THE APPLICATION OF PORTER'S VALUE CHAIN MODEL AT THE KENYA REVENUE AUTHORITY (KRA)

By

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DECLARATION

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

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

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DEDICATION

This work is dedicated to Lundha Secondary School, a small village school in Gem District, North Gem Location, Lundha Sub location to inspire young girls and boys to aim high in academics and challenge the existing standards.

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ACRONYMS AND ABBREVIATIONS

BSC	Balance Score Card
CAMIS	Cargo Management Information System
CG	Commissioner General Of KRA
CSD	Customs Services Department
DPC	Document Processing Centre
DTD-DR	Domestic Taxes Department-Domestic Revenue
DTD-LTO	Domestic Taxes Department-Large Taxpayers Office
EAC	East African Community
ECTS	Electronic Cargo Tracking System
HRD	Humana Resources Department
ICT-	Information & Communication Technology
IDF	Import Declaration Form
I&E	Investigation & Enforcement
ITMS-	Integrated Tax Management System
KRA	Kenya Revenue Authority
KPA	Kenya Ports Authority
KWATOS	Kilindini Water Front Management System
M&C	Marketing &Communication
PAYE	Pay AS You Earn
PSS	Procurement & Supplies Services
PMBO-	Programme Management and Business Analysis Office (PMBO)
RARMP	Revenue Administration Reforms and Modernization Programmes
RTD	Road Transport Department
R&CP	Research & Corporate Planning Department
TLB	Transport Licensing Board
TOT	Turn Over Tax
TQM	Total Quality Management
VAT	Value Added Tax
VCA	Value Chain Analysis
VMS	Vehicle Management System

ABSTRACT

The study was conducted to determine the extent of application of Porters Value Chain Model at Kenya Revenue Authority (KRA) and further to identify both areas of strengths which could be maximized and areas of weaknesses which require improvement and urgent attention in order for KRA to continue attaining its corporate targets. The study design was a case study conducted at KRA headquarters in Nairobi. Fifteen informers were interviewed, mainly senior managers at the grades of Senior Assistant Commissioner, Deputy Commissioner and Senior Deputy Commissioner. All the informers had attained graduate qualifications and the majority have served KRA for a period of between 10-15 years. This group was therefore well placed and familiar with the operations of their departments. The informers were drawn from four revenue departments namely Customs Services Department (CSD), Domestic Taxes –Large Taxpayers Office (LTO), Domestic Taxes –Domestic Revenue (DTD-DR) and Road Transport Department (RTD) which perform primary functions at KRA. In addition, eleven support departments participated namely, Human Resource Management, Procurement & Supplies Services, Finance, Research & Corporate Planning, Legal Services, Internal Audit & Risk Management, Investigation & Enforcement, General Management (Commissioner General's office), Administration, Information & Communication Technology (ICT) and Marketing & Communication. The findings of the study showed that Porters Value Chain Model is being applied at KRA; First there was evidence of departmentation where the revenue departments perform the core or primary activities while Porters secondary activities are performed by the support departments. Overally, the primary activities are performed to a large extent with a mean score of 3.4 on a 5-point rating scale, while individually, inbound logistics attained a mean score of 3.6, operations attained 3.5, outbound logistics attained 3.0, marketing & communication attained a mean score of 3.4 and Services at 3.3.The secondary activities were equally performed to a large extent with a mean score of 3.9.Individual departments attained mean scores of ; Human Resource Department 4.2, Procurement & Supplies Services 3.3, Finance 4.0, Research & Corporate Planning 3.9, Legal Services 4.7, Internal Audit & Risk Management 3.9, Investigation & Enforcement 3.5, General Management (Commissioner General's Office) 4.5, Administration 3.6, Information & Communication Technology (ICT) 3.3 and Marketing & Communication 3.6.

Even though the results show appreciation of the model, there are still value activities which need improvement if KRA is to attain higher performance levels. These include, need for additional funding for Revenue Administration Reforms and Modernization Programmes (RARMP) projects, additional staffing requirements, additional staff development programmes, continuous automation of processes within the support departments such as Procurement ,Human Resources, Finance ,Administration among others, need for improved service delivery through the practice of Service Level Agreements (SLA) and Relationship Management among others. Interestingly, the departments on their own evaluation felt they are performing above average .However, when rated by other department there is need for a lot of improvements required in service delivery. The need for continuous surveys on employee and customer satisfaction levels is critical for purposes of rating and identifying areas of improvement in the value chain both internally and externally. The study only looked at the internal value chain of KRA , there is therefore the need to study the value chains of KRA's customers, suppliers and other stakeholders like the Government, Central Bank of Kenya, Kenya National Audit Office, Kenya Bureau of Standards, Kenya Ports Authority, Kenya Airports Authority among others.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The operating environment for both private and public organizations in Kenya has dramatically changed in the past decade. Public institutions for example have been under intense pressure from Kenyan taxpayers demanding for high quality goods and services. Drucker (1954) observed that organizations that do not change to meet the dynamic market conditions through value addition to their customers will struggle at best to maintain them. He further argued that even such world-class firms such as General Motors, IBM and Sears among others have found out that the old ways of operating are not working, and they are having difficulty achieving the levels of performance that formerly made them great. There is therefore need for a systematic approach to determine the changes that have to be made to an organization's strategy and internal capability in order to assure the organization's success in the future operating environment. Ansoff (1990) presented a strategic success hypothesis and argued that a firm's performance potential is optimized when the following three conditions are met: Firstly, aggressiveness of the firm's strategic behavior matches the turbulence of its environment, secondly, the responsiveness of the firms capability matches the aggressiveness of its strategy and finally that the components of the firms capability must be supportive of each other.

The most important business goal for a state corporation like Kenya Revenue Authority (KRA) is to collect more revenue and contain the costs related to collection in order to meet its set target. The best practice for Kenya Revenue Authority as a tax collecting agency is therefore to implement an integrated value chain system that links its core (primary) and support (secondary) activities. If it is to achieve exemplary corporate performance by delivering value to taxpayers, then it is all about efficiency and effectiveness and as such it needs to understand how value is created or lost. The value chain concept is therefore critical in understanding this (Porter. 1985).

1.1.1 Porters Value Chain Model

A value chain is a linear map of the way in which value is added by means of a process from raw materials to finished delivered product (including service after delivery). Porter (1985) further explains that the value chain describes the activities within and around an organization which together create a product or service. He argued that it is the cost of these value activities and the value that they deliver that determines whether or not best value products or services are developed. Corporate Performance is therefore dependent on the linkages of the value chain activities and striving to contain costs within the value chain system better than the competitor.

The value-chain concept has been extended beyond individual organizations. It can apply to whole supply chains and distribution networks. The delivery of a mix of products and services to the end customer will mobilize different economic factors, each managing its own value chain. The industry wide synchronized interactions of those local value chains create an extended value chain, sometimes global in extent. Porter terms this larger interconnected system of value chains the "value system." A value system includes the value chains of a firm's suppliers (and their suppliers all the way back), the firm itself, the firm distribution channels, and the firm's buyers (and presumably extended to the buyers of their products, and so on). Porter identified five primary and four secondary activities each of which will potentially contribute to competitive advantage.

According to Porter (1985), the primary activities are directly concerned with the creation or delivery of a product or service. They include; Inbound Logistics, Operations, Outbound Logistics, Marketing and sales activities and Service activities. On the other hand, secondary activities help to improve the effectiveness or efficiency of primary activities to which they are actually linked to. The four secondary activities include. Procurement. Technology Development. Human Resource Management and the firm's Infrastructure.The focus of this study shall be on Kenya Revenue Authority where there is an increasing pressure from the central government to collect more revenue to meet its national budget. Further, there is an increasing demand from the Kenyan Tax Payers for provision of efficient services. The relevance therefore of the application of Porter's Value chain model in analyzing the linkages between KRA's core and support activities and their subsequent contribution to corporate performance is of great importance to its stakeholders.

1.1.2 Kenya Revenue Authority

Kenya Revenue Authority (herein referred to as KRA or the Authority) is a State Corporation[1] which was established by an Act of Parliament of 1st July 1995 Cap 469. The Authority is mandated on behalf of the Republic of Kenya to collect, to account for and administer laws related to tax and revenue collection, as an agency of the Government. In addition, KRA is expected to advise the Government on all matters relating to the administration of, and the collection of revenue under the written laws or the specified provisions of the written laws set out in the First Schedule of KRA Act. Over the years, KRA has evolved to become a modern and fully integrated revenue administration agency. Revenue collection has increased from Kshs.122 billion at inception of KRA in 1995 to Kshs.480.569 billion in 2008/09 financial year accounting for over 93% of total government revenue.[2] KRA has also continued to play an important role in facilitating trade and investment climate, protection of citizenry against prohibited goods and enhancing national security.

Kenya Revenue Authority is headed by a Commissioner General. He is assisted by six (6) Commissioners who head the following departments namely: Domestic Taxes- Domestic Revenue, Domestic Taxes - Large Taxpayers Office, Customs Services, Road Transport, Support Services, and Investigation & Enforcement. In addition to the above, there are eight (8) other support departments namely Finance, Human Resources, Information & Communication Technology, Internal Audit & Risk Management, Board, Corporate Services & Administration, Research and Corporate Planning, Legal and Marketing &Communication .To enhance administrative efficiency, KRA has restructured and harmonised countrywide operational boundaries into five (5) regions: Western Region, Rift Valley Region, Central Region, Northern Region and Southern Region headed by Senior Deputy Commissioners. KRA is governed by a board of directors headed by a chairman appointed by the President. The Minister for Finance, upon recommendation of the board appoints the Commissioner General (CG). KRA strategic intent is to be the leading revenue authority in the world,

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[1] A State Corporation also referred to as a Parastatal is a public enterprise that is state owned and is quasi-autonomous and operates outside of the regular civil service structure.

[2] End of financial year report Kenya Revenue Authority 2008/09. A total of Kshs.480.569 billion was collected KRA

respected for professionalism, integrity and fairness (KRA's third Corporate Plan, 2006/2007-2008/2009).

1.2 Statement of the Problem

The focus on value adding systems in state corporations is likely to gain prominence in the coming periods since the introduction of performance contracting in Kenya. The reasons for this may be many and varied but of importance here is that the linkage between the cost of producing services and goods up to the actual service delivery and (possibly disposal) and the value of the final service is now an area of concern to the Government, funding partners such as World Bank and the citizenry among other stakeholders. Whereas in the private sector the value chain seems to revolve around factors like profit and bottom line earnings, of great concern to KRA is the relatedness of the different activities in the value chain and the strategies that are put in place to ensure that there is synergy and resonance in the value creation process so us to deliver value to the Kenyan Taxpayers. Strategies to attain superior corporate performance are therefore needed and it is believed that these will come from creating, communicating and delivering superior value to carefully targeted customers (Porter, 1985). KRA is very keen on achieving this if it is to attain its corporate targets.

Over the past five years KRA has been undertaking several Revenue Administration Reforms and Modernization Programmes (RARMP) all geared towards improvement of its processes and intended to increase revenue growth and boost its corporate performance. KRA has had its fair share of challenges in meeting its revenue targets. Insecurity, smuggling of goods, counterfeit products, non- compliance to relevant revenue Acts and tax evasion are some of the day to day challenges facing the Authority. The Authority has failed to meet its revenue target for the financial year 2008/2009 by Kshs.12.306 billion and it has a new target from the Ministry of Finance of Kshs.545.228 billion for the new financial year 2009/2010 down from Kshs.492.875 billion for the just ended financial year 2008/2009.The actual collection represented a growth over actual of Kshs.64,659million (13.5%). Apparently, no new revenue enhancing measures were introduced in the 2009/2010 budget; the additional revenue therefore, will have to be realized from improved administrative measures. With such pressures, the management of KRA must have the capacity to adapt and reorganize the organization's operations inorder to survive in the operating environment (Kangoro, 1998).

Several studies have been undertaken in KRA like Wamalwa (2008) about the challenges facing the implementation of Public Procurement & Disposal Act 2005 and Public Procurement Regulations 2006 .In her study, she found out that there is too much bureaucracy and red tape in the procurement process of KRA. Further majority of the respondents disagreed that the implementation of the Act has promoted efficiency in the Authority. In 2007, Mwangi in his study of the application of Total Quality Management (TQM) in the Road Transport Department, found out that the majority of respondents indicated that it takes an applicant between one to two months to acquire a driving license. Further, the professionalism of KRA staff were rated as fairly poor while the majority who apply for driving licenses are bound to lodge complaints.

Further studies like Mwangi (2006) only focused on the application of Balance Score Card (BSC) in the implementation of a strategy while Siror (2003) looked at the attitude of KRA employees towards telecommuting and found out that the majority of the staff are positive about telecommunication and in total embrace information technology .Indeed, all of the above studies were undertaken in only some of the primary and secondary activities of the value chain which were investigated independently. No attempt has been made to study the extent of application of Porters value chain model dependently and its linkages to corporate performance at the Authority.

Given KRA's role and its zeal to maintain high revenue collection there is need for the management to critically analyze value chain activities and their linkages in order to minimize costs but deliver high quality services and enhance revenue collection. It is not known however which value chain activities KRA may capitalize on and which ones to improve proactively across board and increase its revenue performance. The study therefore sought to fill the gap by answering the following research question: To what extent is Porters value chain model being practiced at KRA?

1.3 Objectives of the Study

The study sought to achieve the following three objectives:

a) To determine the extent of application of Porter's Value Chain model at KRA.
b) To identify which value chain activities have been best performed in order to capitalize on.
c) To determine which value chain activities require improvement and urgent attention.

1.4 Importance of the Study

The study results can assist the management of KRA in strategic planning and effective and efficient operations management. The results do reveal the areas of strengths which can be maximized to enhance revenue collection and exceed stake holder's expectations. Likewise areas of weaknesses which require improvement and urgent attention across departments have been identified.

The study can also be important to the government agencies whose interest lies in improved services delivery for economic development and creating investor confidence. With the introduction of performance contracting the government of Kenya is keen on minimizing expenses but delivering services of high quality to the citizenry. The findings can also help the government in policy formulation.

The results of the study are important to practitioners and academicians both in the private and public sector by contributing to the existing body of knowledge in the area of value chain analysis by Porter. Scholars can use findings for further research, while practitioners may apply lessons in strategic planning and efficient operations management.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The value chain was a concept developed by and made public by Harvard strategy guru Michael Porter. The value chain also known as value chain analysis, is a concept from business management that was first described and popularized by Michael Porter in his 1985 best seller, *Competitive Advantage: Creating and Sustaining Superior Performance*. The value chain categorizes the generic value-adding activities of an organization as the "Primary activities" and these include: inbound logistics, production, outbound logistics, sales and marketing and maintenance. The 'support activities' include: administrative infrastructure management, human resources management, Research and Development and Procurement. The costs and value drivers are identified for each value activity. The value chain framework quickly made its way to the forefront of management thought as a powerful analysis tool for formal strategic planning. Its ultimate goal is to maximize value creation while minimizing costs (Johnson, Scholes and Whittington, 2005).

2.2 Strategic Planning and Financial Performance

Formal strategic planning can be defined as "the process of determining the mission, major objectives, strategies and policies that govern the acquisition and allocation of resources to achieve organizational aims" (Pearce et al., 1987).These and others like Mintzberg and Campel, (1999) concur that the intention of formal strategic planning process is to convey explicit systematic procedures used to gain involvement and commitment of those principal stakeholders affected by the proposed plan. Several strategy-related works like (Mintzberg, 1994; Selznick, 1957 and Steiner, 1979) observed that strategic planning acquires value only when committed people infuse it with energy. Further, they concluded that strategic planning results in superior financial performance only when managers engage in the process with some intensity. Strategic planning has become an important best practice for organizations and as such existing literature suggest that the value chain concept has proved to be a powerful tool of analysis.

2.3 The Value Chain Concept

A value chain is a linear map of the way in which value is added by means of a process from raw materials to finished delivered product (including service after delivery).According to Porter (1985) the value chain describes the activities within and around an organization which together creates a product or service. He argued that it is the cost of these value activities and the value that they deliver that determines whether or not best value products or services are developed.The value-chain concept has been extended beyond individual organizations. It can apply to whole supply chains and distribution networks. The delivery of a mix of products and services to the end customer will mobilize different economic factors, each managing its own value chain. According to Johnson and Scholes (2002), a good product could result from how a set of linked activities are performed from design, component manufacture, assembly process, core and speed of distribution, storage, installation and after sales service.

The industry wide synchronized interactions of those local value chains create an extended value chain, sometimes global in extent. Porter (1990) terms this larger interconnected system of value chains the "value system." A value system includes the value chains of a firm's supplier (and their suppliers all the way back), the firm itself, the firm's distribution channels, and the firm's buyers (and presumably extended to the buyers of their products, and so on). Porter identified five primary and four secondary activities each of which will potentially contribute to competitive advantage.

2.3.1 Porters Primary Activities

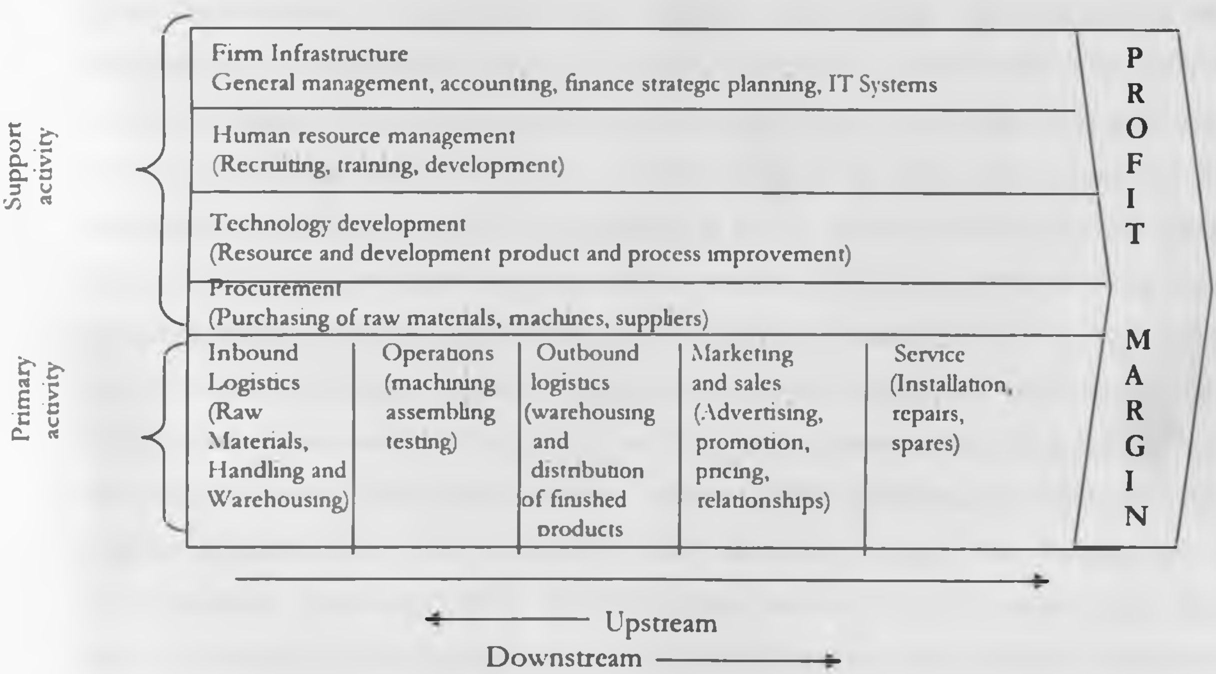
According to Porter (1985), there are five primary activities directly concerned with the creation or delivery of a product or service as shown in Exhibit 1. According to Pearce & Robinson (2005), primary activities (sometimes called line functions) are those involved in the physical creation of the product/service, marketing and transfer to the buyer, and after sales support. These include: Inbound Logistics which are all activities linked to receiving, handling, storing and distributing/disseminating inputs into the production/service system; including warehousing, transport, returns to suppliers and stock control. In KRA, this is undertaken by the Procurement & Supplies section in conjunction with the Revenue departments such as Customs, Domestic Taxes-Large Taxpayers Office, Domestic Revenue and Road Transport .All the inputs are including accountable documents, printed & unprinted stationery, computer consumables, and relevant revenue Acts and manuals, technical bulletins. With regard to inbound logistics low cost is a fundamental basis for competitive advantage. According to Mintzberg and Quinn (1991) cost analysis is important in asset acquisition to rationalize the product mix and price correctly. Past studies like Musau (2003) found out that inbound logistics is very important in the manufacturing sector.

Operations; are all activities involved in the transformation of inputs to outputs as the final products (s).In a manufacturing firm; these would include production assembly, quality control and packaging. In a service industry, these include all activities involved in providing the service, such as advise, correspondence and preparation of documents by a legal firm. The revenue departments have staff involved in operations and process different requests of taxpayers including, import & export clearance, Value Added Tax determination, processing of driving license, Motor vehicle logbook, transfers, processing of land rent, stamp duty among others. Hofer (1986) concluded that for optimal success of an organization there is need for both a strong operating and strategic position. According to Odero (2006) operations should be conducted in an efficient & effective manner .This culminates to all possible day-to- day activities that may affect the general process towards service delivery. Musau (2003) also underscored the importance of operations with respondents rating it as important at 87% in the manufacturing sector in Kenya.

Outbound Logistics ; are activities involved in moving the output from operations to the end user, including finished goods warehousing, order processing, order picking and packaging, shipping, transport, maintenance of a dealer or distribution network. In the case of services, it may be concerned with arrangements for bringing customers to the service if it's a fixed location (e.g. sports events).KRA has created several service points/branches and stations countrywide where Kenyan Taxpayers can access services. Marketing and sales activities are involved in informing potential customers about the product, persuading them to buy and enabling them to do so, including advertising, promotion, market research and dealer /distributor support. KRA has Marketing and Communication Department which undertakes this, organizes public sensitizations, Taxpayers week celebrations where top leading taxpayers are recognized and rewarded. Marketing & Sales basically prepares the offering to meet the needs of targeted customers. This focuses strongly upon marketing communications and the promotions mix. The elements of price, product, place and promotion are quite vital.

For good performance this should entail customer sensitization, determination of customer satisfaction levels, full extent of new products roll out into the market and to a very large extent the practice of relationship marketing. (Odero ,2006).

Lastly, Service activities which are involved in the provision of services to buyers offered as part of the purchase agreement. including installation, spare parts delivery. maintenance and repair, technical assistance, buyers' enquiries and complaints.Odero (2006) found out that the main concern is to bring customers to the service if it is in a fixed location. Services are intangible & customers will more often than not depend on perception to make choices between alternatives. Odero further argued that the mode of presentation in a manner likely to create repeat purchase behavior by the target market as evident by the quest to know the customers satisfaction levels. Prompt resolution of customer queries, willingness to help customers understand products, monitoring of complaints and putting preventive measures towards avoiding recurrence are key to attain customer satisfaction. For efficiency, outsourcing of non- core business activities is necessary to ensure more time is allocated towards the goals of the business (Odero, 2006).



Source: Adopted from Porter. M.E. (1985)

Figure 2.1: Value Chain Analysis of an organization

2.3.2 Porters Secondary Activities

Support value activities can be divided into four generic categories as shown in Figure 2.1 above. These activities help to improve the effectiveness or efficiency of primary activities to which they are actually linked to (Johnson, Scholes and Whittington,2007).Support activities (sometimes called staff or overhead functions) assist the firm as whole by providing infrastructure or inputs that allow the primary activities to take place on an ongoing basis.(Pearce & Robinson , 2005).These activities include; Firstly, Procurement these includes all activities involved in acquiring resource inputs to the primary activities, including the purchase of fuel, energy, raw materials, components, assets such as machinery, soft and hard wares, office equipment and consumable items from external vendors. Procurement tends to spread through out the organization and generally has a significant impact on the firm's overall cost and differentiation. Indeed, Johnson and Scholes (2002) affirm that procurement do underpin excellence in creating best value in products.

Secondly, Technology development- activities relating to product design and improvement of production processes and resource utilization, including research and development, process design improvement, computer software, computer-aided design and engineering and development of computerized support systems. Technology development will describe innovative capacity of an organization .Key technologies are mainly specific to a product, process or particular resource and this is fundamental to the innovative capacity of the organization,(Johnson, et al ,2005).Technology is key in creating competitive advantage. However, investment in technology requires two critical shifts that is a shared vision and a proactive mindset in order to realize return on investment. .A shared vision – an organization must first share its vision of where it is going with all levels of staff. The vision then answer the question why are we investing in this and what does it mean to the client and the firm. The organization will then establish some standards work processes that ultimately will improve utilization & cross training of staff members. Further, the Information & Communication Technology (ICT) department must have a proactive mindset rather than reactive to issues. ICT must have the perspective that technology is a means to leverage their business initiatives and to manage their critical assets, time, and people & money. Further, they must appreciate the need to drive the process as a means of controlling overhead costs, leveraging resources and providing quantifiable return on investment (Odero, 2006).

Thirdly, is Human Resource management which includes all the activities involved in recruiting, hiring, training, developing and compensating the people in an organization. Human resource formulates the organizations character which entrenches the perspective influencing the way an organization develops new ideas, considers and weighs options and responds to its environment. It supports both individual primary and support activities and the entire value chain. Human resource management affects the competitive advantage in any firm through its role in determining the skills and motivation of employees and the cost of hiring and training. According to Odero(2006) the benefit an organization realizes from human capital investment is directly proportional to the quality of its human resource, strategy, processes and overall management. The outcomes of an organization's human resource processes are critical capabilities like enhanced leadership, managerial competency, employee efficiency and proficiency and workforce collaboration. An efficient human resource organization empowers employees, managers, suppliers and partners and leverages technology to accomplish strategic business goals.

Lastly, is the Firm's infrastructure- or general administration, including activities, costs and assets relating to general management safety and security, finance, accounting, legal affairs, research & corporate planning, management information systems and the formation of strategic alliances. Infrastructure unlike other support activities usually supports the entire chain and not individualized activities. Firm infrastructure is sometimes viewed only as "overhead" but can be a powerful source of competitive advantage.

According to the Porters value chain model, the word margin on the right side indicates that the firm obtains a profit margin that is more than the cost of each of the individual activities or subsystems that comprise the value chain. He argued that the end customer is more willing to pay more for a product or service than the total cost of all the value chain activities or subsystems. Linkages are the means by which the interdependent parts of the value chain- both internal and external- are joined together .Such linkages take place when one element affects the cost effectiveness of another element in the value chain. Linkages thus require coordination, ensuring that products are delivered on time .Indeed, Wilkins (1989) reinforces this view and points out that without internal alignment there cannot be external alignment. Internal alignment involves having aligned resources- both human and non human, systems, goals and objectives to enable the organization maximize its output. External alignment involves the capability of fulfilling the consumer needs and the other stakeholders' expectations like shareholders, the government among others. At the core of strategy, then is the ability to build and maintain relationships to the best people for maximum value creation, both 'internally' to the firm's representatives and 'externally' to the customers (Revang et al , 1998).

2.4 The Focus of Porters Value Chain Model

Porters' value chain model has made two valuable contributions to understanding the value chain. Firstly, it places a major emphasis on the materials management, value adding mechanism raising the subject to a strategic level and secondly, he places the customer in an important position in the supply chain. In overall analysis, Porters value chain model lays emphasis on the following areas. Firstly is on the basis of the principal objective where according to Porter the focus is on profitability. Secondly, is the process, Porters model is a push system. Thirdly is on the structure and direction, Porters' model focuses on a series of chains linking firms pointing from raw materials source to customer. Fourthly, is on primary activities Porters focus is on inbound logistics, operations, outbound logistics, marketing and sales service. Lastly, the basis is on secondary (support) activities Porters model focused on firm infrastructure, Human Resource Management, technology development, procurement.

2.5 Value Chain Analysis (VCA)

Value chain analysis is concerned with a detailed examination of each subsystem in a supply chain and every activity within these subsystems with a view to delivering maximum value at the least possible total cost, thereby enhancing value and synergy throughout the entire chain. VCA attempts to understand how a business creates customer value by examining the contributions of different activities within the business to that value. Porter (1985) states that there are two ways in which an organization can obtain a sustained competitive advantage through three generic strategies namely, cost leadership, differentiation and focus This study was concerned with Kenya Revenue Authority which is a non profit making organization and as such the concept of competitive advantage does not apply. However, KRA has to perform otherwise the Parliament of Kenya may decide to create another revenue agency. Consequently, the researcher opines that the cost leadership strategy is relevant but in the context of cost efficiency which if adopted enables KRA to provide high quality services to the taxpayers at affordable cost, also in order to enhance compliance, KRA services must be accessed at the lowest cost.

Cost analysis with regard to value chains is performed by assigning costs to the value chain activities. Porter (1985) identified ten major cost drivers that determine the value or cost of activities. Firstly, economies or diseconomies of scale he argued that fixed costs spread over a large volume of production or service delivery are more cost-effective than producing small quantities of an item or serving few clients. Diseconomies of scale in procurement can occur if large requirements meet an inelastic supply, forcing up input prices. Secondly is learning and spillovers –learning can reduce costs and can spill over from one industry to another via suppliers, ex-employees and reports of representatives. Thirdly, capacity utilization- changes in the level of capacity utilization will involve costs of expanding or contracting. Fourthly, linkages between activities with suppliers centre on the suppliers product design characteristics, such as service and quality. The way in which a supplier performs activities within the value chain can raise or lower the purchasers' costs.

Fifthly, interrelationships- sharing a value activity with another business unit can reduce costs. Further Porter (1985) pointed out that certain raw materials can be procured more cheaply by combining units' requirements. Sixthly, degree of vertical integration every value activity employs or can employ purchased inputs and thus poses integration choices for example the cost of an outbound logistics activity may vary depending on whether or not the enterprise owns its own vehicles Seventhly, Timing of market entry that is an enterprise may gain an advantage from being the first to take a particular action. This has worked quite well for KRA during introduction of certain services. Eighthly, an organizations policy of cost or differentiation-The cost of a value activity is always affected by policy choices a firm makes independently of other cost drivers. Policy choices reflect a firm's strategy and often deliberate trade-offs between cost and differentiation. geographical location is another critical factor in inbound logistical cost and lastly institutional factors-Government regulations, taxation, unionization, tariffs and levies constitute major cost drivers (Porter, 1985).

2.6 PERFORMANCE EVALUATION

According to Anderson (1999) performance measurement provides information about how well a process is being conducted and how good the results from it are. He further argued that "you cannot manage what you cannot measure" therefore observing that "what gets measured gets done" Performance evaluation deals with the area of management accounting that is concerned with, holding individual managers responsible concerning aspects of organizational performance, making them accountable by producing regular performance report relating to matters in which they are responsible, motivating managers to bring better results of setting targets for performance , judging actual performance against the target and responding good performance., giving managers control to enable them make decisions about improving their performance. Giving manager's authority to make decisions and holding them responsible for the exercise of that authority is referred to as responsibility accounting.

2.6.1 Responsibility Accounting

Responsibility Accounting systems are based on the organizational structure of organization. Operating units such as departments, plants territories or divisions are held accountable for costs and revenues that are subject to their control. At KRA departments and regions are used as operating units. Further responsibility units are established according to their nature of accountability. KRA holds departmental and regional heads responsible for their cost centers. Equally, Commissioners as heads of revenue departments are held for revenue generation and meeting of revenue targets. Revenue performance reports are prepared on daily /weekly/quarterly basis and furnished to management with feedback about operating results and are used for purposes of evaluation and control. The performance compares budgeted figures to actual figures, the difference being reported as a variance from the budget (KRA Finance /Research& Corporate Planning reports 2009).

2.6.2 The Balance Scorecard (BSC)

This is a measurement system that enables organizations to clarify their vision and strategy and translate them into action. It provides feedback around both the internal business processes and external outcomes in order to continuously improve strategic performance and results. Indeed, Kaplan and Norton (1996) have described the innovation of the balance scorecard as follows:

"The balance scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, process, technology and innovation'

The BSC views the organization from the following four perspectives First, the learning and Growth Perspective, the Business Process perspective, the Customer Perspective and the Financial Perspective. KRA has adopted the BSC all management staff have to sign performance Contracts (PC) the basis of which each is evaluated. It is against this PC which the performance of KRA is evaluated. KRA makes quarterly announcements of revenue performance and reports to the Kenyan Public the actual performance compared to budgeted/targeted performance and records a surplus or shortfall. The same performance reports are submitted annually and financial statements and reports reflecting the same are prepared annually.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the details of the methodology. The choice of the research design is presented with the justification for use of a case study. Data was collected from fifteen informers being senior departmental managers both from revenue and support departments of KRA.The data was analyzed using mean scores for linkert scale questions and content analysis for open ended questions.

3.2 Research Design

The research was conducted through a case study. It sought to determine the extent of application of Porters Value Chain Model at KRA and its linkage to corporate performance. The case study method was chosen as it enabled the researcher to have an in-depth understanding of the model. The design is most appropriate where a detailed analysis of a single unit is desired. This is advocated by the works of Young (1960) and Konthari (1990) who both acknowledge that a case study is a powerful form of qualitative analysis that involves a careful and complete observation of a social unit be it a unit, a person, a group, a social institution, a district or a community. This study was mapped on similar related studies such as Odhiambo (2003), Odero (2006) and Odundo (2007) that have used the same study design. The study was carried out at the KRA headquarters in Nairobi, where all the departmental offices and corporate decisions are located and made respectively.

3.3 Data Collection

The study involved collection of primary data and approval and introduction letters from the School of Business, University of Nairobi, and KRA's Human Resource Department were attached for the informers information (see appendix 1 and 2).An interview guide was used to collect data from fifteen departments across KRA. Fifteen informers from the identified departments were drawn from the levels of Senior Assistant Commissioner, Deputy Commissioner and Senior Deputy Commissioner who are well versed with the operations of their respective departments. The departments identified included four revenue departments which perform the primary activities of KRA namely; Customs Services(CSD), Domestic Taxes-Large Taxpayers Office (DTD-LTO), Domestic Taxes-Domestic Revenue(DTD-DR), Road Transport(RTD).Eleven support departments participated in the study namely; Human

Resources, Procurement &Supplies, Finance, Research &Corporate Planning, Legal Services, Internal Audit &Risk Management, Investigation &Enforcement, General Management(Commissioner Generals Office),Information & Communication Technology (ICT), Marketing & Communication and Administration.

A standard interview guide was used to collect data from the revenue departments (see appendix 3) while a different interview guide was used for the support departments (see appendices 4-13). The study guides had Section A where informers were asked general information; section B which was testing on the extent of Porters value chain application at KRA.This section was specific to each department. There was section C where the informers were asked to identify five most important value chain activities in their respective departments which they excelled in and five value chain activities which require improvement and urgent attention. Further, each department was asked to rate the quality of services obtained from the other departments and lastly each department was asked to highlight the value activities they felt need improvement within such departments to enable KRA attain its corporate targets. The researcher personally booked appointments and interviewed the fifteen informers.

3.4 Data Analysis

The data was analyzed using percentages mean scores and content analysis. Section A was analyzed using percentages while in Section B mean scores were calculated to determine the extent of application of Porters model at KRA. In section C content analysis was mainly used to identify areas of strengths and weaknesses which require improvement. Content analysis enabled detailed description of objects, items or things that comprise the study(Mugenda.1999).This approach has been used in similar research papers like Odundo (2007).The interview guides were checked for accuracy , consistency with the facts gathered and uniformity entered. They were also edited where necessary to facilitate both quantitative and qualitative analysis.

CHAPTER FOUR: DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the findings of the study .It is structured in three sections, section A is the analysis of the general information about the informers. Secondly is section B where the findings of the extent of application of value chain activities at KRA is presented for both the primary and secondary activities. Thirdly, is section C which has four sub sections with findings on the key value activities per department that have made the department achieve its objections, the value activities that require improvement and urgent attention as self identified per department and as pinpointed by other departments through organizational linkages. Lastly, the results of departmental rankings in terms of service delivery are presented at the end of the chapter.

4.2 Informers profile

Data was collected through in-depth interviews from fifteen informers drawn from the various departments of KRA. The informers were mainly senior managers at Senior Deputy Commissioner, Deputy Commissioners and Senior Assistant Commissioners grades. Majority of them (over 73%) had post graduate academic qualifications and have served KRA between five to ten years.

4.3 Extent of application of Porters Value Chain Model at KRA

To determine the extent of application of Porters value chain model at KRA. the questions were structured along primary and secondary activities of the Authority. Four revenue departments which perform the core (primary) activities of KRA were identified namely, Customs Services, Department (CSD), Domestic Taxes –Large Taxpayers Office (LTO), Domestic Taxes –Domestic Revenue (DTD-DR and Road Transport Department (RTD).The same questions testing on all the primary activities namely: inbound logistics, operations, outbound logistics, marketing & communication and services were asked to all the four departments. The details per department are presented hereafter.

4.4 Customs Services Department (CSD)

This is a revenue department in KRA which is mandated to handle inflow and outflow of goods into the country and monitor compliance to the relevant customs legislation. It administers import duty, excise duty, VAT on imports among others. This is a primary activity within the KRA context. The extent of application of the Value Chain model is shown in Table 4.4 . These are only summarized results; detailed results of each activity are shown in appendix14.

Table 4.4: Primary Activities of CSD

NO	ISSUE	Mean Score
1	Inbound Logistics	3.6
2	Operations	3.5
3	Outbound Logistics	3.0
4	Marketing & Communication	3.4
5	Services	3.3
	MEAN SCORE	**3.4**

The results depicted in the table above answers the first objective of the study and illustrates that primary activities are practiced at the Customs Services Department of KRA to a large extent with a mean score of **3.4.**

In section C of the interview the informer of the department indicated that the five most important value activities which have been contributing to the attainment of KRA's corporate targets include firstly, the introduction of SIMBA 2005 System which is an online system for clearing imports in the country has been fundamental by reducing long queues at customs clearing houses(long rooms) .Further it has reduced time taken to clear cargo at the ports of entry., secondly, is the introduction of Cargo Management Information System (CAMIS) System, which is a system for managing un-entered or undeclared goods into the country. Thirdly, is the improved linkage between customs and Kenya Ports Authority (KPA) through Kilindini Water Front Management System (KWATOS) which has assisted in reconciliation of imported goods according to the Ship owners manifest received by KPA while import clearance forms for payment of duty are received at KRA. This sharing of trade data has facilitated prompt process of clearance of both import and export cargo. Fourthly, the department indicated that the implementation of Electronic Cargo Tracking System for Transit cargo has assisted in the reduction of diversion of cargo meant for export into the local market. This has increased revenue collection since diversion leads to dutiable goods being sold in the local market without paying duty. Lastly, the department cited the implementation of Document Processing Centre (DPC) which is a centralized declaration of both imported and exported goods. This has assisted in monitoring of imports & exports and quick processing of documentation.

The department was asked to identify five value chain activities which require improvement and urgent attention. The informer cited the need to enhance the capacity of Simba 2005 system or introduction of a new superior system altogether. He argued that the current system was developed with a small population in mind and as such the capacity of the current system is almost being outstretched. Secondly, the need to harmonize Electronic Cargo Tracking System (ECTS) in the region that is East Africa Community (EAC).This he advised that other countries within EAC need to track their own cargo as this will reduce over reliance only on the Kenyan systems since the goods could be monitored out of Kenya only to be smuggled back and sold in the black market. Thirdly, is the need to implement East Africa Customs Union so that uniform tax rates can be applied within the region.

Further, all the remaining departments pointed out some of the following as the areas the Customs Services Department (CSD) need to improve in .The Domestic Taxes departments (DTD-LTO&DTD-DR), Road Transport Department (RTD) and Finance pointed out that there is need for more interfacing of the Customs operations in order to provide a seamless flow of information/ data. RTD needs a seamless flow of information from SIMBA 2005 System to Vehicles Management System ((VMS).The Human Resource Department pointed out that CSD should timely communicate its human resource requirements .The Investigation & Enforcement Department advised that CSD should implement recommendations on identified areas of revenue leakage a view shared by the general management that would like to see the strengthening of enforcement function. Both the Information & Communication Technology Department and Procurement & Supplies Division pointed out that CSD should prioritize and plan smartly for all their ICT& procurement requirements in order for their projects to kick of in time. The Legal services department pointed out that CSD should promptly respond to legal enquiry. Research &Corporate Planning pointed out the need for training the operations staff in public relations especially those in out stations .Lastly CSD should communicate more both internal & external in liaison with the Marketing & Communication Department.

4.5 Domestic Taxes –Large Taxpayers Offices Department (DTD-LTO)

This is the second revenue department which handles all tax payers with an annual turnover of above Kshs.750 million per annum. The department handles all domestic taxes issues relating to the group.The results of the extent of application of the Value Chain model are shown in Table 4.5. These are only summarized results; detailed results of each activity are shown in appendix 15.

Table 4.5: Primary Activities of DTD-LTO

NO	ISSUE	Mean Score
1	Inbound Logistics	4.0
2	Operations	4.25
3	Outbound Logistics	4.0
4	Marketing & Communication	4.0
5	Services	4.14
	MEAN SCORE	**4.1**

The results depicted in the table above answers the first objective of the study and illustrates that primary activities are practiced at the LTO of KRA to a large extent with a mean score of 4.1.The department seems to be performing well in all the value activities

In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, is the implementation of relationship management concept where each large taxpayer is assigned a relationship manager who handles all its queries. Secondly, is daily revenue monitoring of each taxpayer in LTO which improves compliance levels. Thirdly, is preparation of revenue forecasting reports for monitoring .Fourthly, is risk -based audit function which has helped in profiling large taxpayers and mitigating against identified risks, Lastly, is prompt dispute resolution process where all disputes lodged by large taxpayers are fast tracked.

LTO identified the following five activities in the department which require improvement and urgent attention, responding to mails from clients in a timely basis, improving on service delivery to clients, File movement management and storage, reduction of refunds backlog and monitoring of work done by junior staff for accountability. In addition to the above, other departments pointed out the following. Customs proposes for flow of export into domestic excise, while Domestic Revenue needs cross pollination- where LTO initiates new ideas/ strategies and have the same & staff transferred to Domestic Revenue Department in order to build capacity. RTD needs information sharing on commercial vehicles. Finance department requires quick processing of returns and payments of refunds to taxpayers to avoid backlogs. Investigation Enforcement department requires easy exchange of information on large taxpayers under investigation. Procurement, Administration and Human Resources need improvement in making prompt requests of LTO s requirements. The Legal department needs LTO to respond to legal enquiries promptly. The Internal Audit &Risk Management requires the department to improve their Risk management and Taxpayers service delivery. This is evident in the areas of processing tax refunds .The ICT requires LTO to own automation of their programs and lastly the Marketing & Communication requires improvement in interdepartmental communication.

4.6 Domestic Taxes –Domestic Revenue Department (DTD-DR)

This is the third revenue department and handles all taxpayers with an annual turnover of below Kshs.750 million .The results of the extent of application of the Value Chain model are shown in Table 4.6. These are only summarized results; detailed results of each activity are shown in appendix 16.

Table 4.6: Primary Activities of Domestic Taxes –Domestic Revenue (DTD-DR)

NO	ISSUE	Mean Score
1	Inbound Logistics	3.4
2	Operations	4.0
3	Outbound Logistics	2.4
4	Marketing & Communication	2 8
5	Services	3.0
	MEAN SCORE	**3.12**

The results depicted in the table above answers the first objective of the study and illustrates that primary activities are practiced at the DTD-DR of KRA to some extent with a mean score of 3.1.

In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, performance management through the introduction of Balance Score Card (BSC) .This he argued had attached targets and responsibility to individuals. Secondly, are monthly reviews of performance; thirdly is compliance strategies put in place such as monthly sensitization meetings to both staff and taxpayers on new products, policies, legal amendments. Lastly is the introduction of new online services such as the Integrated Tax Management System (ITMS) which has improved obligations of newly recruited taxpayers and made the departments' services accessible to the wider Kenyan public.

DRD-DR identified the following five activities in the department which require improvement and urgent attention. The need to increase outreach through opening of more satellite stations, redefinition of the Domestic Revenue tax base since all taxpayers with annual turn over of overKshs.750 million are categorized as large while, all taxpayers with annual turn over of less than Kshs.5million fall under the Turn Over Tax(TOT) this therefore means that the remaining taxpayer between Kshs.5million and Kshs.50 million are treated the same , recruitment of more staff, improvement of the working environment especially in the out stations in terms of equipment. The need to improve in inventory management of key inputs and outputs, the need to facilitate quick processing of income tax refunds/rebates. This issue was also identified by Finance and Research & Corporate Planning departments. In addition to the above, the other departments pointed out the following, Customs need flow of export into domestic excise, RTD requires status on advance tax, Human Resource, Legal services and Administration departments require DTD-DR to respond to issues and enquiries promptly and to provide their requirements in good time, Procurement requires origination of clear specifications for goods and services and that the department should participate in evaluations & Procurement Planning of their requirements. The Internal Audit department requires an improved risk management and audit process /section of cases identified. The Investigation & Enforcement department requires enhanced follow up of intelligence summaries provided and feedback on those followed up. Lastly, ICT requires ownership of automation programs,

4.7 Road Transport Department (RTD)

This is the fourth revenue department and performs all issues related to motor vehicles as such a primary activity both in KRA context and according to Porters Value Chain Model. The results of the extent of application of the model are shown in Table 4.7 . See detailed results in appendix 17.

Table 4.7: Primary Activities of Road Transport Department (RTD)

NO	ISSUE	Mean Score
1	Inbound Logistics	3.6
2	Operations	3.75
3	Outbound Logistics	3 0
4	Marketing & Communication	3 8
5	Services	2 0
	MEAN SCORE	**3.2**

The results depicted in the table above answers the first objective of the study and illustrates that primary activities are practiced at the RTD of KRA to some extent with a mean score of 3.2.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, improved registration of motor vehicles and Trailers. secondly, is improved transfer of ownerships and duplicate logbooks, thirdly, is holding of regular Transport Licensing Board (TLB) Meetings for issuing of TLB stickers. Lastly, is conducting mobile clinics where the departments' services are accessed to the public. RTD identified the following five activities in the department which require improvement and urgent attention. Firstly, is the need for full modernization of Road Transport Department's processes, secondly. is the need to harmonize management of efficient traffic compliance .They proposed that the Ministry of Transport should create a compliance department and has all traffic police officers attached to it. Currently the traffic police report to police commissioner while the Road Transport Department reports to Ministry of Transport.

Thirdly, is the need to increase manpower in order to reduce work backlog and improve service delivery. The area of service delivery and responding to all correspondences from both internal users and taxpayers was also pointed out by Research & Corporate Planning, Finance, Administration. Marketing & Communication and Internal Audit department. Need to address capacity issue of sole Government suppliers especially Kamiti Maximum Prisons where all the number plates are produced, secondly is The Government Printer where all the forms such as Driving License, among other are produced. There have been persistent cases of stock outs leading to poor service delivery to taxpayers.

In addition to the above, the other departments pointed out the followings: CSD/Domestic Taxes departments require a seamless flow of information on Vehicle Management System (VMS). Human Resources require improved communication flow on issues regarding human resource. Procurement requires origination of clear specifications for goods and services and that the department should participate in evaluations & Procurement planning of their requirements. Legal services require RTD to respond to legal issues and enquiries promptly .The Investigation & Enforcement Department proposes stringent controls on input of information into systems to prevent fraud while ICT requires the department to own up all its automation programs.

4.8 Primary Activities

In order to determine the overall extent of application of the model at KRA, individual scores of the four departments were considered and a mean score calculated. The results are depicted in Table 4.8 ;

Table 4.8: Overall Scores for KRAs Primary Activities

NO	ISSUE	Mean Score
1	Inbound Logistics	3.65
2	Operations	3.88
3	Outbound Logistics	3.1
4	Marketing & Communication	3.5
5	Services	3.11
	MEAN SCORE	**3.44**

These results then partly answer the first objective of the study which sought to determine the extent of application of Porters value chain model at the Kenya Revenue Authority. It was evidenced that the revenue departments perform the core /primary activities of KRA. The results show that KRA practices the Primary value chain activities to some extent by a mean score of 3.4.

4.9 Secondary Activities

Eleven departments which perform support activities at the Authority were identified and interviewed. The departments included; Human Resource Management, Procurement &

Supplies Services, Finance, Research & Corporate Planning, Legal Services, Internal Audit & Risk Management, Investigation & Enforcement, General Management (Commissioner General's office), Administration, Information & Communication Technology (ICT) and Marketing & Communication .The results of the interview are presented here below.

4.10 Human Resources Department (HRD)

The department is responsible for all issues relating to Human Resource in the Authority .The function is centralized with regional representative's country wide. The results are depicted in Table 4.10 ;

Table 4.10: Value activities of Human Resource Department

NO	ISSUE	[5]	[4]	[3]	[2]	[1]
1	HRD ensures that there are adequate number of trained & skilled staff in all departments	5				
2	KRA employees are continuously empowered through training to enhance service delivery	5				
3	HRD remunerates all employees fairly		4			
4	HRD semi & annually reviews the strengths and weaknesses of all staff			3		
5	HRD recognizes & rewards outstanding performance of employees		4			
6	HRD has adequate welfare programmes for employees	5				
7	HRD carries out regular employee & work environment satisfaction surveys	5				
8	HRD has a fair disciplinary & employee complaints handling process			3		
9	HRD attracts & retains best employees in the job		4			
	SERVICES OF HRD					
10	HRD Service delivery is optimal in all areas		4			
11	HRD promptly resolves internal users queries & complaints		4			
12	HRD jointly agrees on service delivery timeframes with users			3		
13	HRD monitors compliance to service level time frames		4			
14	HRD sensitizes internal & external users on full functionalities of its processes	5				
15	HRD rolls out regularly new enhancements/improvements to its existing services		4			
16	HRD timely supports all the internal departments requirements	5				
	MEAN SCORE	4.2				

The Human Resource Department attained a mean score of 4.2 in the performance of its core activities. This then answers the first objective of the study that Human Resource Management is practiced to a large extent at Kenya Revenue Authority as a support activity.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, is adequate training of staff in all departments, secondly, is recognition and rewarding outstanding performance of employees. This is tied to performance standards set through the Balance Score Card. Thirdly, is provision of adequate welfare programmes for employees such as medical insurance schemes, house ownership scheme through mortgage, personal development through provision of scholarships among others. Lastly, is compliance to service level time frames.

HRD identified the following five activities in the department which require improvement and urgent attention. Firstly, is the need to promptly recruit additional staff with relevant skills in all areas to meet the current requirements of the Authority country wide and provide continuous training for staff. These two areas were also identified by majority of the departments which would like to see more professionalism and fairness in the exercise. Secondly is the need to improve communication to the rest of other departments. This is a key issue that needs to be addressed so that staff do not operate with rumors of issues affecting their operations. Thirdly, is to provide fair and competitive remuneration and other welfare programmes for staff in order to retail best skills within KRA. Fourthly, is fair and equitable discipline and grievance handling procedures and lastly is performance monitoring and reviewing of the staff strengths and weaknesses either semi annually or annually. In addition to the above, the other departments pointed out the need for HRD to provide updated staff records, address promotion issues more fairly, provide a liaison officer to handle all RTD issues and to follow up the policy on transfers by working closely with internal affairs in addressing transfer of staff who have stayed long in high risk areas and lastly is to promptly respond to other departments correspondence.

4.11 Procurement & Supplies Services Division (PSS)

This is a critical secondary activity at KRA which is responsible for all procurements and partly inventory management. The results of the extent of value chain application are depicted in Table 4.11 ;

Table 4.11: Secondary activities of PSS

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
1	PSS maximizes economy and efficiency in procurement of highest quality inputs for the Authority	5				
2	PSS promotes competition and ensures that competing suppliers are treated fairly	5				
3	PSS promotes transparency and accountability of the procurement process	5				
4	PSS consolidates its annual requirements from all users so as to benefit from quantity discounts offered on bulk procurements			3		
5	PSS practices a participatory/team based approach in making procurement decisions		4			
6	PSS promptly processes Suppliers claims for payment				2	
7	PSS employs best Inventory management practices				2	
8	Security & confidentiality of inventory & records is guaranteed			3		
	SERVICES OF PSS					
9	PSS Service delivery is optimal in all areas			3		
10	PSS promptly resolves internal & external users queries & complaints				2	
11	PSS jointly agrees on service delivery timeframes with users				2	
12	PSS monitors compliance to service level time frames				2	
13	PSS sensitizes internal users on full functionalities of its processes		4			
14	PSS rolls out regularly new enhancements/improvements to its existing services			3		
15	PSS timely supports all the internal departments requirements		4			
	MEAN SCORE			3.3		

The Procurement & Supplies Services Division attained a mean score of 3.3 in the performance of its core activities. This then answers the first objective of the study that Procurement being a critical component in Porters Value Chain Model is practiced to some extent at Kenya Revenue Authority as a support activity.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, synergy through centralized procurement this has helped in realizing economies of scale, secondly, is the use of competitive bidding used in procurement has helped KRA to realize value for money. Thirdly, is continuous sensitization of staff and suppliers on the provisions of the Public Procurement and Disposal Act 2005 and Public Procurement Regulations 2006 and lastly is Teamwork within the division and interdepartmental.

Procurement & Supplies Services identified the following five activities in the division which require improvement and urgent attention. Firstly, is the need to create a contract management unit and continuously appraise supplier for performance monitoring. Secondly, is to address the Supplier selection process, improve on the Inventory Management system to avoid cases of stock outs and overstocking, a point identified by other departments who feel stock outs affect the business operations of the KRA. Lastly is the need to structure the division along functional lines. In addition the other departments felt procurement should improve in the speed of processing of procurement requests and reduce the bureaucratic process in order to avoid stock outs of key inputs .Generally the other departments would like to see an improved service delivery from the division and more sensitizations of the legal framework to ensure compliance from the users.

4.12 Information & Communication Technology Department

This department supports all the information technology requirements of the authority by support the infrastructure. is a critical secondary activity at KRA which is responsible for all procurements and partly inventory management. The results of the extent of value chain application are depicted in Table 4.12 ;

Table 4.12: Secondary activities of ICT

NO	ISSUE	5	4	3	2	1
1	ICT provides systems and services which are cost-effective, timely, secure, and reusable to both taxpayers and staff		4			
2	ICT explores and pursues opportunities of employing new techniques that meet the requirements and expectations of users	5				
3	ICT continuously Reengineers KRA's Business Processes and Modernizes its Technology to expand Taxpayer services			3		
4	ICT provides leadership in facilitating technology-driven improvements, and proactive technology management		4			
5	ICT quality checks all new software before release to internal & external users	5				
	ICT SERVICES					
6	ICT Service delivery is optimal in all areas			3		
7	ICT promptly resolves internal & external users queries & complaints			3		
8	ICT jointly agrees on service delivery timeframes with users				2	
9	ICT monitors compliance to service level time frames				2	
10	ICT sensitizes internal users on full functionalities of its processes				2	
11	ICT rolls out regularly new enhancements/improvements to its existing services		4			
12	ICT timely supports all the internal departments requirements			3		
	MEAN SCORE	3.3				

The Information & Communication Technology Department attained a mean score of 3.3 in the performance of its core activities. This then answers the first objective of the study that Information & Communication Technology being a critical component in Porters Value Chain Model is practiced to some extent at Kenya Revenue Authority as a support activity.

In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, is the implementation of automation program to improve efficiency, secondly, are the controls to lessen discretional privileges / fraud cases and lastly is timely support for all processes. ICT identified the following activities in the department which require improvement and urgent attention. Firstly, is the need to address the capacity of staff both the numbers and skills a view shared by other departments who feel it is overwhelmed by many projects ongoing , secondly, is to enter into Service Level Agreements (SLA'S) with other departments to spell out key deliverables. Thirdly is Portfolio Management. In addition to the above the other departments felt ICT has performed above average but should improve on response time from the service desk which logs all reported cases, the Road Transport requires a representative to be attached at the department to improve service delivery to taxpayers during system failure

Porter in his value chain model had identified a firm's infrastructure as a critical component of the secondary activities. The researcher studied eight firms under this context to gather in depth understanding of the value chain concept at KRA .This was necessary because KRA is a large and complex organization. The results of the infrastructural departments are depicted in the Tables 4.13, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19 and 4.20;

4.13 Finance Department (FD)

Finance department supports all the other departments in financial management and as such is a key support activity at KRA.The results of the extent of value chain application are depicted in Table 4.13;

Table 4.13: Secondary activities of Finance Department

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
1	FD prepares accurate budgets		4			
2	FD exercises prudent budgetary control	5				
3	FD effectively and efficiently accounts for, Banks and reconciles all the revenue collected and income to the Authority		4			
4	FD produces management accounting reports as and when needed		4			
5	FD effects payments/refunds/rebates to deserving recipients as and when due			3		
6	FD annually prepares financial accounts and reports to Board of Directors	5				
	SERVICES OF FINANCE DEPT					
7	Finance Service delivery is optimal in all areas		4			
8	Finance promptly resolves internal & external users queries & complaints		4			
9	Finance jointly agrees on service delivery timeframes with users		4			
10	Finance monitors compliance to service level time frames		4			
11	Finance sensitizes internal users on full functionalities of its processes			3		
12	Finance rolls out regularly new enhancements/improvements to its existing services		4			
13	Finance timely supports all the internal departments requirements		4			
	MEAN SCORE	**4.0**				

The Finance Department attained a mean score of **4.0** in the performance of its core activities. This then answers the first objective of the study that Finance being a critical component in Porters Value Chain Model is practiced to a large extent at Kenya Revenue Authority as a support activity.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, is obtaining funding from Treasury for the new financial year which has an increased allocation, secondly, is exercising stringent budgetary control, thirdly, is re –prioritization & optimum allocation of resources, fourthly, is faster service delivery especially in processing salaries payments and lastly is prompt reporting and reconciliations of all revenues and expenditures.Finance department identified the following activities in the department which require improvement and urgent attention. Firstly, is the automation of processes so as to limit many manual processes which affect the speed of service delivery, secondly is integration of processes with other service and revenue departments by providing a seamless flow of information which shall provide sharing of information and data. Lastly, they identified need to quicken the process of reimbursements of imprest for out stations to support operations.

In addition to the above the other departments felt Finance has performed above average but should improve enhance information exchange especially on areas where revenue leakages may be encountered, should effect prompt payment of suppliers , synchronize the budgetary process with the procurement planning and review budget allocations to the ICT/Administration departments because of the several projects

4.14 Research & Corporate Planning Department (R&CP)

The results of the extent of value chain application for the department are depicted in Table 4.14:

Table 4.14: Secondary activities of t Research & Corporate Planning Department

NO	ISSUE	5	4	3	2	1
1	R &CP conducts tax policy, economic research and develops & maintains a tax model for annual/quarterly and monthly forecasting		4			
2	R&CP formulates, monitors, evaluates and implements a Corporate Plan and its revision	5				
3	R&CP develops tax administration, policy and legislative initiatives	5				
4	R&CP collects, collates and analyses tax revenue & trade data on monthly, quarterly and annual basis	5				
5	R&CP owns and operates a library for ease of reference and research	5				
6	R&CP provides statistical data & reports to internal & external users as and when needed	5				
	SERVICES OF R &CP					
7	R &CP Service delivery is optimal in all areas	5				
8	R&CP promptly resolves internal & external users queries & complaints	5				
9	R&CP jointly agrees on service delivery timeframes with users	5				
10	R &CP monitors compliance to service level time frames					1
11	R&CP sensitizes internal users on full functionalities of its processes					1
12	R&CP rolls out regularly new enhancements/improvements to its existing services					1
13	R &CP timely supports all the internal departments requirements		4			
	MEAN SCORE			3.9		

The Research & Corporate Planning Department attained a mean score of **3.9** in the performance of its core activities. This then answers the first objective of the study that Research & Corporate Planning Department being a critical component in Porters Value Chain Model is practiced to a large extent at Kenya Revenue Authority as a support activity.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, Research into areas aimed at enhancing KRA's performance, monitoring implementation of corporate Plan, performance contracting, Revenue targets allocation and performance analysis, maintenance of library as a study tool for those who are studying, coordinate preparation of budget proposals that feed into national budget.

Research & Corporate planning department identified the following activities in the department which require improvement and urgent attention. recruitment of more technical staff this is evident by the departments failure to monitor compliance to service level time frames and further their inability to roll out regularly new enhancements/improvements to its existing services, participation of the Authority through Research & Corporate Planning that is being involved in target setting by Treasury, empowering more staff through training in revenue forecasting this would help in sensitizing internal users on full functionalities of its processes and lastly writing research reports for publication and such reports with all concerned stakeholders a view shared by majority of the other departments who would like to see the department undertake more relevant research studies into areas beneficial to KRA s operations

4.15 Internal Audit & Risk Management Department

The services of Internal Audit in a corporation like KRA are critical as it checks compliance to procedures, laid down regulations, and acts of parliament by all departments. The results of the extent of value chain application are depicted in Table 4.15;

Table 4.15; **Internal Audit & Risk Management Department**

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
1	IA & RM appropriately identifies and manages KRA's risks			3		
2	IA &RM ensures that significant financial, managerial and operating information is accurate, reliable and timely		4			
3	IA & RM ensures that employees' actions are in compliance with policies, plans, standards, procedures and applicable laws and regulations		4			
4	IA & RM ensures that resources are acquired economically, used efficiently and are adequately protected		4			
5	IA&RM ensures that programmes, plans and objectives are achieved		4			
6	IA&RM fosters quality and continuous improvement in its control processes		4			
	SERVICES OF I A& RM	5	4	3	2	1
7	IA&RM Service delivery is optimal in all areas		4			
8	IA&RM promptly resolves internal & external users queries & complaints		4			
9	IA&RM jointly agrees on service delivery timeframes with users		4			
10	IA&RM monitors compliance to service level time frames		4			
11	IA&RM sensitizes internal users on full functionalities of its processes		4			
12	IA&RM rolls out regularly new enhancements/improvements to its existing services		4			
13	IA&RM timely supports all the internal departments requirements		4			
	MEAN SCORE			**3.9**		

The Internal Audit & Risk Management Department attained a mean score of **3.9** in the performance of its core activities. This then answers the first objective of the study that Research & Corporate Planning Department being a critical component in Porters Value Chain Model is practiced to a large extent at Kenya Revenue Authority as a support activity.

In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, assessments of risks at all levels, secondly, evaluation of Internal Control Systems, thirdly, ascertaining proper custody of assets, fourthly, ascertaining accuracy of information availed to Management and lastly review of policies and procedures for adequacy. Internal Audit & Risk Management department identified the following activities in the department which require improvement and urgent attention. Firstly, is the need to automate processes within the department, secondly is the need for enhancement of Information Systems Audit skills and lastly is the need to improve risk assessment process to include documentation of risks.

In addition to the above the other departments observed that Internal Audit should follow up implementation of Audit recommendations, there is need for closer working relationships with the Investigations & Enforcement department to reveal loopholes relating to internal work environment, should undertake a detailed risk assessment of both the Finance & Procurement departments, should undertake a more proactive approach and be factual in the auditing function rather than reactive to issues. The need to discuss audit recommendations with the client first and verify facts before filing a report and lastly the need to improve on the departments public relations and regular communication with other departments.

4.16 Legal Services Department

This departments is responsible for all legal issues affecting the Authority, The results of the extent of value chain application are depicted in Table 4.20 ;

Table 4.16: Legal Services Department

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
1	LSD maintains an awareness of the requirements of any relevant legislation to ensure that the Authority complies with all legal/statutory requirements;	5				
2	LSD liaises with the Attorney-General's Chambers and/or external Lawyers, if any, on matters filed or brought by or against KRA in Courts and other tribunals			3		
3	LSD prepares and/or advises on contractual documents, and legal arrangements entered into by the Authority and Keeps the Authority's statutory records	5				
4	LSD provides legal interpretation and opinions sought by the Authority's other Departments including Court Orders and judgements	5				
5	LSD develops and maintains appropriate legal strategies	5				
6	LSD ensures that the strategies in 5 above are communicated and implemented in a manner that supports corporate objectives	5				
	LSD SERVICES					
7	LSD Service delivery is optimal in all areas	5				
8	LSD promptly resolves internal users queries & complaints	5				
9	LSD jointly agrees on service delivery timeframes with users	5				
10	LSD monitors compliance to service level time frames	5				
11	LSD sensitizes internal users on full functionalities of its processes	5				
12	LSD rolls out regularly new enhancements/improvements to its existing services			3		
13	LSD timely supports all the internal departments requirements	5				
	MEAN SCORE	4.7				

The Legal Services Department attained a mean score of 4.7 in the performance of its core activities. This then answers the first objective of the study that Legal Services Department being a critical component in KRAs Value Chain is practiced to a very large extent at Kenya Revenue Authority as a support activity.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, was defending KRA in court and other Tribunals, secondly, was preparing and receiving contracts, leases, memorandum of understanding & agreements. Thirdly, giving pro-active and requested legal opinions and interpreting laws applied by the KRA. Lastly, was regularly reviewing legislations affecting KRA. Legal Services department identified the following activities in the department which require improvement and urgent attention. Firstly is the need to recruit additional staff in all areas and lastly the need to provide more training opportunities to improve on skills. In addition to the above the other departments observed that Legal services department should. there is need for a more proactive approach in providing prompt legal requirements by offering correct legal options available to them rather than ask them for their opinion. The need to establish clear mechanisms for feedback on progress of cases referred by the Investigation & Enforcement. Timely execution of contracts and the need for faster resolution of court cases since KRA seems to loose many cases. The need to follow up implementation of legal opinions was also pointed out.

4.17 Administration Division

This division is responsible for provision of security services, managing KRA property, and provision of facilities needed for daily running of offices, and transport services. The results of the extent of value chain application are depicted in Table 4.17 ;

Table 4.17: Secondary Activities of Administration Division

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
1	Admin protects & prevents all KRAs core business, property, equipment, personnel & assets against any security threats	5				
2	All Land & buildings owned by the Authority have titles		4			
3	All the premises owned or rented are in proper state of repair & usable as office or residential premises			3		
4	Housing policy is fair to all KRA staff			3		
5	Admin ensures there is always comfortable & cost effective transport available to staff as & when needed			3		
6	Admin maintains an efficient Insurance Management system		4			
7	All the facilities provided to KRA staff are adequate & of the right quality country wide		4			
	SERVICES OF ADMINISTRATION					
8	Admin Service delivery is optimal in all areas			3		
9	Admin promptly resolves internal & external users queries & complaints			3		
10	Admin jointly agrees on service delivery timeframes with users	5				
11	Admin monitors compliance to service level time frames	5				
12	Admin sensitizes internal users on full functionalities of its processes			3		
13	Admin rolls out regularly new enhancements/improvements to its existing services			3		
14	Admin timely supports all the internal departments requirements			3		
	MEAN SCORE			3.6		

The Administration Division attained a mean score of **3.6** in the performance of its core activities. This then answers the first objective of the study that Administration Division being a critical component in KRAs Value Chain is practiced to a very large extent at Kenya Revenue Authority as a support activity.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, is the provision of office facilities in timely basis such as teas, telephone, electricity, water, faxing, provision of transport as and when needed, and provision of security services. Administration division identified the following activities in the department which require improvement and urgent attention. Firstly is the need to address funding constraints -making implementation of certain projects impossible or in adequate. This is seriously affecting the operations of other departments such as provision of Transports services and other office facilities. Secondly, is to improve Staffing challenges – more competent staff of the right qualifications should be recruited and posted to all the KRA regions to improve service delivery. Thirdly, is training & capacity building – current staff need continuous training to keep pace with developments and bridge knowledge & skills gap in their areas of specialization, Lastly, is the need for Service Level Agreement with other departments for purposes of monitoring performance. This view is shared by majority of the departments who observed that service delivery in the division should be improved.

In addition to the above the other departments observed that Administration should automate its processes in order to avoid unnecessary bureaucracies that inhibit performance. Procurement & Supplies division r need the division to originate clear specifications for goods and services and timely participate in evaluations of bids documents.

4.18 Marketing & Communication Department

KRA has a unique structure, there are sections within the revenue departments which perform taxpayers education and communication however, there is also a stand alone department called Marketing & Communication which has an overall function cutting across all the departments in the Authority country wide. The results of the department's extent of value chain application are depicted in Table 4.18 ;

Table 4.18: Marketing & Communication Department

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
	MARKETING & COMMUNICATION					
1	M&C educates/sensitizes the Taxpayers on the full scope of services provided and on the various statutes administered by KRA		4			
2	M&C practices relationship management with all KRA's stakeholders			3		
3	M &C conducts surveys to discern Taxpayers wants & needs		4			
4	M&C ensures optimal utilization of KRA project output by taxpayers			3		
5	M & C organizes for the recognition & and rewarding of compliant Taxpayers					
6	M &C organizes & participates in Corporate Social Responsibility		4			
7	M&C attaches importance to having an advertising strategy and budget			3		
	SERVICES OF MARKETING & COMMUNICATION					
8	M & C Service delivery is optimal in all areas			3		
9	M & C promptly resolves internal & external users queries & complaints		4			
10	M & C jointly agrees on service delivery timeframes with Taxpayers			3		
11	M & C monitors compliance to service level time frames			3		
12	M & C sensitizes internal users on full functionalities of its processes			3		
13	M & C rolls out regularly new enhancements/improvements to its existing services		4			
14	M & C timely supports all the internal departments requirements		4			
	MEAN SCORE			3.6		

The Marketing & Communication Department attained a mean score of **3.6** in the performance of its core activities. This then answers the first objective of the study that Marketing & Communication Department being a critical component in KRAs Value Chain is practiced to a large extent at Kenya Revenue Authority as a support activity

In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, is outperforming in corporate communication, undertaking Taxpayers education and sensitizations, Customer care services, Publicity and packaging of New KRA products and improved Query resolution at call centre. Marketing & Communication Department identified the following activities in the department which require improvement and urgent attention. Firstly in the need to improve on internal communication, the needs to pursue Strategy implementation of already approved programmes and lastly get more involved in Project management. In addition to the above the other departments observed that Marketing & Communication Department should enhance more public relations for the Authorities activities by developing a hospitality & communication strategy , Should partner with revenue departments , Research & Corporate Planning in coming up with targeted taxpayers education, enhance reporting of successful prosecution & investigations leading to recovery of taxes, should make more usage of intranet and internal communication in reaching staff.

4.19 Investigation & Enforcement Department

This department is responsible for investigation and enforcement of non compliant and irregular tax related issues. The results of the department's extent of value chain application are depicted in Table 4.19 ;

Table 4.19: Secondary activities of Investigation & Enforcement Department

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
1	I& E supports effectiveness and efficiency of Revenue departments audit programs through provision of intelligence summaries and risk profiling		4			
2	I&E undertakes specialized investigative services into tax frauds and crimes	5				
3	I&E identifies the sponsors or perpetrators of tax frauds & crimes and prosecutes them to enhance compliance		4			
4	I&E detects areas of willful negligence and graft by KRA staff and		4			
5	I&E undertakes full investigations of graft areas by KRA staff and makes recommendations, for necessary disciplinary action	5				
	SERVICES OF I&E					
6	I&E Service delivery is optimal in all areas			3		
7	I&E promptly resolves internal & external users queries & complaints			3		
8	I&E jointly agrees on service delivery timeframes with users				2	
9	I&E monitors compliance to service level time frames				2	
10	I&E sensitizes internal users on full functionalities of its processes				2	
11	I&E rolls out regularly new enhancements/improvements to its existing services		4			
12	I&E timely supports all the internal departments requirements		4			
	MEAN SCORE	3.5				

Investigation & Enforcement Department attained a mean score of **3.6** in the performance of its core activities. This then answers the first objective of the study that Marketing & Communication Department being a critical component in KRAs Value Chain is practiced to a large extent at Kenya Revenue Authority as a support activity.

In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, Risk profiling and advising management of sector s requiring remedial action on identified revenue leakage, secondly, is investigation and prosecution of hard core tax offenders thereby maintaining integrity of the tax system, thirdly, is Taxpayers profiling and business intelligence leading to identification of high net worth individuals are non compliant for follow up, fourthly, is responding to complaints on staff integrity and undertaking related investigation to promote staff integrity and lastly is surveillance and control activities countrywide to prevent smuggling and diversion of uncustomed goods and other forms of illicit trade.

Investigation & Enforcement Department identified the following activities in the department which require improvement and urgent attention. Firstly, is the need for specialized investigative skills for Investigation & Enforcement staff, secondly, is the need to purchase modern equipment /tools for forensic audits, and thirdly is the need for comprehensive investigations of fraudsters for all taxes. In addition to the above the other departments observed that Investigation & Enforcement Department should be more proactive and provide feedback in terms of findings on violation of procedures, policies to aid operations compliance. The need to speed up cases referred to it for action, collaborate more with ICT than presently being practiced. The department was also urged to leave operations to the business units and only to investigate issues arising out of operations.

4.20 General Management (Commissioner General Office)

This is the highest administrative office at KRA .The office is responsible for policy guidelines, strategic direction, and general direction on all operations affecting KRA. The results of the department's extent of value chain application are depicted in Table 4.20 ;

Table 4.20: Commissioner General Office

NO	ISSUE	To a very large extent [5]	To a large extent [4]	To some extent [3]	To a small extent [2]	Not At all [1]
	General Management (CGs office)					
1	Management communicates organization vision . mission . objectives and values to all staff	5				
2	Management practices transparent and accountable leadership	5				
3	Management revenue targets are realistic and attainable		4			
4	Management projects an excellent ethical stand in the society	5				
5	Location of KRAs offices country wide project a good image of the Authority		4			
6	Management conducts checks/audits to ensure that all operations In all departments conform to required legislation/policies/procedures/ISO /Quality Management Systems (QMS)		4			
7	Management ensures that there are adequate stations to effectively and conveniently serve Taxpayers country wide		4			
8	Management secures adequate funding for the Authority	5				
	SERVICES OF GENERAL MANAGEMENT	5	4	3	2	1
9	CGs office ensures Service delivery is optimal in all departments		4			
10	CGs office promptly resolves internal & external users queries & complaints	5				
11	CGs office monitors compliance to service level time frames		4			
12	CGs office supports all the internal departments requirements	5				
	MEAN SCORE	4.5				

The Commissioners General Office attained a mean score of 4.5 on a scale of 1-5 in the performance of its core activities. This then answers the first objective of the study that general management being a critical component in KRAs Value Chain is practiced to a large extent at Kenya Revenue Authority as a support activity.In section C of the questionnaire the informer of the department indicated the following as the five most important value activities which have been contributing to the attainment of KRA's corporate targets. Firstly, sourcing for funding of reforms and modernization projects at the Authority, Secondly, is creation of Programme Management and Business Analysis Office (PMBO) which has helped in project monitoring and evaluation. Thirdly is remaining steadfast in providing leadership in implementation of new initiatives .Lastly is prompt facilitation of operations of KRA as and when required and holding weekly meetings with the top management team. The other departments felt the office of the CG has indeed facilitated operations however it should continue sourcing for additional funding to enable KRA to fully modernize and automate its processes. The need to spearhead legislative changes to support new technologies and reform initiatives was also cited.

4.21 Departmental Ratings

Finally in the study all the departments were asked to rake the quality of services they have been getting from each other and the results are depicted in Table 4.21;

Table 4.21. Departmental ratings of services

	Awarding Dept / Receiving Dept	CSD	LTO	DR	RTD	HRD	PSS	ICT	FIN	R&CP	IA	M&C	AD	LS	I&E	CGO	TOTAL	MS
1	CSD	0	3	4	3	3	3	4	4	3	3	4	3	2	3	4	46	3.3
2	LTO	4	0	4	3	3	3	3	4	4	4	3	3	3	4	4	49	3.5
3	DR	3	4	0	4	3	3	2	3	4	4	4	4	3	3	4	48	3.4
4	RTD	5	4	3	0	3	3	3	3	2	3	4	4	2	4	3	46	3.3
5	HRD	3	2	3	2	0	2	2	3	1	3	3	2	2	3	4	35	2.5
6	PSS	2	3	3	3	2	0	4	3	3	3	4	3	3	3	4	43	3.1
7	ICT	4	4	3	3	4	4	0	3	3	4	4	4	3	3	3	49	3.5
8	FIN	3	5	3	3	3	4	5	0	5	4	3	4	4	5	5	56	4.0
9	R&CP	3	4	2	3	2	4	4	4	0	4	3	2	4	2	4	45	3.2
10	IA	3	2	4	3	3	3	3	4	3	4	3	1	3	3	4	46	3.3
11	M&C	3	4	3	2	3	2	2	3	2	4	0	4	2	3	3	40	2.9
12	AD	3	2	3	2	1	2	2	2	3	4	3	0	2	3	3	35	2.5
13	LS	2	2	2	3	1	4	4	3	3	4	3	3	0	3	3	40	2.9
14	I&E	2	2	3	3	3	3	3	3	4	4	3	4	3	3	4	47	3.4
15	CGO	3	5	4	4	4	4	4	4	3	4	3	5	4	5	0	56	4.0

Key

1. CSD-Customs Services Department
2. LTO-Large Taxpayers Office
3. DR-Domestic Revenue
4. RTD-Road Transport Department
5. HRD-Human Resources Department
6. PSS-Procurement &Supplies Services Division
7. ICT-Information &Communication Technology Department
8. FIN-Finance Department
9. R&CP-Research & Corporate Planning
10. IA-Internal Audit &Risk Management Department
11. M&C-Marketing &Communication Department
12. AD-Administration Division
13. LS-Legal Services
14. I&E-Investigation &Enforcement Department
15. CGO-Commissioner General's Office

MS-Mean Score attained by each department

The results show that the CGs office and Finance departments have been very good in service delivery with mean scores of 4.0 followed by ICT, LTO with mean scores of 3.5, the majority of the remaining departments are performing at good with mean scores between 3.0 to 3.4 However, Administration. Legal services, Human Resource, and Marketing &Communication departments were only fair performers with mean scores below 3.0

4.22 Secondary Activities

In order to determine the overall extent of application of the value chain model within the support activities individual mean scores of the support departments were considered and a mean score calculated. The results are depicted in Table 4.22:

Table 4.22 Overall Scores of KRAs Secondary activities

NO	Departments	Individual Mean Score	Other departments Rating
1	Human Resource	4.2	2.5
2	Procurement & Supplies Service	3.3	3.1
5	ICT	3.3	3.5
3	Finance	4.0	4.0
4	Research &Corporate Planning	3.9	3.2
6	Internal Audit & Risk Management	3.9	3.3
9	Marketing &Communication	3.6	2.9
8	Administration	3.6	2.5
7	Legal Services	4.7	2.9
10	Investigation &Enforcement	3.5	3.4
11	Commissioners General Office	4.5	4.0
	TOTAL	42.5	35 3
	Mean Score	**3.9**	**3.2**

The results show that secondary activities are being practiced at KRA to some extent with a mean score of 3.9 on individual rating and 3.2 from other departments rating.

Interestingly, certain departments felt they have been delivering quality services however this is not shared by the service receivers. Notably are HRD, Legal services. Marketing &Communication, Administration, This implies that the services have never been customer focused.

CHAPTER 5: SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.1 Summary, Discussions and Conclusions

The study had three objectives which were, firstly to determine the extent of application of Porters value Chain Model at KRA, secondly to identify key strengths which can be Maximized and lastly to identify areas of weaknesses in the entire KRA value chain which require improvement in order for KRA to improve in its provision of services and consequent attainment of its corporate Targets. The findings indicate that indeed KRA practices Porter value chain model as evidenced by categorization of its activities into both primary and secondary. Primary activities were found to be performed by the revenue departments such as CSD, LTO, DR, and RTD .In order to uncover the results of the study the discussion again is going to be undertaken per department and cross referencing with other departments.

Customs Services Department

This department collects and accounts for exchequer revenue which includes import duty, excise duty, VAT on imports, Import Declaration Fees (IDF), Further it collects Agency revenue which includes, Road maintenance Levy, Aviation Revenue, Petroleum Development Levy, Sugar Levy, Transit Toll among others. CSD has an annual revenue target of Kshs.201.352 billion for the Financial Year 2009/2010(2009-2009 KRA Corporate Targets).This therefore means that the application of the model is very relevant to its operations. The department seems to be on the right track with several Revenue Administration Reforms and Modernization Programmes in place . all these are expected to boost service delivery and increase revenue collection. The areas identified during the study included the implementation of SIMBA 2005 system which basically computerized the manual process of lodging import document. Further the improved linkages with other stakeholders through sharing of data through KWATOS and CAMIS moves in the right direction which should be supported.

CSD attained a mean score of 3.4 on individual rating and organizational rating of a mean score of 3.3 in the performance of its core activities. The outbound logistics and Services attained mean scores of 3.0 and 3.3 respectively, there is therefore need to improve in these activities. Indeed, all the reform programmes should be supported by the entire KRA. The department should enhance the capacity of the SIMBA 2005 system or start sourcing for another superior system altogether since its current capacity is almost being outstretched. The system has improved the departments' value chain and as such must be attended to .Other areas such as pursuing the harmonization of cargo within the EAC through Electronic Cargo Tracking System should be pursued such that each member of EAC should track their own cargo. The need for interfacing of the Customs operations to provide a seamless flow of information from the SIMBA system to other systems of the other departments such as Vehicle Management System of RTD and Domestic Taxes Excise need to be addressed. All this will improve information sharing and quick service delivery. CSD should urgently implement the recommendations of I&E department on the identified areas of revenue leakage and further strengthen the enforcement function. Lastly, CSD must remain aggressive in sourcing for additional funds for its planned projects, promptly plan for all its requirements from all the other support departments.

Domestic Taxes Departments

The Domestic Taxes Departments comprise of DR and LTO, both of the departments collect revenues such as VAT, PAYE, Corporation and other individual taxes, withholding Tax, Advance Tax, Excise Duty Domestic, Excise Tax on Airtime, Stamp Duty, Land Rent, Kenya Bureau of Standards Levy, Sugar Levy, Turn over Tax. LTO DR have corporate annual target s of Kshs.239.197 billion and Kshs.100.103 billion respectively for the Financial Year 2009-2010., the focus therefore on minimization of collection costs and improvement in efficiency and effectiveness of service delivery is paramount.

LTO obtained an overall mean score of 4.1 on individual rating and a mean score of 3.5 on organizational rating. This shows the model has been successfully applied in the management of the core activities of the department. The department seems to have adopted best practices such as relationship management, revenue monitoring of each taxpayer based on revenue forecast reports prepared by LTO and trying to provide answers for the variances and taking immediate remedial actions. Further LTO has been practicing risk—based audit which has helped it in profiling of large taxpayers and mitigating against identified risks. Prompt dispute handling process and fast tracking lodged complaints has also yielded fruits and increase compliance levels of taxpayers. However, the department needs to improve on service delivery to taxpayers especially by quick processing of returns and refunds to avoid backlog of tax refunds, monitoring of work done by junior officers for accountability, easy exchange of information during investigations.

DR obtained a mean score of 3.12 on self rating and 3.4 on organizational rating which is less impressive compared to that of LTO. The department identified the use of Balance Score Card (BSC) as a major step in attaching responsibility to results for the staff working in the department. They further cited the introduction of Integrated Tax Management System as having improved the provision of certain online services such as application of Personal Identification Number (PIN) certificates, filling of VAT 32, PAYE returns .Monthly sensitizations to taxpayers and DR staff on new products, changes on policies and legal amendments was also cited as a move aimed at increasing taxpayers compliance levels. However, the department has to do a lot in areas such as outbound logistics where it attained a mean score of 2.4, Marketing & Communication with a mean score of 2.8 and services with a mean score of 3.0.Inventory management of key input and output seem to affect outbound logistics and consequently the services offered. Just like LTO, the need to quick process returns and refunds quickly to avoid backlog was identified across board. The need to improve DRs Risk management and audit process was cited and the need for enhanced follow up of intelligence summaries provided by I&E and feedback on those followed was identified.

Jointly, for both of the departments there is need for cross pollination- where LTO initiates new ideas/ strategies and have the same & staff transferred to Domestic Revenue Department in order to build capacity of staff. Further the need for interfacing of the DTD operations with Customs was cited to alloy for seamless flow of information .Both departments were urged to own their automation processes to facilitate quick resolution of operation issues. Both of the departments should promptly plan for all their requirements from all the other support departments.

Road Transport Departments

RTD collects and accounts for both exchequer revenue and Agency Revenue. The Agency revenue is composed of traffic revenue such as sale of number plates, TLB application fees, driving test fees, vehicle inspection fees among others. RTD has corporate annual targets of Kshs.4.207 billion for the Financial Year 2009-2010.The department has attained a mean score of 3.2 on individual rating and organizational rating of 3.3 in the performance of its primary value chain activities. Unfortunately, the performance of services attained a mean score of 2.0.The department has undertaken improvements in areas such as modernization of motor vehicle registration processes with the introduction of Security Printed logbooks and cash receipting system. However, there is still need to improve service delivery, there is need to improve on inventory management of stocks from the Government Printer, and Kamiti Maximum Prisons, further modernization and automation of processes is required .Further, the need to have stringent controls on input of information into systems to prevent fraud. The need for additional staff was also identified and needs to be urgently addressed with HRD.

Support departments

The findings indicated that all the support departments do apply Porters value chain model with a mean score of 3.9 on individual rating and a mean score of 3.2 on organizational rating. This basically implies that the support departments have individually felt they are performing above average in the performance of their services .However, the same view is not held organizationally. The support departments must therefore offer customer driven services to the primary activities which essentially add value to their core business.

The Human Resources department for example must take a proactive approach in the recruitment exercise. HRD must meet all the human resources demands of all the departments; it must further continue to devise modern staff development programmes. Further, it must continue to provide fair and competitive remuneration and other welfare programs. Communication is vital in an organization and as such HRD must improve communication to the rest of other departments. Procurement &Supplies Services, needs to improve on the inventory management system, should improve the speed of processing departmental procurement requests and reduce the bureaucratic process. Effective contract management is also critical for the division. The division needs to be structured along functional lines.

Conclusion

In conclusion all the support departments must review their objectives and ensure that all the services offered are tailor made to support the key business of KRA. Likewise the revenue departments must focus on taxpayer satisfaction. All departments therefore should get rid of unnecessary processes that do not add value to KRAs business. The departments must inculcate a customer orientation culture. Birch (1990) argued that emphasizing customer value does not mean giving up on quality initiatives; rather, customer value complements the quality imperative to continuously improve products and internal processes. An understanding of how customers define value becomes the guiding force for determining what to improve. The following are key activities that are going to improve the value chain of KRA and should get more support from top management.

ICT

Technology is key in facilitating service delivery and attaining cost efficiency. However, investment in technology requires two critical shifts in order to realize return on investment, that is a shared vision and a proactive mindset (Odero, 2006).**A shared vision** is where the organization must first share its vision of where it is going with all levels of staff. The vision then answers the question why are we investing in this? and what does it mean to the customer and the organization? The organization will then establish some standard work processes that ultimately will improve utilization and cross training of staff members. **A proactive mindset**-ICT department must be proactive rather than reactive; they must be rewarded for aligning the organizations technology investment with its business strategy. ICT must have the perspective that technology is a means of to leverage their business initiatives and to manage their critical assets; time , people and money .Further they must appreciate the need to drive as a means of controlling overhead costs , leveraging resources and providing quantifiable return on investment.

Human Resource Management

The benefit an organization realizes from human capital investment is directly proportional to the quality of its human resources strategy, processes and overall management. The outcomes of an organization's human resources processes are critical capabilities like enhanced leadership, managerial competency, employee efficiency and proficiency and workforce collaboration. An efficient human resource organization empowers employees, managers, suppliers and partners and leverages technology to accomplish strategic business goals. The practice of BSC is commendable and should be keenly monitored as it has four key pillars of focus, that is , the learning and Growth Perspective, the Business Process perspective, the Customer Perspective and the Financial Perspective. All the pillars should receive equal attention since each reinforces the other.

Procurement & Supplies Services

Currently Public Procurement is under public scrutiny in Kenya since the inception of Public Procurement & Disposal Act, 2005 and The Public Procurement and Disposal Regulations 2006.The division must therefore discharge its mandate strictly within the confines of the Act and Regulations. PSS should ensure therefore that all departments prepare an annual procurement plan and thereafter consolidate all procurements to maximize economy and efficiency through bulk procurements. There should be continuous user sensitizations about the provisions of the said Act and regulations across all departments' country wide to ensure compliance.

Marketing and Sales

This function needs to do more; it basically prepares the offering to meet the needs of the targeted taxpayers. This focuses strongly upon marketing & Communications and the promotions mix. The elements of price, product, place and promotion are quite vital. For good performance this should entail customer sensitization, determination of customer satisfaction levels, full extent of new products/enhancements roll out into the market and to a very large extent the practice of relationship management.

Services

Prompt resolution of customer queries willingness to help customers understand. products offered by KRA and other departments, monitoring of complaints and putting preventive measures towards, avoiding recurrence are very key to attain customer satisfaction. For efficiency – outsourcing of non-core business activities is necessary to ensure more time is allocated towards the goals of the business. Complaints handling and training in customer care do enhance and maintain the value of a good product or service. Being responsiveness to customer's requirements is critical. If KRA is to continue attaining corporate targets then it is through provision of quality services which add value to our clients, which will increase compliant levels of our taxpayers. Once the compliant levels increase then costs of collection is expected to reduce resulting in more revenue.

5.2 Limitations of the Study

The limitations of the study included restraint by some informers on openly giving certain areas of dissatisfaction which they felt was confidential. The limitations of time spent during the interview sessions were also limited due to work pressures which the informers had to respond to during the interview thereby interruption lines of thought. Lastly given the complexity of KRA and equally given that Porter's value chain model application is very wide and as such not all of its aspects, linkages were exhaustively covered by the study.

5.3 Recommendations for Further Research

The study undertaken only looked at the internal value chain of KRA. The study therefore recommends that further research could be done within KRAs value system which should include the value chains of its suppliers and their suppliers all the way back, KRAs customers or taxpayers and presumably extended to the buyers of their products. Further, the value chain of KRAs stakeholders such as the Government more specifically the Ministry of Finance which is the parent ministry, ministry of Transport Kenya Ports Authority, Kenya Bureau of Standards among, Kenya Airports Authority among others.

5.4 Implications on Policy and Practice

Porter's model observed that the use of value chain analysis leads to gaining competitive advantage in a given sector over a firm's competitors. This model therefore has had its practice more in the profit making organizations. However, the findings of this study show that the model can be equally useful in non profit making organizations both in private and public sectors. Satisfaction of both internal and external customers of an organization is fundamental. All departments which perform both primary and secondary activities must operate in total coordination, cohesion and should share common organizational vision, values, culture, and mission among others. Further, departmental processes, work procedures must be streamlined in tandem with both internal and external customers' requirements, expectations and should keep pace with changes within the operating environment.

The findings of this study revealed that individual departments believed they were operating above average in servicing their internal customers' requirements only to be disapproved by the findings that other departments were less satisfied. Consequently, not for profit organizations such as KRA and the public sector at large must regularly conduct both employee and customer satisfaction surveys to establish levels of dissatisfaction and undertake remedial actions. The bottom line in organizations like KRA should be efficiency and effectiveness in service delivery so as to increase satisfaction levels of both internal and external customers. This can be achieved through right selection of value delivery methods, focus on customer value, satisfaction and responsiveness to customer requirements, complaints, enquiries and relationship management among others. When all these are done then compliant levels of both internal and external customers shall increase resulting in reduced cost of operations and the ultimate attainment of organizational targets.

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APPENDICES: APPENDIX 1: INTRODUCTION LETTER FROM UON

UNIVERSITY OF NAIROBI
COLLEGE OF HUMANITIES & SOCIAL SCIENCES
SCHOOL OF BUSINESS

[illegible]

28TH JULY, 2009

TO WHOM IT MAY CONCERN

Dear Sir/Madam

INTRODUCTORY LETTER FOR RESEARCH

PAUL ERICK OUMA – REGISTRATION NO. D61/70038/2008

The above named is a bona fide Master of Business Administration (MBA) student in the School of Business, University of Nairobi. In partial fulfilment of the requirements of the MBA Degree he is conducting research on: ***"Linkages of Value Chain Activities to Corporate Performance at Kenya Revenue Authority"***.

We request your organisation to assist the student with necessary data, which forms an integral part of the research project. The information and data required is needed for academic purposes only and will be treated in **Strict-Confidence**. A copy of the research project will be made available to your organization/firm upon request.

Your co-operation will be highly appreciated.

Thank you.

KIBAGENDI NYACHIEO
FOR: DEAN, SCHOOL OF BUSINESS

KN/sc

APPENDIX II: APPROVAL LETTER TO CONDUCT RESEARCH FROM KRA

KENYA
REVENUE AUTHORITY
RECEIVED
18 AUG 2009
SENIOR DEPUTY ...
BOARD, ...

Kenya Revenue Authority

Ref: 006737

17th August, 2009

Forwarded through DC-P&SS
Forwarded
19/8/09

Paul Eric Ouma
Procurement Officer I
Board, Corporate Services & Admin. Department

Thro' Senior Deputy Commissioner - B, C S & Amin.

Dear Sir,

RE: APPROVAL TO CONDUCT RESEARCH

We refer to your letter dated 29th July, 2009 regarding the above mentioned subject.

We are pleased to inform you that approval has been granted for you to conduct academic research on your project entitled *"The linkages of Value Chain activities to Corporate Performance at the Kenya Revenue Authority"*, at the Authority.

However, this research should be only for academic purposes and any data or information given to you should be treated with utmost confidentiality. A copy of the research paper should also be sent to the Senior Deputy Commissioner, Human Resources for our records.

Yours faithfully,

KENYA
REVENUE AUTHORITY
RECEIVED
20 AUG 2009
DEPUTY COMMISSIONER
PROCUREMENT & SUPPLIES SERVICES

M. M. Wachana (Ms.)
For: Senior Deputy Commissioner – Human Resources

Times Tower Building
Haile Selassie Avenue • P.O. Box 48240 • Nairobi • Kenya
Tel: 310900 • Fax: 316872

APPENDIX III: INTERVIEW GUIDE FOR REVENUE DEPARTMENTS CSD/LTO/DR/RTD

SECTION A: GENERAL INFORMATION

I. Please indicate your job grade

1. Please tick your job grade
2. Please indicate your level of education. Tick one
3. Please indicate the number of years have you been working for KRA

SECTION B

Please indicate the extent to which your Department practices the following value chain activities by ticking the appropriate column on a scale of 1-5 where:

5= To a very large extent 4= To a large extent 3= To some extent

2= To a small extent 1= Not at all

NO	ISSUE	5	4	3	2	1
(A)	**INBOUND LOGISTICS**					
1	Logistics of inputs for service delivery are awarded on a competitive basis					
2	Inputs for regional operations are compatible with headquarters in terms of standards and technology					
3	The process and system of receiving inputs is capable of detecting counterfeits and poor quality inputs					
4	The departments sub stores are capable of avoiding unauthorized issuing of inputs to operations or taxpayers					
5	Best inventory management practices are applied to key inputs					
(B)	**OPERATIONS**					
6	conducts checks/audits to ensure that all operations conform to required legislation/policies/procedures/ISO /Quality Management Systems (QMS)					
7	ensures that operations staff are well trained to resolve issues arising from taxpayers inquiries					
8	ensures that all revenues and expenses/refunds are always accounted for daily, weekly, monthly, quarterly and annually for accuracy and correctness					
9	promptly and accurately responds to all correspondence from stakeholders					
(C)	**OUTBOUND LOGISTICS**					
10	has adequate stations to effectively and conveniently serve Taxpayers country wide					
11	has secure distribution systems of its key output services devoid of counterfeits and conning incidences					
12	operates key outputs at optimal levels					
13	has a self regulating system which reveals defects/counterfeit documents/ unauthorized approvals					
14	has appropriate and secure systems of storing its Work in Progress and fully processed output					

D	MARKETING & COMMUNICATION	5	4	3	2	1
15	educates/sensitizes the Taxpayers on the full scope of services provided					
16	conducts surveys to identify Taxpayers needs					
17	recognizes and rewards compliant Taxpayers					
18	participates in Corporate Social Responsibility					
19	attaches importance to having an advertising strategy and budget					
E	SERVICES					
20	Service delivery is optimal in all areas					
21	promptly resolves Taxpayers queries & complaints					
22	jointly agrees on service delivery with Taxpayers					
23	monitors compliance to service level time frames					
24	CSD trains Taxpayers on full functionalities of services offered					
25	CSD rolls out regularly new enhancements/improvements to its existing services					
26	CSD timely supports all the internal departments requirements					

SECTION C

27 Please indicate the five most important activities in your Department which have been contributing to the attainment of KRA's corporate targets.

28. Please indicate the activities in your department which require improvement and urgent attention

29 Please rate the quality of services your department has been getting from the following departments in meeting KRAs corporate targets.

NO	Department	Excellent [5]	Very Good [4]	Good [3]	Fair [2]	Poor [1]
1	Customs Services Department					
2	Domestic Taxes-Large Taxpayers Office					
3	Domestic Taxes-Domestic Revenue					
4	Road Transport					
5	Marketing & Communication					
6	Human Resource Management					
7	Procurement & Supplies Services					
8	Finance					
9	Research &Corporate Planning					
10	Legal Services					
11	Internal Audit &Risk Management					
12	Investigation &Enforcement					
13	General Management					
14	Administration					
15	Information & Communication Technology(ICT)					

30 In order to attain KRA's corporate objectives all the departments must add value to each other. Kindly highlight activities which require improvement among the above listed departments in order to achieve this.

APPENDIX IV: INTERVIEW GUIDE FOR SUPPORT DEPARTMENTS

SECTION A: GENERAL INFORMATION

1. Please indicate your job grade

4. Please tick your job grade
5. Please indicate your level of education. Tick one
6. Please indicate the number of years have you been working for KRA.

SECTION B

Please indicate the extent to which your Department practices the following value chain activities by ticking the appropriate column on a scale of 1-5 where:

5= to a very large extent 4= To a large extent 3= To some extent

2= To a small extent 1= Not at all

Each department had specific questions relating to the objectives of their departments

SECTION C

Please indicate the five most important activities in your Department which have been contributing to the attainment of KRA's corporate targets.

Please indicate the activities in your department which require improvement and urgent attention

29. Please rate the quality of services your department has been getting from the following departments in meeting KRAs corporate targets.

NO	Department	Excellent [5]	Very Good [4]	Good [3]	Fair [2]	Poor [1]
	Customs Services Department					
2	Domestic Taxes-Large Taxpayers Office					
3	Domestic Taxes-Domestic Revenue					
4	Road Transport					
5	Marketing & Communication					
6	Human Resource Management					
7	Procurement & Supplies Services					
8	Finance					
9	Research &Corporate Planning					
10	Legal Services					
11	Internal Audit &Risk Management					
12	Investigation &Enforcement					
13	General Management					
14	Administration					
15	Information & Communication Technology(ICT)					

30. In order to attain KRA's corporate objectives all the departments must add value to each other. Kindly highlight activities which require improvement among the above listed departments in order to achieve this.

APPENDIX V: LINKERT SCALE FOR HRD

NO	ISSUE	5	4	3	2	1
	HRD					
1	HRD ensures that there are adequate number of trained & skilled staff in all departments					
2	KRA employees are continuously empowered through training to enhance service delivery					
3	HRD remunerates all employees fairly					
4	HRD semi & annually reviews the strengths and weaknesses of all staff					
5	HRD recognizes & rewards outstanding performance of employees					
6	HRD has adequate welfare programmes for employees					
7	HRD carries out regular employee & work environment satisfaction surveys					
8	HRD has a fair disciplinary & employee complaints handling process					
9	HRD attracts & retains best employees in the job					
	SERVICES OF HRD					
10	HRD Service delivery is optimal in all areas					
11	HRD promptly resolves internal users queries & complaints					
12	HRD jointly agrees on service delivery timeframes with users					
13	HRD monitors compliance to service level time frames					
14	HRD sensitizes internal & external users on full functionalities of its processes					
15	HRD rolls out regularly new enhancements/improvements to its existing services					
16	HRD timely supports all the internal departments requirements					

APPENDIX VI: LINKERT SCALE FOR PSS

NO	ISSUE	5	4	3	2	1
	PROCUREMENT					
1	PSS maximizes economy and efficiency in procurement of highest quality inputs for the Authority					
2	PSS promotes competition and ensures that competing suppliers are treated fairly					
3	PSS promotes transparency and accountability of the procurement process					
4	PSS consolidates its annual requirements from all users so as to benefit from quantity discounts offered on bulk procurements					
5	PSS practices a participatory/team based approach in making procurement decisions					
6	PSS promptly processes Suppliers claims for payment					
7	PSS employs best Inventory management practices					
8	Security & confidentiality of inventory & records is guaranteed					
	SERVICES OF PSS					
9	PSS Service delivery is optimal in all areas					
10	PSS promptly resolves internal & external users queries & complaints					

NO	ISSUE	5	4	3	2	1
11	PSS jointly agrees on service delivery timeframes with users					
12	PSS monitors compliance to service level time frames					
13	PSS sensitizes internal users on full functionalities of its processes					
14	PSS rolls out regularly new enhancements/improvements to its existing services					
15	PSS timely supports all the internal departments requirements					
	MEAN SCORE					

APPENDIX VII: LINKERT SCALE FOR ICT

NO	ISSUE	5	4	3	2	1
	ICT					
1	ICT provides systems and services which are cost-effective, timely, secure, and reusable to both taxpayers and staff					
2	ICT explores and pursues opportunities of employing new techniques that meet the requirements and expectations of users					
3	ICT continuously Reengineers KRA's Business Processes and Modernizes its Technology to expand Taxpayer services					
4	ICT provides leadership in facilitating technology-driven improvements, and proactive technology management					
5	ICT quality checks all new software before release to internal & external users					
	ICT SERVICES					
6	ICT Service delivery is optimal in all areas					
7	ICT promptly resolves internal & external users queries & complaints					
8	ICT jointly agrees on service delivery timeframes with users					
9	ICT monitors compliance to service level time frames					
10	ICT sensitizes internal users on full functionalities of its processes					
11	ICT rolls out regularly new enhancements/improvements to its existing services					
12	ICT timely supports all the internal departments requirements					

APPENDIX VIII: LINKERT SCALE FOR FINANCE

NO	ISSUE	5	4	3	2	1
	FINANCE					
1	FD prepares accurate budgets					
2	FD exercises prudent budgetary control					
3	FD effectively and efficiently accounts for. Banks and reconciles all the revenue collected and income to the Authority					
4	FD produces management accounting reports as and when needed					
5	FD effects payments/refunds/rebates to deserving recipients as and when due					
6	FD annually prepares financial accounts and reports to Board of Directors					
	SERVICES OF FINANCE DEPT					
7	Finance Service delivery is optimal in all areas					
8	Finance promptly resolves internal & external users queries & complaints					
9	Finance jointly agrees on service delivery timeframes with users					
10	Finance monitors compliance to service level time frames					
11	Finance sensitizes internal users on full functionalities of its processes					
12	Finance rolls out regularly new enhancements/improvements to its existing services					
13	Finance timely supports all the internal departments requirements					

APPENDIX IX: LINKERT SCALE FOR RESERCH & CORPORATE PLANNING

NO	ISSUE	5	4	3	2	1
	R&C P					
1	R &CP conducts tax policy, economic research and develops & maintains a tax model for annual/quarterly and monthly forecasting					
2	R&CP formulates, monitors, evaluates and implements a Corporate Plan and its revision					
3	R&CP develops tax administration, policy and legislative initiatives					
4	R&CP collects, collates and analyses tax revenue & trade data on monthly, quarterly and annual basis					
5	R&CP owns and operates a library for ease of reference and research					
6	R&CP provides statistical data & reports to internal & external users as and when needed					
	SERVICES OF R &CP					
7	R &CP Service delivery is optimal in all areas					
8	R &CP promptly resolves internal & external users queries & complaints					
9	R &CP jointly agrees on service delivery timeframes with users					
10	R &CP monitors compliance to service level time frames					
11	R &CP sensitizes internal users on full functionalities of its processes					
12	R &CP rolls out regularly new enhancements/improvements to its existing services					
13	R &CP timely supports all the internal departments requirements					

APPENDIX X: LINKERT SCALE FOR INTERNAL AUDIT &RISK MANAGEMENT

NO	ISSUE					
	IA &R M	5	4	3	2	1
1	IA & RM appropriately identifies and manages KRA's risks					
2	IA &RM ensures that significant financial, managerial and operating information is accurate, reliable and timely					
3	IA & RM ensures that employees' actions are in compliance with policies, plans, standards, procedures and applicable laws and regulations					
4	IA & RM ensures that resources are acquired economically, used efficiently and are adequately protected					
5	IA&RM ensures that programmes, plans and objectives are achieved					
6	IA&RM fosters quality and continuous improvement in its control processes					
	SERVICES OF I A& RM					
7	IA&RM Service delivery is optimal in all areas					
8	IA&RM promptly resolves internal & external users queries & complaints					
9	IA&RM jointly agrees on service delivery timeframes with users					
10	IA&RM monitors compliance to service level time frames					
11	IA&RM sensitizes internal users on full functionalities of its processes					
12	IA&RM rolls out regularly new enhancements/improvements to its existing services					
13	IA&RM timely supports all the internal departments requirements					

APPENDIX XI LINKERT SCALE FOR MARKETING & COMMUNICATION

NO	ISSUE	5	4	3	2	1
	MARKETING & COMMUNICATION					
1	M&C educates/sensitizes the Taxpayers on the full scope of services provided and on the various statutes administered by KRA					
2	M&C practices relationship management with all KRA's stakeholders					
3	M &C conducts surveys to discern Taxpayers wants & needs					
4	M&C ensures optimal utilization of KRA project output by taxpayers					
5	M & C organizes for the recognition & and rewarding of compliant Taxpayers					
6	M &C organizes & participates in Corporate Social Responsibility					
7	M&C attaches importance to having an advertising strategy and budget					
	SERVICES OF MARKETING & COMMUNICATION					
8	M & C Service delivery is optimal in all areas					
9	M & C promptly resolves internal & external users queries & complaints					
10	M & C jointly agrees on service delivery timeframes with Taxpayers					
11	M & C monitors compliance to service level time frames					
12	M & C sensitizes internal users on full functionalities of its processes					
13	M & C rolls out regularly new enhancements/improvements to its existing services		4			
14	M & C timely supports all the internal departments requirements		4			

APPENDIX XII: LINKERT SCALE ADMINISTRATION

NO	ISSUE	5	4	3	2	1
	ADMINISTRATION (Admin)					
1	Admin protects & prevents all KRAs core business. property. equipment, personnel & assets against any security threats					
2	All Land & buildings owned by the Authority have titles					
3	All the premises owned or rented are in proper state of repair & usable as office or residential premises					
4	Housing policy is fair to all KRA staff					
5	Admin ensures there is always comfortable & cost effective transport available to staff as & when needed					
6	Admin maintains an efficient Insurance Management system					
7	All the facilities provided to KRA staff are adequate & of the right quality country wide					
	SERVICES OF ADMINISTRATION					
8	Admin Service delivery is optimal in all areas					
9	Admin promptly resolves internal & external users queries & complaints					
10	Admin jointly agrees on service delivery timeframes with users					
11	Admin monitors compliance to service level time frames					
12	Admin sensitizes internal users on full functionalities of its processes					
13	Admin rolls out regularly new enhancements/improvements to its existing services					
14	Admin timely supports all the internal departments requirements					

APPENDIX XIII: LINKERT SCALE LEGAL SERVICES

NO	ISSUE	5	4	3	2	1
	LSD					
1	LSD maintains an awareness of the requirements of any relevant legislation to ensure that the Authority complies with all legal/statutory requirements;					
2	LSD liaises with the Attorney-General's Chambers and/or external Lawyers. if any. on matters filed or brought by or against KRA in Courts and other tribunals					
3	LSD prepares and/or advises on contractual documents. and legal arrangements entered into by the Authority and Keeps the Authority's statutory records					
4	LSD provides legal interpretation and opinions sought by the Authority's other Departments including Court Orders and judgments					
5	LSD develops and maintains appropriate legal strategies					
6	LSD ensures that the strategies in 5 above are communicated and implemented in a manner that supports corporate objectives					
	LSD SERVICES					
7	LSD Service delivery is optimal in all areas					
8	LSD promptly resolves internal users queries & complaints					
9	LSD jointly agrees on service delivery timeframes with users					
10	LSD monitors compliance to service level time frames					
11	LSD sensitizes internal users on full functionalities of its processes					
12	LSD rolls out regularly new enhancements/improvements to its existing services					
13	LSD timely supports all the internal departments requirements					

APPENDIX XIV: LINKERT SCALE INVESTIGATION & ENFORCEMENT

NO	ISSUE	5	4	3	2	1
	I&E					
1	I& E supports effectiveness and efficiency of Revenue departments audit programs through provision of intelligence summaries and risk profiling					
2	I&E undertakes specialized investigative services into tax frauds and crimes					
3	I&E identifies the sponsors or perpetrators of tax frauds & crimes and prosecutes them to enhance compliance					
4	I&E detects areas of willful negligence and graft by KRA staff and					
5	I&E undertakes full investigations of graft areas by KRA staff and makes recommendations, for necessary disciplinary action					
	SERVICES OF I&E					
6	I&E Service delivery is optimal in all areas					
7	I&E promptly resolves internal & external users queries & complaints					
8	I&E jointly agrees on service delivery timeframes with users					
9	I&E monitors compliance to service level time frames					
10	I&E sensitizes internal users on full functionalities of its processes					
11	I&E rolls out regularly new enhancements/improvements to its existing services					
12	I&E timely supports all the internal departments requirements					

APPENDIX XV LINKERT SCALE FOR COMMISSIONER GENERALS OFFICE

NO	ISSUE	5	4	3	2	1
	General Management (CGs office)					
1	Management communicates organization vision . mission , objectives and values to all staff					
2	Management practices transparent and accountable leadership					
3	Management revenue targets are realistic and attainable					
4	Management projects an excellent ethical stand in the society					
5	Location of KRAs offices country wide project a good image of the Authority					
6	Management conducts checks/audits to ensure that all operations In all departments conform to required legislation/policies/procedures/ISO /Quality Management Systems (QMS)					
7	Management ensures that there are adequate stations to effectively and conveniently serve Taxpayers country wide					
8	Management secures adequate funding for the Authority					
9	**SERVICES OF GENERAL MANAGEMENT**					
10	CGs office ensures Service delivery is optimal in all departments					
11	CGs office promptly resolves internal & external users queries & complaints					
12	CGs office monitors compliance to service level time frames					
13	CGs office supports all the internal departments requirements					

APPENDIX XVI: PRIMARY ACTIVITIES OF CSD

NO	ISSUE	5	4	3	2	1
(A)	**CUSTOMS INBOUND LOGISTICS**					
1	Logistics of inputs for service delivery are awarded on a competitive basis		4			
2	Inputs for regional operations are compatible with headquarters in terms of standards and technology		4			
3	The process and system of receiving inputs is capable of detecting counterfeits and poor quality inputs			3		
4	The departments sub stores are capable of avoiding unauthorized issuing of inputs to operations or taxpayers		4			
5	Best inventory management practices are applied to key inputs			3		
(B)	**CUSTOMS OPERATIONS**					
6	CSD conducts checks/audits to ensure that all operations conform to required legislation/policies/procedures/ISO /Quality Management Systems (QMS)			3		
7	CSD ensures that operations staff are well trained to resolve issues arising from taxpayers inquiries		4			
8	CSD ensures that all revenues and expenses/refunds are always accounted for daily, weekly, monthly, quarterly and annually for accuracy and correctness		4			
9	CSD promptly and accurately responds to all correspondence from stakeholders			3		
(C)	**CUSTOMS OUTBOUND LOGISTICS**					
10	CSD has adequate stations to effectively and conveniently serve Taxpayers country wide			3		
11	CSD has secure distribution systems of its key output services devoid of counterfeits and conning incidences			3		
12	CSD operates key outputs at optimal levels			3		
13	CSD has a self regulating system which reveals defects/counterfeit documents/ unauthorized approvals			3		
14	CSD has appropriate and secure systems of storing its Work in Progress and fully processed output			3		
D	**CUSTOMS MARKETING & COMMUNICATION**					
15	CSD educates/sensitizes the Taxpayers on the full scope of services provided		4			
16	CSD conducts surveys to identify Taxpayers needs				2	
17	CSD recognizes and rewards compliant Taxpayers		4			
18	CSD participates in Corporate Social Responsibility		4			
19	CSD attaches importance to having an advertising strategy and budget			3		
E	**CUSTOMS SERVICES (CSD)**					
20	CSD Service delivery is optimal in all areas			3		
21	CSD promptly resolves Taxpayers queries & complaints			3		
22	CSD jointly agrees on service delivery with Taxpayers			3		
23	CSD monitors compliance to service level time frames			3		
24	CSD trains Taxpayers on full functionalities of services offered		4			
25	CSD rolls out regularly new enhancements/improvements to its existing services		4			
26	CSD timely supports all the internal departments requirements			3		

APPENDIX XVII: PRIMARY ACTIVITIES OF LTO

NO	ISSUE	5	4	3	2	1
	PART 1: PRIMARY ACTIVITIES					
(A)	**LTO- INBOUND LOGISTICS**					
1	Logistics of inputs for service delivery are awarded on a competitive basis		4			
2	Inputs for regional operations are compatible with headquarters in terms of standards and technology		4			
3	The process and system of receiving inputs is capable of detecting counterfeits and poor quality inputs	5				
4	The departments sub stores are capable of avoiding unauthorized issuing of inputs to operations or taxpayers		4			
5	Best inventory management practices are applied to key inputs			3		
(B)	**LTO'S OPERATIONS**					
6	LTO conducts checks/audits to ensure that all operations conform to required legislation/policies/procedures/ISO /Quality Management Systems (QMS)	5				
7	LTO ensures that operations staff are well trained to resolve issues arising from taxpayers inquiries		4			
8	LTO ensures that all revenues and expenses/refunds are always accounted for daily, weekly, monthly, quarterly and annually for accuracy and correctness	5				
9	LTO promptly and accurately responds to all correspondence from stakeholders			3		
(C)	**LTO'S OUTBOUND LOGISTICS**					
10	LTO has adequate stations to effectively and conveniently serve Taxpayers country wide		4			
11	LTO has secure distribution systems of its key output services devoid of counterfeits and conning incidences		4			
12	LTO operates key outputs at optimal levels		4			
13	LTO has a self regulating system which reveals defects/counterfeit documents/ unauthorized approvals		4			
14	LTO has appropriate and secure systems of storing its Work in Progress and fully processed output		4			
D	**LTO'S MARKETING & COMMUNICATION**					
15	LTO educates/sensitizes the Taxpayers on the full scope of services provided	5				
16	LTO conducts surveys to identify Taxpayers needs		4			
17	LTO recognizes and rewards compliant Taxpayers	5				
18	LTO participates in Corporate Social Responsibility				2	
19	LTO attaches importance to having an advertising strategy and budget		4			
E	**LTO'S SERVICES**					
20	LTO Service delivery is optimal in all areas		4			
21	LTO promptly resolves Taxpayers queries & complaints		4			
22	LTO jointly agrees on service delivery with Taxpayers			3		
23	LTO monitors compliance to service level time frames		4			
24	LTO trains Taxpayers on full functionalities of services offered		4			
25	LTO rolls out regularly new enhancements/improvements to its existing services	5				
26	LTO timely supports all the internal departments requirements	5				

APPENDIX XVIII: PRIMARY ACTIVITIES OF DTD-DR

NO	ISSUE	5	4	3	2	1
	PART I: PRIMARY ACTIVITIES					
(A)	**DTD-DR INBOUND LOGISTICS**					
1	Logistics of inputs for service delivery are awarded on a competitive basis		4			
2	Inputs for regional operations are compatible with headquarters in terms of standards and technology			3		
3	The process and system of receiving inputs is capable of detecting counterfeits and poor quality inputs		4			
4	The departments sub stores are capable of avoiding unauthorized issuing of inputs to operations or taxpayers			3		
5	Best inventory management practices are applied to key inputs			3		
(B)	**DTD-DR'S OPERATIONS**					
6	DTD-DR conducts checks/audits to ensure that all operations conform to required legislation/policies/procedures/ISO /Quality Management Systems (QMS)		4			
7	DTD-DR ensures that operations staff are well trained to resolve issues arising from taxpayers inquiries		4			
8	DTD-DR ensures that all revenues and expenses/refunds are always accounted for daily, weekly, monthly, quarterly and annually for accuracy and correctness		4			
9	DTD-DR promptly and accurately responds to all correspondence from stakeholders		4			
(C)	**DTD-DR'S OUTBOUND LOGISTICS**					
10	DTD-DR has adequate stations to effectively and conveniently serve Taxpayers country wide			3		
11	DTD-DR has secure distribution systems of its key output services devoid of counterfeits and conning incidences			3		
12	DTD-DR operates key outputs at optimal levels				2	
13	DTD-DR has a self regulating system which reveals defects/counterfeit documents/ unauthorized approvals				2	
14	DTD-DR has appropriate and secure systems of storing its Work in Progress and fully processed output				2	
D	**DTD-DR'S MARKETING & COMMUNICATION**					
15	DTD-DR educates/sensitizes the Taxpayers on the full scope of services provided		4			
16	DTD-DR conducts surveys to identify Taxpayers needs				2	
17	DTD-DR recognizes and rewards compliant Taxpayers				2	
18	DTD-DR participates in Corporate Social Responsibility				2	
19	DTD-DR attaches importance to having an advertising strategy and budget		4			
E	**DTD-DR'S SERVICES**					
20	DTD-DR Service delivery is optimal in all areas				2	
21	DTD-DR promptly resolves Taxpayers queries & complaints		4			
22	DTD-DR jointly agrees on service delivery with Taxpayers				2	
23	DTD-DR monitors compliance to service level time frames			3		
24	DTD-DR trains Taxpayers on full functionalities of services offered			3		
25	DTD-DR rolls out regularly new enhancements/improvements to its existing services			3		
26	DTD-DR timely supports all the internal departments requirements		4			

APPENDIX XXIX: PRIMARY ACTIVITIES OF RTD

NO	ISSUE	5	4	3	2	1
(A)	**RTDS INBOUND LOGISTICS**					
1	Logistics of inputs for service delivery are awarded on a competitive basis			3		
2	Inputs for regional operations are compatible with headquarters in terms of standards and technology			3		
3	The process and system of receiving inputs is capable of detecting counterfeits and poor quality inputs		4			
4	The departments sub stores are capable of avoiding unauthorized issuing of inputs to operations or taxpayers		4			
5	Best inventory management practices are applied to key inputs		4			
(B)	**RTDS OPERATIONS**					
6	RTD conducts checks/audits to ensure that all operations conform to required legislation/policies/procedures/ISO /Quality Management Systems (QMS)		4			
7	RTD ensures that operations staff are well trained to resolve issues arising from taxpayers inquiries			3		
8	RTD ensures that all revenues and expenses/refunds are always accounted for daily, weekly, monthly, quarterly and annually for accuracy and correctness	5				
9	RTD promptly and accurately responds to all correspondence from stakeholders			3		
(C)	**RTDS OUTBOUND LOGISTICS**					
10	RTD has adequate stations to effectively and conveniently serve Taxpayers country wide					1
11	RTD has secure distribution systems of its key output services devoid of counterfeits and conning incidences				2	
12	RTD operates key outputs at optimal levels		4			
13	RTD has a self regulating system which reveals defects/counterfeit documents/ unauthorized approvals		4			
14	RTD has appropriate and secure systems of storing its Work in Progress and fully processed output		4			
D	**RTDS MARKETING & COMMUNICATION**					
15	RTD educates/sensitizes the Taxpayers on the full scope of services provided		4			
16	RTD conducts surveys to identify Taxpayers needs			3		
17	RTD recognizes and rewards compliant Taxpayers	5				
18	RTD participates in Corporate Social Responsibility		4			
19	RTD attaches importance to having an advertising strategy and budget			3		
E	**RTDS SERVICES**					
20	RTD Service delivery is optimal in all areas			3		
21	RTD promptly resolves Taxpayers queries & complaints				2	
22	RTD jointly agrees on service delivery with Taxpayers					1
23	RTD monitors compliance to service level time frames					1
24	RTD trains Taxpayers on full functionalities of services offered			3		
25	RTD rolls out regularly new enhancements/improvements to its existing services				2	
26	RTD timely supports all the internal departments requirements				2	