certain aims. **Managers** need to know about the factors that create motivation in order to be able to **induce** employees to work harder, faster, more efficiently and with more enthusiasm. **Employees** are motivated in part by the need to earn a living and partly by human needs **for job** satisfaction, security of tenure, the respect of colleagues and so on. The **organizations** reward systems (pay, fringe benefits, job security, promotion, opportunities **may be applied** to the first motive and job design to the latter motive. Much research has **to be sought** to discover the sources of motivation at work but the theories of motivation **is tentative and no definite** conclusions can be reached. (Thorpe, 2001).

Over the years there has been ongoing research about what comprises the sources motivation in the workplace and the most common findings include the following:-

'Instrumentality' is the belief that if we do one thing it will lead to another. In its crudest form the instrumentality theory states that people only work for money. Findings indicated that assumptions postulate that a person will be motivated and their morale will be increased to work if rewards and penalties are tied directly to his or her performance, thus the awards are contingent upon effective performance (Armstrong, 2003).

The

e second view entails findings on content analysis studies which states that an unsatisfied need creates tension and a state of disequilibrium. To restore the balance, a goal that will satisfy the need is identified, and a behavior pathway that will lead to the achievement of the goal is selected. All behavior is therefore motivated by unsatisfied needs.

the third view as advanced Latham, Locke and Vroom places emphasis on the **psychological** processes or forces that affect motivation and morale, as well as on **basic needs**.

The findings in this case propose that motivation and morale is likely to occur when a **clearly** perceived and usable relationship exists between performance and outcome, **and** the **outcome** is seen as a means of satisfying needs. For example, an incentive or **bonus scheme** - works only if the link between effort and reward is clear and the value of the **reward** is worth the effort.

This view further stresses that motivation, morale and performance are higher when individuals are set specific goals, when goals are difficult but accepted, and when there is feedback on performance.

This is also expounded on the perceptions people have about how they are being treated compared with others. In these cases people will be better motivated and have high levels of morale if they are treated equitably and demotivated and have low morale if they are treated inequitably. It explains only one aspect of the process of motivation although it may be significant in terms of morale.

Motivational views of payment as a reward are all connected by the notion of pay as 'mechanism which links cause and effect, typically grounded in the meaningful intentional behavior of individuals.' So for example, payment by results is payment for producing results, whereas merit pay is payment for exhibiting appropriate attitudes and commitment. Profit sharing on the other hand, is payment for putting the organization first. From this perspective managers have tended to believe they can achieve certain objectives and determine the way people will perform by basing their pay designs on a set of psychological calculations (Thorpe, 2001).

The findings of Porter, Vroom and Lowler reflect this approach albeit in a more sophisticated way, and it forms an implicit part of what has become known as the effort-reward bargain, highlighting as it does the complexities of the link between effort and

reward, that is the different kinds of effort organizations might seek on the one hand and the variety of possible rewards on the other (Lowler, 1968).

Most of the organizations both in the public and private sector having undergone reforms and modernization programmes with a view of improving the terms and conditions of service for their employees in a bid to boost their morale a lot has been achieved. The table below shows the range of rewards that employers might offer to employees in exchange for a range of different kinds of effort.

REWARDS	EFFORT
Basic pay	Physical effort
1 st pay (Bonus)	Mental effort
7ringel>enefits, Time off	Flexibility, willingness to work extra hours
Autonomy	Good attendance
Interesting or satisfying work	Cooperation with change
Power and influence	Commitment
Relationship with colleagues	Initiative
Sense of achievement	Co operation with others
Self evaluation	Enthusiasm

Rewards and effort

Source (Thorpe, 2001)

Thorpe (2001), points out that some years ago, great effort went into measuring the physical and mental effort expended in different kinds of work for which individuals were rewarded by a seemingly scientific derived salary or salary plus bonus. More Gently with aspects of reforms and modernization programmes changing nature of work, aspects of work such as commitment and flexibility have become more important, and similarly employers are recognizing that a great variety of rewards is both sought and Possible. The rewards are seen as appropriate and which boost employees morale depends on which motivation theories are seen as most relevant.

govvey and Thorpe (2001), suggest that there can be no one answer to question, 'How **can I** motivate employees to work well and boost employee morale?' Indeed, the particular characteristics of the employee concerned, the work which they are doing, and the context in which they work will affect both the extent to which they would expect and respond to different kinds of rewards from work, and the extent to which different **dimensions** are important for their job performance.

The **manager** who wishes to bring about improvements should take a careful look at their **employees**, their organization and the environment in which they are operating. **However**, Bowey and Thorpe report that results of their research show that this is not **enough**. The findings suggest that a major factor in the success of reward schemes as **motivators** was the time and effort expended by management on planning, design and **consultation**. Consultation produced a better understanding of individuals and the **organization**, and a direct consequence allowed the views put forward by managers, **supervisors**, employees and their representatives to be taken into account. This helped **communication** both downwards of the organizations priorities for success, and upwards, **of just** what could be the most appropriate measures on which to base payment systems **so as to** ensure that they met the strategic priorities of the organization. The implicit **motivation** theory in use here is a behavioral or phenomenological one. It suggests that **improved** motivation is achieved by managers and staff developing critical awareness **through** more information and understanding.

Bowey and Thorpe (2001), propose that although no one approach has been shown to be entirely satisfactory, theories on what exactly motivates people and how they can be ^appropriately rewarded have elements that support one another and that are **consistent** ^{with} empirical research findings. They state a comprehensive reward strategy that is ^{effective} as a motivator should include six key principles namely:-

1. **Management**

Managers should be involved in the development of any new remuneration system and should be consulted about problems that they may foresee. They should be encouraged to develop

a commitment to the success of the system and a sense of ownership which will carry it through its teething difficulties (from goal theory and expectancy theory).

Demotivators

All the difficulties which prevent worker from achieving high levels of performance should be removed. It is of no use trying to motivate high performance of employees if employees' efforts to perform well are frustrated by not having the right amount and quality of equipment, space, materials, spare parts, instructions, support systems, cooperation from others or other required resources (from expectancy theory).

Equity

Any performance standards which are applied to goals, targets or behavior changes for the remuneration calculations should be fair that is comparable for all employees doing the same job in the same organization (from equity theory).

Reinforcement

Procedures should be put in place with care to give employees reinforcement, encouragement, guidance and feedback, so that they are aware of their employers interest in the performance and they can quickly learn how to earn the desired reward (from expectancy theory).

Relevance of reward

Time should be spent to make sure employees are interested in earning the proposed rewards (from expectancy theory).

Goals

Staff should be consulted about the goals, targets or behavior changes which will earn the reward, and these should be made specific and clear as possible (goal theory, expectancy theory).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Research Design

The research design adopted in this was a case study. This involved an in depth analysis of the effects of reform programmes on staff morale in the Kenya Revenue Authority.

3.2 Sample size

The researcher sampled fifty respondents. The sample size was arrived at through random selection respondents of the three levels of staff at the Kenya Revenue Authority, namely the Senior Management, Middle level Management and junior level staff. This technique ensured that unique homogeneous and heterogeneous characteristics of the staff are captured.

3.3 Data Collection

The data for the research project was mainly collected from primary sources through administration of a structured questionnaire which was the research instrument for this study. The questionnaire was properly formatted having both open and closed questions. This was because in some areas the researcher may not limit the respondent to get the required data. The researcher used drop and pick method for Questionnaires administration. The questionnaire had a self declaring statement assuring the respondents on the confidentiality of their responses and that the information they give will be used for academic purposes only.

3.4 Data Analysis

The data analyzed showed the effects of reform programmes to the staff morale of employees of KRA. Since the instruments yielded both qualitative and quantitative data, these data were analyzed using descriptive statistics to address the research objective. Quantitative data were analyzed using the SPSS computer software package. Descriptive measures were used to describe and summarize the data. The results were presented in form of written reports, tables, graphs, measures of central tendency (mean) and measures of variations (standard deviation).

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

The research objective was to determine the effects of reform programmes on staff morale in the Kenya Revenue Authority. This chapter presents the analysis, findings and interpretation in line with the objective and discussion of the same. The data was collected from the population of 50 respondents working in Kenya Revenue Authority. The findings are presented in percentages and frequency distributions, mean and standard deviations as well as graphs.

4.2 Characteristics of KRA staff surveyed

A total of 50 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Of the 50 questionnaires used in the sample, 34 were returned. The remaining 16 were not returned due to logistics and time factor. The returned questionnaires' represented a response rate of 68%, which the study considered adequate for analysis.

4.2.1 Profiles of the respondents

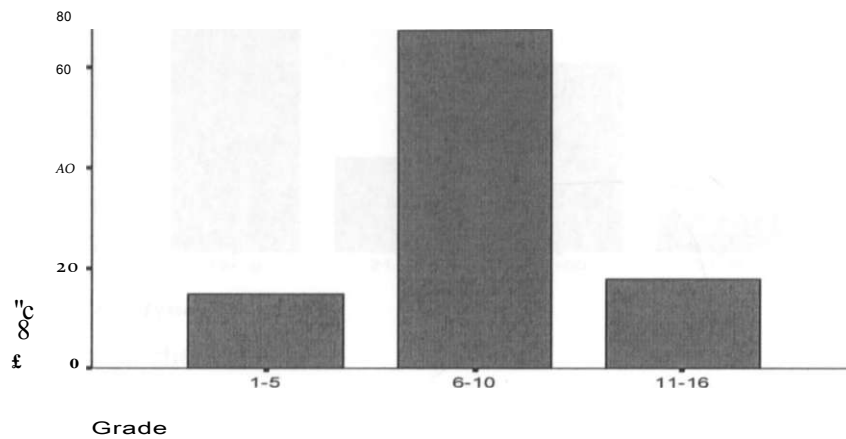
This was analyzed as illustrated below taking into consideration the variables as highlighted or laid out in the Questionnaire administered to the respondents.

4.2.2 Distribution of respondents on grade

As can be observed, in Figure 1, the respondents were made up of 14.7% in grade 1-5, 67.6% in grade 6-10, 17.6% in grade 11-16. Majority of the employees were in grade 6-10 which are in the middle management level. This clearly brings out the fact that most of the staff in the Authority are in the middle management and are responsible for driving business of revenue collection in the Authority. Therefore as such, KRA needs to take to ensure that this group of staff is motivated as appropriate to instill and retain high levels

of morale and ensure the organization achieves its vision of being the leading revenue Authority in the world.

Figure 1: Grade Composition

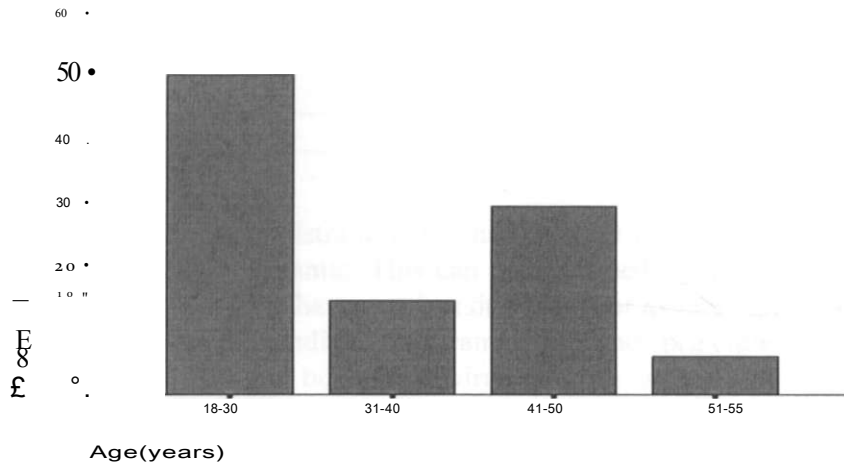


Source: Researcher 2008

4.2.3 Age Bracket

The findings presented in fig 2 show that, 50% of the respondents were in the age bracket 18-30, followed by 41-50 at 29.4%, then 31-40 and 51-55 at 14.7% and 5.9% respectively majority of the respondents were of age below 50 years. Most of the Authority employees enter the Authority at the age of twenty five (25) years. This are fresh graduates who are taken through a twenty four months training programme on revenue administration and management. At this level the trainees enter the Authority with high level of expectations and therefore are highly motivated with high levels of morale. Therefore measures needs to be put in place to ensure that these high levels of morale are not only maintained but increased to higher levels.

Fig 2: Age bracket



Source: Researcher 2008

4.2.4 Distribution of respondents on gender

As can be observed below, the respondents were made up of 52.9 % male and 47.1% female.

Table4.2.4: Gender

	Frequency	Percent	Cumulative Percent
Male	16	47.1	47.1
Female	18	52.9	100.0
Total	34	100.0	

Source: Researcher 2008

KRA has its offices in all major towns and all boulder/entry points in the country. Therefore as such, some of the staff have to work in the remotest parts in the country. Some of these stations it is not appropriate to deploy the female members of staff due to harsh prevailing conditions. In this case most of the female staff are deployed at Nairobi and at other major towns. The levels of morale have also being shown to be high amongst female staff as compared to male staff. This can be attributed to high levels of expectations from the organization by the male staff as opposed to female staff.

4.2.5 Distribution of respondents on education levels

From the findings 5.9% of the respondents had secondary education, 17.6% had college diploma, and 76.5% had degree education.

Table 4.2.5: Level of education

	Frequency	Percent	Cumulative Percent
Secondary level	2	5.9	5.9
College Diploma	6	17.6	23.5
University Degree(1 st degree, masters and PHD)	26	76.5	100.0
Total	34	100.0	

Source: Researcher 2008

Revenue collection, administration and management is a fairly a complex and technical process which is very dynamic. This can be explained by the fact that most of the staff employed by KRA at least have a university degree or even a higher qualification. This is very crucial to understanding the framework and principles of taxation and tax administration in dynamic business environment. In such a case if the staff are able to understand the operations of the Authority, this makes them comfortable with their areas of work hence leading to high levels of morale.

4.2.6 Length of Service with the KRA (years)

The results presented in table 4.2.3 shows that the number of years of service in the current organisation varies from a period of less than 1 year to over 20 years. 32.4% of the respondents had worked with the organization for a period of 2 to 5 years and 11 to 15 years. 11.8% had worked for a period of 6 to 10 years and a6 to 20 years while 5.9% had worked for more than 20 year. From the analysis, there was a combination among the respondents who had worked for a period between 2 to 5 years and those who have worked for 16 to 20 years. There is a combination of experience and those new.

Table 4.2.6: Length of Service with the KRA (years)

		Frequency	Percent	Cumulative Percent
Valid	Less than 1	4	11.8	11.8
	2-5	11	32.4	44.1
	6-10	4	11.8	55.9
	11-15	11	32.4	88.2
	16-20	2	5.9	94.1
	More than 20	2	5.9	100.0
	Total	34	100.0	

Source: Researcher 2008

The level of morale is high among the staff in the age bracket between 2- 5 years and 11-15 years. This is so because these staff were in the organization upon inception of the reforms programme and clearly impacted positively in the way they do their work. This categories were better placed to comment on the effects of reforms since the reforms were started when they were in the organization. In such a case the level of morale seems to decline as staff stays longer in the organization. This can be explained by the fact that as the employees enter the organization they have a lot of expectations which as times goes by diminishes. There is a need to maintain this level of expectations and boost the levels of morale.

4.3 Awareness of reforms programmes at KRA

As evident in table 4.2.7, 100% of the respondents were aware of the reforms at KRA. This shows that the modes of communications used to create awareness were very effective. At the same time all respondents agreed that the reforms had impacted in the away they carry out their work.

Table 4.3: Awareness of reforms programmes at KRA

	Frequency	Percent	Cumulative Percent
Yes	34	100	100
No	0	0	0
Total	34	100.0	

Source: Researcher 2008

The management of KRA ensured that majority of the staff were sensitized as appropriate on reforms programmes at KRA, which is very critical for creating awareness. This creates understanding amongst staff on the essence of reforms programmes and how they will go along in improving the working environment and generally the welfare of the staff which is critical for boosting their levels of morale.

4.3.1 Extent of Involvement in implementation Reforms by KRA staffs

The respondents were asked to give their opinion on the extent to which they were involved in the implementation of KRA reforms. 88.2% of the respondents were involved in the implantation of KRA reforms. However 11.8% of the employees were not involved, this is significant since the reforms affect the performance of all staff in the organization. It is of importance that the management looks in to this proportion who felt they were not involved.

4.3.1: Extent of Involvement in implementation

		Frequency	Percent	Cumulative Percent
Valid	Great extent	7	20.6	20.6
	Some extent	23	67.6	88.2
	No at all	4	11.8	100.0
	Total	34	100.0	

Source: Researcher 2008

Majority of the staff were involved in the implementation of reform programmes which is very crucial for the success of the reforms. This as such makes the staff to be part and parcel of the reforms and thereby supporting all the initiatives of the reforms fully with high levels of morale.

4.3.2 Extent you believe reforms impacted positively on the following variables

The respondents were to give their independent opinion on the extent to which they believed reforms impacted positively on the following variables. The range was 'I don't know (5)' to 'very great extent' (1) was used to rank the respondents opinion. The scores of very great extent/great extent have been taken to present a variable which had mean score of 0 to 2.4 on the continuous Likert scale; ($0 < S.E. < 2.4$). The scores of 'some extent' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: ($2.5 < M.E. < 3.4$) and the score of very not at all/ I don't know have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; ($3.5 < L.E. < 5.0$). A standard deviation of > 0.8 implies a significant difference on the impact of the variable among respondents.

Table 4.3.2: Extent to which the following variables impacted positively on the

Variable	Mean	Std. Deviation
Working environment	2.4706	.61473
Productivity	2.0588	.54723
Modernization of internal processes	2.0882	.83003
Service delivery	2.1176	.80772

Source: Researcher 2008

The findings in table 4.3.2 above show that productivity (mean of 2.06), modernization of internal processes (mean of 2.09), and service delivery (mean of 2.11) were ranked as

very great extent/great extent while working environment (mean of 2.47) was ranked as having impacted to some extent on the implementation of reforms at KRA. There is high variation on the respondent's opinion on modernization of internal processes and service delivery as indicated by the values of the standard deviation.

This clearly shows that the reforms programmes impacted positively on staff morale in the Kenya Revenue Authority.

4.3.3 Respondents opinion on the following variables after the implementation of reform programmes in KRA

The respondents were to give their independent opinion on the extent to which they agree/disagree with the following statements after the implementation of reform programmes in KRA. The range was 'strongly disagree (5)' to 'strongly agree' (1) was used to rank the respondents opinion. The scores of strongly agree/ agree have been taken to present a variable which had mean score of 0 to 2.4 on the continuous Likert scale ;($0 < S.E < 2.4$). The scores of 'somewhat agree' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous Likert scale: $2.5 < M.E. < 3.4$) and the score of disagree/strongly disagree have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous Likert scale; $3.5 < L.E. < 5.0$). A standard deviation of > 0.9 implies a significant difference on the impact of the variable among respondents.

Table 4.3.3: Respondents opinion on the following variables after the implementation of reform programmes in KRA

	Mean	Std. Deviation
Salaries and benefits are adequate	3.7941	.80827
Chances of career advancement	3.1471	.35949
Proud to work for KRA	2.3824	.73915
Men and women are given equal opportunities in KRA	2.6471	.81212
Enjoy working with co-workers	1.9412	.81431
Work done gives a feeling of person accomplishment	2.3824	.73915
There are opportunities for training to handle work	2.3235	.84282

Workload is adequate	2.4118	.89163
Reward is based on skills and competencies	3.4706	.82518
Given an opportunity to work for another organization would leave KRA	2.6471	1.17763
Get rewarded for a job well done	3.2059	.84493
Working environment has changed	2.2353	.81868

Source: Researcher 2008

The respondents ranked the above statement in all the three categories, that is, salaries and benefits are adequate (mean of 3.79), reward is based on skills and competencies (mean of 3.47) as disagree/strongly disagree; respondents felt that there is no tangible change on the two variables after the implementation of reforms at KRA. Men and women are given equal opportunities in KRA (mean of 2.64), workload is adequate (mean of 2.41), given an opportunity to work for another organization would leave KRA (mean of 2.64), get rewarded for a job well done (mean of 3.21), chances of career advancement (mean of 3.15) were rated as somewhat agree; had little impact on staff morale after the implementation of the reforms. Enjoy working with co-workers (mean of 1.94), work done gives a feeling of person accomplishment (mean of 2.38), working environment has changed (mean of 2.23) and there are opportunities for training to handle work (mean of 2.32) were ranked as having changed greatly after the implementation of the reforms. In general the effect of the reforms programmes in KRA have been felt in most areas.

The reforms programme at KRA took into considerations all the aspects of the Authority's operations, which forms key areas which do affect staff morale in the organization.

4.3.4 Overall effects of reforms on staff morale at KRA

As indicated in table 4.3.6, 11.8% of the respondents felt that there is very good effect on reforms on staff morale, 44.1% felt good and fair respectively. In generally there is a good return from the implementation of reforms programmes on staff morale.

effects of reforms on staff morale at KRA			
	Frequency	Percent	Cumulative Percent
Very good	4	11.8	11.8
Good	15	44.1	55.9
Fair	15	44.1	100.0
Total	34	100.0	
Source. Researcher 2008			

Staff morale in the Kenya Revenue Authority received a very crucial boost with the implementation of reform programmes in the KRA.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study clearly sought to determine the effects of reform programmes on morale of staff at Kenya Revenue Authority. With the implementation of reform programmes at KRA, much progress has been achieved and consequently to a greater extent this has also affected the morale of staff. The objective of the study was to determine the effects of reform programmes on staff morale in the Kenya Revenue Authority.

5.2 Summary and discussion of the findings

A total of 50 questionnaires were issued out. The completed questionnaires were edited for completeness and consistency. Out of this number 34 were returned which represented a 68% response rate which the study considered adequate for the analysis.

With respect to the profiles on the respondents especially with respect to grade emerged that majority of the staff interviewed are in grades 6-10 or rather the middle management. This is as a result that this staff are in the middle management which is responsible for driving revenue collection at KRA and this form the group of employees whose morale needs to be boosted and maintained at high levels.

The research sample comprised of majority female respondents, all of whom are working in various Departments in the KRA offices in Nairobi. Majority of the employees in the middle management in KRA are women were actually involved in the implementation of the reform programmes. Therefore as such they were best suited to be interviewed on the effects of reforms at KRA. They were better placed to provide much needed information required in the study.

It also emerged that 50 % of the respondents were in age bracket of thirty years and who at least had a university degree or even higher qualifications. Revenue collection is fairly

complex and technical field and therefore as such majority of the respondents had the much needed knowledge to understand the reforms and their effects in the Authority and more so on the staff morale.

It came out clearly that staff who had worked for KRA for a period between 2- 15 years had a lot of motivation and morale as compared to the staff who had served the organization for a shorter or a very longer period of time. This is because they were involved in the implementation of reforms and clearly understood the operations of KRA.

Majority of the staff were aware and actually involved in implementation of the reform programmes. This as a result created the much needed goodwill amongst employees to ensure the staff appreciated the reform programmes and facilitated to positive contribution on the morale of staff of KRA.

This to a greater extend contributed to overall awareness and highlighted on the importance of reforms in the way they do work. It emerged that reform programmes positively impacted on the way people do work in KRA hence boosting staff morale.

Staff morale forms a very crucial element in any one organization and greatly contributes to propelling the organization to greater levels of prosperity since staffs are the organization's key resource. It emerged from the respondents that certain areas that touch on the core of staff morale such as salaries and benefits, equal opportunities for all employees and training opportunities were not adequately covered in the reform programmes and this to a greater extend have been the major cause of discontentment amongst the employees which to a greater extend has affected staff morale and more so to the staff who have served the Authority for a longer period of time. Other factors such as improved working conditions, adequate workload, and modernization of internal processes and chances of career advancement were very well factored in the reforms programme and this has greatly contributed to the positive response from the staff as far as reforms and staff morale in KRA is concerned.

5.3 Conclusion

Overly reform programmes have lead to increase of morale of staff as a result leading to surpassing of the revenue targets set by the Ministry of Finance and the Government of Kenya as a whole in the last four years. This high level of productivity and performance was attributed to reforms by most of the respondents.

Kenya Revenue Authority played a very fundamental role of sensitizing the staff as well as involving them in the reform programmes which necessitated greatly to the appreciation of the reforms in the Authority by the staff and laid a very good foundation for achievement of the objectives of the reform programmes. The staff were made aware and were also involved which made them feel as a part of the reforms and hence put all their efforts ion ensuring that the reforms succeed.

In conclusion the above findings show that reforms programmes at KRA have contributed greatly and had positive effects as far as boosting staff morale in the organization was concerned. Staff felt that this improved the way work is done at KRA and made staff more appreciative hence boosting their morale.

5.4 Recommendations

In future the researcher recommends various elements that must be clearly looked at, not to undermining the level of progress that has so far been achieved. There is a need to improve salary and benefits of the staff to commensurate with their qualifications and experience. This will go along in increasing the current levels of morale and reduce the level of turnover of staff at KRA.

There is also a need to put in place relevant training programmes at KRA to ensure that staff knowledge and skills are constantly enhanced to increase their level of morale and commitment to the authority which will go along way in achieving the KRA's vision of being "the leading revenue authority in the world, respected for professionalism, integrity and fairness".

There is also a greater need to foster the essence of teamwork and spirit amongst staff to instill a sense of unity of purpose amongst all the employees. This will go along in improving relations among staff and make them happier to work for the organization hence boosting their morale. This can be done through team building events for various cadres of staff in the Authority.

REFERENCES

- Armstrong, M. (2003), *Human Resource Management Practice*, 8th Ed. Kogan Page London.
- Beardwell, I. Holden L. and Claydon T. (2004). *Human Resource Management: A Contemporary Approach*. 4th Edition. Pearson Education Limited; London.
- Berle A.A. and Means G.C. (1932), *The Modern Corporation and Corporation and Private property*, Macmillan Publishers; New York.
- Blasi, G. J. (2002), *Government Contracting and Performance Management in Human Resources*. International Journal of Public Administration 25(4), 519- 538
- Bowes G. (2000). "*Trends and changes in corporate Governance. An update on the local and International Environment Seminar organized by Lusaka stock exchange.*
- Cowling A. and Mailer C. (1996), *Human Resource Perspectives*. Arnold Publishers. London.
- Bowey A. and Thorpe R. (2001)*Reward*. Prentice Hall. London
- DeCenzo D. A. and Robbins S. (1999), *Human Resource Management*. 6th Edition. John Wiley and Sons. New York.
- Dessler, G. (2003), *Human Resource Management*, 10th edn. Prentice Hall; New Jersey.
- DPM (Kenya).(2005), *A Strategy for Performance Improvement in the Public Service*, Government Printer, Nairobi
- Economic Recovery Strategy for Wealth and Employment Creation, 2003-2007*, Office of the President.
- Graham H. T. and Bennett R. (1998), *Human Resources Management* 9th Edition. Pearson Education Limited. Essex (UK)
- Jensen, Michael C. and William H. Meckling, (1976), 'Theory of the firm: Managerial behavior, agency costs and ownership structure', *Journal of Financial Economics* 3, 305 - 360
- Kaplan, R. S. and Norton, D. P. (2001), *The Strategy Focused Organization*, Harvard Business School Press
- Langat K. Sophie (2006), *Factors Necessary for the Design of Good Performance Contracts for State Corporations in Kenya*, Unpublished MBA Project, University of Nairobi
- Larbi, G. (2001), "Performance Contracting in Practice: Experience and Lessons From the Water Sector in Ghana" *Public Management Review* Vol. 3(3) 305-324.

- Mann, A. J. (1995), *Public Enterprises Reform and the Use of Performance Contracts*, Puerto Rico.
- Nachimas, C F AND Nachimas D (1996), *Research Methods in the Social Sciences*, 5th ed. Arnold University Press Inc, New York, USA
- Nellis, J. R. (1989), *Contract Plans and Public Enterprise Performance*. World Bank.
- Njau, S (2005), "Government Initiatives for the Transformation of Public Sector Management in Kenya" *Management A Publication of The Kenya Institute of Management*, July-august 2005.
- Njoroge, J. K. (2003), *Customers' Perception of Service Quality in a Decentralized System in the Public Utility Sector in Kenya: the Case of KPLC Ltd*, Unpublished MBA Thesis, University of Nairobi
- Odundo, B. (2007), *The extent to which Necessary Conditions for Developing and Implementing Performance Contracts were Satisfied by Kenya Revenue Authority*, Unpublished MBA Thesis, University of Nairobi
- PBMSIG (2001), *Performance Based Management Handbook: Establishing An Integrated Performance Measurement system*; Performance Management Special Interest Group, U.S Department of Energy, USA
- Porter, M. E. (1980), *Competitive Strategy*, Free Press; New York.
- Sessional Paper no 1 (1986) - Economic Recovery for Renewed growth Ministry of Economic Planning
Sessional Paper No 10 (1965) Ministry of Economic Planning
- Shirley, M. (1996), *Enterprise Contracts: A Route to Reform*. World Bank Development Research Group, Washington DC
- Shirley, M. and Xu, C. L. (1997), "Information Incentives and Commitment: *An empirical analysis of Contracts between Government and State Enterprises*, World Bank
- Shirley, M. and Xu, C. L. (2000), "Empirical Effects of Performance Contracts: evidence from China, *Journal of Law, Economics, and Organization* 7(1)
- Torrington D., Hall L. and Taylor S. (2002), *Human Resources Management*, Pearson Education Limited; London.
- Trivedi ,P (1992) *J. critique of Public Enterprise Policy*, Delhi, India,
- World Bank. (1995), *Bureaucrats in Business: The Economics of Government Ownership*, Oxford University; Press - New York

APPENDICES

APPENDIX 1:

LETTER OF INTRODUCTION

23rd June, 2008

Dear Respondent,

RE: MBA RESEARCH PROJECT

I am a student at the University of Nairobi, and am carrying out a research study as a requirement for the fulfillment for award of Master Degree in Business Administration.

I am conducting a case study with the sole purpose of gathering information on "*THE EFFECTS OF REFORM PROGRAMMES ON STAFF MORALE IN KENYA REVENUE AUTHORITY*". The population of study will constitute of 50 staff members from KRA Nairobi offices.

This study is being carried out for management project paper as a requirement in the partial fulfillment of the degree mentioned above.

The information and data required is needed solely for academic purposes and will be treated with a very high degree of confidentiality.

Your cooperation will be highly appreciated.

Thank You.

Yours faithfully,

Daniel Wambua Zakayo

Ms Florence Muindi

Student

Supervisor

APPENDIX 2:
QUESTIONNAIRE

SECTION ONE

DEMOGRAPHIC CHARACTERISTICS

1. KRA grade *(tick one)* [1] 1 - 5 [2] 6 - 10 [3] 11 - 16
2. KRA Department
3. What is your age bracket? *(tick one)*
[1] 18 - 30 years [2] 31 - 40 years [3] 41 - 50 years [4] 51 - 55 years
[5] other
4. What is your gender? *(tick one)*
[1] Female [2] Male
5. Your highest level of Education? *(tick one)*
[1] Primary Level [2] Secondary Level [3] College Certificate
[4] College Diploma [5] University Degree [5] Masters Degree
[7] PhD Degree
6. Years worked for KRA *(tick one)*
[1] Less than one year [2] 2 - 5 years [3] 6 - 10 years
[4] 11 - 15 years [5] 16 - 20 years [6] more than 20 years

SECTION TWO

7. Are you aware that KRA as an organization has undertaken reform programmes?
(tick one)
[1] Yes [2] No [3] I don't know

8. If yes in (7) above would you say that the reforms have impacted in the way you do your work in KRA? *(tick one)*

[1] Yes [2] No [3] I don't know

9. To what extent did KRA management involve you in the implementation of the reforms? *(tick one)*

[1] Very great extent [2] Great extent [3] Some extent [4] No at all

10. To what extent do you believe reforms impacted positively on the following (tick one)

	1. Very Great extent	2. Great extent	3. Some extent	4. Not at all	5. I don't know
(i) Working environment					
(ii) Productivity					
(iii) Modernization of internal processes					
(iv) Service Delivery					

11. After implementation of reform programmes in KRA to what extent do you agree or disagree with the following: *(tick one)*.

	1. Strongly agree	2. Agree	3. Somewhat Agree	4. Disagree	5. Strongly Disagree
(i) Salaries and benefits are adequate					
(ii) There are chances of career advancement					
(iii) Am proud to work for KRA					
(iv) Men and women are given equal opportunities in KRA					
(v) You enjoy working with co-workers					
(vi) Work done gives a feeling of person accomplishment					
(vii) There are opportunities for training to handle work					

(viii) The workload is adequate					
(ix) Reward is based on skills and competencies					
(x) Given an opportunity to work for another organization would leave KRA					
(xi) You get rewarded for a job well done					
(xii) The working environment has changed					

12. How would you rate the overall effects of reforms on staff morale (*tick one*)

[1] Excellent [2] Very good [3] Good [4] Fair [5] Poor

13. Please give suggestion/comments on how staff morale can be boosted in KRA.

The End.

Thank you for your co-operation in filling this questionnaire