

**STRATEGIC CHANGE MANAGEMENT AT KENYA
REVENUE AUTHORITY**

BY

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OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF
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DECLARATION

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

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Date.....3/11/11.....

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D61/76012/2009

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

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DEDICATION

I dedicate this management research project to my loving wife, Fancy, who encouraged me to pursue the program in spite of various challenges and my lovely daughter Kimberly, whose smile motivated me to pursue the program to completion.

ABSTRACT

This management research project was titled Strategic change management at KRA. Kenya Revenue Authority is a state corporation in the ministry of Finance mandated to collect and account for government revenue. KRA has undergone many strategic and operational changes in the recent past, all aimed at improving efficiency and effectiveness in discharging its mandate. The objective of this project was therefore to determine the strategic change management practices at KRA. The research design was a case study. In-depth study on the respondents was done. Respondents were interviewed and documented for analysis. The responses were analyzed using content analysis in a continuous prose.

The study found out that KRA is influenced by its operating environment to a great extent and hence the need to be responsive to these conditions. KRA has also been responsive to changes as evidenced by the various reform initiatives that have taken place in the recent past. These include setting up reforms office to co ordinate projects, engaging expatriates with experience and skills in project implementation, increasing capacity through training, both internal customers (staff) and external customers (taxpayers), upgrading the servers, change champions among others. This has resulted in increased revenues, increased taxpayer satisfaction and hence voluntary compliance, increased staff morale through empowerment with knowledge and skills, efficient processes as evidenced by shorter queues and increase in returns filed. It was also evident from the responses that management structure and style affect change management at

change implementation due to levels of approvals. There are incidences of resistance to change, both from the staff, taxpayers and systems. This is due to various factors such as fear of the unknown, threat to power, limited capacity among others. This resistance to change is managed by involvement, training, workshops and improving capacity.

The study concludes that KRA has successfully managed strategic change. it has therefore managed to cope with the changing environment. The revenue collected has been on the increase, customer satisfaction has improved, and on line filing uptake has been satisfactory. Staff has also generally been motivated, there is more participation and innovation, change is readily accepted and staff is more informed. KRA has become a respected company in the public sector and is benchmarked with other advanced revenue authorities regionally and globally. Other phases of projects are still being implemented.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the study

All organizations exist in an environment. Environments are dynamic and keep changing.

All organizations therefore must change to keep pace with the environment for survival.

Planning, implementing and managing change in a fast-changing environment is increasingly the situation in which most organizations now work. The relationship between an organization and environment is seen through the lenses of environmental scanning. There have been many attempts to prove the significance of environmental scanning for strategic purpose (Yunggar, 2005; Lenz & Engledow, 1986; Hambrick, 1982). Other researchers have assessed the role of managerial perceptions in environmental scanning and its effects on the organization (Barr, 1998; Mason & Lefebvre, 1997).

The organization and environment share a closed loop interaction. Environment affects the organization followed by the generation of a response from the organization, thus completing the cycle. It implies that the effect of environment on the organization cannot be fully understood without evaluating the organizational response. (Tarun Pathak, 2009)

Dynamic environments such as these require dynamic processes, people, systems and culture, especially for managing change successfully, notably effectively optimizing organizational response to market opportunities and threats. Environmental changes

shape opportunities and challenges facing organizations in Kenya. There is need to adjust to these changes to remain successful in future.

1.1.1 Strategic change

A strategy is a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem. It is the art and science of planning and marshalling resources for their most efficient and effective use. The term is derived from the Greek word for generalship or leading an army. It is the game plan management has for positioning the company in its chosen market arena, competing successfully, pleasing customers and achieving good business performance” (Thompson & Strickland). Strategy is what a company does and how it actually positions itself commercially and conducts the competitive battle. Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations”. (Johnson Scholes & Whitting ton, 2005) Without strategy, the organization is like a ship without a rudder, going around in circles

All transformational changes are strategic in intent and involve some changes to vision, mission, strategy and culture (Nadler and Tushman, 1989; Burke and Litwin, 1992). Most often, such transformations may also require the realignment of the vision, mission, strategy and culture at a systemic level. Failures in transformational changes have serious and irrevocable implications for organizations, especially in today’s economic scenario. (Payyazhi Jayashree and Syed Jamal Hussain)

Strategic change is one that involves fundamental changes in the business of the organization and its future direction. Successful strategic change is built on an overall strategic management system of the organization. The strategy of the organization legitimizes the change program. It is the transforming of the organization so as to align it with the execution of a chosen corporate business strategy. Organizations have to change to align themselves to changes in their environments. The purpose of strategic change is to ensure that an organization is heading in the right direction (effectiveness).

Organizations must adapt to the ever changing environment. The nature of environmental changes can either be global, regional or national (local). When analyzing the effect of environment it is important to note the direction, the speed, the response capability of the organization and what the organization is doing about the changes. Some of the factors which make companies initiate change are the need to reduce costs, moving from good performance to great performance, completing or integrating a merger, turning around a crisis situation, catching up with rival companies, splitting or divesting part of the organization or preparing for privatization or market liberalization among others. (The McKinsey Quarterly, Jan 2007)

Strategic change management

Strategic change management is a structured approach to shifting/transitioning individuals, teams, and organizations from a current state to a desired future state. It is an organizational process aimed at empowering employees to accept and embrace changes in their current business environment. Change management is the process, tools and

techniques to manage the people-side of business change to achieve the required business outcome and to realize that business change effectively within the social infrastructure of the workplace. Change management is the use of systematic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted time frame and with the desired results". (Davis and Holland 2002). Change management is a structured and systematic approach to achieving a sustained change in human behavior within an organization" (Todd A. 1999)

1.1.2 Kenya Revenue Authority

Kenya Revenue Authority (KRA) was formed in July 1995 by an Act of Parliament. It was established with the core function of collecting revenue for the Central Government through effective tax administration and customs control. KRA is required by law to assess, collect, and account for all revenues in accordance with the various revenue Acts and advise on matters relating to the administration and collection of revenue, and perform such other functions in relation to revenue as the Minister (for Finance) may direct. (KRA 4th Corporate Plan).

Formerly these functions were administered by various departments in the ministry of Finance and Ministry of transport. All these functions have now been consolidated under the same roof, one board of directors and one CEO (the Commissioner General), who is in charge of the management team.

Project Management and Business Analysis Office (PMBO) was created in 2006 under the office of the Commissioner General to provide program coordination, monitoring and

evaluation. The authority was able to prepare a reform strategy integrated into the planning process, which involved customs reforms and modernization, domestic taxes reform and modernization, Business Automation and Infrastructure Development. (Revenue Reforms in Kenya, 2010)

The Business Automation Project embarked on a comprehensive automation initiative to modernize and integrate business systems. The objective was to promote efficiency and effectiveness and enhance tax compliance (Saina, 2010).

Its aim is to provide services to both internal and external stakeholders enabling a "single view" of the taxpayers across all KRA functions and facilitating operational excellence. The initiatives include: customs system (SIMBA), ITMS, Vehicle management System, Enterprise Resource Planning, Revenue Portal, and Common Cash Receipting System. The launch of KRA website signaled a change in the mode of information access, making it easier and cheaper for taxpayers to access vital information conveniently. It allows users to download updated legislation on revenue Acts, public notices, taxpayer's charter etc. It is interactive and allows taxpayers to forward questions, which are responded to appropriately within the defined time limits.

The Customs Reform and Modernization (CRM) program aimed at simplification of procedures and introduction of self assessment systems which placed the burden of correctness of declarations made in the hands of traders, implementation of risk management techniques to govern the extent of document checks, physical inspections and audits. These are enforced through intelligence reports, patrol boats, sniffer dogs, x-rays scanners to counter criminal activities among others.

The organization has been able to introduce system checks and audit trails as well as minimize interaction between customers and officers, which greatly reduce breaches in integrity in the organization. These initiatives include: implementation of the Simba 2005 system which facilitates rapid cargo clearance and electronic exchange of data with the trading community (Soina, 2010)

Creation of Document Process Centre (DPC). This is a 24-hour centralized document process centre which has reduced long queues and improved processes with introduction of electronic banking to expedite payment of duties and taxes through a secure electronic process. The payment modality has enhanced the collection of revenue, accurate audit trails, thus greatly facilitating trade.

Currently KRA is promoting the use of Electronic Funds Transfer (EFT) by implementing a Common Cash Receipting System (CCRS) by developing a separate application dedicated to banks only for direct revenue collection. The Orbus system is the document collection component which brings together external stakeholders who are major players in trade facilitation including transporters, insurance companies, banks and various government agencies.

One-Stop Border Post (OSBP) was introduced by implementing joint activities at the common border post between Kenya, Uganda and Tanzania to facilitate the entry process for traders and reduce cargo clearance. One-Stop Centre have been rolled out at Kilindini Port aimed at reducing clearance firms by bringing together under one roof all the stakeholders involved in the port clearance process.

Centralization of security bonds management has improved bond execution and cancellation, enhanced surveillance of bond management and sustainability minimized the abuse of the function of bonds maintenance in the Simba system. RADDEX (Revenue Authorities' Digital Data Exchange). It's an electronic communication channel developed to allow the seamless exchange of information between Simba and other systems used by all other human interface. It reduces the time and costs of cargo clearance. It also provides a secure means of confirming transit and export goods and entry details to forestall the risks of diversion to the local market.

The changing economic, technological and operational environment has played a role in the change process. There are a number of forces that have driven the change process in the authority. There has been pressure for more revenue from the treasury. As the economy and population grows, more and more services are demanded by citizens from the government. This pressure is inevitably felt by the authority being the main revenue collection agency. There have also been rapid developments in the ICT. Telecommunication and use of computers is now the order of things in the business world. The authority therefore needs to cope with these rapid developments. Demand for efficient services from government agencies by the populace has been on the increase. KRA has not been an exception. PIN registration, Licenses issuance, and overall service delivery needs to improve with customer awareness. This is coupled by the fact that there's the objective of achieving voluntary compliance. Customers have also demanded for more transparency and integrity from public officials. Growth of business enterprises, multinational corporations and globalization challenges have brought with it the issues of

transfer pricing, double taxation issues among other challenges. The KRA management has also generally been more informed on modern management approaches, strategic approaches to management etc. National politics has also played a critical role, the demand for good corporate governance, equal employment opportunities for all, stakeholder management etc

1.2 Research problem

The business environment is the aggregate of all conditions, events, and influences that surround and affect a business firm. Business environment generally refers to the external factors affecting, either positively or negatively, the operation of a firm. The most important external factors include economic, legal, political, social and technological factors.

In keeping with the environmental conditions, KRA has effected numerous changes aimed at making it effective and efficient in collection and accounting of revenues. This has resulted in improved service delivery and collection of revenues. The changing economic, technological and operational environment has necessitated the change process. There has been change in systems, procedures, people, and structures among other components.

Many studies have been done on change management in Kenyan companies including Strategic change management practices at Teachers Service Commission (Mimaita 2010), Strategic Change management at National Museums of Kenya (Kendi 2009) among others. Many studies have also been done in KRA including the following: Challenges of

strategy implementation in public sector in Kenya: a case study of Kenya Revenue Authority (Ruthiaren 2010), Strategic responses by Kenya Revenue Authority to challenges of globalization (Njagi 2010), A study of the turnaround strategy adopted by the Kenya Revenue Authority (Peter 2009),The application of Porters value chain model at the Kenya Revenue Authority (Paul 2009) and Strategy control and evaluation at Kenya Revenue Authority (Lukorito 2009) among others. However no study has been done on strategic change management at KRA. This project therefore seeks to bridge this gap.

This study sought to answer the question; what are the strategic change management practices at Kenya Revenue Authority?

1.3 Research objective

The objective of this study was to determine the strategic change management practices at Kenya Revenue Authority.

1.4 Value of the study

This study is of great importance to various stakeholders. It is important in assisting the management and employees in Kenya Revenue Authority and taxpayers in establishing the effects of strategic change management on the overall performance of revenue collection, and especially the effect on the staff morale and productivity. This will enable management make informed decisions when considering change.

The research will also assist academicians to build a basis for further studies on strategic change management practices of organizations and its effects on long term success and service delivery. The impact on all stakeholders is also important to investigate.

It will also be important to other organizations which are considering implementing a strategic change. The findings of this study will enable such organizations make informed decisions on change management.

CHAPTER TWO

LITERATURE REVIEW

2.1 The concept of strategy

A strategy is a plan of how the organization can achieve its goals/ objectives. It is a commitment of present resources to future expectations (Thompson and Martin 2005).

Strategy is elementarily defined as a long term plan of action designed to achieve a particular goal (Dent and Barry, 2004). The concept is however not originally for business application. It was borrowed from the military to help organizations in bridging the gap between policy and tactics. (Robin, 2000)

Parker and Bradley (2000) entailed the logical incrementalism observing strategy evolution over time, which starts from the perception of a problem / opportunity; managers initially react cautiously with an idea which is further refined for identifying the goal. However the intervention is not clearly identified by time line, managers may know where to arrive but they don't know how to achieve the goal. Furthermore, while leading the change, new opportunities and problems could occur and move them away from the initial idea. Revealing similarities in the case studies, he defines a dominant model based on three major steps: creating awareness and commitment, solidifying progress, integrating process and interests (Ansoff and Mc Donnell, 2000)

2.2 Strategic change

A number of writers have examined the concept of strategic change. Drucker (1969) illustrated how change forces disruptions into the continuity of our lives (Age of Discontinuity). He asserted that extrapolating from the past is hopelessly ineffective as

social and technological norms had shorter lifespan with each generation. In 1980 in *The Third Wave*, Toffler characterized this shift to relentless change as the defining feature of the third phase of civilization (the first two phases being the agricultural and industrial waves). He claimed that the dawn of this new phase will cause great anxiety for those that grew up in the previous phases, and will cause much conflict and opportunity in the business world.

Hamel (2000) discussed strategic decay, the notion that the value of all strategies, no matter how brilliant, decays over time. Abell (1978) described strategic windows and stressed the importance of the timing (both entrance and exit) of any given strategy. This has led some strategic planners to build planned obsolescence into their strategies.

Handy (1989) identified two types of change. Strategic drift is a gradual change that occurs so subtly that it is not noticed until it is too late. By contrast, transformational change is sudden and radical. It is typically caused by discontinuities (or exogenous shocks) in the business environment. Tichy (1983) wrote that because we are all beings of habit we tend to repeat what we are comfortable with. He wrote that this is a trap that constrains our creativity prevents us from exploring new ideas, and hampers our dealing with the full complexity of new issues. He developed a systematic method of dealing with change that involved looking at any new issue from three angles: technical and production, political and resource allocation, and corporate culture. Pascale (1990) wrote that relentless change requires that businesses continuously reinvent themselves; what was strength yesterday becomes the root of weakness today. Peters and Austin (1985) stressed the importance of nurturing champions and heroes. They said we have a tendency to dismiss new ideas, so to overcome this, we should support those few people

in the organization that have the courage to put their career and reputation on the line for an unproven idea.

Slywotsky (1996) showed how changes in the business environment are reflected in value of migrations between industries, between companies, and within companies. He claimed that recognizing the patterns behind these value migrations is necessary if we are to understand the world of chaotic change. In "Profit Patterns" (1999) he described businesses as being in a state of strategic anticipation as they try to spot emerging patterns. Christensen (1997) took the position that great companies can fail precisely because they do everything right since the capabilities of the organization also defines its disabilities. Christensen's thesis is that outstanding companies lose their market leadership when confronted with disruptive technology. He called the approach to discovering the emerging markets for disruptive technologies agnostic marketing, i.e., marketing under the implicit assumption that no one - not the company, not the customers - can know how or in what quantities a disruptive product can or will be used before they have experience using it.

2.3 Strategic change management

Change management is a structured approach to shifting/transitioning individuals, teams and organization from a current state to a desired future state. It is an organizational process aimed at empowering employees to accept and embrace changes in their current business environment. Change management is the use of systematic methods to ensure that an organization change can be guided in the planned direction, conducted in a cost effective manner and completed within the targeted time frame and with the desired

results". (Davis and Holland 2002). Change management is a structured and systematic approach to achieving a sustained change in human behavior within an organization" (Todd, 1999)

It has the aspect of adapting to change, controlling change and effecting change. A proactive approach to dealing with change is at the core of all the three aspects. For an organization strategic change management means defining and implementing procedures and technologies to deal with changes in the business environment and to benefit from the unfolding opportunities. (Deem and Brehony, 2005).

The more effectively you deal with change the more likely you are to thrive. It may involve establishing structured methodology for responding to changes in business environment (for instance fluctuations in economy or a threat from a competitor) or establishing coping mechanism for responding to changes in the workplace such as new policies or technologies. (Mintzberg et al. 2003)

2.4 Change management and business competency.

It is important to note that there is a relationship between business competency and strategic change management. Peter Block, in his book, describes the traditional values that have been the center piece of traditional, patriarchal organizations: control, consistency and predictability. These values dictate that decision-making is at the top, leaving the execution and implementation to the middle and bottom layers of an organization. The culture and belief system of the organization was more akin to a military structure. The values of control, consistency and predictability created an environment where change was simply a plan to implement or an adjustment to a

mechanical system. Although helpful, change management was not a required competency in this environment.

With time however new values and belief systems have been embraced in the workplace. A new culture has evolved in many of today's businesses where new generations of employees take ownership and responsibility for their work, have pride in workmanship and look to improve their work processes, feel empowered to make decisions that improve their product and the level of customer service

The new values of business today require a different approach to the way businesses change. The response of the employee has shifted from "yes, sir" to "why are we doing that" and the change leader must adapt. Research shows that the primary reason for failure in major change initiatives is lack of change management. In other words, the inability to manage the people side of a business change in the presence of a new culture and new values is a major contributor to failed business changes.

2.5 Models of change

There are a number of theoretical models of change, each of which attempts to describe the process through which organizations successfully alter their business practices, their organizational structure, or their organizational climate.

Lewin (1946) first coined Action Research. Action research is research on an action with a goal of making that action more effective. It refers to programs and interventions designed to solve a problem or improve a condition.

Lewin's three step model. There are three steps in Lewin's model. Unfreezing previous behavior, changing and refreezing the new patterns. Unfreezing involves dismantling those factors that support or maintain the previous behavior. It is the readiness to acquire or learn new behavior. Change involves the organization presenting a new alternative. This means introducing a clear and appealing option for a new pattern of behavior. Refreezing requires that changed behavior be reinforced both formally and informally in the organization. It is in this step that managers can have a great amount of influence through their use of positive reinforcement.

Bullock and Batten (1985) summarize the steps in four broad stages: Exploration phase which involves awareness of need for change, searching for solutions etc, planning phase involves understanding the problem, collecting information, setting change goals, designing action plans. Action phase involves arrangements for managing change, feedback processes etc and finally integration phase involves consolidating and stabilizing change, reinforcing new behaviors etc.

Kotter's 8 steps model. Kotter argues that his eight steps are a process and not a checklist. Successful change goes through all eight stages. Establish a sense of urgency, forming a powerful guiding coalition, creating a vision, communicating the vision, empowering others to act on the vision, planning for and creating short term wins, consolidating improvements and producing still more change and institutionalizing new approaches.

Kanter et al (1992) proposed the Ten Commandments for executing change: Analyze the organization and its need for change, separate from the past, create a sense of urgency, support a strong leader role, line up political sponsorship, craft an implementation plan, develop enabling structures, communicate, involve people and be honest, reinforce and institutionalize change.

Dawson (1984) advanced Processual model. Temporal aspects of change are used as a means of breaking down the complex process of organizational change into manageable portions. Conception of need for change, process of organizational transition, operation of new work practices and procedures.

Logical incrementalism was advanced by Brian Quinn. He argues that managers consciously and proactively move forward but incrementally. It involves a pattern of change through creating awareness and commitment incrementally, amplifying understanding and awareness, changing symbols, building credibility, legitimizing new view points making tactful shifts and partial solutions, broadening political support, overcoming opposition, structuring flexibility, systematic trial and waiting. Solidifying progress incrementally; creating pockets of commitment, focusing the organization, managing coalitions, formalizing commitments by empowering champions, continuing the dynamics by eroding consensus. Integration of processes and of interests. An incremental process not piecemeal establishing, measuring and rewarding key thrusts

(Senge 1990) advanced the Learning Organization model. A learning organization does not suddenly adopt strategic change, but is perpetually seeking it. A Learning organization uses learning, experimentation and communication to renew itself constantly. Strategy development involves knowledge creation that is best undertaken in groups, developing shared mental models of an issue through group dynamics.

2.6 People side of change

Management should recognize that both the engineering and psychological aspects must be considered for successful business change. While many techniques can be employed to design the solution to a business problem or opportunity (i.e., the business change), change management is the process, tools and techniques to manage the people-side of that business change to achieve the most successful business outcome, and to realize that change effectively within the social infrastructure of the workplace.

Change such as new structures, policies, targets, acquisitions, disposals, re-locations, etc., all create new systems and environments, which need to be explained to people as early as possible, so that people's involvement in validating and refining the changes themselves can be obtained. Whenever an organization imposes new things on people there will be difficulties. Participation, involvement and open, early, full communication are the important factors. Workshops are very useful processes to develop collective understanding, approaches, policies, methods, systems, ideas, etc. Staff surveys are a helpful way to repair damage and mistrust among staff - provided you allow people to complete them anonymously, and provided you publish and act on the findings. Management training, empathy and facilitative capability are priority areas - managers

are crucial to the change process - they must enable and facilitate, not merely convey and implement policy from above, which does not work. You cannot impose change - people and teams need to be empowered to find their own solutions and responses, with facilitation and support from managers, and tolerance and compassion from the leaders and executives. Management and leadership style and behavior are more important than clever process and policy. Employees need to be able to trust the organization. The leader must agree and work with these ideas, or change is likely to be very painful, and the best people will be lost in the process.

2.7 Resistance to change

“There’s nothing more difficult to take in hand, more perilous to conduct, or more uncertain of success than to take a lead in the introduction of a new order of things, because the innovation has for enemies, all those who have done well under the old conditions and lukewarm defenders in those who may do well under new”.

(The Prince, 1611)

Resistance to change is a multifaceted phenomenon which introduces delays, additional costs and instabilities into the process of change. It may take the form of procrastination and delays in triggering the process of change, unforeseen implementation delays and inefficiencies which slow down the change and make it cost more than originally anticipated and efforts within the organization to sabotage the change or to absorb it in the welter of other priorities.

Resistance may take the form of systemic resistance or behavioral resistance. Systemic resistance is defined as 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. It is caused by; organization design, organizational culture resource limitations fixed investments and inter-organizational agreements among others. This resistance can be minimized by providing dedicated capacity by planning and budgeting for it, integrate management development into the change process, stretching the duration of change to maximum possible to assure timely response to environmental challenges.

Behavioral resistance to change is occasioned by individual employees, managers in other departments, collective resistance, managers who share common tasks and coalitions and power centers within the organization. It is evidenced by gossips, rumors and grapevine, grumbling and complaints and testing the system e.g. absenteeism, skipping meetings

The following strategies for dealing with resistance to change were proposed by Kotter. Education and communication is commonly used in situations where there is a lack of information or inaccurate information and analysis. Participation and involvement is useful where the initiators do not have all the information they need to design the change, and where others have considerable power to resist. Facilitation and support is used where people are resisting because of adjustment problems.

Negotiation and agreement is useful where someone or some group will clearly lose out in a change, and where that group has considerable power to resist. Manipulation and cooption is commonly used in situations where other tactics will not work, or are too expensive and finally explicit and implicit coercion, where speed is essential, and the change initiators possess considerable power. (Kotter and Schlesinger, 1979)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter represents the methods, techniques and approaches the researcher used in collecting data in order to achieve the desired results. The research methodology used in this study was the interview method.

3.2 Research Design

The approach used in this study was case study. A case study involves a careful and complete observation of social units. It is a method of in depth study rather than breadth and places more emphasis on the full analysis of a limited number of events or conditions and other inter relations. It yields reliable and up to date data.

3.3 Data collection

The study used interview guide with unstructured (open ended) questions to elicit information from the respondents. This technique enabled the researcher collect views, backgrounds, opinions, motivation, interest and feelings about strategic management practices at KRA. The instrument was divided into two parts. Part I collected information of a general nature while Part II collected information on strategic change management practice issues. Information was collected from both primary and secondary sources. The departments targeted included Human Resources, Research and corporate affairs, Projects management office, Finance, ICT, marketing and communications and Revenue departments. These departments drive change and are affected by the change process.

3.4 Data Analysis

Data was analyzed using content analysis. It is a technique of making inferences by systematically and objectively identifying specific characteristics of messages and using the same to relate to trends. It provides a qualitative picture of the respondents, concerns, ideas, attitudes and feelings.

CHAPTER 4

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter will present the research findings. The interview guide sought information on the strategic change management practices at KRA. The first part of the questionnaire sought information of general nature while the second part sought information on strategic change practices at KRA. A total of ten respondents were interviewed.

4.2 General information

The interview was conducted in departments that drive the change process and the user departments. The units driving change are the projects office (PMBO), ICT department, Human resource department and taxpayer services, while the user departments are the revenue departments. Each of these departments was represented by at least one respondent.

The respondents experience was varied. Four of the respondents have more than 15 years experience and are very familiar with strategic change practices, both in the past and at present. They appreciate the improvement of processes over time.

4.3 Information on Strategic change management practices

This part sought responses on strategic management practices at KRA

4.3.1 Influence of the environment on KRA operations.

The main external environmental components that influence operations of KRA are; politics, technological, economic, social and legal were found to have the greatest impact.

It was apparent that the ministry of finance which KRA falls under has been raising revenue target, based on the financing needs of government. The biggest portion of the government annual budget is financed by taxes; domestic borrowing, foreign borrowing, sale of government assets (state owned corporations) etc. constitute a small proportion of the budget. Treasury also allocates KRA money for spending as part of its vote. Some projects are also financed by donors directly. The authority's financing is therefore dependent on the goodwill of these financiers for the running of its operations.

The technological aspect also directly impacts the operations of the authority. Advances in technology dictates new and better ways of tax administration. Innovations in the ICT sector, superior information processing devices (super computers and high tech software), use internet for communication and trading all pose a challenge to tax related information access, the fibre optic cable which increases the speed of internet. For instance how do you control internet based trading where goods don't physically come to Kenya, yet the transaction was coordinated locally?

The economic conditions also impact KRA operations. A growing economy favors revenue collection. When business is good, companies make profit, imports and exports increase, there is employment. The reverse happens when the economic environment is unfavorable. Businesses make losses which are carried forward and claimed as a tax credit, less international trade hence less customs and cross border duties.

The legal environment also affects revenue collection. Changes in tax rates, classification of excisable goods, taxation of pensions etc all affect tax revenues. Imposition of restrictions on consumption time of alcohols, the don't drink and drive laws the smoking zones, restriction on marketing and advertisement of alcohol and tobacco products all affect consumption of taxable products thus impacting on revenue levels. The new constitution has also impacted operations of KRA by making tax an obligation for everyone irrespective of position in society. The speed of dispute resolution between taxpayers and KRA depends on the judicial structures. A faster and fair system leads to satisfaction of both KRA and taxpayers

4.3.2 KRA's response to changing environment

The respondents were also asked for their opinion on how KRA is currently responding to the changing environment. The authority is undertaking reforms in revenue administration (the initiatives under PMBO), undertaking research and development, seeking to expand the tax bracket and netting more taxpayers through aggressive recruitment, automation of tax processes and involving and training taxpayers on online systems (ITMS, SIMBA system) departmental restructuring (the creation of medium taxpayers office - MTO), constant interaction with taxpayers and their associations like Kenya Association of manufacturers, Kenya Private Sector Alliance through taxpayer services unit, the creation of marketing and communication department, proposing change in laws to meet operational challenges through submissions to budget committees in treasury among others.

4.3.3 Processes employed to ensure significant changes are implemented

On the processes employed to ensure significant changes are implemented in an orderly manner, the respondents mentioned the following; establishment of the reforms office to co ordinate the reforms, recruitment of graduate trainees who bring fresh ideas, are flexible and open minded. Taxpayer education on the various initiatives undertaken to improve revenue collection and administration and incorporating their proposals and suggestions. Establishment of change management committees to coordinate and oversee change. These committees draw its membership from all affected departments and technical unit staff who will incorporate the proposals into procedures. Establishment of operational procedures and manuals to ensure changes becomes part of normal procedure. The structures are also aligned to support the change initiatives. The reporting relationships are altered to incorporate the new way of doing things. Staff involvement also plays a major role in ensuring acceptance and support. The stakeholders have to see the need for the change. Staff training is also carried out to ensure understanding of the new procedures. Continuous research and improvement initiatives are carried out among other initiatives.

4.3.4 Strategic changes that have taken place in the recent past

The strategic change managements that have taken place in KRA in the recent past include automations such as: introduction of Integrated Tax Management System (ITMS), introduction of Electronic Cargo Trucking System (ECTS), Vehicle Management System (VMS), Introduction of ETR (Electronic Tax Register), there has also been collaboration with KACC on integrity and integrity sensitizations and tests,

change of tax administrative practice by deregistration of With holding VAT agents. The graduate trainees have also been taken through the APTC (Administration Police Training College) program to impart patriotism, discipline and physical fitness. A complaints & information centre has also been established to deal with taxpayer complaints. A 24 hour Document Processing Centre (DPC) ensures smooth and continuous clearance of imports and exports online. A central Valuation Database has been established to standardize valuation of goods subject to customs. Internally, ERP has been implemented in the organization to streamline internal procedures. KRA has re branded from Kulipa Ushuru ni Kujitegemea to Tulipe Ushuru Tujitegemea, making payment of taxes our individual responsibility. There has been Restructuring of Domestic Taxes Department by creating Large Taxpayers Office and Domestic Revenue Departments, and more recently the coming up of Medium Taxpayers Office (MTO). This aims at classifying taxpayers based on similar characteristics, their needs and administrative similarity. The authority has also attained ISO certification.

4.3.5 Pace of change

On the pace of change at KRA, the responses were varied, with some feeling that it is slow, while others expressed satisfaction with the pace, arguing that the changes are in line with the changing environment. The new technology is incorporated while taking into account the needs of taxpayers. Some felt that it was too drastic. Some initiatives have been rolled out in phases while others have been implemented in full.

On the benefits/ successes/ outcomes of change management, respondents highlighted the following: easier access to information, closer relationship with taxpayers hence higher level of compliance, reduction in cost of revenue collection, increased revenue collection, improved satisfaction of customers, more motivated staff, more automation hence less clerical staff, expanded tax net, simplified tax processes through online services, faster clearance of goods from the ports of entry and exit, higher integrity among the staff (reduced cases of corruption), more awareness by taxpayers of their right and obligations, reduced paperwork and more accuracy which comes from automation of processes. It has therefore led to improved service delivery and better customer care.

4.3.6 Factors favoring change

The factors that favor the change management process at KRA includes the following: involvement of stakeholders through trainings and sensitizations, political goodwill (both from taxpayers and government), availability of funds, availability of consultants (experts from JICA and Chile), responsive staff, existence of structural framework (the 4th corporate plan), young and dynamic staff, support by government, capable leadership from the top (the CEO and the Board of directors).

4.3.7 Role of organization structure

The relationship between organizational structure and change management in KRA elicited the following responses; the bureaucratic system favors top down change but not down up. This is because of the long management structure. The approval levels are so many that the initial idea is lost along the way. Some felt that those involved in decision

making may not be technology savvy and may therefore brush aside innovations. Some respondents felt that those at the top may not be receptive because of threat to loss of power. However there were incidences of alteration of structure to meet a need, for instance setting up a unit to implement change initiatives. Communicating change is easier with a leaner structure.

4.3.8 Role of management style

The relationship between management style and strategic change management elicited the following responses; some felt that management was reactive rather than pro active, while others felt that the top management is keen on change, while those at the bottom may not readily accept change. Some respondents would prefer more involvement of staff in the change initiatives as opposed to change being a preserve of only a few.

4.3.9 Resistance to change

The section on incidences of resistance to change came up with the following responses; taxpayers unwilling to take up online filing in spite of its numerous advantages, resistance by taxpayers to embrace ETR (public protests, court cases), slow take up of ECTS by stakeholders. There were also instances of systemic resistance in form of capacity constraints e.g. system failures on online filings, ECTS challenges, and inadequate dedicated staff. From the employees' side, some staff don't prefer to use e mail for communication and would prefer memos hard copies, slow adoption of on line filing by staff despite the authority having the mandate to sensitize other taxpayers on the

need to file online. This reluctance is because of not having been involved, reluctance to lose power, self interest for those who were benefiting from the old system among others.

4.3.10 KRA response to resistance to change

On KRA's response to resistance to change, the following emerged: continuous upgrade of IT systems to stem out systemic resistance, creating awareness through workshops, taxpayer week for highlighting and demonstrating the new initiatives and benefits, staff training, taxpayer training, stakeholders involvement from the onset, deployment of extreme resisters to other non critical sections or retrenchment, giving of directives which have to be implemented, support of post graduate studies to improve skills and attitude, comforting those affected and those who feel threatened by the new practice that they wont be sacked, developing a professional team, taxpayer services (setting up customer service desk to attend to taxpayer issues), use of legislation to enhance adherence to law. External agents were also used, bringing in objectivity and experience.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a summary of the research findings. It then gives conclusions derived from the study, recommends and finally gives suggestions for further studies.

5.2 Summary

The objective of this study was to establish the strategic change management practices of Kenya Revenue Authority. An extensive literature was reviewed in the areas of strategy, strategic change management, change in the workplace and resistance to change. The approach used in the study was case study. A number of departments were targeted and the resource persons identified for interviewing. The data there from was analyzed using content analysis.

The study findings can be summarized as follows: the external environment affects the operations of KRA. The components such as political and legal framework, economic factors, and technological developments are important and have to be monitored. KRA has to adapt to the changing environment. The authority has also responded to the changing environment by undertaking some initiatives such as automation and setting up a reforms office to co ordinate reforms. These initiatives have been instrumental in the change process. The strategic changes that have taken place in KRA include automation of operations, restructuring of departments, customer focus, re branding among others. The factors that favor change in the organization are top management commitment.

government support, committed staff and involvement of stakeholders. There is an agreement that organizational structure and management style affect strategic change management at KRA. There are a few incidences of resistance to change from the staff, the taxpayers and the systems (capacity). However these change resistors are being dealt with by different approaches including participation, training and increasing capacity

5.3 Conclusion

Based on the above, KRA has to a great extent successfully managed strategic change to be at par with the changing environment. The revenue collected has been on the increase, customer satisfaction has improved, and on line filing uptake has been satisfactory. Staff has also generally been motivated, participates more and is more informed. KRA is respected now than it was before the changes took place. Other phases of projects are still being implemented.

5.4 Recommendations

KRA management structure should be more flexible and lean so that change can go either way, up and down. There is also need for more consultation and involvement at all levels so that change initiatives can be readily accepted and implemented. Change proposals, though on a smaller scale should be encouraged and rewarded. These could be operational improvements of processes to strategic changes. Change should be part of the organizational culture so that everyone becomes innovative.

5.5 Limitations of the study

This study faced a number of challenges. The time available was limited. Conducting of interviews with the resource persons needed planning. Most respondents are engaged in their work and so time to interview them was limited. The other limitation is scope. The various aspects of change management were not covered in depth given the general nature of the study.

5.6 Recommendation for further study

This project aimed at determining overall strategic change management practices at KRA. Further studies should be done on dealing with resistance to change more extensively, effect of management style and organizational structure on strategic change management. This will yield further insights useful for building the body of knowledge on this area.

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11. Indicate the incidences of resistance to change faced by KRA.....
12. Indicate how KRA is responding to resistance to strategic change management practices.....