

DETERMINANTS OF CHANGE MANAGEMENT IMPLEMENTATION IN PARASTATALS IN KENYA: A CASE OF KENYA REVENUE AUTHORITY

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ABSTRACT

In an ever-changing global economy, organizations must find ways for operating by developing new competences as the old advantage and competences gained is quickly eroded owing to environmental changes. Institutions are not static, but dynamic; i.e., they evolve and change over time. All natural resource management regimes described in this project have seen various periods of fundamental institutional change. Institutional change can occur intentionally, as with a decentralization process, or spontaneously. The objectives of this study were: to establish the influence of level of technology on effective change management implementation in Kenya Revenue Authority, the effect of regulatory factors on effective change management, the effect of organization structure on effective change management implementation, the effect of user involvement on effective change management implementation and the effect of customer needs and preferences on effective change management implementation in Kenya Revenue Authority.

Key words: *Change management, Employee resistance, Internal communication, Organization culture, System compatibility.*

Introduction

This study sought to evaluate the determinants of change management implementation in parastatals in Kenya. Changes are a necessity in private as well as public sector and, therefore, every organization must change with the environment otherwise it would become irrelevant, (Johnson and Scholes, 2003).

Rose and Lawton (1999) observes that changes in the public service 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.

Change Management in Kenya

In Kenya, corporate bodies have always been preoccupied with change as managers try to find ways of capitalizing on opportunities created by economic and technological developments. Undoubtedly, all organizations are faced with change, but some are perceived to operate in more dynamic environments than others, (Ndemo, 2008).

There are also many examples of companies who became “blinded by success” and failed to notice that the market will be changing around them Cope, (2000). Or, put another way strengths that helped build organizations subsequently become part of the reason for organizational decline. So, change in programme means much more than changing organizational charts, it means changing the very nature of organizations and the way(s) in which they do business (Ngugi, 2011).

Kenya Revenue Authority

KRA is a state corporation established by an act of Parliament of July 1st, 2006 Cap 469 as a central body. The authority is charged with the responsibility of collecting revenue on behalf of the government of Kenya. The authority is under the general supervision of the Minister of Finance (Treasury). The Authority’s mandate and core business is to assess, account and administrate and enforce all the laws relating to revenue. KRA’s role is assessment, collection, administration and enforcement of laws relating to revenue; restoring economic independence by its elimination of budget deficits and creating organisation structures that maximize revenue collection.

KRA has faced several challenges both external and internal factors ranging from Political, technological, legal and social. These include, among others, the ever widening informal sector and technological advancement, which have led to increased cases of tax avoidance and evasion. In response to managerial concerns, KRA has undergone major strategic changes refocusing its business from the traditional authoritative ways of collecting tax to a more modern and customer friendly approach; change of organization culture and various reforms in its management. In regard to structure, KRA has implemented changes in programmes which include restructuring departments in order to centralize key operational areas; review and modernizations of operational processes to improve efficiency and effectiveness; improving internal resource capabilities through staff appointments and training. These are supported by the introduction of appropriate technology for increased efficiency.

Statement of the Problem

Data available from Republic of Kenya (ROK) show that Kenya Revenue Authority (KRA) revenue collection grew by 48% from Kshs. 601.7 billion in 2011/2012 to Kshs. 997.7 billion (ROK, 2013). However, the cost of collection rose from 2.6% to 2.9% in 2011/2012 due to costs associated with the implementation of the Reform and Modernization Programme (KRA, 2012).

Statistics available from KRA annual reports show that there has been change in leadership with appointment of new Managing director (ROK, 2013). Therefore this calls for research to be done to explore the determinant of change management with KRA.

Research objectives

The general objective of the study was to explore the determinants of change management implementation in parastatals in Kenya with reference to Kenya Revenue Authority.

Specific objectives

1. To establish the influence of level of technology on change management implementation in Kenya Revenue authority
2. To evaluate the effect of organization structure on change management implementation in Kenya Revenue Authority.
3. To establish the effect of user involvement on change management implementation in Kenya Revenue Authority.
4. To establish the effect of customer needs and preferences on change management implementation in Kenya Revenue Authority.

Literature 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 organizational 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.

Social Cognitive Theory

Individuals can learn by direct experiences, human dialogue and interaction, and observation. Social learning theory, later renamed social cognitive theory, proposes that behavior change is affected by environmental influences, personal factors, and attributes of the behavior itself (Davis, 1989). The individual must possess self-efficacy. They must believe in their capability to perform the behavior and they must perceive that there is an incentive to do so. Social learning theory is an extension of operant conditioning. Self-efficacy can be increased in several ways which include: provide clear instructions, provide the opportunity for skill development or training, and model the desired behavior (Davis, 1989).

Management Theory

Management theory is what is popularly referred to as Frederick Taylor's Scientific Management. Frederick Taylor started the era of modern management. Taylor consistently sought to overthrow management "by rule of thumb" and replace it with actual timed observations leading to "the one best" practice. He further believed that the workload would be evenly shared between the workers and management with management performing the science and instruction and the workers performing the labor, each group doing "the work for which it was best suited". Taylor's strongest positive legacy was the concept of breaking a complex task down into a number of subtasks, and optimizing the performance of the subtasks; hence, his stop-watch measured time trials.

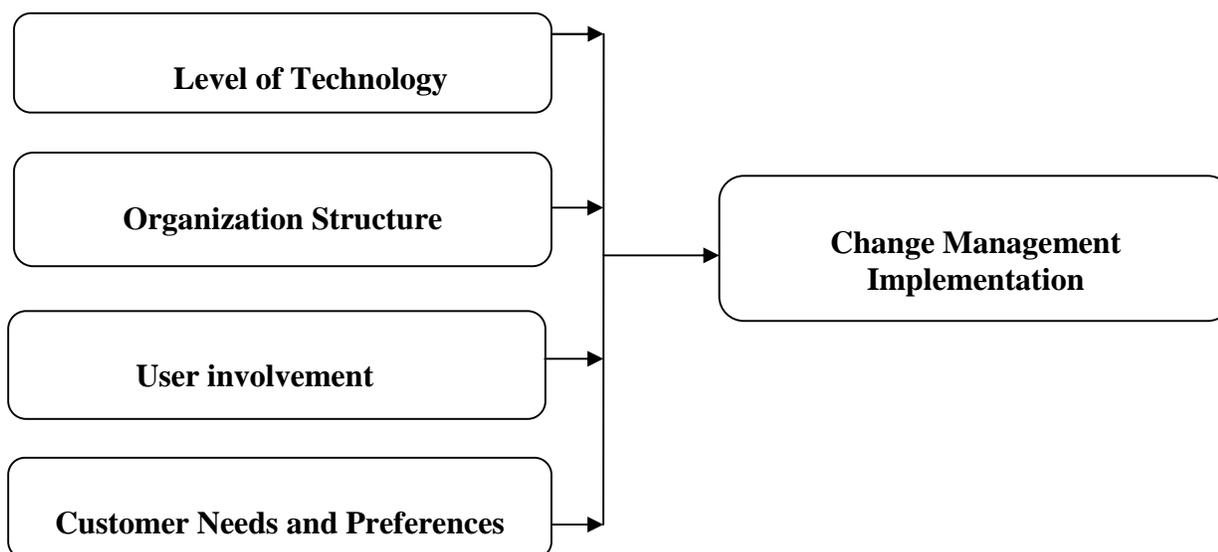
However, many critics both historical and contemporary have pointed out that Taylor's theories tend to "dehumanize" the workers. Nevertheless, Taylor's postulations were strongly influenced by his social/historical period (1856-1917) during the Industrial Revolution; it was a period of autocratic management that saw Taylor turning to "science" (hence, his principles of scientific management) as a solution to the inefficiencies and injustices of the period.

Conceptual Framework

The conceptual framework shows the relationship between variables that affect change management implementation. The researcher argues that there is a relationship between technology, structure, user involvement and customer needs and preferences and the dependent variable effective change management implementation in Parastatals in Kenya. This study seeks to verify these arguments.

Review of Critical Literature

The study on innovation in China's revenue authority carried out by Karplus (2007) through literature review revealed that there was extensive reliance on imported or older technology in change management and this technology was often outdated. However, the same study identifies another problem of change management as having to rely on local technology. This brings out controversy and the reader may not be able to ascertain the authenticity of these results. Given the lack of elaborate methodology on how the study was carried out, the current study therefore recommends that a study be carried out on how technology affects change management implementation through using a survey of several sub sectors in the public sector to verify the results the above study.

Conceptual Framework

The study on a tool for effecting change management implementation in manufacturing industries in Nigeria (Salami, 2010) found that change management was vital in the dynamic change environment. This study was carried out through a literature review, though the researcher acknowledges that literature review is an appropriate method of data collection, the above study should have been carried out through the use of other methodology, for example the case study, where several firms could be studied and results generated from the firms directly unlike collection of literature from various sources. In addition, the study does not establish the duration in which the study was carried out; this implies that the change management implementation reviewed in the study could be out of date. The current study therefore seeks to find out the factors influencing change management using Kenya Revenue Authority in Kenya as a case study.

World Bank (2000) while acknowledging that there is limited empirical review in the change management in the public sector found that human resource was an important component of change management as the competence of the employees determine the quality of work in an implementation process. However, the study should have used a survey where employees should have been interviewed and the results compared with how effective the change was being managed. It is not enough to conclude that employees are key in change management without sufficient support form empirical data. This study recommends that a study be carried out to verify these claims.

Technology

Karplus (2007) in a study on innovation in China's energy revealed that technology was a major factor affecting effective change management implementation in China's energy sector. It was found that there was extensive reliance on imported or older, more labor intensive technologies.

Weak intellectual property protection persisted, and had led overseas developers to introduce older versions of technologies, as in the case of auto parts or natural gas turbines, or not enter the market at all. It was established that due to market competition, enterprises in competitive industries operating on tight budgets generally spent more on marketing than technology, and often faced difficulties in obtaining loans which discouraged risky or slow payback investments. A preference for cheaper alternatives often means that domestic technologies are preferred when available, sometimes even if the quality is lower compared to imports—though notably in the power sector this is not the case, as quality and reliability are seen as crucial to maintaining a stable supply.

Organization Structure

Ngulube and Tafor (2006) in a study on impact of management of records in the public sector in Africa found that structure in organizations in developing countries was significant in effective management of the sector. This is because structure leads to efficiency in operation. However, the researchers observed that structure in most public sectors in developing countries were poorly management and hence the poor performance of most public institutions. In a study on the relationship between structure and human capital, (Maria, 2011) it was found that structure depends highly on the skills of the human resource handling the process. It was observed that every task and action required to be carried out by the operatives will impact the planning process as well as the delivery lead times and other parameters. World Bank (2000) in a study on formal as the basis for effective service delivery and public accountability in development; it was found that the quality of any structure program was directly related to the quality of the personnel undertaking the planning process. The study established that lack of considering the quality and quantity of staff needed to plan in the civil service often led to incompetence and ineffective structure.

User Involvement

Ogbadu (2009) on user involvement found that there was a positive significant relationship between user involvement and effective change management implementation. Lack of user involvement in decision making often led to a change in management implementation. The study therefore concluded that it was important that public sector re-organize the personnel management department, establish good relationship with employees in order to effect change management.

According to a study on user involvement in management decisions (Guilherme, Giovana, Maria and Gabriel, 2011) found that the highly competitive work environment, linked to the globalization phenomena, demands from companies more agility, better performance and the constant search for new innovation through user involvement in decision making process. User involvement was intrinsically associated with enhanced change management implementation. Because of this, user involvement has direct influence on change time, resource usage, and service levels in change management implementation process. The objective of the study was to evaluate, in a systematic way, the level of implemented changes through user involvement on the internal service reliability, agility and overall performance in public sector.

Customer Needs and Preferences

According to World Bank (2000), numerous factors contribute to public sector weaknesses especially in developing countries. To begin with, the need to provide customers with their needs and preferences is wanting in major government organizations. Lack of customer needs and preferences is not only wasteful but can kill motivation and morale among existing customers. There is frequently the associated problem of loss of customers due to failure to meet their needs and preferences by public sectors.

Summary of Research Gap

This study has identified that the various studies carried out on factors affecting change management are not comprehensive. While they have given the study a good basis for information, the studies are not elaborate enough and therefore one cannot draw generalized conclusions based on some of these studies. For example, the study on user involvement (Guilherme, Giovana, Maria and Gabriel, 2011) does not identify the scope of the study nor the parameters used to measure the level of change management in the study. In addition, the study only handles one factor while else the current study intends to find out several factors, this study therefore sought to fill in the gap.

Methodology

The studies employed the use of descriptive research design. Descriptive research design was used to collect data from top and senior departmental officers. Descriptive research is useful for the analysis as it enables description of information without interference with the actual data collected from the field (Creswell, 2002). The target population to be studied were 100 respondents, 20 from top management while 80 are from middle management.

According to Sarndal, Swensson and Wretman (2003) a sampling frame is the source of material or device from which a sample is drawn. The source could be an individual, household or institution. The sample frame in this study included senior and middle management from KRA. Purposive and probabilistic sampling techniques were applied in the sample size selection and a sample of 100 respondents was considered. In addition, 20 senior officials were purposively selected for interviews.

Results and Discussion

From the findings, the respondents strongly agreed that technology had helped KRA manage change implementation more effectively and streamline operations as indicated by a mean of 4.0, the respondents strongly agreed that KRA had managed to improve performance by use of modern technology as indicated by a mean of 3.5, the respondents agreed that use of technology in the department had improved the dissemination of information to other departments as indicated by a mean of 3.4, the respondents agreed that adoption of modern technology in handling change operations had enabled KRA to react more promptly to market signals and to economize costs as indicated by a mean of 3.1, the respondents agreed that use of technology was significantly associated with change management implementation and that when the

technology used in implementation operations and it becomes common, the competitive advantage is lost as indicated by a mean of 2.9 respectively, the respondents agreed that technology allowed business partners to share information related to customer needs as indicated by a mean of 2.8, finally, the respondents strongly agreed that investment in new types of technology has enabled KRA to improve efficiency in and coordination of change operations as indicated by a mean of 2.7.

Table 1: Use of Technology in Change Management Implementation

| | strongly agree | Agree | neutral | Disagree | Strongly Agree | Mean | Stdev |
|---|----------------|-------|---------|----------|----------------|------|-------|
| Use of technology is significantly associated with change management implementation. | 21 | 51 | 16 | 9 | 3 | 2.9 | 0.34 |
| When the technology used in implementation operations and it becomes common, the competitive advantage is lost. | 14 | 66 | 5 | 9 | 6 | 2.9 | 0.23 |
| Investment in new types of technology has enabled KRA to improve efficiency in and coordination of change operations, | 64 | 20 | 5 | 5 | 6 | 2.7 | 0.29 |
| KRA has managed to improve performance by use of modern technology. | 40 | 23 | 12 | 20 | 5 | 3.5 | 0.5 |
| Use of technology in my department has improved the dissemination of information to other departments. | 12 | 80 | 1 | 4 | 5 | 3.4 | 1.4 |
| Technology allows business partners to share information related to customer needs | 45 | 30 | 15 | 5 | 5 | 2.8 | 0.43 |
| In general Technology has helped KRA manage change implementation more effectively and streamline operations. | 40 | 30 | 20 | 3 | 7 | 4.0 | 0.39 |

These findings are in line with the literature review where Frohlich and Westbrook (2002) in a study observed that IT investments have clearly played a leading role in growth of firms who have invested substantial resources in new types of IT enabling them to improve efficiency in and coordination of implementation operations. It was established that technologies that improve the dissemination of information enable companies to react more promptly to market signals and foster change.

Organization Structure

The study further found out that majority of the respondents indicated that organization structure was reviewed very oftenly. The respondents indicated that management courses/strategic organization culture programmes for KRA personnel were very important as indicated by a mean of 3.6, the respondents indicated that staff with wide experiences of challenging assignments were very important as indicated by a mean of 3.3, the respondents indicated that skills in change management were very important as indicated by a mean of 2.9, the respondents indicated that self-driven techniques were very important as indicated by a mean of 2.8, the respondents indicated that mentoring by seniors was important as indicated by a mean of 2.5, finally, the respondents indicated that quality and quantity of staff needed to engage in structure was important as indicated by a mean of 2.3.

These findings are in line with the literature review where in a study on the relationship between structure and human capital, (Maria, 2011) it was found that structure depends highly on the skills of the human resource handling the process. It was observed that every task and action required to be carried out by the operatives will impact the planning process as well as the delivery lead times and other parameters. Workers who do not know why they are carrying out a task what is required to be done and the consequences are prone to carry out wrong operations and in the long run lead to ineffective planning process.

Table 2: User Involvement

| | Poor | average | good | excellent | mean | stdev |
|---|------|---------|------|-----------|------|-------|
| Ability to perform services dependably and accurately during change management implementation | 31 | 44 | 17 | 8 | 1.9 | 1.3 |
| Maintaining organizational culture during change management implementation | 25 | 13 | 10 | 53 | 2.3 | 1.2 |
| Knowledgeable employees who understands the important of change | 12 | 20 | 62 | 7 | 1.6 | 1.1 |
| Modern facilities including IT during change management implementation is welcomed by employees | 4 | 31 | 60 | 6 | 1.6 | 0.8 |

| | | | | | | |
|---|---|----|----|---|-----|-----|
| Employees ability to inspire trust and confidence in change management implementation | 7 | 59 | 29 | 6 | 1.5 | 0.8 |
|---|---|----|----|---|-----|-----|

Regulatory Factors

Moreover, the study found out that the respondents rated maintaining organizational culture during change management implementation as excellent as indicated by a mean of 2.3, the respondents rated ability to perform services dependably and accurately during change management implementation as average as indicated by a mean of 1.9, the respondents rated knowledgeable employees who understood the important of change and modern facilities including IT during change management implementation was welcomed by employees as good as indicated by a mean of 1.6 respectively finally, the respondents rated employees ability to inspire trust and confidence in change management implementation as average as indicated by a mean of 1.5.

The respondents rated KRA employees diligence as very good as indicated by a mean of 3.3, the respondents rated KRA employees efficiency in service provision as average as indicated by a mean of 2.7, the respondents rated KRA employees cooperation as very good as indicated by a mean of 2.5; finally, the respondents rated KRA employees increased revenue collection as good as indicated by a mean of 2.3.

Customer Needs and Preferences

Finally, the study found out that majority of the respondents indicated that customer needs and preferences were very likely to affect change management implementation in KRA; that customer needs and preferences affected change management implementation in KRA to a very high extent; that KRA was adequately equipped in ensuring customer needs and preferences were met during change management implementation; that KRAs adequacy very greatly affected the rate of change management implementation.

Conclusions

This study concludes that the departments are computerized and that KRA had managed to improve performance by use of modern technology. The study also concludes that organization structure was reviewed very oftenlyand that management courses/Strategic organisation culture programmes for KRA personnel were very important.

Additionally, the study concludes that KRA involved employees in decision making towards change management implementation and that application of the right employee skills had effected positively on change management implementation and that user involvement in change management implementation is associated with information flow since it had effect on change time, resource usage, and service levels.

Moreover, the study concludes that maintaining organizational culture during change management implementation as excellent and that KRA employees diligence was very good.

Finally, the study concludes that customer needs and preferences were very likely to affect change management implementation in KRA and that customer needs and preferences affected change management implementation in KRA to a very high extent.

Recommendations

The study recommends that KRA should adopt technology as this will improve the change management implementation. 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.

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