BUSINESS PROCESS RE-ENGINEERING AS AN APPROACH TO STRATEGIC CHANGE AT KENYA REVENUE AUTHORITY

BY

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DECLARATION

I Jared Odhiambo Abuto hereby declare that this MBA research project is my original work and has not been presented to any other college, university or any other institution for any academic award such as certificate, diploma or degree.

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SUPERVISOR'S APPROVAL

This MBA research project submitted by Jared Odhiambo Abuto was developed with my guidance and has been finalized with my approval.

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DEDICATION

I dedicate this study to my family and especially my Dad, Paul Abuto Odera and my Mum, Kerina Adhiambo Abuto for their spiritual and financial support, understanding and encouragement provided over the years of my studies and as I prepared and worked on this project. I also owe deepest gratitude to my friends, for their love and support towards the completion of this project.

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ABBREVIATIONS AND ACRONYMS

ADKAR	:	Awareness, Desire, Knowledge, Ability and Reinforcement
BAP	:	Business Automation Project
BPR	:	Business Process Re-engineering
CSF	:	Critical Success Factors
DRBCP	:	Disaster Recovery and Business Continuity Plan
ERP	:	Enterprise Resource Planning
HR	:	Human Resource
IT	:	Information Technology
ICT	:	Information and Communication Technology
KRA	:	Kenya Revenue Authority
PIT	:	Project Implementation Team
RARMP	:	Revenue Administration Reform and Modernization Programme
TQM	:	Total Quality Management

ABSTRACT

Business process reengineering as an approach to strategic change has been employed by many firms in management of their business processes. And it is against this backdrop that the study entitled "BPR as an approach to strategic change at Kenya Revenue Authority" was conceived. Various aspects of strategic change and business process reengineering were delved into and laid bare. Objectively, the study sought to determine the application and challenges encountered in applying business process reengineering as an approach to strategic change at KRA and the measures that the organization has put in place to mitigate the challenges. The research question was "How has BPR served as an approach to strategic change, Kenya Revenue Authority?" Both primary and secondary data which were qualitative in nature were collected and analyzed to determine the objectives of the study. Primary data was collected through administering of a set of questions to the senior, middle and operational levels of management by the use of interview guide, whereas, secondary data, was gathered by gleaning information from existing records in the Authority. Such documents included bulletins, service charters, strategic plans and the corporate website which was then analyzed using content analysis. The study established that business process reengineering as an approach to strategic change has been in use at Kenya Revenue Authority and has fronted many benefits to the organization in managing its business processes. Significantly, the areas were hiring and retention of workforce, purchasing and supplies issues, customer service and project planning and management. However, these were not without a number of challenges which management instituted various measures to mitigate. The study's major limitations were the inability to cover other general concepts of strategic change and BPR, the study being a case and so could not be used for generalizations in other organizations and the fact that some respondents became stingy with information, citing reprisals from management as a result of divulging sensitive information. Nonetheless, it has formed a valid and reliable instrument for gauging the application and challenges of BPR as an approach to strategic change in the revenue collection in Kenya. And this could be instrumental to further studies which may seek to pursue related researches in other organizations and industries.

TABLE OF CONTENTS

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Strategic change is about organizational transformation. Today, corporations that anticipate change and respond quickly and responsibly to it are successful. Yet those who anticipate and invest in the future become even more successful since those who invent the game of survival are the leaders in their industry (Grover and Kettinger, 1998). Change concerns how organizations evaluate their past performance, their current position in the industry and how they can move to a future desired status (Lawrence, 1990). In the face of large scale discontinuous changes facing the world, organizations are forced to undergo major strategic orientations which involve changes in products, service markets, organizational structure and even human resource systems. This change must be managed using various ways to ensure strategic survival in the face of these environmental turbulences. Business process reengineering is one such tool which many organizations have used to implement change.

This study is anchored on the theories of complexity and organizational development. According to Martinelli (2001), organizations operate as systems which relate to one another and which consist of other subsystems. This relationship between organizations has an impact on how they exist and operate within their industries. Operation of such systems in the industry results in an environment that is complex and turbulent (Mason, 2007). The complexity is necessitated by various factors such

as customers, suppliers, socio-politics and technology. In an attempt to survive and remain competitive, the influence of these forces on organizations must be managed through informed decisions by managers (Hitt, 1998). Organizations that are concerned about how change affects them must have leaders who are proactive, rather than reactive.

Business process reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service, and speed (Chase et al, 2004). Gouranourimi (2012) described business process reengineering as discrete initiatives intended to achieve radically redesigned and improved work processes in a bounded time frame. According to him an organization is considered as a collection of processes characterized as strategic, operational and enabling environment. Business process re-engineering is the approach for redesigning the way work is done to better support the organization's mission and reduce cost. Business process reengineering begins with a high level assessment of the organization's mission, strategic goals and customer needs. Reengineering of business processes leads to fundamental changes in many aspects of an organization, including organizational structure, job characteristics, performance measures and the reward system.

Kenya Revenue Authority has been going through a transition of change due to the constantly changing environment in which it operates. Various factors have necessitated this transition such as corruption, tax evasion, cost of operation and higher expectations from the tax payers. The institution has realized the need to manage service quality, control operation cost and stay focused on their customers.

The need for growth and the desire to attain better levels of performance in the industry have further forced the Authority to re-engineer its business processes and discard its old ways of doing things (Kenya Revenue Authority, 2009 Plan, 2009)

1.1.1 The Concept of Business Process Re-Engineering

The concept of re-engineering traces its roots back to management theories developed in the early 19th century. The purpose of re-engineering is to "make all processes the best-in class". Fredrick Taylor suggested it as far back as the 1860's (Sturdy, 2010). But in 1990, the idea of re-engineering was first propounded in an article in Harvard Business Review by Michael Hammer. The method was popularly referred to as business process re-engineering (BPR), and based on an examination of the way information technology was affecting business. Business process re-engineering has been defined variously by different authors. However, all these definitions address the same theme of re-engineering the business processes.

According to Hammer and Champy (1993), BPR is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed. Closely related to this is the definition by Davenport (1993), which refers to BPR as the analysis and design of workflows and processes within and between organizations. This means that firms should place more emphasis on their business processes.

Business process reengineering entails reinventing processes by abolishing the old ones and finding imaginative ways of accomplishing work while designing completely and radically new processes (Goksoy, 2011). Effectively, BPR has risen as

3

a solution for companies to improve their performances by assuring a higher quality of product at lower cost, larger added value and faster response time, thus elevating their efficiencies and gaining competitive advantage in this permanently changing and developing world

1.1.2. The Concept of Strategic Change

Strategic change is defined as formulation and implementation of long term plans to attain the overall business objective (Goksoy, 2011). This means that a firm must evaluate its current status and then put in place the right strategies to enable it achieve a future desired state. This change has traditionally been viewed as actions taken by organizations to alter their internal characteristics for better fit with their external environment (Lawrence, 1990). Strategic change is an empirical observation in an organizational entity of variations in shape, quality or state over time (Van de Ven and Poole, 2002) after the deliberate introduction of new ways of thinking, acting and operating.

According to Drucker (1992), a company beset by malaise and steady deterioration suffers from something far more serious than inefficiency. Its business theory is obsolete. This means that no amount of re-engineering will put the company on the right track without the right business theory. Pascale (1990) shares the same views by arguing that what was strength yesterday becomes the root of weakness today. It is common, therefore, that most managers tend to depend on what worked yesterday and refuse to let go of what worked so well in the past. Prevailing strategies become self-confirming. To avoid such traps, businesses must reinvent themselves through a spirit of inquiry and a healthy debate by encouraging the creative process of self-renewal

4

based on constructive thinking. This process of transformation can be achieved best through business process reengineering. Strategic change, therefore, provides the basis for an organization to assess how well it is progressing towards its overall objective. It is important for organizations to anticipate needed changes in their strategic directions and have methodologies in place for effecting the strategic changes (Amaratunga, 2002).

1.1.3. Business Process Re-Engineering and Strategic Change

In today's business environment, there are so many reasons that force organizations go through change. Kotter and Schlesigner (1979) explained that with the increasing demands of government regulations, growth, competition, technological developments and changing workforce, most companies find that they must undertake moderate organizational changes at least once a year and major changes every four to five years. Business Process Reengineering has allowed many failing and even successful organizations to re-invent themselves to achieve performance improvements and position themselves in a better place in their markets. BPR involves reinventing processes by abolishing the old ones and finding imaginative ways of accomplishing work while designing completely and radically new processes. Consequently, BPR has arisen as a solution for companies to improve their performances by assuring a higher quality product at lower cost, larger added value and faster response time; elevate their efficiencies and gain a competitive advantage in this everlastingly developing and changing world: therefore, it became more than vital and worthwhile to investigate this concept and also to understand the whole process of BPR and its all stages.

The speed of rapid changes in the markets, shorter product life cycles and consumers' high expectations and demands require fundamental changes within an organization's structure, culture and other management processes. BPR is going to continue being a popular tool for change management in this decade, as BPR can be one of the best approach to challenge all the above mentioned factors, because a) BPR is about innovation and improvement; b) Process redesign and IT are essential ingredients of BPR (e.g. Thyagarajan and Khatibi, 2004) and that is also the cornerstone of today's business; c) it is extensively searched in the literature that BPR is about improving the cost, quality, service and speed. Research proves that many organizations that have undertaken reengineering projects report significant benefits from their BPR experience (Cafasso, 1993; Grover and Malhotra, 1995) in several areas, such as customer satisfaction, productivity and profitability (Goll and Cordovano, 1993).

BPR has a strategic value in managing organizational change, as it includes new vision or strategy: a need to build operational capabilities, need to reevaluate strategic options, enter new market or redefine products/services (Thyagarajan and Khatibi, 2004) and reflects the company's overall strategy (Browne and O'Sullivan, 1995). It is strategically important because it gives a new direction and hope for the organization's future, it is driven from top: it requires conceptual skills, strategic thinking and constant commitment from top level managers during all stages; from planning to implementation stages. BPR will have short and long-term implications for an organization. Any process that is to be reengineered will not only have an impact on the function that has direct control over that process, but also other functions that will necessarily support the reengineered process. These two characteristics point to a strategic change for the organization (Sarkis et al., 1997).

Lastly, some management experts defend reengineering as a necessary strategy for achieving higher levels of efficiency and effectiveness in knowledge work that has long been achieved in manufacturing (Wilkinson, 1991; Davenport and Short, 1990; Davenport and Stoddard, 1994; Hammer, 1996).

1.1.4. The Public Sector in Kenya

The public sector refers to the part of the economy concerned with providing various government services, (David & Carnevale, 2002). Strategic planning help leaders and managers of public organization to think learn and act strategically, (Bryson, 2004). The Idea of BPR emerged in organizations that wanted to have a strategy as to maximize their profit, reduce cost, reduce time wastage and enhance efficiency in their operation and supply chain. Today, the motivation is manifold and differs according to the type of organization. The need for organization for organization to proactively respond to environmental challenges has now become imperative, as it offers the organization a competitive edge in today's business world.

The public sector in Kenya has increasingly gained attention of various developmental strategies especially in developing countries as key sector for the advancement needed for socio-economic emancipations of countries in Africa. The role of the state and its institutions has been identified as a key partner to the private sector in carrying out the developmental agenda. The public sector, in developing countries, can no longer approach developmental issues as before especially, given the advancements in business management made in the world and expected fast growth needed for quicker transformation in their economies.

As a result, various development experts have now resolved to impress   on government to strategically plan and roll out a coordinated and comprehensive strategy to harness their business potential as a pivot growth.

In the recent times the government of Kenya has embarked on public sector management reforms with a view of improving their operations and creating value for their operations. As a result, a state department for public sector reforms was created to drive this agenda and work closely with National Development Planning Commission (NDPC) mandated to coordinate development framework in the country.

1.1.5. Kenya Revenue Authority

Kenya Revenue Authority was established by an Act of Parliament, Chapter 469 of the Laws of Kenya, which became effective on 1st July 1995, for the purpose of enhancing the mobilization of government revenue, while providing effective tax administration and sustainability in revenue collection. Prior to 1995, the revenue collection functions of the Government were distributed among at least five different ministries and/or departments.

The main objective of establishing the Authority was to streamline the public revenue-generation function by bringing the relevant agencies under the umbrella of the central finance agency under the Ministry of Finance. The board and management of Kenya Revenue Authority have since its inception spent time and resources setting up systems, procedures and the adoption of new strategies aimed at enhancing the operational efficiency of the Authority's processes. The functions of the Authority are to; assess, collect and account for all revenues in accordance with the written laws and

the specified provisions of the written laws; advise on matters relating to tax administration and perform such other functions in relation to revenue as the minister may direct (KRA online, 2004).

The fourth corporate plan for KRA presents the authority's strategic direction for the years 2009/10 to 2011/12. The strategic theme during this period is to attain international best practice in revenue administration by investing in a professional team, deepening reforms and quality service delivery to enhance compliance. The core elements of this corporate plan is Kenya Revenue Authority's strategy which focuses on meeting international standards by relying on its staff to implement customer focused reforms and deliver services of the highest quality. The customer, adequately facilitated, is expected to voluntarily comply with existing tax legislation and thus enable the government to mobilize resources at minimal cost. This plan follows in the ambitious footsteps of the Second and Third Corporate plans whose goals were; to develop a dedicated and professional team, reengineer business processes and modernize technology, improve and expand taxpayer services and finally to enhance revenue collection and enforcement. However, there exist challenges that need to be addressed which include improving business processes and integrating functions at operational level to facilitate taxpayer segmentation (Kenya Revenue Authority, 2009).

Kenya Revenue Authority realized that tax processes and procedures were considered complex and cumbersome by taxpayers, thus increasing cost of compliance. Hence, it initiated a number of reforms initiatives under the Revenue Administration Reform and Modernization Programme (RARMP) launched in 2004. RARMP was an

offshoot of Kenya Revenue Authority's second corporate plan and International Monetary Fund (IMF) recommendations that included strategies to address the challenges KRA encountered towards meeting its mandate. The RARMP initiative encompasses seven projects which envision a fully automated Authority, organized along functional lines, responsive to the needs of its customers, efficient and effective and thus achieving revenue mobilization targets at least cost. The achievements of the Second and Third Corporate Plans (2003/04-2005/06 and 2006/07 -2008/09) have made it possible for Kenya Revenue Authority to bring the reform efforts to maturity (Kenya Revenue Authority, 2009).

One of the RARMP projects is the business automation project (BAP) which is a comprehensive initiative aiming to modernize and integrate business systems in use in the Authority in order to promote efficiency, effectiveness and to enhance tax compliance (Kenya Revenue Authority,2009). The ongoing project undertakes to provide seamless sharing of information across KRA and interconnectivity with external systems of stakeholders to enable integrated electronic processing of tax returns and efficient enforcement. The project was enabled by the implementation of a number of reform initiatives one of which was the establishment of online services for taxpayers to access KRA services. Other initiatives included; improvements to the Authorities' ICT infrastructure and the implementation of Disaster Recovery and Business Continuity Plan (DRBCP), (Kenya Revenue Authority, 2009). Thus, the strategic objective of BAP in KRA was to reengineer business processes and modernizing technology by employing integrated solutions and processes that ensure operational excellence and single view of the taxpayer.

This study aims at establishing the role of business process reengineering initiatives to boost the performance of Kenya Revenue Authority. Through the research proposed, the researcher focused on how business processes within Kenya Revenue Authority have been re-engineered to assist the organization realize its strategic objective of becoming a leading revenue authority body in the world (Kenya Revenue Authority, 2009). Also incorporated is how reengineered business processes have impacted on KRA's performance

1.2 Research Problem

Strategic change management requires adoption of a number of tools to manage it. Business process reengineering is one such tool which many companies have put into use. Because of the challenges fronted by the forces of globalization, corporations need to formulate and implement strategies that will enable them move from their current states of obsolescence to the desired future states to gain competitive advantage. According to Dean (1996), this transition from the current to a future desired state can be achieved through tailoring the business processes to the customers' needs. Involvement in the conscious and continuous effort of creating and sustaining new customers and markets has, therefore, become the focus of all top managers.

Kenya Revenue Authority is faced with challenges of continuously improving its operations to meet the needs of its customers in a continuously changing operations environment; that is, applying the technique of reengineering its business processes to meet the core objective of increasing revenue collection at minimal cost (Temponi, 2006; Wu, 2003). Thus, Kenya Revenue Authority like other customer-focused

organization must ensure that business procedures and practice anticipate the dynamism of customer needs. The challenges that need to be addressed include improving business processes and integrating functions at all levels to facilitate taxpayer service (KRA, 2006). Thus KRA has undertaken BPR to overcome the challenges faced in a continuously changing operation environment to meet the customer needs, and has succeeded to meet its deliverables as stipulated in the taxpayer charter.

A number of studies on change management have focused more on strategic change with few on BPR as a tool for strategic change. For example on local fronts, the competitive advantage of business process reengineering at Wrigley Company established that the organization gained competitive advantage by implementing BPR (Magutu etal, 2010). Ogada (2007) studied strategic change Management at Wrigley Company while Munyiri (2000) and Atebe (2001) did BPR at Pharmaceutical Companies and Kenya Power and Lighting Company respectively. Other studies such as Ouma (2011) and Gokskoy (2011) tackled strategic change and BPR independently without linking the two while on international fronts, the technique was applied first to multinational corporations, such as IBM, AT&T, Sony, General Electric, Wall Mart, and Hewllet Packard, resulting in major downsizing in their organizational structures (Moad et al., 1994). Further, the studies have not delved much into how BPR is linked to strategic change. Focus has been generally on how implementation of strategic change through BPR can affect the overall performance of a firm.

While the studies covered both strategic change and BPR, none of them tackled BPR as an approach to strategic change at Kenya Revenue Authority. This study, therefore, sought to find out how BPR is linked to strategic change and how it has been applied in managing change at KRA. Organizations today operate in fairly competitive environment which makes it necessary for them to put in place strategies that enhance their competitiveness. Thus KRA has undertaken BPR to overcome the challenges faced in a continuously changing operation environment to meet the customer needs, and has succeeded to meet its deliverables as stipulated in the taxpayer charter. In view of this, my research question is; how has BPR served as an approach to strategic change at Kenya Revenue Authority?

1.3 Research Objective

To determine the role of business process re-engineering as an approach to strategic change at KRA.

1.4 Value of the Study

Discussions and findings of the study would be important in the following ways:

To the top management and staff of KRA, this research will be of immense value by providing information on the organization controllable (the levers of BPR) that they can manipulate to make organization-wide improvements. This will facilitate a supportive operations strategy through review of major functional areas of the organization, and hence effective allocation and efficient utilization of resources; which will be useful to both current and future reform initiatives that KRA will undertake.

To academicians and students of strategic management, this study will present the kind of challenges faced, benefits derived and critical success factors that are encountered when implementing a change management technique in a public institution. Thus forming a foundation on which more in-depth studies could be done with respect to implementation of business process reengineering.

For organizations intending to reengineer their business processes, this study will provide valuable information for operations strategy implementation and support. From the findings, they would be able to apply BPR as a tool for strategic change in critical areas like product development and diversification, quality management, customer service, hiring and retention of workforce and management of purchasing and supplies activities. Implementation of BPR as a tool for strategic change also presents a number of challenges which the study would help address.

CHAPTER TWO

LITERATURE REVIEW

2. 1 Introduction

This chapter of the study reviews broadly the theoretical, conceptual and empirical aspects of BPR as a tool for strategic change. It delves into the various theories upon which the study is based. Both strategic change and BPR have been explored independently and then together by establishing the link between them.

2.2 Theoretical Foundation

A theoretical framework is a collection of interrelated concepts, like theory but not necessarily worked-out. A theoretical framework provides a particular perspective, or lens, through which to examine a topic. A number of theories have been advanced regarding the nature of the change that is sweeping across organizations. These theories, among other issues, seek to establish the drivers for change, the change agents as well as the importance of this change to organizations. These theories are: systems theory, complexity theory and organizational development theory.

2.2.1 Complexity Theory

Complexity refers to the measure of heterogeneity or diversity in internal and external environmental factors such as departments, customers, suppliers, socio-politics and technology (Mason, 2007). Complexity theory focuses on how parts at a micro-level in a complex system affect emergent behaviour and overall outcome at the micro-level (McElroy, 2000; McKenzie and James, 2004). It is concerned with the study of

emergent order in what may be considered very disorderly systems (Steel et al., 2003). As the complexity of a system increases, the ability to understand and use information to plan and predict becomes more difficult. Over time, the increasing complexity leads to more changes within the system (Chakravarthy et al., 1997).

As the system becomes more complex, making sense of it becomes more difficult and adaptation to the changing environment becomes more problematic (Mason et al., 2007). According to Rhee (2000), the characteristic structural and behavioural patterns in a complex system are due to the interactions among the system's parts. While each part of a complex system acts according to its own best interest, collectively they cause the system to move in a certain direction, which may be hard to predict. The parts are constantly seeking to improve performance by driving the system away from equilibrium (Kauffman, 1993 and Sherif, 2006). Over time, the extensive interaction between the parts determines the behaviour of the overall system within its environment. The parts, therefore, learn from these interactions and restructure themselves to better adapt to the environment (Sullivan, 2004 and McElroy, 2000).

2.2.2 Systems Theory

Systems theory is a concept that originated from biology, economics, and engineering. It explores principles and laws that can be applied to operations of various systems or organizations (Yoon and Kuchinke, 2005; Alter, 2007). A system is a set of two or more elements whereby, the behaviour of every element has an effect on the behaviour of the other whole; the behaviour of the elements and their effects on the whole are interdependent. While subgroups of the elements all have an effect on the

behaviour of the whole, none has an independent effect on it (Skyttner, 1996). This means that a system consists of subsystems whose inter-relationships and interdependences move toward equilibrium within the larger system (Martinelli, 2001 and Steele, 2003).

Emanating from this theory is the concept of open systems which argues that any change in any elements of a system causes changes in other elements. Since organizations are open systems, changes in environmental factors can lead to turbulence in the organization in response to rapid, unexpected changes in the environmental conditions (Mason, 2007). The interaction of the system then creates an environment for change by the organization to enable it fit within the environment that is open to various internal and external manipulations. This change needs to be managed through various processes such as BPR.

2.3 Business Process Re-engineering

Organizations are redesigning and reengineering their business processes as a way of managing the change that is rampant in their environment (Zeleny, 2005). The market place is constantly changing and for businesses to be successful, it is imperative that companies must forego their obsolete ways of doing business and adjust to the changing environment. In the recent past, BPR has become one of the tools for change management. It has attracted many researchers and industrial leaders. BPR is known to produce positive results for businesses in measures of performance. Such areas are cost, productivity, customer satisfaction and speed (Fliedner and Vokurka, 1997).

It can also be used to increase quality for both internal and external business processes, hence increasing value for both the employee and the customer (Dean et al., 1996 and Goksoy, 2011).

Business process reengineering is both a top-down approach and bottom-up approach (Facilities Operations Approach, 2005) which is aimed at rapid and dramatic performance improvement (Ardhaldjian and Fahner, 1994), rather than incremental improvement. It pursues multifaceted improvements including product or service quality, cost and speed (Klein, 1993). He adds that BPR views businesses from the process perspective rather than functional or organizational perspective. It results in a completely new design of the tasks and processes by fundamental rethinking and redesign of the business process (Hammer and Champy, 1993). The primary purpose of BPR is to increase effectiveness of accomplishment of the company's management, administrative and operational tasks (Scott, 1995).

Business process reengineering is closely linked with strategic change. BPR has a strategic value in managing organizational change, as it includes new vision or strategy: need to build operational capabilities, need to reevaluate strategic options, enter new market or redefine products and reflect the company's overall strategy (Thyagarajan and Khatibi, et al., 2004). BPR derives its existence from different disciplines, and four major areas can be identified as being subjected to change in BPR - organization, technology, strategy, and people - where a process view is used as common framework for considering these dimensions (Leavitt, 1965). It is strategically important because it gives a new direction and hope for the organization's future alignment can occur at the business, corporate, and collective

levels of an organization (Ogada, 2007). Notably, therefore, organizational changes that do not result in changes in the content of a firm's strategy are not included within the domain of strategic change.

Change process can be planned or emergent (Cumming, 1989). The process entails analysis of the current scenario, creation of a preferred scenario and the strategies of moving from the current scenario to the desired one. Thyagarajan and Khatibi (2004) further note that assessing the current scenario can be accomplished through a mechanism such as force-field analysis which provides the necessary forces which can facilitate the desired change and the forces that will resist and deter the change (Ginsberg et al., 1988). Creation of a preferred scenario is often accomplished through team effort in brainstorming and developing alternative futures.

2.4 Strategic Change

Strategic change can be defined as a difference in the form, quality or state over time (Van de Ven and Poole, 1995) in an organization's alignment with its external environment. This alignment entails pattern of present and planned resource deployments and environmental interactions that indicates how the organization will achieve its objectives (Lawrence, 1990). They continue to add that changes in this alignment encompass changes in the content of the firm's strategy as defined by its scope, resource deployments, competitive advantages, synergy as well as changes in external environment and organization brought about to initiate and implement changes in the content of strategy. In this regard, strategic change is sometimes referred to as strategic plan of an organization (Chakravarthy, 1997).

In addition, changes in such change is clearly compelling, there may be several ways in which the change could actually occur within the organization. It is, therefore, important to examine the various alternatives thoroughly.

Devising a plan for moving from the current to the preferred scenario entails the strategies and plans that managers must develop to overcome the restraining forces in an organization. This is a political process, requiring individuals to harness and utilize power. Power is necessary for change to occur. It is neither inherently good nor bad; it simply assists individuals in accomplishing their goals. Leana and Barry (2000) note that even well-thought-out plans for change can be derailed when the politics of implementation are not considered. Change masters must, therefore, garner support for the desired change throughout the organization, using both formal and informal networks

2.5 Business Process Re-Engineering as an Approach for Strategic Change

Bhandiwad (1998) argued that in 1970s people were after productivity while in 80s the trend shifted towards quality while since 1990s almost every organization is at least talking about "process improvement", "process redesign" or "process reengineering" as a way to cope with the dramatic changes in technology and competition. Among various techniques and management approaches BPR is new and most commonly used in this era of globalization and technology.

Venkartraman (1991) elaborates the birth of BPR in his study as for the first time effort of BPR was to align the I.T with strategy. This effort started in 1984 during research program at M.I.T. This was the first time that a proper procedure was

developed and had dramatic results in the 1980's and 90's. Later on researchers and scholars had designed other process by studying and evaluating the outcomes as discussed by McKay and Radnor (1998).

Grey and Mitev (1995) concluded that there are three essential Cs in BPR i.e. customers, competition, and change. These Cs are in other word reasons why companies are adopting BPR. They want to satisfy customer's need and wants, achieve competitive advantage and to move with constantly changing environment. T. H. Davenport and Short (1990); (Hammer, 1990) are the pioneers in the field of BPR who introduced this concept to the world and are known as the fathers of BPR. Hammer & Champy (1993) defined Business process Research (BPR) as "the fundamental rethinking and radical redesign of business process to achieve dramatic improvement in critical contemporary measures of performance, such as cost, quality, service and speed.

Changes in business process are named differently by various authors for example; Habib (2011) collected the various definitions and approaches and stated that, Interpretation of business process varies from author to author (for example Hammer & Champy (1993) thinks it as radical change and rethinking of overall process to achieve overall performance in terms of cost, quality, service and speed, while Davenport & Short (1990) calls it as a process of analysis and workflow redesign in an organization. Talwar (1993) on the other hand emphasized on rethinking and reconstructing the organizational structure, workflow and value chain. Petrozzo & Stepper (1994) call it synergetic and synchronized redesign of firms' process and overall system to improve the operations (as cited in Greasley & Barlow, 1998).

O'Neill & Sohal (1999) argued that focus of the business process or change differs among many researchers. Hammer (1990) called it BPR (Business Process Re-engineering), Davenport & Short (1990) used BPR (Business Process Redesign), Harrington (1990) used term Business Process Improvement while Business process transformation term was used by Burke & Peppard (1993) etc. In all discussion, it is clear that the authors are obvious about the importance of BPR and all agree on the result i.e. improved performance, efficient and effectiveness, cost minimization and increase in production. In short it can be said that radical improvement of organizational performance and process is the key aspect of BPR.

According to Sentanin, Santos, and Jabbour (2008), the concept of BPR originated in 1990s enabling companies to improve productivity and relationships with customers and reduce time to launch new products and services in terms of cost quality customer satisfaction and shareholder's value in link with the strategy by identifying the most important processes of the company. It is to assess the stages of the company in line with the processes the company is going through to enable a company for process improvement process redesign and radical reengineering. Similarly, Cao et al. (2001) considers BPR as an approach to managing change, increasing productivity, reducing cost, tool for improving satisfaction of customers and quality of products produced. Moreover, Goksoy, Ozsoy, and Vayvay (2012) considers BPR as a strategic as an approach to organizational change and stated that firm needs to bring moderate change every year and undergo a major change almost every fifth year if they want to survive in today's hypercompetitive environment.

Thus, BPR, with so many names and differences in the approach leads to create confusion in the mind of readers therefore, it is necessary to review those approaches and different schools of thoughts for the purpose to identify the areas of agreement and disagreements.

2.6 Challenges Of BPR as an Approach To Strategic Change

Business process reengineering implementation has varied organizational consequences. These include organizational restructuring, new job descriptions, new products, processes and services (Scott, 1995). BPR has become the method of choice for achieving strategic goals. Some call BPR essential for success in the future, others call it a fad, still others regard it as a hash of old ideas given a new name by consultants seeking business. A few, for example, Hammer and Champy (1993), see it as one element in reengineering the corporation, a more holistic view of the changes through which their companies are going. However, there is no guideline for measurements of the degree of dramatic improvement. As a result, BPR is incorrectly interpreted as a miraculous prescription which can provide a quick-fix solution for all problems. This misconception regarding business process reengineering alludes to the fact that various organizations can employee different models and practices in implementing it according to how they best understand the term. Adoption of various standards for implementing BPR is, therefore, very important.

The results of BPR can improve the business tenfold (Manganelli, 1993). Emanating from this school of thought is that there are inflated expectations about the speed, scope or benefits of reengineering (Kiely, 1995). The unrealistic expectation leads to management disappointment with BPR because of its modest achievement. Although

there is not an absolute figure to indicate the success of BPR as a tool for strategic change, a guideline on performance indication is that a 30 per cent improvement can be considered as a breakthrough (Klein, 1994). In order to minimize the chance of failure because of inflated expectations, clear goals and objectives should be set according to specific requirements and conditions.

Resistance to change can also affect BPR to a large extent (Klein, 1994). Resistance is a phenomenon that affects the change process, delaying or slowing down its beginning obstructing or hindering its implementation, and increasing its costs. It is any conduct that tries to keep the status quo, equivalent to inertia, persistence to avoid change. It manifests itself in two forms: systemic resistance and behavioral resistance. Klein et al. (1994) adds that systemic resistance is the passive incompetence of the organization occasioned by the above factors. It is proportional to the difference between the capacity required for new strategic work and the capacity to handle it. It occurs whenever the development of capacity lags behind strategy development. This kind of resistance can be reduced through providing dedicated capacity by planning and budgeting for it and integrating management development into the change process. Behavioural resistance, on the other hand, revolves around employees and managers in other departments. This challenge, according to Berman (1994), can be reduced through shared organizational goals and management commitment.

2.7 Measures to Mitigate the Challenges of BPR as an Approach to Strategic Change

There are a number of measures that organizations need to adopt to help mitigate the challenges fronted by BPR as an approach to strategic change. According to Hammer and Champy (1993), Klein (1994), Thomas (1994), Cooper and Markus (1995), the key measures are: revising reward and motivation systems, effective communication, empowerment, human involvement, training and education, creating an effective culture for organizational change and stimulating the organization's receptiveness to change.

Staff motivation through a reward programme has a crucial role in facilitating re-engineering efforts and smoothing the insertion of new processes in the workplace (Thomas et al., 1994). As BPR brings about different jobs, existing reward systems are no longer appropriate for the new work environment (Davenport, 1993). Therefore, reward systems should be revised as part of the BPR effort and the new reward and incentive system must be widespread, fair and encourage harmony among employees. Further, introducing new job titles can be considered as one example of encouraging people to endorse the re-engineering programme without fear.

Effective communication is considered a major key to successful BPR-related change efforts (Davenport et al., 1993). It is needed throughout the change process at all levels and for all audiences even with those not involved directly in the re-engineering project (Grover and Malhotra, 1997). Effective communication between stakeholders inside and outside the organisation is necessary to market a BPR programme and to ensure patience and understanding of the structural and cultural changes needed

(Berrington and Oblich, 1995) as well as the organisation's competitive situation (Cooper and Markus, 1995). Communication should take place frequently and in both directions between those in charge of the change initiatives and those affected by them. It should also be open, honest, and clear, especially when discussing sensitive issues related to change such as personnel.

As BPR results in decisions being pushed down to lower levels, empowerment of both individuals and teams becomes a critical factor for successful BPR efforts (Bashein, Marcus and Riley, 1994) since it establishes a culture in which staff at all levels feel more responsible and accountable and it promotes a self-management and collaborative teamwork culture (Mumford, 1995). Empowerment ensures that staff are given the chance to participate in the redesign process (Bashein et al., 1994). When empowered, employees are able to set their goals and monitor their own performance as well as identify and solve problems that affect their work, thus they are supporting the BPR efforts.

The other measure is human involvement (Bashein et al., 1994). In re-engineering, all people must be openly and actively involved and should be consulted at all stages on the process and its leaders. This includes line managers, process owners, those involved in IS and human resources, and workers. The culture of experimentation is an essential part of a successfully re-engineered organisation and, therefore, people involved or affected by BPR must be prepared to endure errors and mistakes while re-engineering is taking place (Harrison and Pratt, 1993).

Training and education are also considered by many researchers to be an important component of successful BPR implementation (Mumford, 1995). Organisations that undertake re-engineering projects may have to increase their training budget by considerably. BPR-related concepts, skills, and techniques (Davenport, 1993) as well as interpersonal and IT skills in TQM implementation and process analysis techniques are all important dimensions of training for BPR. It is also important to educate people in IT-related innovations for competitive advantage, the potential of IT in reshaping the business and the leadership of empowered organisations (Bashein et al., 1994). Business managers, line managers, information systems managers, and other staff in the front-line are the people who benefit most from education and training activities in both business and IT-related skills and expertise.

Davenport (1993) adds that creating an effective culture for organisational change can also help mitigate challenges of BPR as a tool for strategic change. Organisational culture influences the organisation's ability to adapt to change. The existing culture contains beliefs and values that are often no longer appropriate or useful in the re-engineered environment. Therefore, the organisation must understand and conform to the new values, management processes, and the communication styles that are created by the newly-redesigned processes (Dixon et al., 1994) so that a culture which upholds the change is established effectively. In a newly re-engineered organisation, people usually share common goals and thus become more capable of working co-operatively without competing against each other.

As BPR supports teamwork and integration of labour, co-operation, co-ordination, and empowerment of employees become the standard attitudes in the re-engineered work environment. However, trust and honesty among team members is also needed, and within the organisation as a whole (Cooper and Markus, 1995).

Many organizations which are keen on stimulating the organisation's receptiveness to change have also addressed the challenges of BPR as a tool for strategic change (Mumford, 1995). Preparing the organisation to respond positively to BPR-related change is critical to success. When people are made resilient to change, they remain positive during uncertainty, focused, flexible, organised, and pro-active (Davenport et al., 1993). Leveraging organisational change requires effective one-to-one and one-to-many interactions to enroll key influencers of both individuals and groups within and without the organisation (Hall, Rosenthal & Wade 1993).

2.8 Empirical Studies and Research Gaps

According (Hansen 2007) there has been an exponential increase in the number of publications dealing with organizational change and its impact on productivity and quality improvement in the last decade. However this research is limited to private sector and very little in the public sector. However much of the existing research suggest that re-engineering failure rate is likely to be higher in public sector than the private sector based upon the unique characteristics of the public sector. Since the literature review identified knowledge gaps about the implementation of BPR in the public sector the writer was still able to connect the theoretical framework of private sector theory to public sector practice (Linden 1994; Thong, Yap and Seah 2000; Gulledge and Sommer 2002). The major learning point to be drawn from the literature

is that BPR projects that involve re-thinking and redesigning delivery processes can help to improve dramatically the performance of public organizations especially in terms of the values of productivity, responsiveness and customer service). .

A prevailing trend in the literature review are gaps in theory as most of the BPR literature is located in the business administration discipline and very few sources are found in public administration research. Likewise the majority of the examples focused on BPR in the private sector. Re-engineering became very popular in the early 1990's, which explains why most of the author's references are from the nineties (McAdam and Corrigan 2001).

The trend in the more recent literature from the 2000 decade has used the BPR term less or replaced it with new terminology such as "process redesign" or "business process review" as not to be associated with the BPR of the past. A suggestion for the direction of future research is to focus on the implementation of BPR in KRA. It would be useful to compare BPR case study. A suggestion for the direction of future research is to focus on the implementation of BPR in the public sector. It would be useful to compare BPR case study processes and outcomes on a short, medium and long-term basis. This literature has demonstrated merit in exploring BPR as a change management at KRA to improve customer service. The KRA current BPR initiative would be a worthy candidate for a case study to use for future research and comparison with other Parastatals to determine its success and/or failure of the BPR process using the evaluation criteria identified in this Major Research Paper (Sundberg and Sandberg 2006)

The most influential theoretical sources in BPR were used in this Paper. The literature included recent theoretical published works, unpublished KRA reports and documents, power point presentations, and Internet sites. The theoretical framework highlights the fundamental need to think of BPR in terms of processes and not the traditional concentration on organizational structure. The general theoretical problem in the research is that there exists a difference of opinion in the literature as to the appropriateness of BPR in the public sector and the criteria used to determine whether or not a BPR process is successful. Most of the BPR literature used in this Paper originated in the business administration discipline and there are very few BPR sources found in public administration research. This Paper assists in establishing evaluative processes for the application of BPR in the public sector given the current limitations of the literature. This Research Paper is adding to the knowledge base through examining BPR in the public sector and identifying evaluative criteria for further use in the public sector.

CHAPTER THREE

RESEARCH METHODOLGY

3.1 Introduction

This chapter discusses the research methodology that was used to carry out the study. It covered the research design, data collection and data analysis methods that will be used in the study.

3.2 Research Design

Orodho (2003) defines a research design as the scheme, outline or plan that is used to generate answers to research problems. According to Kombo &Tromp (2006), research design can be thought of as the structure of the research. The study seeks to establish the role of BPR as tool for strategic change at KRA. The case study design of research will be used for this research.

A case study is a type of qualitative, descriptive that takes an in-depth look at a case or subject. Case studies are preferred in studying a single unit with concentrated focus so as to understand a certain phenomenon in reference to the unit of study. Yin (1998) affirms that case contribute uniquely to a body of knowledge with reference to an individual, organization, social or even political phenomenon.

3.3 Data Collection

The study used both primary and secondary data which was qualitative in nature. Primary data was collected by means of an interview guide. The interview guide

comprised of open-ended questions to respondents. The study was carried out at KRA headquarters Nairobi where strategic decisions are made before they are rolled out and implemented in all the branches. Primary and secondary data was used for this study. Primary data was collected using an interview guide through face to face interview by the researcher. The targeted respondents were drawn from senior management, middle level management and supervisors.

3.4 Data Analysis

The data gathered was qualitative in nature. Analysis was done by use of content analysis. According to Stemler (2001), content analysis refers to a set of procedures for collecting and organizing information in a standardized format that allows analysts to make inferences about the characteristics and meanings of written and other recorded material. Simple formats can be developed for summarizing information or counting the frequency of statements. More complex formats can also be created for analysing trends or detecting subtle differences in the intensity of statements. It enables researchers to sift through large volumes of data with relative ease in a systematic fashion. The tool has been adopted for data analysis because of its ability to help examine trends and patterns in documents as well as its ability to provide an empirical basis for monitoring shifts in public opinions.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter presents data analysis, results and discussion of the findings. Both the primary data collected through the use of interview guide and the secondary data gleaned from the existing records are analyzed, presented and discussed based on the objective of the study. The chapter commences with a brief introduction on the research title which was business process reengineering as an approach for strategic change at KRA. It then delves into strategic change at KRA, application of BPR as an approach to strategic change at KRA, challenges of BPR as an approach to strategic change at KRA and measures put in place to mitigate the challenges of BPR as an approach to strategic change at KRA. Finally, the chapter concludes with discussion of the findings.

4.2 Strategic Change at Kenya Revenue Authority

The study established that KRA had witnessed a number of changes in its operation over the years. The Parastatal had to manage issues affecting its workforce, other stakeholders and business processes as a whole. From the study, the changes cut across the organization and manifested themselves in various cadres of management. In the words of the Commissioner Domestic Taxes, "notable wind of change came when the Authority saw the need to improve more on its products which were generally of low quality and so could not appeal any more to our customers (tax payers). There was also the need to empower our workforce with a view to increasing

their productivity." Top leadership changed where the holder of the position of RD & CE was replaced in the recent past to ensure effective leadership and management. In addition, organizational structure was redesigned with a number of sectional heads being promoted to heads of departments. This ensured that management activities were well coordinated and effective feedback mechanisms put in place.

The study further showed that change had taken place in the product development and quality, customer focus, and supplies activities as well as in the human resource management such as workforce recruitment and retention. The changes in these areas had been strategically undertaken to ensure that the authority's main mission was realized. The study noted that for the activities to be successful, the company had to invest in product quality improvement through implementation of QMS, FSMS, and ISO certifications. In addition, KRA injected resources into its workforce to ensure that their productivity and retention rate were increased. In the words of Human Resource Manager, "One of the 7 habits of highly effective people, according to Covey (1989), is sharpening the saw." KRA was, therefore, involved in the process of reevaluating and redesigning jobs and retraining the workforce to help bridge the skills gap.

4.2.1 Drivers of Change at Kenya Revenue Authority

All the interviewees brought to the fore that change at KRA had been necessitated by a number of factors that were both internal and external to the organization. The factors brought about new ways of managing the organization's workforce, increasing the product lines and quality and managing the entire tax administration.

The factors cited by the interviewees were replacement in top management, high staff turnover, aging workforce, tax evasion, government legislations, increased customer expectations, and technology obsolescence.

The study established that top leadership of the authority had been replaced in the recent past. This change brought about new ways of managing the workforce like putting in place effective internal communication especially through mailing system, feedback mechanism, and team-briefing. Plus, holding regular meetings among senior management to brainstorm new ideas and thrash out contentious issues such as CBA negotiations had become the norm. The top leadership at KRA had also given more attention to optimization of the tax collection processes by making sure that the available equipment and technology were maximized in the tax collection

In the recent past, KRA witnessed an alarming turnover of its workforce with the younger generation leading the pack. According to the Head of Human Resource, "this had been due to a number of factors such as looking for greener pastures; acquisition of higher academic status through personal initiatives as well as gaining of unique technical skills through Authority's sponsored programmes like management trainings and seminars on various topical issues." This trend led to gaps in skills and continuous expenditure in hiring of new workforce to fill the vacuum created.

The study also confirmed that a number of experienced work-force was aging and needed to be replaced. The HODs of the affected areas attributed this scenario to the fact that revenue collection was unique and required specialized skills that needed people to be trained and retrained to enable them master the collection process. The

Authority, therefore, ensured that such employees were retained at all costs to ensure minimal disruption in their processes. However, as things stood, management was worried regarding presence of the aging workforce that is supposed to retire soon.

The study noted that the technology used in revenue collection was fast evolving into more sophisticated and advanced one due to continued research in the field. This coupled with the changing demands of customers had forced KRA to invest heavily in upgrading of its technology especially in the processes and information and communication technology to enable the Authority serve its customers better.

4.2.2 Approaches to Change Management at Kenya Revenue Authority

The study established that change management approaches at KRA were both planned and emergent. This was because both the management initiatives and the forces internal and external to the organization had contributed to the desire for change at the organization. Regarding planned approach to change management, the study noted that the Authority had taken proactive steps in doing situational analysis and formulating various ways of achieving desired future states in the operations at KRA. For example, there had been deliberate moves by the organization to introduce the I-TAX for electronic filing of tax returns. Changes in management had also been planned through promotions and reassigning of employees' jobs that were relevant to their qualifications and experience. There had also been deliberate steps taken to optimize tax collection at KRA with a view to reducing operational costs like time and underutilization of existing processes.

The change at KRA was also noted to be emergent in nature. The study established that the change had elements of being open-ended and continuous in nature due to the turbulence and the unpredictability in both its internal and external environments. Workforce at KRA had become cognizant of their rights, for example, there had been push for safe working conditions especially in the domestic taxes, equitable training opportunities and need for succession plan*s*. The external environment had also posed many challenges which had shaped the kind of change taking place at KRA.

4.2.3 Dimensions of Change at Kenya Revenue Authority

Change normally takes the people and the business dimensions. The study confirmed that this was the case at KRA. The findings clearly noted that there had been continuous alignment of the organization's culture, values, people and behaviours specifically geared towards coping with the change. Workforce training programmes at KRA were in place to empower them with necessary skills, job analysis and reassigning programs were in place to ensure that roles were matched with relevant skills. Consultants had been involved in carrying out surveys regarding employee satisfaction (Employee Satisfaction Survey Report, 2012) to enable KRA improve on the productivity of its workforce. The study further noted that there had been harmonious industrial relationship at KRA with no many legal cases in the last 5 years due to clear communication of the company objectives and adoption of consultative meetings where people sat to discuss issues affecting the entire workforce and further come up with solutions.

Evidence of the business dimension of the change where awareness was created among the workforce was also noted by the study. For example, plans involving implementations of strategic plans had been communicated to the employees in advance. The study further established that there was leadership in place involved in change scope and objectives to be undertaken, procedures and systems to be followed as well as the activities and teams to be involved in the change implementation.

4.3 Application of BPR as an Approach to Strategic Change at Kenya Revenue Authority

Before embarking on the application of BPR as an approach for strategic change at KRA, the study sought to first establish whether there was evidence of business process reengineering activities going on in the organization or not, the business processes involved and finally, the approaches to BPR adopted by the organization. The findings showed that business process reengineering was in use at KRA and it served as one of the approaches that the organization was employing to manage change. However, the extent to which BPR had been put into use has not been to the expectations of the management. In the words of the Commissioner Domestic Taxes, "paradigm shift regarding participatory approach to implementing new ideas still needs to be encouraged a lot among users." The findings further showed that a good number of employees were not well conversant with business process reengineering since they synonymously equated it to quality management practices like TQM and Six Sigma. However, there was general agreement that virtually all business processes had been reengineered through radical rethinking and redesigning of the processes with a view to improving on product quality, customer service, cost control and speed of business operation.

The study indicated that business processes at KRA were generally divided into two: technical and support processes. Technical processes were those that dealt with research, product design and as well as maintenance of the industrial processes. On the other hand, business support processes were concerned with the activities that indirectly support the processes through management of finances, workforce and automation processes. These are finance, ICT, Authority secretariat and human resource.

Regarding the approaches adopted for BPR at Kenya Revenue Authority, the study gathered that the organization was following a systematic approach where the processes go through planned phases of business analysis, budget allocation, selection of project team and finally implementation and control. Business analysis stage, on the other hand, dealt with determination of the critical processes that needed to be reengineered. Once these had been identified and analyzed in terms of priority, budget allocation was done to ensure financial support as well as necessary equipment were made available. Project team was then put in place and this included senior management, steering committee, consultants, project manager and project team. Finally, project implementation and control handled the process of actual execution through feedback to ensure that the objective is achieved.

The interviewees generally agreed that BPR as a tool for strategic change had been applied at Kenya Revenue Authority over the years. This was evident from the analysis of the data collected from the interviews administered to the respondents. Notably, BPR had been applied in quality management, product development and diversification, hiring and maintenance of workforce, purchasing and supplies,

automation, customer service and environmental related activities. In quality management, there was evident that BPR had been put in use to develop better and newer ways of developing high quality services to help meet the increased customer expectations. And as the Quality Manager put it, "Our zealous pursuance of certification in qualities of our services has led to high quality of our services which has in turn instilled confidence in our customers (taxpayers).

The study gathered that hiring and retention of employees at KRA had not been a critical area of focus by management in the past. This was because over the years, the Authority was not very cognizant of the need to improve employee productivity through initiatives such as reviewing of employee terms of engagement, job evaluation and skills matching as well as being sensitive to gender-related issues at work place. However, with serious challenges such as large number of aging workforce, high employee turnover especially among your energetic and more qualified workers, it is no longer business as usual. The organization had, therefore, resorted to use of BPR in recruitment and maintenance of its workforce to ensure uninterrupted business process. Retraining of workforce in specialized skills, competitive workforce, successive planning, job re-evaluation and skills matching have, therefore, been given prominence at KRA.

The interviewees noted that purchasing and supplies activities, over the years, were being done just to avail materials to ensure continuous work process. However, the Authority had in the recent past invested a lot in process reengineering whereby, measures such as usage of ICT services had been incorporated to help manage such services. Tendering processes were being done competitively to ensure quality

materials. Inventory management had also been improved through implementation of ERP. Other best practices such as Just-in-Time (JIT) and demand forecasting techniques had also been introduced in stock management to reduce supply chain disruption to bare minimum.

The study clearly showed that the organization had invested very heavily in automated tax administration techniques. The entire revenue collection had been automated through implementation of a number of latest technologies like advanced process automated control system (APAC) and automated quality control system. Such systems had helped reduce the cost of cost of tax collection process and also enhanced efficiency in revenue collection

Regarding customer care, study ascertained that there was improved customer service at KRA due to introduction of BPR practices in the organization. Initiatives such as implementation of customer relationship management systems had been put in place to deal with challenges such as customer complaints. KRA was also keenly adopting ICT services in its marketing herself. Social marketing through Facebook and Twitter portals had been introduced to ensure wider reachability

4.4 Challenges of BPR as an approach to Strategic Change at Kenya Revenue Authority

The study established that, like any other organization, Kenya Revenue Authority had faced a number of challenges while using BPR as an approach to strategic change in managing its business processes. The major challenges cited by the interviewees were BPR being a fad, resistance to change, slow uptake of technology, complacency, and

inadequate budget allocation, lack of proper project planning and management and strategic planning challenges. Some of the interviewees at KRA, according to the study, expressed their limited understanding of BPR as an approach to strategic change. Generally, they equated BPR to quality management techniques such as total quality management (TQM) and Six Sigma. The limited knowledge about BPR had, therefore, posed a lot of challenge especially in realizing an organizational-wide re-engineering process.

The study further indicated that resistance to change had manifested itself in two-folds: systemic and behavioral. Systemic resistance emanated from rigid structures and reporting relationships among senior managers. For example, some HODs reported to CE & RD while others reported to other HODs. Specifically, the study found out that the department of Information and Communication Technology, in spite of the critical role that it plays in spurring the company's business processes, was still reporting to the Financial Controller and not the Accounting Officer (RD & CE).

This resulted in tedious decision making process where it took long for critical information to be passed and quick decisions to be arrived at. Further, the study gathered that some HODs had more powers than their colleagues which they could use to push their agenda through the system, resulting in discrimination against other employees while executing their duties. There was also general fear between the two cadres of workforce, that is, unionisable staff and management staff with the former feeling that they were inferior, hence being sidelined from key decision making processes.

Technology uptake rate was also generally found to be low especially among the aging workforce who felt that they did not belong to the information age. This scenario had posed a lot of challenge in increasing the automation index at KRA because many of the communications were being done through email. The fact that most of the most of the revenue collection processes were automated required that the employees handling such machines and processes should be equipped with all the necessary technical skills. However, empowering such employees becomes difficult because of their negative attitude towards technology.

In terms of budget allocation to various projects, the study noted that inadequate budget allocation was a major challenge to effective application of BPR as an approach to strategic change at KRA. This challenge had forced the organization to postpone critical projects or cancel them all together. For example, implementation of enterprise resource planning (ERP) had to be put on hold for a number of years because of inadequate funds.

The study noted further that strategic planning was a challenge especially due to lack of mid-term reviews of corporate strategic plans. For example, the current corporate strategic plan commenced in the year 2009/2010 up to 2013/2014 and so far, no mid-term review had been done. The general opinion supporting the direction taken was that it was assumed the plans would be successfully implemented without considering the fact that business environments change, hence the need to review the strategic plan to reflect the current business position.

The study gathered that there was top-down communication among the workforce, whereby authority and instructions trickled from the top downwards. However, the reverse was hardly the case; views of the middle and the lower cadres of employees were generally not accommodated by the top notch. Such barrier in communication had, therefore, negatively affected feedback mechanisms and synergy among the employees

4.5 Measures put in place to Mitigate the Challenges of BPR as an Approach to Strategic Change at Kenya Revenue Authority

The study found out that challenges of BPR as an approach to strategic change at Kenya Revenue Authority had posed a lot of retardation to the authority's processes. Management, therefore, instituted a number of measures to help mitigate the challenges cited above by the interviewees.

It was established by the study that the workforce at KRA was already being trained on emerging technologies to bridge both the managerial and technical skills gap. According to Human Resources Manager, "this is, however, being implemented in phases and to the extent to which available resources can support." Trainings were both internal and external. Internal trainings took place in form of seminars and workshops that were administered by consultants. Major areas of focus in the recent past had been Change Management, Balanced Scorecard, Customer Satisfaction and ISO Recertification. External trainings at KRA, on the other hand, were geared towards empowering employees with specialized skills to increase productivity of both production and support staff.

The study noted that effective communication was encouraged throughout the change process at all levels of management and this encompassed even those not involved in the reengineering project. Communication was also encouraged between stakeholders inside and outside the organization to market and create awareness about BPR programme. The organization was already adopting team briefs and notice board communications to update the workforce on various issues.

According to Employee Satisfaction Survey Report (2012) management was revising reward and motivation systems in a manner that was fair to encourage satisfaction among employees. Further, the management at KRA was in the process of introducing new job titles to encourage people to endorse reengineering programmes without fear. The management believed that by implementing these changes, the morale of the workforce would be galvanized towards inculcating a sense of teamwork and positive attitude in the employees.

The interviewees generally agreed that there was commitment and strong leadership in the upper echelon of management as evidenced through the use of participatory approach to encourage the culture of reengineering processes in the entire organization (KRA Service Charter, 2012). For example, there were regular meetings where the RD & CG was briefed on the progress of the reengineering processes undertaken by the organization as well as the challenges experienced by the project teams.

To help inculcate positive BPR practices among employees, the study established that the management headed by human resource department was in the process of redefining jobs and reallocating responsibilities that match with individual skills. The skills gap was noted by the interviewees to be a major challenge to BPR uptake in the sense that most of the projects could not be effectively managed by people with relevant skills (Employee Satisfaction Survey Report, 2012).

The study further found out that proper planning for and management of the BPR projects was in put place with adequate time frame and effective supervisory staff who were been mandated with the task of periodically assessing the progress of each project and giving feedback to the management. The spirit of piloting of new designs and learning from errors was also encouraged among the staff involved in various BPR projects (KRA Strategic Plan, 2009).

Inadequate resource allocation to various BPR-related projects was also found to have been a major challenge to application of BPR as an approach to strategic change. This was the case primarily due to the fact that virtually all the projects were internally sponsored. To curb the problem of inadequate resource allocation to various projects, the management took the task of allocating resources appropriately to various projects (KRA Budget, 2014/12015).

4.6 Discussion of Findings

The study established that BPR, as an approach to strategic change at KRA, had been in use and the organization was indeed reaping from the many benefits fronted by the process in management of its business processes. For example, KRA was able to

improve its revenue collection, develop and motivate its work force, and serve its customers better. The change management process that KRA undertook in its entire business processes, therefore, resulted in notable benefits that spurred the organization performance, more motivated workforce, happier customers and more reduced cost of operation.

The study was, therefore, in agreement with the other ones cited in this research which affirmed that, just the same way implementation of both strategic change and business process reengineering collectively or individually have significant contribution to growth of various firms (Munyiri, 2000; Atebe, 2001; Ouma, 2011; Ogada, 2007; and Gokskoy, 2011), use of BPR as a tool for strategic change at KRA also resulted in notable improvements like higher revenue collection, better customer service, more reduced cost of operation and more motivated workforce. The study further confirmed that adoption of BPR as an approach to strategic change had many challenges which if not managed, if not managed properly, could derail the process. Most critical of these were resistance to change, lack of top-management support, inadequate resources, unmotivated workforce and lack of proper project planning and management techniques.

The study also indeed supported the various theories that underpinned the study which were systems theory (Yoon and Kuchinke, 2005; Dubrovsky et al., 2004 and Alter, 2007), complexity theory (Manson, 2007) and organizational development (Cummings andHuse, 1989). Regarding systems theory, it was confirmed that KRA, like other systems or organizations, consisted of various smaller functional units such as departments as well as various business processes which must be well coordinated

to realize the overall growth of the organization. There was also general agreement from the findings that KRA existed in an environment that was turbulent and unpredictable in terms of its customers' expectations, workforce sustainability and government legislation. The organization, therefore, had to respond strategically to the unpredictability of the industry in which it operated. Equally, the study confirmed that for KRA to anchor itself strategically, it needed to address change and how it affected not only the organization, but also the individuals and employees within the organization. In this regard, organizational strategies, structure and processes for improving the firm's effectiveness needed to be put in place.

4.6.1 Activities Involved in BPR Implementation

The respondents noted that implementation of BPR initiatives was spearheaded by the support services department, while the other departments were left to concentrate on the organization's core business of revenue collection. A consultant was engaged to oversee the implementation of BPR initiatives; one respondent mentioned the hiring of a consulting firm with experience to facilitate the implementation of BPR to KRA's processes. The RARMP steering group nominated members from different departments in KRA to form the project implementation team (PIT) with the assistance of the consultant.

Although from the literature the proposed framework by Alavi and Yoo (1995) was deemed appropriate, one respondent mentioned that it was not followed strictly. This could be due to pressure to produce quick results, which led to ignorance of massive changes in organization structure, misused and alienated subordinates and hindered necessary modernization of some of KRA facilities. Another respondent reiterated

that BPR was not implemented alone, but as one of the component of a set of change approaches that include strategic rethinking of business direction of KRA and less radical process improvement. This suggested the need for KRA to focus on integrating BPR with other change approaches and move towards a continuous change paradigm.

4.6.2 Factors for Successful Implementation of BPR Initiatives

The primary objective here was to determine the role of business process re-engineering as an approach to strategic change at KRA. Among the persons interviewed provided their views regarding what they perceived to be important for BPR success, one respondent highlighted the following factors; BPR project was driven by customer demand, competitive pressures for KRA to remain relevant, improvement of revenue collection, using specialists to assist, employee education and reeducation were widely recognized. Another respondent had a different view regarding factors he considered important for success of BPR initiatives in KRA, they include; Employees must be taught the reengineering process, how it differs from existing work patterns, and what role they play. Managers should also be encouraged to reconsider reward mechanisms and to keep the reengineered organization moving forward, to instill the willingness to share information, and to use hands-on experience when redesigning processes.

Lastly the supervisors gave a different opinion regarding the factors they thought were important for implementing BPR initiatives in KRA which included; using project champions; having an organized and well-disciplined attack plan; employing a rigorous and detailed analytical process to develop a rough-cut design and identify

major issues; avoiding traditional thinkers as team members; having a defined project structure ; regularly scheduled meetings involving project manager with staff in all structural levels to focus attention; using process mapping to distinguish productive activities from those that are non-value-added ; and clearly defining and communicating the project's mission and vision.

4.6.3 Impact of BPR Implementation on the Organization's Performance

The study sought to establish benefits derived as a result of BPR as an approach to strategic change. The interviewees noted that implementation of BPR initiatives led to elimination of unnecessary tasks. One respondent commented that unnecessary tasks have been eliminated through process mapping to identify value adding and the non-value adding activities, thus getting rid of the non value adding activities. Manual processes were also automated to improve on service delivery. One respondent commented that KRA had undertaken a heavy investment in ICT thus most of the processes have been automated reducing errors. Physical constraints have been alleviated through application of new technology.

The interviewees mentioned that customers are now able to receive services from any location using their computers and mobile phones. Controls have been moved towards customers. The new ICT systems deployed allows taxpayers to have control of their various accounts in i-Tax system and SIMBA2005 system by accessing the systems using unique passwords. Customer complaints have been reduced, though one respondent noted that the literacy levels in Kenya are still low thus most customers require constant assistance. Employees have been empowered to make better decisions, since the structure has been flattened by technology.

The overall achievement is that KRA has been able to achieve its strategic objectives through reengineering of its business processes. All these achievements have led to more tax revenue, reduced cost of collection and efficiency in service delivery by the authority.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary, conclusions and recommendations arising from the study. It begins with brief introduction of the chapter then delves into summary of findings, conclusion, recommendations for policy and practice, limitations of the study and, finally, suggestions for further study.

5.2 Summary of the study finding

The summary of the major findings captures the major objectives of the study which was business process reengineering as an approach to strategic change The study found out that, if a good case exists which necessitates KRA to undertake a radical change; the top management must support the change and drive it through to success. All the key activities to be performed for success must be taken care of and a lapse in any of the activity may lead to failure of the BPR initiative. The rules and symbols play an integral part of all BPR initiatives. Good leadership to oversee strict adherence to the set activities is key to success and must be exhibited throughout the implementation phases. BPR implementation process is complex, and needs to be checked against several success and failure factors to avoid implementation pitfalls. From the study, proper attention must be paid to many of the "soft issues" of people management which underpins BPR success in a public institution such as KRA.

This is evident based on the findings from the case undertaken and interviews conducted in this study, stakeholder/customer involvement was rated the highest success factor for BPR implementation. The implementation of BPR initiatives has led to elimination of unnecessary tasks and automating others, alleviation of physical constraints while applying new technology, moving controls towards customers, reducing customer complaints, empowering employees to make better decisions and KRA being able to achieve its strategic objectives. All these achievements have led to more tax revenue, reduced cost of collection and efficiency in service delivery by the authority.

5.3 Conclusion of the study

The findings established that management has a key role in BPR implementation, specifically, creating strategic awareness, ensuring attainment of organization objectives and goals and communication by enhancing flow of information to staff for improved and successful performance of KRA. Management of KRA should therefore continuously endeavour to apply and provide a framework in which the success factors can be adopted to facilitate changes through BPR. The respondents ranked stakeholder / customer involvement as the highest critical factor, which demonstrates that taxpayers should never be overlooked when implementing changes to the authority's processes. The research further determined that management has a daunting task in ensuring that the organization takes advantage of all the benefits identified by the BPR approach for managing change. The results also confirmed before embarking on a BPR venture, management should ensure that at least some of the CSFs deemed very important by the respondents and interviewees are addressed, especially those concerned with the human factors.

5.4 Recommendations of the study

Based on the information obtained from the secondary and the interviews conducted, it is important for an organization to undertake an analysis of the current situation for successful BPR implementation. Organizations should seek to change the entire organization as opposed to making changes in departments or strategic business units which may lead to delays or impact negatively on customer service thus affecting performance. The customer should be placed at the center of the reengineering effort; the customer is the reason behind the reengineering effort. The information technology group should be an integral part of the reengineering team from the start; offering infrastructure solutions such as ERP software implementation which could be a key enabler for undertaking an organizational change and monitor it holistically. Business process reengineering must be accompanied by strategic planning, which addresses leveraging information technology as a competitive tool. BPR must not ignore corporate culture and must emphasize constant communication and feedback. Hence this will impact positively on the organization, improving its performance.

5.5 Limitations of the Study

This study was primarily limited to a small sample size. The sample size could have been expanded by including respondents from the regional offices. The targeted respondents were all employees of KRA, due to limited resources and time constraint only employees based in Nairobi (Head Office) were considered. An earlier start in data collection would have increased the time needed to interview more participants. More contact between the researcher and the target sample may have increased participation.

The respondents were not very cooperative to answer some of the questions in a small time frame and needed more time to consult.. Lack of enough literature material on implementation of business process reengineering initiatives as approach to strategic change in a public organization in Kenya was another limitation encountered.

5.6 Suggestions for Further Studies

Despite the in depth coverage of this research and its findings, there still exists a gap that future researchers could explore. BPR as an approach to strategic change in a public organization is a relatively new area that has not been largely studied or addressed in Africa, and specifically Kenya. Owing to the success of BPR implementation as a change management technique in KRA, further research can be conducted on the potential for implementing change within other organizations.

Further studies should attempt to achieve a large sample across all branches in the country to determine whether the results can be generalized. The current research being a study of a single organization; additional studies can be carried out on a wider scale. This could be through conducting industry survey on BPR as an approach to strategic change across different economic sectors, such as other government departments / parastatals, as well as private institutions.

A great depth of information may have been obtained by conducting focus groups comprised of participant's representative of the sample. Discussion could include one topic per focus group meeting, during which each topic area could have been the focus of discussion such as the activities involved in BPR, factors for successful implementation of BPR initiatives and the impact of BPR implementation. A focus

group would allow the researcher to conduct a group interview of participants to evaluate their attitudes, negative or positive, and to identify recommendations for future improvement

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APPENDICES

Appendix I: Personal Introduction Letter

Jared Odhiambo Abuto.

P.O. Box 55540-0200,

NAIROBI.

Contacts: 0720607421/0721268660

Email: jaredabuto@gmail.com

Kenya Revenue Authority,
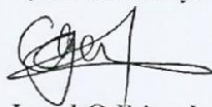
P.O. Box 48240-00100,

NAIROBI.

Date: 23rd September, 2015.

Dear Sir/Madam,

RE: REQUEST FOR DATA COLLECTION

My name is Jared Odhiambo Abuto. Reg. No.: D61/67510/2013, in the Master of Business Administration program, at the University of Nairobi. As part of requirements for completion of the course, I am expected to carry out a study on "**Business process reengineering as an approach to strategic change.**" The research being a case study, I have identified your organization as my unit of analysis.

I would, therefore, like to request your good organization to allow me collect data through the use of a questionnaire from the top management of your organization and from secondary sources in the Authority.

Yours faithfully,

Jared Odhiambo Abuto

60

Appendix II: University Introduction Letter

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE ....

TO WHOM IT MAY CONCERN

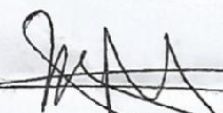The bearer of this letter ...JARED ODHIAMBO ABUTO.

Registration No...D61/67510/2013...............

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS

(stamp: UNIVERSITY OF NAIROBI, SCHOOL OF BUSINESS, 2 0 AUG 2015, P.O. Box 30197 – 00100, NAIROBI)

61

Appendix III: Interview Guide

INTERVIEW GUIDE

1. What is your title and role in the organization?

2. Are you aware of any changes that the company has experienced in the recent past?

3. What were the triggers for this change?

4. Which aspects of the change apply to the department which you head?

5. Were the changes planned or emergent?

6. What role does your department play in implementing the strategic change that your organization is undergoing?

7. How have the changes affected both the people and business dimensions of your organization?

8. What environmental factors have helped in driving change at KRA?

9. What challenges have you experienced while implementing this change in your organization?

10. How has the organization been able to address (mitigate) the challenges?

11. Are you aware of business process reengineering as a tool for strategic change?

12. What is the relevance of business process reengineering to your organization?

13. What are the key business processes at KRA?

14. What role does your department play in managing the business processes?

15. Which are the processes that have been affected by BPR and how has this impacted on the holistic view of the company-wide change?

16. What are the approaches adopted by your organization in implementing business process re-engineering?

17. How has business processes reengineering helped in driving change at KRA?