

**THE INFLUENCE OF CHANGE ON REVENUE COLLECTION BY THE  
KENYA REVENUE AUTHORITY (KRA)**

**BY**

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## DECLARATION

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

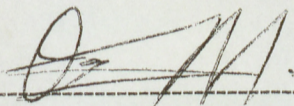
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This project has been submitted for examination with my approval as the University supervisor.



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# DEDICATION

This project is dedicated to my parents Mr. And Mrs. Mwambingu, to my dear sisters: Mlale, Egwa, Manga, Wakesho, and Walue and also to my friend Patricia, for their concern towards my education, their encouragement and patience throughout the entire MBA programme.

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God bless you all very much.

## ABSTRACT

This project was carried out to determine the influence of change on revenue collection by the Kenya Revenue Authority (KRA).

The study was a case study on the KRA with particular focus on the four revenue departments, namely the Customs and Excise, Income Tax, Value Added Tax (VAT), and Road Transport Departments. These are involved in the Authority's core business, which is the collection of revenue.

It was found out that the changes introduced by the Authority had had a positive influence on revenue collection. More specifically those changes that had greatly increased the Authority's revenue collection were the introduction of targets and performance appraisals, the establishment of the taxpayer education and information services and the establishment of the Management Information Services Department. The establishment of the New Business Initiatives, the Public Relations, and Research and Corporate Planning departments had slightly increased revenue collection, while the introduction of the graduate training programme was reported as having no impact on revenue collection. Revenue collection was reported as having increased by an average of ten percent per year in spite of the harsh economic conditions that have been affecting the country since the early nineties.

It was recommended that future research direct its efforts towards establishing the views of the service departments and lower cadre staff regarding the influence of change on revenue collection.

1 INTRODUCTION

1.1 BACKGROUND FOR THE STUDY

Prior to 1990, the business environment was stable and the government had a dominant role to play in the way business was conducted. Donor assistance and taxation were the two ways used by the government to mobilize resources and facilitate economic development. For this reason there was no concern about the economy's ability to sustain itself. After the 1990's the following economic liberalization efforts were put in place:

1. Price decontrols
2. Reduction in government spending
3. Privatization of state enterprises
4. Financial sector reforms
5. Tax reforms
6. Selective withdrawal of subsidies
7. Selective removal of import restrictions

The Structural Adjustment Programmes (SAP's) recommended by the World Bank and the International Monetary Fund (IMF) triggered the series of economic reforms as a condition for quick disbursement of financial aid from the two bodies when the government was faced with serious balance of payment problems.

According to Njau (2000), SAP's were meant to arrest economic decline and stimulate growth. The programmes encouraged:

- ◆ Establishment of a market driven exchange rate system
- ◆ Improvement of financial sector policy to achieve competitive returns on financial assets and increase marginal productivity of capital
- ◆ Liberalization of trade, tariffs and agricultural prices
- ◆ Control of fiscal deficits and nationalization of public investment
- ◆ Efficient management of public enterprises and labour markets to enhance the mobility of goods, labour and to make prices and wages more flexible
- ◆ Betterment of social services.

The economic recession experienced as a result of the SAP's was further aggravated by the suspension of donor aid. The implication of this was that the government had to seek additional revenue to finance its expenditure. The government's major source of revenue was that raised from tax. (See table 1, 2, and 3 below)

**Table 1: Summary Budgetary Revenues (Kshs billion)**

Item	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996
Revenue	23.3	27.0	31.2	37.2	44.1	24.4	69.1	100.8	122.4	125.1	145.5
Expenditure	28.0	36.2	36.4	54.1	51.7	58.7	86.2	129.6	131.5	135.2	152.2
Deficit	4.3	9.2	5.2	16.9	7.6	4.3	17.1	28.8	9.1	10.1	6.7

(Source: Wagacha et al, 1999)

The table summarises the fiscal operation for the period 1986-1996. it can be noted that higher deficits were recorded in the last five years (i.e. 1992 – 1996) as compared to the first five years.

**Table 2: Government Budgetary Revenues (value in K £ million)**

<b>Ordinary Revenue</b>	<b>91/92</b>	<b>92/93</b>	<b>93/94</b>	<b>94/95</b>	<b>95/96</b>
Import Duty	251	367	740	930	1115
Excise duty and VAT	1263	1525	2008	2196	2573
Income Tax	817	956	1805	2196	2334
Other Taxes	407	441	410	632	897
<b>Total Ordinary Revenue</b>	<b>2738</b>	<b>3289</b>	<b>4963</b>	<b>5954</b>	<b>6920</b>
Other Revenue	107	97	159	313	343
<b>Total Revenue</b>	<b>2845</b>	<b>3386</b>	<b>5122</b>	<b>6267</b>	<b>7263</b>

**Table 3: Ordinary Revenue and Other Revenue as a Percentage of Total Revenue**

	<b>91/92</b>	<b>92/93</b>	<b>93/94</b>	<b>94/95</b>	<b>95/96</b>
Total Ordinary Revenue	96.2%	97.1%	96.9%	95.0%	95.3%
Other Revenue	3.8%	2.9%	3.1%	5.0%	5.0%
<b>Total Revenue</b>	<b>100.0%</b>	<b>100%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

It may be seen from the table that taxes contributed to over 90% of the total government revenue. A certain degree of leakage occurs from tax evasion and corruption.

Among the policy recommendations made by the World Bank was the need to lower high efficiency costs of taxation and major steps to be taken to improve tax collection and administration (particularly evasion) as well as the efficiency and productivity of taxation.

## 1.2 PROBLEM STATEMENT

The Kenya Revenue Authority (KRA) was established for the purpose of enhancing mobilization of government revenue, while providing effective tax administration and sustainability in revenue collection. In particular the functions of the Authority are:

1. To assess, collect and account for all revenues in accordance with the written laws.
2. To advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written law.
3. To perform other such functions as the minister may direct.

(The Kenya Revenue Authority Act Cap 469)

In order to cope with the increased demand for tax revenue and the need to lower costs associated with tax collection, the Board and the Management of KRA spent time and resources setting up systems aimed at enhancing the efficiency of the Authority in revenue collection. From 1996, KRA undertook a grand effort to change and fit properly within the dynamic environment. KRA's challenge was to collect revenue in an environment where evasion was rampant and compliance levels were low. The following are the changes that were put in place:

1. Harmonization of the organizational structures of the revenue departments, namely the Value Added Tax (VAT), Income Tax, Customs and Excise and Road Transport departments;

2. Crafting of a strategic theme and vision for the organization in order to guide the Authority's efforts. The strategic theme for KRA is "*enhanced revenue collection and quality service delivery to stakeholders*" while the vision is, "*to be a leading revenue authority in the world respected for professionalism, integrity and fairness*"
3. Introduction of targets and performance assessment reports aimed at enhancing staff motivation and identifying non performers through a results oriented performance appraisal system
4. Establishment of new departments in the organization that previously did not exist. These include:
  - I. The new business initiatives department – whose function is to improve the methods of revenue collection to enable the realization of additional revenue.
  - II. Tax payer education and information – to promote voluntary compliance through conducting seminars for the newly recruited taxpayers and increase liaison and consultation with business and professional associations.
  - III. Research and corporate planning – whose function was to coordinate the formulation, revision and monitoring the implementation of the KRA corporate plan and the tax payer's charter and departmental strategic plans.
5. Change in personnel policies e.g. introduction of the graduate trainee programme in which trainees undergo training in all the four revenue departments thus enabling cross-departmental transfers and promotions.
6. Establishment of a corporate culture that emphasizes high quality service, responsible enforcement, efficiency and teamwork. This involved a change in customer service, culture and image. The Authority developed a business culture with a view to enhancing service

delivery through wholesome behaviour reflected by thought, speech, action and customer treatment.

7. Computerization of its systems to enhance revenue collection through improving service delivery and also provision of timely information which would to the Authority taking timely action to curb loss of revenue experienced as a result of non compliance.

A number of studies have been carried out regarding the impact of the changing environment in Kenya. They are discussed below:

Shimba (1993) looked at the impact of the business environmental changes on financial institutions and observed that liberalization has had a significant impact on the functioning of financial institutions and especially on the banking sector.

Bett (1995) concluded that the turbulence of the environment as a result of liberalization efforts affected decisions made in the dairy industry.

Kombo (1997) observed that the changed business environment had forced motor franchise holders to re-look into their operations.

Chune (1998) concluded that the changing business environment is likely to be the norm in the business world and therefore firms should anticipate the influence of the external environment.

Gekonge (1999) reports that culture greatly affected the management of strategic change process among companies quoted at the Nairobi Stock Exchange.

According to Adieri (2000) effective strategic change among the NGO's in Kenya depends on how change initiators and agents manage such variables as strategy, communication, employee involvement, empowerment and resistance to change.

All the above studies emphasize a relationship between changes in the external competitive environment and internal organization operations and conditions required to implement change successfully but so far none looked at what has been achieved as a result of the changes adopted due to the changed business conditions. This study therefore seeks to answer the question: What has been the influence of the changes on revenue collection which is KRA's core activity?

### **1.3 RESEARCH OBJECTIVE**

To determine the influence of strategic change on revenue collection.

### **1.4 IMPORTANCE OF THE STUDY**

It is hoped that this study will be useful to:

1. Other organizations in the public sector that have been forced to under go change due the changed turbulent business environment.
2. To the Authority as it will help to reveal what the organization has been able to achieve so far, any deviations from planned performance thus enabling the Authority in taking corrective action.

3. To academicians by adding to the existing body of knowledge in strategic change.

## 1.5 OVERVIEW OF THE STUDY

This paper is organized into five chapters. The introduction forms the first chapter. It gives the background of the study, the problem statement, research objective and the importance of the study.

A review of literature related to the study forms the second chapter while the third chapter gives the research methodology. The fourth chapter will be used to present the findings of the study.

Discussions and conclusions of the study are presented in the fifth chapter.

## CHAPTER TWO

### 2 LITERATURE REVIEW

#### 2.1 DEFINITIONS

##### 2.1.1 CHANGE

Gilgeous (1997) defines change as a response to some threat or opportunity arising outside the organization.

According to Pettigrew (1985), changes within an organization take place both in response to business and economic events and to processes of managerial perception, choice and actions. Managers in this sense see events taking place that to them signal the need for change.

The main causes for change that rise to give rise to change programmes being initiated can be classified as:

##### 1. External

Here, change is the result of changes in the level of technology used, market place changes, government expectations and competitors' activities, qualities and standards, government legislation and economy.

##### 2. Internal

Change in this case results from change in management philosophy, structure, culture and the system of power and control. (Gilgeous, 1997)

### 2.1.2 STRATEGIC MANAGEMENT

Pearce and Robinson (2000) define strategic management as the set of decisions and actions that result in the formulation and implementation of plans, designed to achieve a company's objectives.

They go on to say that there are three levels to strategy as discussed below:

#### 1. Corporate level

The level is responsible for the firm's financial performance and the achievement of non-financial goals e.g. enhancing the firm's image. At this level objectives are set that span the entire firm comprises the board of directors, the chief executive and administrative offices.

#### 2. Business level

It is composed of business and corporate managers who translate the statement of direction and intent generated at the corporate level into concrete objectives and strategies for the various departments.

#### 3. The functional level

Composed principally of managers of product, geographic and functional areas, who develop annual objectives and short-term strategies in the various functional areas. These managers are concerned with doing things right.

### 2.1.3 STRATEGIC CHANGE

Strategic change can thus be defined as a long term conditioning, educating and influence process designed to establish the dominating legitimacy of a different pattern of relations between strategic context and content. (Pettigrew, 1985 )

The term "strategic" in this context is descriptive of magnitude. This implies an analytical focus on large-scale or radical or fundamental organizational changes. It also carries a prescriptive implication that organizations should now be more concerned with changes at the strategic level than with minor or operational alternations to structures and procedures.

#### The nature of strategic change

- **Planned and Emergent Change**

According to Johnson and Scholes (1993), strategic change may grow out of the existing mainstream strategy, which in itself may gradually change such moves may over time form an overall strategic approach of the firm, so that as time goes on each decision taken is informed by the emerging strategy and in turn reinforces it. Overtime this process could lead to quite a significant shift in strategy, but gradually.

Strategic change may also be looked at as planned in this case the change is intended by managers. It comes about through some planning process and results in a clear expression of the strategic direction. Change is planned in terms of resource allocation, structure and so on.

One approach planned change and improved performance is by using Kurt Lewin's three-step model, which involves a three-stage process of managing behaviour.

- ◆ Unfreezing – reducing the forces which maintain behaviour in its current form and recognizing the need for change.
- ◆ Movement – creation and fostering of new attitude/behavior and implementation of change.
- ◆ Refreezing – establishing the change and reinforcing this through the use of support mechanisms e.g. organizational culture, new policies and practices as well as new norms of acceptable behaviour.

◆ **Incremental strategic change**

Mintzberg (1978) revealed that global or transformational change did take place but was infrequent. More typically, organizations changed incrementally, during which times strategies formed gradually, or through piecemeal change. At such times some strategies changed while others remained unchanged. There were periods of continuity in which established strategies remained unchanged and periods of flux in which strategies changed but in no clear direction.

◆ **Imposed strategic change**

Strategic change in an organization may be forced on the organization as result of its interaction with the external environment. For instance, government action may have a direct impact on organizational strategy: for example in the public sector, by privatization of state owned enterprises as has been the case in the recent past. Although such pressure may be dealt with by planning mechanisms within the organization or by individual decision-making by senior executives, it may result in significant long term changes for the organization.

◆ **Opportunistic strategic change**

For example, new skills may be realized and these may be taken advantage of in an opportunistic manner. A firm may be set up because the entrepreneur sees an opportunity in the market, and

the likelihood is that, if the initial approach is successful, the strategy will persist for some time.

On the other hand an established firm may enter a new market because of an opportunistic acquisition. Such an acquisition will usually lead to significant changes within the firm.

## 2.2 CHANGE MANAGEMENT

Suggests three perspectives to the definition of change management:

1. The task of managing change
2. An area of professional practice
3. A body of knowledge

### **The task of managing change**

This refers to making change in a planned and managed or systematic fashion. The aim is to implement the new strategy more effectively. The changes to be managed may be internal or external to the organization. This gives a second meaning to the management of change i.e. the response to changes over which the organization exercises little or no control e.g. shifting economic tides.

### **An area of professional practice**

Here, reference is made to independent consultants and consulting firms who proudly acknowledge that they are engaged in planned change, that they are change agents, that they manage change for their clients and that their practices are change management practices. Here it is the task of managing this general process of change that is laid claim to by the professional change agents.

## A body of knowledge

This is the content or subject matter of change management which consists chiefly of the models, methods and techniques, tools, skills and other forms of knowledge that go into making up any practice. The content or subject matter of change management is drawn from psychology, sociology, business administration, economics, industrial engineering, systems engineering and the study of human and organizational behaviour. These bodies are interlinked and integrated by a set of concepts and principles known as general systems theory. This body of knowledge underlies the practice on which most practitioners would agree – even if their application of it exhibits a high degree of variance.

According to Bennet (1999), recognition of the inevitability of change leads to plan the business reorganizations and alterations in activities that change may necessitate. He suggests five steps in the process of planning and implementing change:

1. Precise definitions of the changes needed.
2. Specifications of how new working methods will affect particular people and groups.
3. Identification of attitudes and perspectives currently held by employees and how these support current working practices.
4. Statement of the attitudes and perspectives necessary to enable people to adapt successfully to new environments and working methods.
5. Implementation of measures designed to change existing attitudes.

He goes on to suggest four strategic alternatives that an organization can use to effect change:

1. Altering technologies by introducing new equipment, methods, materials and systems. Existing staff may need to be re trained to handle new technology, or different staff may be required.
2. Altering structures. This can involve organizational design, centralization or decentralization of functions, re-specification of authority and accountability systems etc.
3. Altering tasks i.e. changing the content of employees' jobs, increasing or decreasing the extent of division of labour within the organization.
4. Altering the people who do the work. Here management focuses on solving the human problems created by change.

### 2.3 FORCEFIELD ANALYSIS

Suggested by Lewin (1935), as a technique for understanding the dynamics of change within the organization and the wider business environment.

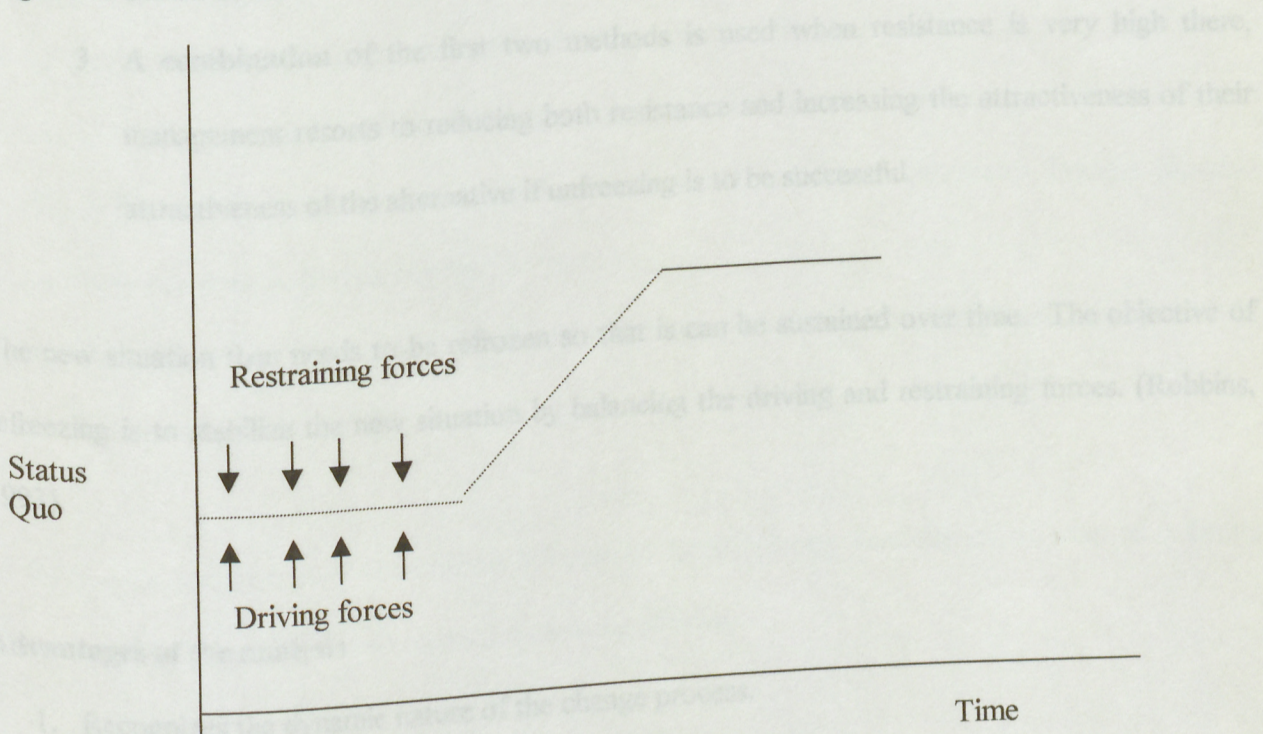
It involves an exploration of the forces that facilitate or inhibit change and a systematic analysis of the same.

According to Lewin organizational behaviour depends on the relative strengths of the driving forces and inhibitors and the equilibrium that emerges from their opposition.

Examples of driving forces include: improved inputs and working methods, pressures exerted by senior management, competition between groups and the introduction of new technology.

Inhibitors to change include: existence within the organization of an inappropriate organizational culture, fear of the unknown, inadequate training of workers, and the narrow minded pursuit of self interest by individuals at the expense of attaining organizational goals.

The Lewin's model is useful in explaining the force field analysis and may be represented in a diagram as shown below.



The status quo can be considered to be an equilibrium state. To move from this equilibrium – unfreezing is necessary. It may be achieved in one of three ways:

1. The **driving forces** which direct behaviour from the status quo can be increased e.g. if the change involves relocating the organization to another town, then liberal moving expenses can be paid and management could offer low cost mortgages funds to allow employees to buy new homes in the town.
2. The **restraining forces**, which hinder movement from the existing equilibrium, can be decreased.
3. A **combination** of the first two methods is used when resistance is very high there, management resorts to reducing both resistance and increasing the attractiveness of their attractiveness of the alternative if unfreezing is to be successful.

The new situation then needs to be refrozen so that it can be sustained over time. The objective of refreezing is to stabilize the new situation by balancing the driving and restraining forces. (Robbins, 1993).

### **Advantages of the analysis**

1. Recognizes the dynamic nature of the change process.
2. Key factors facilitating or inhibiting change are highlighted
3. The method is straight forward understandable and applicable in very many situations.
4. A wide range of people can be consulted in order to identify relevant constraints and enablers.

### **Problems with the method include:**

1. The diagram represents a snapshot of a particular situation at a specific point in time. By the time decisions are taken based on the snapshot the entire situation may have changed.
2. The analysis says nothing about the costs of implementing change or of the techniques necessary.
3. Attention focuses on the enablers and inhibitors and on whether the intended change is worth undertaking i.e. it is process driven rather than results oriented.
4. Quantification of the values of change factors is crude and subjective.
5. A factor may be interpreted as both an enabler and inhibitor or constraint. Factors can also inter relate and affect each other.
6. The lists of possible enablers and inhibitors are so extensive that important variables might be missed. (Bennet, 1999)

## **2.5 ISSUES IN THE MANAGEMENT OF STRATEGIC CHANGE**

A force field analysis may be effected via special brainstorming sessions or as part of a firm's overall strategy formulation and corporate planning process.

## **2.4 STRATEGY IN THE PUBLIC SECTOR**

Johnson and Scholes (1993), argue that the development of concepts and techniques of corporate strategy has in the past, occurred mainly in commercial enterprises. However, many of the concepts are just as important in the public sector. There are differences between the two sectors and of importance is the manager (of the public sector), ability to identify the differences and focus attention in considering strategic developments for the organization.

They go on to state that the role of ideology in the development of strategy in the public sector is probably greater than in the private sector. Thus, the criteria of acceptability in the strategic choice is probably of much greater importance in the public sector than in the commercial sector.

According to Buchanan (1994), increased turbulence from global competition the volatility of currency and commodity markets and of interest rates, and shifts in government policy governments have sought to encourage “entrepreneurialism” and enterprise culture” and to reduce the scale of and privatize public services. Innovations in technology and materials, and more rapid changes in consumer expectations, have led many organizations to realize that their traditional ways of doing things were too slow, too expensive, unresponsive, and not focused carefully enough on the needs of the customer. The answer to countering these problems is change.

## **2.5 ISSUES IN THE MANAGEMENT OF STRATEGIC CHANGE**

### **2.5.1 Organization culture**

Corporate culture is one of the issues that a firm has to address when under going change. It has been defined as the “personality” of the organization. Schein (1985) defined culture more formally as “the pattern of basic assumptions that a group has invented, discovered or developed in learning to cope with the problems of external adaptation and integration, and that have worked well enough to be to be considered valid, and therefore to be taught to new members as the correct way to perceive, think and feel in relation to these problems.

Corporate culture manifests itself in organizational behaviour-how individual employees or groups behave in the context of the organization. It becomes "the way things are done around here".

Culture influences behaviour in three main ways:

- ◆ **Corporate values** – beliefs in what is best or good for the organization and what should or ought to happen. They are expressed by reference to the goals of the organization and action plans for achieving these goals.
- ◆ **Organization climate** – the working atmosphere of the organization as perceived and experience by its members. It will encompass how people react to the characteristics and quality of the organization culture and its values.
- ◆ **Management style** – this is the way in which managers behave and exercise authority. Managers may be autocratic or democratic, tough or easy going, formal or informal. It also describes the way a manager behaves e.g. he may be an independent perfectionist whose passion is quality and doing things better, or, a fast moving flexible winner who loves change.

It is important that managers recognize that culture exists, for when introducing change, things may not turn out as planned. Corporate culture is a key factor for achieving success but is not easy to get at. This is because it will have evolved over the years such that if it is deeply rooted it may be difficult to change. There are a number of alternative approaches to culture management. These are:

- ◆ Ignore the culture
- ◆ Manage around it
- ◆ Attempt to change the elements of culture to fit the strategy
- ◆ Change the strategy.

According to Robbins (1993), culture becomes a liability when the shared beliefs and values are not in agreement with those that will further the organisation's effectiveness. This is most likely to occur when the environment is dynamic as the entrenched culture may be inappropriate. A strong culture makes it difficult to respond to changes in the environment.

As compared to the private sector, individual remuneration in the public sector is low resulting in low morale, high absenteeism, moonlighting and corruption as the order of the day. The result is difficulty in attracting and retaining skilled staff and the breakdown in discipline and supervision. (GoK, 2001)

Corruption is defined as "the abuse of authority for personal advantage or for the advantage of another group or person .....and includes bribery, theft, embezzlement, fraud and evasion of payment of government revenue and taxes. (Prevention of Corruption Act Chapter 65 of the Laws of Kenya) It is also the abuse of socially accepted norms: unlawful acquisition of property at the expense of public and negative behaviour(s) and practices. In order to promote an efficient public sector the government established the Public service integrity programme to work on the promotion of a positive organizational culture in the civil service. (GoK, 2002)

### 2.5.2 Leadership

Clement (1994) cites leadership as the most critical element in major organizational change and reports that it cannot be delegated. Some rather specific leader behaviours critical in organizational change programmes include:

- ◆ Communicating openly (sharing intentions and listening)

#### ◆ Collaborating (making decisions in teams)

In addition to the above two communication and widespread participation are also important. Top management needs to demonstrate visible and consistent support for change. Modeling expected behaviours is important: if the change effort calls for team building, then top management should be the first group to try to build teams.

The change programme should be tied to the business needs. Management needs to show how the change will improve outcome measures such as profits, productivity or quality of work life.

#### 2.5.3 Power (and politics)

Not all power is bad. Successful change can be achieved through its positive use. Managers should avoid the assumption that power can readily be observed in organizations. In reality power plays are usually more subtle and hidden. For instance by creating a system of meaning that others will accept (e.g. by presenting only that information that supports one point of view), one may have greater influence over the decision making process. Those attempting to implement should study the history of the organization and its relationships with various stakeholders, including those beyond its boundaries. This will enable the advocates of change to understand the observable but misleading facts and uncover the real systems of meaning to which managers and employees subscribe.

According to Savage et al. (1991), it is important to assess both internal and external stakeholders. Stakeholders, they say are likely to help or hinder the organizational change effort. They may thus be

categorized as “supportive” or “non-supportive”. They go on to suggest two categories of stakeholders that may not be so clear-cut:

Mixed blessing – who may support or block change depending on the issue at hand. Customers fall here. E.g. they may block attempts to introduce a new product if they are content with the current version of the product.

Marginal stakeholders – they are not too concerned about current issues but could be if the organization makes an undesirable decision. An example would be professional associations, which may cause no trouble for the organization until the organization attempts to revise performance standards for its members.

During a change effort, firms should obtain supportive stakeholder involvement to maximize cooperative potential. A defense can be established against non-supportive stakeholders by reducing organizational dependence on them. E.g. a firm may integrate vertically to gain independence from non-supportive suppliers. The interests of the marginal stakeholders should be monitored continuously. The firm may identify the few issues of concern to this stakeholder and then tread carefully on these issues. Collaborations discussions, and formal negotiations and even joint ventures may help in gaining the support of the mixed blessings stakeholder.

### **Acquiring and using power: Organisational politics**

Politics is power in action: it involves acquisition development and use of power to achieve one's objectives. Because change always threatens the existing balance of power in an organization, politics will always be used to maintain the balance.

Cobb (1986), suggests that in an organizational change effort, the analysis of politics should be performed at here levels: individual, coalition and network.

- ◆ At the individual level management needs to identify people who hold powerful positions and have reputations for power e.g. through the influence of important decisions.
- ◆ At the coalition level management needs to look at interest groups that control key resources or have held together for a long time; powerful coalitions will rarely be temporary. That is why top management and not just a few managers are often removed in a change effort. Eliminating a few will not prevent the remaining team from blocking the change effort.
- ◆ At the macro level, powerful networks (of individuals and coalitions) may be identified by studying key linkages among individuals and coalitions. Research on group and individual behaviour shows that we socialize with those who are similar to us, support us and share our goals.

Kumar and Thibodeaux (1990), report that change advocates should watch out for political and power plays and use power and politics themselves, though the degree of political maneuvering should vary with the degree of change sought.

- ◆ The lowest level of maneuvering sought is a simple **political awareness** of how people feel about a situation – it is appropriate for minor changes e.g. a new procedure for a single department in the firm.
- ◆ A higher level of political maneuvering calls for **political facilitation**, which calls for direct interaction with those who may help or hinder change. This applies to more substantial changes e.g. reorganizations within manufacturing divisions, individual or retail outlets, or government agencies.

- ◆ **Political intervention** is appropriate for large-scale organizational change. It is a true activist approach in which management goes beyond facilitation and support to encourage people to question existing beliefs and values. This intervention may require that management align with powerful others or consciously manipulate to achieve desired results.

## 2.6 MONITORING PERFORMANCE AND EVALUATING DEVIATIONS

To measure the success of a strategy the firm needs a system of control, which is based on performance standards. Monitoring performance will require that timely information on deviations from the standards is obtained so that the causes of deviation can be identified and corrective action taken. A report that links the current state of key performance indicators to a firm's strategy is the end result. The key indicators represent progress after a short period of time that lies within the period covered by the strategy. Management is thus concerned with comparing the *progress to date* with the expected progress. The current deviation becomes of particular interest as it provides a basis for examining suggested actions (usually suggested by subordinate managers) and for finalizing decision on changes or adjustments in the firm. (Pearce and Robinson, 2000)

Pearce and Robinson (2000), give some examples of performance indicators, which are pegged on key success factors. They are shown below:

### Key Success Factors

1. Product Quality

### Measurable Performance Indicators

- i. Performance versus specification
- ii. Percentage of product returns
- iii. Number of customer complaints

## 2. Customer Service

- i. Delivery cycle in days
- ii. Percentage of orders shipped
- iii. Field Service

## 3. Employee Morale

- i. Trends in employee attitude survey
- ii. Absenteeism versus plan
- iii. Employee turnover trends

## 4. Competition

- i. Number of firms competing directly
- ii. Number of new products introduced
- iii. Percentage of bids awarded versus the standard

According to Thompson and Strickland (1998), in order to assess the impact of change management needs to develop a broad network and sources of information, both formal and informal. Regular channels include:

- ◆ Talking with key subordinates
- ◆ Presentations at meetings
- ◆ Reviews of the latest operating results
- ◆ Talking to customers
- ◆ Tapping into the grapevine
- ◆ Listening to rank and file employees
- ◆ Observing the situation firsthand

Some information is more trustworthy than others, and the views and perspectives offered by different people may vary widely. Presentations and meetings may not present the whole truth. Bad news and problems may be minimized or in some cases not reported at all as subordinates delay conveying failures and problems in hopes that more time will give them room to turn things around.

## 2.7 IMPLICATIONS OF CHANGE FOR PERFORMANCE

If environments were perfectly static, employees skills and abilities always up to date and incapable of deteriorating, and if tomorrow was exactly the same as today, the issue of change would have little or no relevance to employee performance. But the real world is turbulent requiring that organizations and their members undergo dynamic change if they are to perform at competitive levels. (Robbins, 1993)

## CHAPTER THREE

### 3 RESEARCH METHODOLOGY

#### 3.1 THE CASE

This was a case study aimed at investigating the influence of the changes made by KRA on revenue collection.

The Authority has fourteen departments. These are broadly classified as the revenue departments and service departments. The revenue departments comprise; Income Tax, VAT, Customs and Excise, and the Road Transport Departments. The service departments support the revenue functions and they include the following: Investigation, Internal Audit, Tax Programmes and New Business Initiatives, Research and Corporate Planning, Legal Affairs, Finance, Human Resource and Administration, Management Information Services, Public Relations and Revenue Protection Services.

The respondents consisted of one senior executive from each of the four revenue departments namely, the Income Tax, VAT, Customs and Road Transport. The departments were chosen, as they were involved in the Authority's core business, which is the collection of revenue.

#### 3.2 DATA COLLECTION

The study used both secondary and primary data.

Secondary data was collected by examining the company records and researches for relevant information. Trade journals and local newspapers were also scanned for relevant information

#### 4 DATA ANALYSIS AND FINDINGS

Primary data was collected using a semi-structured questionnaire (see appendix 1) to be administered by personal interviews for the revenue departments. The questionnaire will consist of two sections, which was used to collect data as follows:

1. Section one was used to collect data on the background of change
2. Section two was used to collect data on the impact of the changes on individual departments.

The questionnaire consisted of both closed ended and open-ended questions and was administered through personal interviews.

### 3.3 DATA ANALYSIS AND PRESENTATION

Data in the study was summarized and presented by the use of tables so as to enable comparisons of the findings from the different departments. Quantitative data was presented using tables. The method of analysis was by the use of mean scores which were also used to determine the overall influence of change to the organization. Descriptive data was to be presented in narrative form.

#### 4.2 FINDINGS ON THE BACKGROUND OF CHANGE IN ERA

Question one sought to identify the objectives of each of the four revenue departments. With regard to the first objective, the revenue departments were to be presented in narrative form.

## CHAPTER FOUR

### 4 DATA ANALYSIS AND FINDINGS

#### 4.1 INTRODUCTION

Data in the study is summarized and presented by the use of tables so as to enable the comparison of findings across departments. Quantitative data will be presented using tables and the method of analysis will be by the use of mean scores. The mean scores will enable the comparison of findings for the six years prior to the financial years beginning 1995/96 when the changes were put in place and for the subsequent years.

Descriptive data will be presented in narrative form.

The chapter treats the findings in two major sections. The first section will present findings on the background of change for the revenue departments, while the second section will be used to assess the influence of change on the individual departments as well as on the organization as a whole.

#### 4.2 FINDINGS ON THE BACKGROUND OF CHANGE IN KRA

Question one sought to identify the objectives of each of the four revenue departments. With regard to this, the following were the common objectives:

## Enhanced revenue collection

This was to be achieved by widening the tax base (i.e. the number of people and activities to be included in the tax net), enhancing voluntary compliance among the tax payers, detecting <sup>1/2</sup> and incidences of tax evasion and tax avoidance by tax payers by sealing loopholes in the tax law, staff training, minimizing costs associated with revenue collection e.g. by closing down the unproductive stations.

## Enhancing the services offered to tax payers and other stakeholders.

This was to be achieved by taxpayer education, improving the response time to customer queries and faster processing of taxpayers documents. For the Customs and Excise Departments this objective was to be achieved by the introduction of the single entry document. Initially the department prescribed a different form for each customs procedure. The new document replaced some 17 forms and is a step in offering taxpayers world-class service. The transaction and codes provided for use with the document are similar for countries in the region and will enable officers to interpret the documents originating from the neighboring countries.

All the four departments regarded change as being very important to their organizations and had the influence of change on revenue collection assessed quarterly and annually through monthly reports generated within the organization and in collaboration with outside agencies such as the Central Bank of Kenya and the various commercial banks that act as KRA agents, Survey reports e.g. on customer satisfaction, internal audit reports and finance reports were also used assess the influence of change on revenue collection.

Table 4 shows the responses given to question four by the respondents. The respondents were required to indicate how important the given reasons for change were from the department's point of view. They were required to indicate their responses using a scale ranging from one to four where one would represent very important, two important, three not particularly important and four not at all important. An X shows that the department did not rate the importance for the given reason for change. Such reasons were given as additional points by other departments.

**Table 4: Reasons for change**

Reason for change	Department			
	Income Tax	VAT	Customs and Excise	Road Transport Department
Increased demand for tax revenue	1	1	2	1
Need to lower revenue collection cost	4	3	3	2
Advancement in technology	3	1	1	4
Suspension of foreign aid	2	2	4	4
Harmonization with the regional markets	X	X	1	X

Protect local industries	X	3	X	X
Enhance voluntary compliance	1	1	X	1
Eliminate the parallel market	X	X	X	1
Low levels of personal and managerial skills	X	X	X	1

The Income Tax Department regarded increased demand for tax revenue and the need to enhance voluntary compliance as the most important reasons for change. The need to lower the cost of revenue collection was the least important reason for change while the suspension of foreign aid and advancement in technology were regarded as important and not particularly important respectively.

The increased demand for tax revenue, need to enhance voluntary compliance, as well advancement in technology were the most important reason for change for the VAT department. The suspension of foreign aid was regarded as an important reason for change. The need to lower the cost of revenue collection was regarded by the department as not being particularly important. The department also added the need to protect local industry as being not particularly important reason

The most important reasons for change for the Customs and Excise department were the advancement in technology, and the need to harmonize with the regional market. Suspension of foreign aid was regarded as the least important reason for change. Increased demand for tax revenue

was reported as being an important reason for change, while the need to lower the cost of revenue collection was thought of as not particularly important.

The Road Transport Department gave the need to eliminate the parallel market and low levels of personal and managerial skills as very important reason for change. The least important reasons for change from the department's point of view were the suspension of foreign aid and advancement in technology, while the need to lower the cost of revenue collection was considered as an important reason for change.

#### 4.3 THE INFLUENCE OF CHANGE ON REVENUE COLLECTION

The fifth question sought to identify what the departments expected to achieve as result of the changes. The responses given were:

- ◆ To increase revenue collection as a result of the widened tax base as well as the more educated taxpayers.
- ◆ To lower the cost of revenue collection.
- ◆ To enhance the level of voluntary compliance by ensuring that the taxpayers know their rights and their obligations.
- ◆ Increased productivity as result of improved employees' morale.
- ◆ Improved service delivery to customers.
- ◆ The building of a more reliable information support center.
- ◆ Increased professionalism and integrity among the staff.
- ◆ Improved image of the Authority.

In addition the following responses were given that were unique:

The Road Transport Department expected to achieve a reduction of the parallel market, to eliminate brokerage, and to reduce the backlog of applications.

Income Tax Department expected to achieve a reduction in collectable arrears by thirty percent per year.

The Customs and Excise Department expected to be able to produce timely trade statistics to the government and other stakeholders (e.g. the UN) and enhanced customer satisfaction.

The sixth question required the respondents to identify the key success factors for their departments. All the departments indicated service quality, customer service and employee morale as their key success factors. In addition to the given choices they gave the levels of revenue collection and the ability to meet targets as key success factors. Both the VAT and Income Tax departments also indicated a reduction in collectable arrears and in the number of nil non-filers as indicators that the department was doing well. A reduction in the cases of diversion of transit and export goods would also help the Customs and Excise Department know that it was doing well.

Table 5 shows responses to question seven in which a number of changes were listed and the respondents were required to indicate their responses using a five point scale where, 1 would indicate that revenue collection had decreased greatly, two that revenue collection had decreased slightly, three that there was no difference in revenue collection, four that revenue collection had

increased slightly and five that revenue collection had increased greatly. A mean score was used to evaluate the responses from an organizational perspective.

**Table 5: Influence of change on revenue collection.**

Type of Change	Department				
	Income Tax	VAT	Customs and Excise	RTD	Mean Score
Introduction of targets and performance appraisals	5	5	5	5	5
Establishment of the following service departments:					
• New business initiatives	5	5	3	3	4
• Tax payer education and information	5	5	5	5	5
• Research and Corporate Planning	4	4	4	5	4.25
• Management Information Services	4	4	5	5	4.50
• Public relations	4	4	4	4	4
Introduction of the GT program	3	3	3	3	3
Change in corporate culture	3	4	5	4	4
Computerization of ministration systems	4	4	4	5	4.25
Mean score for the department	4.10	4.20	4.20	4.30	4.20

All the four departments regarded the introduction of targets and performance appraisal systems as having increased revenue collection greatly. According to the VAT and Income Tax departments the

establishment of new business initiatives had helped to increase revenue collection greatly while the Customs and Excise department and the Road Transport department felt that the new business initiatives department had no influence on the amount of revenue that the department collected. Each one of the four departments considered the establishment of taxpayer and education department as having contributed significantly to the amount of revenue collected by it. Only the Road Transport department considered the establishment of the Research and Corporate department as having contributed to greatly to the amount of revenue that it collected. The other three departments reported that the establishment of the Research and Corporate Planning had slightly increased the amount of revenue that it collected. With regard to the establishment of the Public Relations department it was the feeling of all the four departments that this had slightly contributed to the increase in revenue collection while the graduate training program had had no influence on revenue collection by the departments. The Income Tax department felt that the change in corporate culture had no influence on its revenue collection while the VAT and the Road Transport department felt that the change in corporate culture had slightly increased its revenue collection. The Customs and Excise department considered the change in corporate culture as having contributed significantly to the increase in revenue collection. Only the Road Transport department considered the computerization of administration systems as having contributed greatly to the amount of collected by the department while the other three departments considered computerization as having slightly increased the amount of revenue collected.

Currently the average revenue collection by the Authority is tens of millions as given by

The mean score shows the overall influence of each of the changes on the total revenue collected by the departments. The introduction of the graduate training program was considered as having no effect on the Authority's revenue collection. Those changes that were considered as having slightly

increased the Authority's collections were: the establishment of New Business initiatives department, the Research and Corporate Planning department and the Public Relations department. The introduction of targets and performance appraisals, the establishment of taxpayer education and information services and the Management of Information systems departments were considered to have greatly increased revenue collection by the Authority.

The overall influence of the changes on the revenue collected by the KRA was that the changes had slightly increased the amount of revenue collected by the Authority.

TABLE 6: Revenue collections for the financial years 1989/90 to 1995/96

The average revenue collections by the Authority in terms of millions for the six-year period prior to the financial year 1995/96 as given by department are indicated as follows:

Department	Tax	And Excise	Transport Department	Total	
	<b>Revenue Collected</b>				
1989/1990	11,994	6,475	10,221	332	29,022
	(Kshs. '000,000)				
◆ Income Tax	14,263	8,490	10,635	321	33,678
◆ VAT	17,028	8,731	12,333	326	36,407
◆ Customs and Excise	19,970	12,149	13,031	325	45,466
◆ Road Transport Department	30,767	12,149	25,749	391	75,927
	43,715	13,402	31,360	390	96,747
1995/96	48,259	14,750	36,444	613	122,066
	48,171	14,445	36,290	590	115,155
	55,175	19,250	36,274	587	131,084
	55,182	21,073	37,322	587	165,164
	(Kshs. '000,000)				

Currently the average revenue collection by the Authority in terms of millions, as given by department are:

◆ Income Tax	Kshs 54, 197	90,630	1,073	167, 663
◆ VAT	Kshs 20, 794	98,748	1,176	182, 745
◆ Customs and Excise	Kshs 82, 433	94,611	1,328	183, 321
◆ Road Transport Department	Kshs 1, 009			

The collections for the Authority given by department and for the Authority as a whole for the financial year 1989/90 to 2001/02 are given in the table below:

**TABLE 6: Revenue collections for the financial years 1989/90 to 2001/02**

Year	Department				Total
	Income Tax	VAT	Customs And Excise	Road Transport Department	
1989/1990	11,994	6, 475	10,221	332	29, 022
1990/91	14,262	8, 440	10,655	321	33, 678
1991/92	17, 028	6, 720	12,333	326	36, 407
1992/93	19, 970	8, 140	18,031	325	46, 466
1993/94	36, 767	13, 020	25,749	391	75, 927
1994//95	43, 715	13, 606	38,860	566	96, 747
1995/96	48, 259	14,750	58,444	613	122, 066
1996/97	48, 470	14,845	68,900	900	133, 155
1997/98	56, 173	19,250	78,274	987	154, 684
1998//99	55, 682	21,075	87,422	987	165, 166

1999/00	53, 556	22,404	90,630	1,073	167, 663
2000/01	56, 246	26,575	98,748	1,176	182, 745
2001/02	60, 725	26,657	94,611	1,328	183, 321

Table 7 represents responses to question nine. The respondents were required to indicate the extent to which they had achieved some given benefits as a result of change. They were required to indicate their responses using a five point scale ranging from one to five where one would indicate that the benefit had not been achieved at all and five would indicate that the benefit had been achieved to a very great extent. A mean score was used to indicate the extent to which the benefit had been achieved with regard to Authority as a whole.

**Table 7: Extent to which the following benefits had been achieved as result of the change**

Benefit	Department				Mean Score
	Income Tax	VAT	Customs and Excise	Road Transport	
Training	5	5	3	2	3.75
Improved pay	4	4	4	4	4
Increased workload	4	4	3	5	4
Elimination of overlapping /duplicating functions	5	5	3	1	3.5
Elimination of staff imbalances	4	4	4	2	3.5

Reduction in costs	5	5	4	4	4.5
Improved quality services offered	5	5	5	5	5
Identified new opportunities	4	4	3	2	3.25
Improved job specification	3	3	2	1	2.25
Promotion	4	4	4	3	3.75
Improved skills	5	5	4	4	4.5
Acquired multi skills	4	3	3	3	3.25

From the above findings the greatest benefit achieved as a result of the change is the improved quality of services offered while improved job specification was the least visible benefit.

Table 8 shows responses regarding the extent to which they faced some given challenges. The respondents were required to use a scale ranging from one to five where one would indicate the greatest change and five would indicate no change at all.

**Table 8: Challenges faced during the implementation of change**

Challenge	Department				Mean Score
	Income Tax	VAT	Customs and Excise	Road Transport	
Loss of qualified staff	3	4	5	5	4.25
Availability of qualified staff	2	3	4	2	2.75
Employee ability to cope with change	5	5	3	4	4.25

Availability of resources	1	1	2	3	1.75
Culture change	4	2	1	1	2.00

The greatest challenge faced was the availability of resources while the loss of qualified staff and employees' ability to cope with change were regarded as not much of a challenge it was found that initially these challenges affected the revenue collected against the targeted collection level but revenue collection improved after the challenges were addressed. The actions taken by the departments to overcome the challenges and avoid a repeat of the same in the same in the future were:

- ◆ Launching of training programmes to help employees cope with cultural change.
- ◆ Harmonization of salaries across the departments and various ranks.
- ◆ Continuous training of staff in order to update their skills and knowledge.
- ◆ Encouraging open communication among staff at various levels
- ◆ Improved pay in order to retain qualified staff.

Among the intended influences of change was the need to achieve increase taxpayer compliance level. In the VAT and Income Tax departments compliance levels were measured in two ways:

- ◆ By comparing the number of tax returns issued with the proportion of returns that are eventually received back.
- ◆ By identifying the proportion of total revenue that was paid voluntarily.

For the Customs and Road Transport departments compliance levels were addressed in terms of revenue lost through smuggling and diversion of export goods and the amount of revenue that was lost as result of the existence of a parallel market.

The average number of staff dismissed due to unethical practices since 1995 was given as thirty. Out of the total amount that was collected by the Income Tax departments 79% of the payments were made voluntary while the remaining 21% is through the departments own initiatives. In the VAT department 90% of the collections were voluntary payments while 10% was raised through audits and assessments.

The quality of services delivered to tax payers was assessed as follows:

In terms of returns lodgment, the compliance rate for the VAT department stood at 65% while that of the Income Tax department was 38.84%. The compliance rate for the Road Transport was cited as very low though no actual figure was given.

By looking at the degree of voluntary compliance

No statistics on compliance rates for the years prior to the 1995/96 financial year were available. The desired compliance level is 100% and the potential benefits from closing the gap are two fold:

- ◆ To increase revenue collection.
- ◆ To lower costs associated with revenue collection

Lack of statistics on compliance rates for the earlier years made it impossible to compare the difference in compliance levels for the period before the changes were instituted and the years after the changes were put in place.

Staff motivation was one of the issues addressed during the implementation of change. In KRA staff motivation was addressed by looking at the absenteeism rate, the number of sick offs, punctuality levels and staff turnover rates.

By looking at the extent to which information is shared across the departments.

Conducting regular meetings for the heads of the different departments.

The average number of staff dismissed due to unethical practices since 1995 was given as thirty. It was impossible to compare this figure to statistics before 1995/96, as at that time the issue of ethics in the workplace had not been addressed. The influence of such unethical practices on revenue collection was that lower levels of revenue were realized.

The quality of services delivered to tax payers was assessed as follows:

- ◆ Through direct feedback from taxpayers during meetings and through the media i.e. by taking into consideration outsiders' perspective on KRA.
- ◆ By assessing the response time to customer queries and complaints.
- ◆ By looking at the degree of voluntary compliance
- ◆ Consistent and responsible application of the law.

It was also reported that there had been a remarkable improvement in quality of services offered to taxpayers since the year 1996.

The four departments are encouraged to work together and to view each other as members of a single organization as opposed to having staff identify with only the departments. The various departments had in place several ways by which the issue was assessed and the responses given included:

- ◆ The requirement that taxpayers use the PIN number while registering for VAT and Customs clearance. The PIN is an initiative of the Income Tax department, which makes the identification, and follow-up of taxpayers' easier.
- ◆ By looking at the extent to which information is shared across the departments.
- ◆ Conducting regular meetings for the heads of the different departments.

- ◆ Training of staff on the functions of all the revenue departments thus enabling cross-departmental transfers.

## 5. CONCLUSION

Members of the Authority were reported as regarding each other as members of a family to a relatively fair extent as there is still a tendency of interdepartmental competition for resources and superiority.

### SUMMARY DISCUSSIONS AND CONCLUSIONS

The study sought to determine the influence of change on revenue collection. The findings are summarized and discussed below.

According to the responses given by the various departments on the influence of change on revenue collection, the change that had the greatest influence on the amount of revenue collected by the Authority was the introduction of targets and performance appraisals and also the introduction of the taxpayers education and information initiative. The performance oriented staff appraisal was introduced in order to ensure staff productivity and performance efficiency. It was also aimed at identifying non-performers on the payroll. The taxpayer education initiative was reported as a result oriented approach and involved expanding the public relations function, conducting regular dissemination of information on tax programmes and increasing liaison and consultation with business and professional associations. The taxpayers' charter was also developed and this was useful in informing the taxpayers of their rights and obligations.

The Management Information Services department had helped to increase revenue collection. The KRA website was developed to enable easy and prompt access to relevant information. The website had undergone many changes including availing of Income Tax return forms for printing and downloading, availing of customs declaration forms with instructions on filing, addition of content

## CHAPTER 5

### 5 CONCLUSION

#### 5.1 SUMMARY DISCUSSIONS AND CONCLUSIONS

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on the roles, structure and functions of the revenue departments together with the taxes administered by KRA and the individual tax rates, and posting of all advertisements on the site. All this had helped to provide taxpayers with comprehensive information on what they needed to know regarding taxes and tax administration. Taxpayers were thus able to file their returns electronically for subsequent processing thus improving services to the taxpayers.

Other changes that had helped to increase revenue collections were the establishment of the New Business Initiatives, Research and Corporate Planning and Public Relations departments. The introduction of the graduate training programme was reported as having no influence on revenue collection; the reason given for this was that the Authority was running the program for the second time. The first group was trained from November 1996 to April 1998 when the officers were posted to the revenue and service departments, thus it was felt that it was too soon to report on the influence of the program on revenue collection.

Computerization of the administration systems had also helped to increase revenue collection due to the following:

- ◆ The ability to follow up on non-filers.
- ◆ Confirmation or otherwise of taxpayers returns.
- ◆ Availing data therefore enabling comparative analyses to be conducted.

## 5.2. LIMITATIONS OF THE STUDY

The change in corporate culture saw the Authority move away from the civil servant way of doing things associated with the public service to the adoption of a business culture with a distinct image and identity so as to enhance service delivery to its stakeholders. The business like behaviour was to

be reflected in the staff's thought, speech, action, and customer treatment. The staff were re-oriented and all business undertakings were geared towards a purely commercial culture. This was aimed at ensuring that service provision is customer driven, that there was commitment to the provision of quality service and the development of commercial attitudes in the workplace.

In terms of revenue collections, the collections have continued to rise at an average of ten percent per annum. The revenue collection performance had been achieved in spite of the economic hardship experienced since the early nineties and which had contributed to a decline in profitability of a number of major business concerns in various sectors. Tax collections now comprise twenty five percent of Kenya's Gross Domestic Product (GDP) compared to the eleven percent each achieved in Uganda and Tanzania. This is a very impressive statistic and in the absence of donor support over the last six years has meant that KRA has literally kept the government afloat.

In conclusion it can be said that the general feeling was that the changes had positively contributed to revenue collection by the Authority as none of the changes was reported as having had a negative influence on revenue collection. The change effort has to some extent been successful though longer-term staff commitment and compliance remain a big challenge in the changing domestic and foreign environment.

## **5.2 LIMITATIONS OF THE STUDY**

In conducting the research the following problems were encountered:

1. Difficulty in obtaining data as some of the revenue departments lacked data for the years earlier than 1995. For this reason the researcher had to rely on secondary data obtained from the Central Bureau of Statistics.
2. The revenue collection levels need to be taken with caution, as there may be other factors which influenced revenue collection and which were not captured in the study.
3. Revenue collection is regarded as sensitive issue and for this reason there was some information that was withheld, as employees were not allowed to disclose some information due to the confidential nature of such information. Thus some of the responses given may not reflect the situation, as it really exists.

### **5.3 RECOMMENDATIONS FOR FUTURE RESEARCH**

1. The research focused on top management views on the influence of change on revenue collection by the KRA. Future research may be conducted to seek the views of staff on the influence of change on KRA.
2. Owing to limitations of time, only the views of the revenue departments were sought. Future research may direct their effort at establishing the views of the lower cadre staff on the influence of change on revenue collection.

### **5.4 IMPLICATIONS FOR POLICY AND PRACTICE**

Due to the turbulent nature of the environments that organizations are operating in today, organizations have to undergo change continuously in order to remain competitive. Thus despite having achieved positive results as a result of the changes that it has put in place, the Authority adopt

changes that will further enhance the quality of services to taxpayers. In particular, the role of the electronic service network should be exploited so as to enable the sharing of information with other public institutions. The Authority should explore ways in which it can be connected in a comprehensive electronic service network with other public institutions so that information that has already been submitted by citizens and companies to one public institution and which can be transferred electronically, should not be requested by another public institution. This will enable faster processing of customers' documents thus the realization of additional gains.

In order to more accurately assess the influence of change, management should develop a broad network of contacts and sources of information, both formal and informal. Additional channels include talking with key subordinates, tapping into the grapevine, listening to rank and file employees and observing the situation first hand. They should not that some of the information so obtained is more trustworthy than the rest, and views and perspectives offered by different people may not represent the whole truth. Bad news may be suppressed or problems may be minimized or in some cases not be reported at all in the hope that more time will give room to turning things around. Therefore managers should ensure they have accurate information and a feel of the existing situation by making regular visits to the field and talking to people at different levels.

QUESTIONNAIRE

SECTION ONE

DEPARTMENT \_\_\_\_\_

1. What are the objectives of the department?

- 1. \_\_\_\_\_
- 2. \_\_\_\_\_
- 3. \_\_\_\_\_
- 4. \_\_\_\_\_

2. How important is change to the department?

- 1. Of no importance [ ]
- 2. Of limited importance [ ]
- 3. Important [ ]
- 4. Very important [ ]

3. After how long is the influence of change assessed in the department? \_\_\_\_\_

4. Rank the following reasons for change reasons in order of importance from the department's point of view. Use a four point scale where:

- 1 = very important
- 2 = important
- 3 = not particularly important
- 4 = not at all important

- 1. Increased demand for tax revenue [ ]
- 2. Need to lower cost of revenue collection [ ]
- 3. Advancement in technology [ ]
- 4. Suspension of foreign aid [ ]

Others (specify)

- 5. ----- [ ]
- 6. ----- [ ]
- 7. ----- [ ]
- 8. ----- [ ]

**SECTION TWO**

5. What does the department expect to achieve from the changes put in place?

- 1. -----
- 2. -----
- 3. -----

4. -----

5. -----

6. Which of the following helps to determine that you are doing well?

1. Service quality [ ]

2. Customer service [ ]

3. Employee morale [ ]

Others (specify)

4. -----

5. -----

6. -----

7. -----

7. What do you consider to be the effect of the following on department's revenue collection?

Use a 5 point scale ranging from 1 to 5 to indicate your response where:

1 = revenue collection has decreased greatly

2 = revenue collection has decreased slightly

3 = no difference in revenue collection

4 = revenue collection has increased slightly

5 = revenue collection has increased greatly

1. Introduction of performance appraisal systems [ ]

2. Establishment of the following service departments: [ ]

- New business initiatives [ ]
- Taxpayer education and information [ ]
- Research and corporate planning [ ]
- Management Information Services [ ]
- Public Relations [ ]
- 3. Introduction of the GT program [ ]
- 4. Change in corporate culture [ ]
- 5. Computerization of administration systems [ ]

8. a) On average how much were you able to collect in this department in terms of tax revenue prior to 1996? -----

b) What is your average revenue collection now (i.e. from 1996 to 2001)? -----

c) How much were you collecting on average for each of the following years?

1989/1990 -----

1990/1991 -----

1991/1992 -----

1992/1993 -----

1993/1994 -----

1994/1995 -----

1995/1996 -----

1996/1997 -----

1997/1998 -----

1998/1999 -----

1999/2000 -----

2000/2001 -----

2001/2002 -----

9. The following are benefits resulting from change. To what extent would say you have achieved the following benefits in your department? Use a 5 point scale ranging from one to five to indicate your response, where:

1 = not at all, and

5 = to a very great extent

Others (specify)

1. Training [ ]

2. Increased workload [ ]

3. Elimination of overlapping / duplicating functions [ ]

4. Elimination of staff imbalances [ ]

5. Reduction in costs [ ]

6. Improved quality of services offered [ ]

7. Identified new opportunities [ ]

8. Improved job specification [ ]

9. Promotion [ ]

10. Improved skills [ ]

11. Acquired multi skills [ ]

12. Improved pay [ ]

10. During the introduction of change, to what extent did you face the following challenges?

Greatest Not at all a  
Challenge challenge

1. 2. 3. 4. 5.

1. Loss of qualified staff [ ] [ ] [ ] [ ] [ ]

2. Availability of qualified staff [ ] [ ] [ ] [ ] [ ]

3. Employee ability to cope with change [ ] [ ] [ ] [ ] [ ]

4. Availability of resources [ ] [ ] [ ] [ ] [ ]

5. Culture change [ ] [ ] [ ] [ ] [ ]

Others (specify)

6. -----

7. -----

8. -----

11. How did the above challenges influence revenue collection? -----

-----

-----

-----

-----

-----



5. Please list the potential benefits to be gained by closing the gap? *missed to unethical practices*

1. -----
2. -----
3. -----
4. -----
5. -----

15. How has the difference in compliance level (i.e. from the above question) influenced revenue collection?

1. -----
2. -----
3. -----
4. -----

16. a) Staff motivation was one of the issues addressed during the implementation of change. How is this measured in the department?

1. -----
2. -----
3. -----
4. -----
5. -----

b) Could you please give the average number of staff per year dismissed to unethical practices since 1995? -----

c) How does this compare to the period before the introduction of change? -----

d) What would you say has been the influence of such unethical practices on revenue collection? -----

17. a) How does the department assess the quality of services delivered to tax payers?

1. -----

2. -----

3. -----

4. -----

b) How does the quality of services to tax payers compare for the period prior to 1996 and for the period 1996 to 2001?

18. The four departments are encouraged to work together and regard each other as members of one family.

I. Does the department have in place a method for assessing this? Yes [ ] No [ ]

II. If yes, what method(s) does the department use?

1. -----

2. -----

3. -----

4. -----

III. If no, how does the department assess the extent to which its members regard each other as family?-----

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IV. To what extent would you say that members of the authority regard each other's as members of the single family?-----

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