INFLUENCE OF CHANGE MANAGEMENT ON ORGANIZATIONAL PERFOMANCE IN PUBLIC ORGANISATIONS

A CASE STUDY OF KENYA REVENUE AUTHORITY

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ABSTRACT

Change is any planned or unplanned transition from one scenario to another. Strategic change is long term in nature, effects the entire organization and aims at achieving effectiveness. Operational change on the other hand is short term in nature, affects sections of the organization and focus on efficiency. This study sought to fill the research gap that exists by carrying out a study on the influence of change management and reforms on organizational performance in the KRA: To establish the effect of organizational culture on organizational performance in KRA; To determine how ICT influences organizational performance in KRA; To investigate how organizational culture influences organizational performance in KRA; To determine how managerial skills affect organizational performance in KRA. Since this study sought to investigate management of strategic change in KRA, a case study design was deemed the best design to fulfill the objectives of the study. A case study was chosen because it enabled the researcher to have an in-depth understanding of the management of strategic change in Kenya Revenue Authority. The researcher used primary data. Questionnaires with open ended questions was used to collect data. The study concludes that lack of proper knowledge poses a challenge in change management to a great extent while compatibility of the different systems causes a challenge in management to a moderate extent. The study recommends that because of the dynamic work environment that exists in most organizations, it is important for managers to have the skills to understand planned change and its components for success.

Key words: *Change Management, Employee resistance, Internal Communication, Organization Culture, System compatibility*

Introduction

In an ever-changing global economy, Johnson and Scholes (2003) notes that organizations must find ways for operating by developing new competences as the old advantage and competences gained is quickly eroded owing to environmental changes. Because of the fact that changes are a necessity in private as well as public sector, every organization must change with the environment otherwise, it would become irrelevant. Rose and Lawton (1999) observes that changes in the service institutions arise out of the need for efficiency, economy, effectiveness, performance evaluation ethics and market concerns. Rising demand for services and expectations of quality of those services have placed extreme pressure on managers and their organisations, depicting change as a continuous episode in the life of corporations.

Statement of the Problem

According to Armstrong (2006), people will always resist change because it is seen as a threat to familiar patterns of behaviour as well as to status and financial rewards. There is convincing empirical evidence that change management practices is a global phenomenon on the agenda not only in industrialized Western nations such as USA and Canada, UK and continental Europe, Australia and New Zealand (Torres, 2004; Pina and Torres, 2003; Pollitt, 1990), but also in many industrialized and even developing countries in Asia and Africa (Haque, 1999).

In spite of the attention that the management of change has received, organizations continue to have problems in managing organizational change and the search for generalized laws of change still pervades the discipline (Wilson, 1992). Research undertaken by Paton and McCalman (1996) indicated that one-half to two-thirds of all major corporate change efforts fail and resistance is the little-recognised but critically important contributor to that failure.

Kenya Revenue Authority revenue collection grew by 48% from Kshs. 201.7 billion in 2002/2003 to Kshs. 297.7 billion in 2005/06. However, the cost of collection rose from 1.6% in 2002/03 to 1.9% in 2005/2006 due to costs associated with the implementation of the Reform and Modernization Programme (KRA, 2008)**.**

Since the inception of KRA, revenue collection has continued to grow while professionalism in revenue administration has been enhanced. KRA is yet to operate as a fully integrated organisation since a number of processes remain manual. Thus the KRA Second Corporate Plan while acknowledging these challenges recommended appropriate strategies to address the same. This necessitated the Revenue Administration Reform and Modernisation Program (RARMP) which commenced in 2004/05 with the objective of transforming KRA into a modern, fully integrated and client-focused organisation. For instance, many positive developments were achieved during the implementation of the First Phase of the Revenue Administration Reform and Modernisation Programme (KRA, 2011).

There is evidence to suggest that the universal model of change management is inadequate to describe the diversity of approaches actually used by banks (Chapman, 2005). However, few of these international studies have focused on factors influencing change management in the context of revenue collection.

Studies in change management practices have also been done in Kenya Bwibo (2000) did a survey of strategic change management practices within non-governmental organizations in Kenya. Sikasa, (2004) carried out a study on customer perception of change management practices in the mortgage industry the case of HFCK while Otiso (2008) studied strategic change management practices the case of Africa Merchant Assurance Company.

However, no study has been carried out in KRA on the influence of change management on organizational performance. This is despite the fact that the revenue collection body is facing a continuous process of change globally .This study sought to fill the research gap by studying the influence of change management on organizational performance in KRA.

Objectives of the Study
General Objective

The general objective of the study was to investigate the influence of change management on organizational performance in public organizations.

Specific Objectives

The specific objectives of this study were:

 i. To establish how organizational structure influences organizational performance in public organizations.
 ii. To determine how ICT influences organizational performance in public organizations.
 iii. To investigate how organizational culture influences organizational performance in public organizations.
 iv. To determine how managerial skills influences organizational performance in public organizations.

Theoretical Review

Theory of Change Management

The practitioners, who to the large consulting firm model of organizational change, are seen as advocating the rational-linear view of organizational change, while the theoreticians are perceived as supporting the systemic-multivariate view of organizational change (Modahl, 2000). It is commonly observed among the advocates of the rational-linear view of organisational change that there is an optimum solution for organizing labour, raw materials and capital and for adopting new organizational practices. Within this view, the focus has been primarily on the contingencies necessary for the success and effectiveness of implementing organizational change. Situational models of contingencies, under which different approaches to change assume one-best-way across business contexts or timescales (Kotter, 1995), present an ideal model of what happens in organizations at different points in time or in different contexts.

Conceptual Framework

Independent Variables   **Dependent variable**
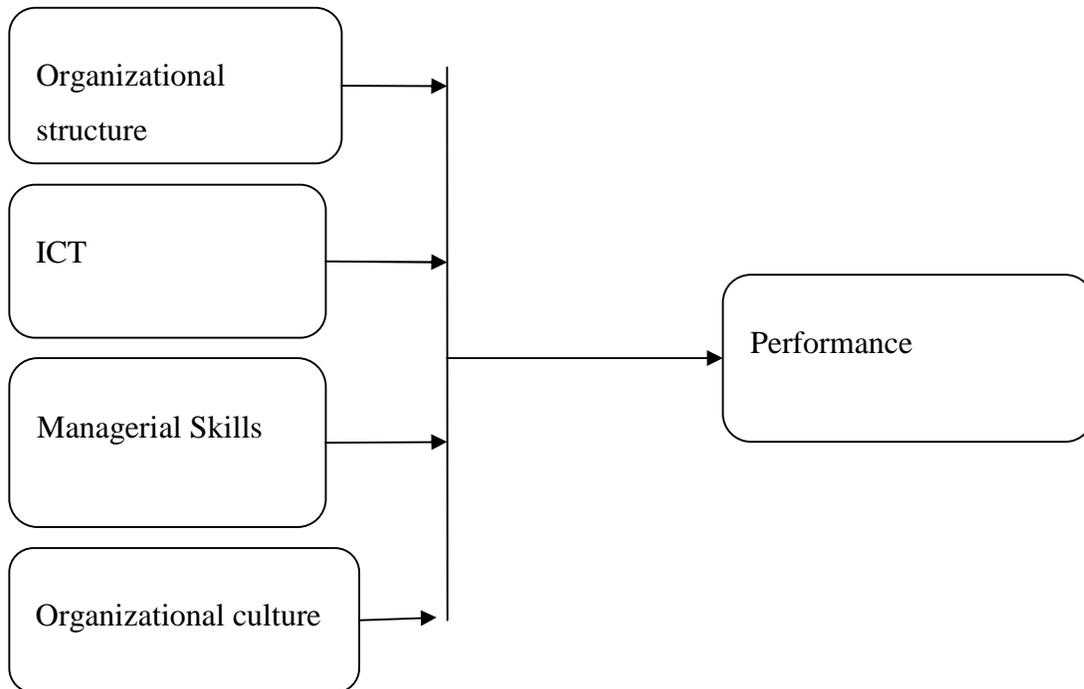
Research Methodology

This research was conducted through a case study since it is a research on one organization.

The target population of this study was the staff working at the KRA headquarters in Nairobi. The researcher intended to interview 1000 staff members working in various departments at KRA whereby the staff was grouped into top management, middle management and lower management.

The sample population of this study comprised of staff currently employed at KRA at the time of the research. Since the population is large, the researcher used a target population of 1000 staff members. The researcher stratified the population according to management level, senior level and low level (Ngechu, 2006)

Results of the Findings

The study found out that majority of the respondents indicated that ICT influenced organizational performance to a moderate extent. The study also found out that lack of proper knowledge poses a challenge in change management to a great extent; the study also found out that Compatibility of the different systems causes a challenge in management to a moderate extent. Installation of new systems poses challenge in the change management to a moderate extent and a mismatch between software tools and company needs challenges change management in the institution to a little extent as indicated by a mean of 3.05 while roadblocks to

collaboration between departments also fails the implementation of change management to no extent.

The study further found out that majority of the respondents indicated organization culture influenced organizational performance to a great extent. The respondents indicated that the institution's culture is consistent with the organizational performance strategy to a great extent. The study found out also that the institution's culture is a powerful driving force in implementation of change management to a moderate extent while the institution's structure provides overall framework for strategy implementation to a little extent.

Additionally the study found out that the respondents indicated to a great extent that experience contribute to reforms in organizational performance in KRA and temperament to a moderate extent.The study also found out that managerial abilities contribute to reforms in organizational performance in KRA to a moderate extent, education background to a moderate extent and Previous track record to a little extent.

Finally the study found out that majority of the respondents indicated that organizational structure influenced organizational performance to a very great extent .The respondents indicated to a great extent that a well-designed organization is flexible for the future as well as fit for the present and technical system is an influencing factor on the organizational structure and its used to produce output to a moderate extent. Also organizational structures rarely result from systematic, methodical planning to a moderate extent; age and size of the organization are fundamental bases for organizational structure to a little extent.

Regression analysis

This section presents a discussion of the results of inferential statistics. The researcher conducted a multiple regression analysis so as to determine the relative importance of each of the variables with respect to the influence of change management on organizational performance. The researcher applied the statistical package Easy Reg International to code, enter and compute the measurements of the multiple regressions for the study. Findings are presented in the following tables;

Table 4. 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	. 921[a]	.721	.893	.557

Source: Researcher (2012)

Predictors: (Constant), Managerial skills, ICT, Organizational structure and Organizational Culture

b. Dependent Variable: Performance

Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Performance) that is explained by all the 4 independent variables (Managerial skills, ICT, Organizational structure and Organizational Culture).

The four independent variables that were studied, explain 72.1% of variance in strategy implementation as represented by the R^2. This therefore means that other factors not studied in this research contribute 27.9% of variance in the dependent variable. Therefore, further research should be conducted to investigate the influence of change management on organizational performance.

ANOVA (Analysis of Variance)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	44.453	15	.176	72.9	.000[a]
	Residual	15.653	85	.212		
	Total	60.106	100			

Source: Researcher (2012)

a. Predictors: (Constant), Managerial skills, ICT, Organizational structure and Organizational Culture

b. Dependent Variable: performance.

The F critical at 5% level of significance was 3.44. Since F calculated is greater than the F critical (value = 72.9), this shows that the overall model was significant. The significance is less than 0.05, thus indicating that the predictor variables), Managerial skills, ICT, Organizational structure and Organizational Culture explain the variation in the dependent variable which is performance.. Subsequently, we reject the hypothesis that all the population values for the regression coefficients are 0. Conversely, if the significance value of F was larger than 0.05 then the independent variables would not explain the variation in the dependent variable.

Multiple Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.234	.47		6.654	0.003
	Managerial skills	2.761	0.174	0.212	0.234	0.005
	ICT	1.983	0.287	0.476	0.344	0.001
	Organizational culture	1.236	0.532	0.376	0.178	0.002
	Organizational structure	0.973	0.275	0.299	0.245	0.012

Source: Researcher (2012)

From the regression findings, the substitution of the equation (**Y = β0+ β1X1 + β2X2 + β3X3 + β4X4**) becomes:

$Y = 3.234 + 2.761X_1 + 1.983X_2 + 1.236X_3 + 0.973X_4.$

Where Y is the dependent variable (performance), X_1 is the Managerial skills variable, X_2 is the ICT variable, X_3 is organizational culture variable and X_4 the Organizational structure variable.

According to the equation, taking all factors (Managerial skills, ICT, Organizational structure and Organizational Culture) constant at zero, performance will be 3.234. The data findings also show that a unit increase in Managerial skills will lead to a 2.761 increase in performance in an organization; a unit increase in ICT will lead to a 1.983 increase in performance in an organization; a unit increase in Organizational culture will lead to a 1.236 increase in performance in an organization; and a unit increase in Organizational structure will lead to a 0.973 in performance in an organization.

Conclusion

This study concludes that indeed change management has an influence on organizational performance in KRA.

Lack of proper knowledge poses a challenge in change management to a great extent while compatibility of the different systems causes a challenge in management to a moderate extent while installation of new systems poses challenge in the change management to a moderate extent. All this go to show the influence of ICT on organisational performace.

Further the study concludes that institution's culture is consistent with the organizational performance strategy to a great extent while institution's culture is a powerful driving force in implementation of change management to a moderate extent and that institution's structure provides overall framework for strategy implementation to a little extent.

Additionally the study concludes that to a great extent the experience of the managerial staff contributes to organizational performance in KRA

Finally the study concludes that to a great extent, a well-designed organization is flexible for the future as well as fit for the present while to a moderate extent, technical system is an influencing factor on the organizational structure and its used to produce output .Also structures rarely result from systematic ,methodical planning to a moderate extent and that to a little extent, age and size of the organization are fundamental bases for organizational structure .

Recommendations

The study recommends that because of the dynamic work environment that exists in most organizations, it is important for managers to have the necessary skills to understand planned change and its components for success. Therefore the organization should invest in high caliber staff and should find ways of retaining them.

The selection of organizational structure should be made consistent over time and that the organizations complexity and size should be considered appropriately throughout its life cycle since it affect performance. The best possible fit for the future as well as the present should be sought.

The study also recommends that investment be made in ICT due to its impact on enterprise performance. However staff should be properly trained in new and existing technologies in order for better performance to be achieved.

Further the study also recommends that there should be development of a change management process to ensure appropriate focus on both the pre- and post-implementation challenges and should build employee trust and gain their commitment to the core values and objectives of the organization.

Finally the study recommends that organizational commitment and organizational culture of employees within the selected municipality. Should be diagnosed and improve commitment within the organization so that employees can identify with their organization and its goals, and deliver the services more effectively and efficiently.

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