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To Establish the People Challenges and their Effect on I-Tax Strategy Utilization at Kenya Power and Lighting Company Limited

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Abstract: ***In the current world, Information Technology is the breakthrough for the development of the entire element in the people's life, and backbone of the world's economy. This study focused on collection of the funds by the government agencies. In particular the study considered challenges affecting i-tax strategy utilization at Kenya power and lighting company limited. The specific objectives were establishing the organizational challenges and their effect on i-tax strategy utilization; to determine technological challenges and their effect on i-tax strategy utilization; and to establish people challenges and their effect on i-tax strategy utilization. The study adopted a case study design. The study used Questionnaires as the main tool that was used to collect data. The target population were all the 130 categorized into Managers, operating team members, and subordinating staff of the corporation. Data collection was done via open ended and close ended questionnaires. The analysis was done using SPSS version 21.0 and presentation of the information was inform of descriptive statistics such as tables, graphs and charts. The findings was deem to be helpful to government, company shareholders, and scholars as justified in the study. The study also suggested that further analysis of challenges faced by organizations when applying i-tax strategy utilization as a key in implementing a successful itax strategy like employee perception of strategic change on performance of an organization, which is always negative in an organization be considered, research should be done to specifically view on how these challenges on itax strategy utilization should be overcome in an organization. Other organization should be considered.***

Keywords: Culture, Training, Resistance,i-tax strategy utilization, employee performance. Kenya power and lighting company limited

1. Introduction

Over the past years, there has been a growing recognition of the relevance of taxation among multilateral and bilateral donors as well as in developing regions (Lymer & Hasseldine, 2002) .Modern, efficient, and transparent tax administration is one of the keys to overall state performance. A tax system should be based on the principles of equity, progressivity, simplicity and efficiency. Efficient internal revenue collection is a major step towards self-sufficiency and independence (Mitra et al. 2003). To realize this goal, Developing Countries (DC) have a difficult starting position. Industrialized Countries (IC) are organizationally and technologically better equipped and thus better placed to utilize their (tax) resources more efficiently. Whereas ICs generally manage to capture about 90% of the given tax potential, in DCs this can be as little as around 40% (McCulloch, 2005).

Information Technology supported administration systems ("e-Government") play an increasingly important role. Without computerization and administrative reforms, the development gap between ICs and DCs is likely to increase further. There are various cost saving and service improvement effects induced by government. Nevertheless, the use of IT in government's authorities should not be an end in itself (Bird, 2013). The final goal of computerization efforts is to achieve better public service delivery. To achieve this goal, appropriate technology is necessary but not sufficient. Amongst other activities, long-term political commitment and ongoing monitoring and evaluation are of fundamental importance. Besides, effective plans need to be in place for capacity development and the improvement of technical infrastructure. Committed public administration staff has to be involved in the implementation process to ensure lasting success.

Indeed, understanding user demand is important to finding an adequate technical solution. Top-down approaches in e-Government strategies are frequently resulting in early failures. Resistance from civil servants is probably the biggest challenge to successful e-Government implementations. High involvement of public authority staff will ensure a sustained administration effort for modernization (McCulloch, 2005). Hence, capacity development within the government is an important step for e-Government and its effective implementation. With the establishment of well-structured plans that embrace employee participation throughout all stages of the process, civil servants will become key stakeholders of the reform (Bird, 2003). There is no "one-size-fits-all" model for e-Government development. Each country needs to devise its own e-Government strategy and program, taking into consideration its political, economic and social priorities and its financial, human and technological capacities. The key to effective e-Government implementation is a multi-pronged approach based on technology as well as human development (McCulloch, 2005).

In neighboring country Tanzania, iTAX was implemented fully in the year 2004, through the effective use of information technology. It enabled a more efficient tax collection system. In effect, tax compliance increased substantially, as taxpayers were informed of the Tanzania Revenue Authority's ability to cross-check irregularities and led to impose penalties in case of fraud. This led to an increase of the VAT/GDP ratio form 4.4% in 2003/4 to 5.5% in 2005/06, McCulloch, (2005). Currently in Tanzania, iTAX application is widespread and its application has become standard in corporations. This study aims to identify and analyze some of the variables that affect iTAX implementation in corporations in Kenya. Benefits of automation include a reduction of fraud, remote access to information, improved collection statistics, and uniform application of tax legislation.

The Kenya Revenue Authority launched the iTAX system of tax collection in October 2013, on a pilot basis to large and medium tax payers and mandating the other taxpayers to register with the system before March 2014. The authority later pushed the deadline claiming that the new tax system was overwhelmed by users. Moreover, not all tax payers have fully accepted and used the roll out and complied. Kenya is ranked among the low-income countries and low tax compliance countries. The introduction of tax registers minimizes direct contacts between tax collection officers and traders hence reduction of corruption. Further benefits achieved through automation include improved reporting, control of file transfers, automatic reconciliation of tax returns declarations, and compliance testing of bank files. Paperless declarations and customs automation save time and make it easier to focus on inspecting high-risk consignments. The possibility of submitting tax returns declarations on-line has in some cases made it possible to reduce the associated fees; in other cases it has helped eliminate the obligatory contracting of Customs agents (Robert, 1997).

ETRs were first introduced to Kenya in 2004, through a gazette notice no. 47 issued in October 22, 2004. According to this notice, electronic tax register or printer is defined as any device approved by the government to record and issue fiscal data of goods and services (KRA 2004). Today, the law makes it mandatory for businesses registered for VAT to issue tax invoices and/or cash sale receipts which must be ETR generated or supported by ETR receipts. The VAT act Cap 476 (Laws of Kenya), requires that once a tax payer is registered, should always display VAT certificate, issue ETR generated receipts, declare correct returns and submit returns on time. Failure to adhere to these requirements attracts heavy fines and penalties. However, businesses with turnover of less than five million per annum are under no obligation to register for VAT and as such, are not legally compelled to use ETRs. For those businesses with turnover below the required VAT threshold, KRA has introduced a new tax called turnover tax (TOT) which is based on gross sales. This came into effect from 1st January 2008.

Kenya Power limited, previously Kenya Power and Lighting Company, engages in transmission, distribution and retail of electricity purchased in bulk from Kenya Electricity Generating Co. Ltd., Independent Power Producers Ltd., Uganda Electricity Transmission Co. Ltd. and Tanzania Electric Supply Co. Ltd. The Company's key mandate is to plan for sufficient electricity generation and transmission capacity to meet demand; building and maintaining the power distribution and transmission network and retailing of electricity to its customers. The company, listed on the Nairobi Securities Exchange, is controlled by government at a 50.1 % of shareholding with private investors at 49.9 %. The company in compliance with the Kenya Revenue Authority notice, is due to submit all its tax remittance via the iTAX system. This research therefore uses Kenya Power & Lighting Co. Ltd as a reflection of tax compliance with regards to iTAX in the large taxpayers' category. In the financial year ending 30th June 2015, KPLC had revenue of Kshs. 12,253,574,000 compared to 30th June 2014 revenue of Kshs. 11,015,815,000, an increase of 11.2%. This resulted to an increase of 55.33% in profit before tax.

2. Statement the problem

Reaping revenues from tax rate changes, (whether up or down), requires effective tax administration (Bird, 2003). Raising revenues through base expansion requires even better administration. New taxpayers must be identified and brought into the tax net and new collection techniques developed (Messere, 2008). Such changes take time to implement and utilize. The best tax policy in the world is worth little if it cannot be implemented and utilized effectively. What can be done to a considerable extent inevitably determines what is done. One cannot assume that whatever policy designers can think up can be utilized or that any administrative problems encountered can be easily and quickly remedied (Bird, 2003). It goes without saying, how a tax system is administered affects its yield, its incidence, and its efficiency. Administration that is unfair may bring the tax system into disrepute and weaken the legitimacy of revenue authority's actions.

The Kenya Revenue Authority aimed at achieving an efficient and effective tax collection process by dropping the previous Integrated Tax Management System (ITMS) and applying iTAX. However, Kenya has over the years seen a deficient tax administration structure and process. Technological innovations have not filtered through to the daily working reality of tax officials. Paperwork and loose leaf systems still dominate tax administration and prevent more effective tax processes. As a consequence, some developing countries capture as little as 40% of their tax potential (Bird, 2008). It is therefore of paramount importance that the challenges encountered in using this system are noted and rectified in order for the revenue authority to achieve its objectives and these prompted the researcher to conduct the research on factors affecting i-tax utilization in state corporations in Kenya this will reduce the work force of the kenya revenue authority and will give the citizen easy time of filing their tax remittances online through the aid of i-tax.

General objective of the Study

To establish people challenges and their effect on i-tax strategy utilization at Kenya power and lighting company limited.

Specific objectives of the Study

1) To establish cultural challenges and their effect on i-tax strategy utilization at Kenya power and lighting company limited.
2) To establish Training challenges and their effect on i-tax strategy utilization at Kenya power and lighting company limited.
3) To establish resistance challenges and their effect on i-tax strategy utilization at Kenya power and lighting company limited.

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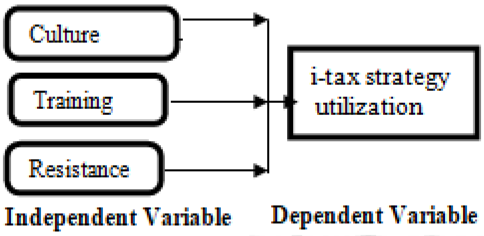
3. Theoretical Framework

Unified Theory of Acceptance and use of technology

The UTAUT is a technology acceptance model formulated by Venkatesh and others in "User acceptance of information technology: Toward a unified view" The UTAUT aims to explain user intentions to use an information system and subsequent usage behavior. The theory holds that there are four key constructs: that is performance expectancy, effort expectancy, social influence, and facilitating conditions. The first three are direct determinants of usage intention and behavior, and the fourth is a direct determinant of user behavior. Gender, age, experience, and voluntariness of use are posited to moderate the impact of the four key constructs on usage intention and behavior. The theory was developed through a review and consolidation of the constructs of eight models that earlier research had employed to explain information systems usage behavior(theory of reasoned action, technology acceptance model, motivational model, theory of planned behavior, a combined theory of planned behavior/technology acceptance model, model of personal computer use diffusion of innovation theory and social cognitive theory). Subsequent validation by Venkatesh et al. (2003) of UTAUT in a longitudinal study found it to account for an impressive 70% of the variance in Behavioral Intention to Use (BI) and about 50% in actual use the theory will be of help full to the parastals as discussed here in.

4. Conceptual Framework

The study adopted the following conceptual framework:



Source: Author 2018
Conceptual framework

People Challenges

According to Thompson et al. (2005), values are the behaviors particularly valued in an organization, the principles of ―the way things are done here‖, underpinning the culture. Core values are the organization‘s essential and enduring tenets: timeless, guiding principles requiring no external justification, with intrinsic value to the organization‘s members. Organizations decide for themselves what values they hold as core, without compromise. The ultimate glue that bonds the best companies is another way of defining values. Disney values wholesomeness, happiness, imagination; Proctor and Gamble value excellence; Hewlett & Packard value respect for the individual. Values and beliefs guide the decision of corporate life. It is the leader‘s task to ensure that they are aligned and consistent, rather than mixed and contradictory. They point out, "Values define the firm‘s nonnegotiable behaviors as well as provide the guide posts for navigating through grey areas. They set forth the "do's" and "don'ts", the "always, under any circumstances" and "the never, under any circumstances". They are the essence of corporate culture. They keep a company together and give it resilience. They are expressions of its personality, determining its attractiveness to employees, customers, and all others who have a say in whether the firm will prosper. Publishing values is a good idea, but living them day in and day out is what really counts in the end.

A significant body of research clearly indicates that organizational cultural values, and specifically the be extent that it is aligned or not aligned with strategy, is the single most important factor in determining whether or not a strategy is successfully executed and performance goals achieved. A researcher and practitioner in the healthcare sector wrote "Cultural values eats strategy for lunch every time". In this simple statement she has eloquently summarized one of the strongest themes in the literature on strategy implementation, which is that it doesn‘t matter how wonderful your organization‘s strategy is, if its cultural values does not support it, the strategy will not be realized – even if your goals and infrastructure are aligned. Organizational culture includes the highly influential sets of values which influence the selection, design and implementation of strategic initiatives, impacting growth and operational strategies. Misaligned cultural values create drag that impairs the performance of the organization‘s 'engines' for growth, hobbling strategies from being achieving to their full potential.

Thompson et al. (2005) stated that corporate culture is manifested in the values and business principles that management practices as well as in the attitudes and behaviors of employees. The prevalent cultural value at a particular institution plays a significant role in the strategy implementation process and at the same time could serve as an obstacle or a strong element in support for the strategy. On the other hand, a work climate at an institution could promote attitudes and behaviors that are well suited to first rate strategy implementation or the opposite. Needless to state that a value that encourages actions that support good strategy implementation does not only provide the institution`s personnel with clear guidance regarding what behaviors and results constitute good job performance but also produces significant peer pressure from co-workers to conform to culturally acceptable norms. The critical points in this regard are the aspects of building on existing cultural value that supports the strategy implementation process and trying to change the culture that is not in conformity in order to get the desired support. The culture needs to be aligned to the organizational strategy to ensure smooth implementation activities of the organizational goals.

According to Lehner (2004), management needs to find the correct match between the cultural values and the strategy to ensure that the value that is prevalent in the institution supports the applicable strategies in place. Strong emphasis is on the aspect of advising managers to spend more time in creating a culture that supports and encourages behaviors conducive to good strategy implementation. He highlighted that participation of organizational members is important for a cultural model of implementation. It is very important to convince personnel to develop a culture that supports strategies designed to lead the organization into better future business prospects. This approach indicates the importance of building the culture with the purpose of developing attitudes and behaviors that support a particular strategy implementation process. Hewitt Associates are a company of HR consultants who have lived their values, and are driven by them. Ted Hewitt took 3 months out before establishing the firm to think about how he wanted it to be. His goals and values are still in place 60 years later. They have had a 25% increase in profit each year over the last 4 years. There are now 77 offices in 37 countries and 11,000 employees worldwide. Dee Hock, the Founder and CEO of Visa, organizes the workplace around purpose, vision, principles and values. He differentiates this from less forward thinking organizations organizing around rules, regulations, and control. I addition, Boulder Heuristics Inc. went, in 5 years, from $140,000 in revenue to $5 million. In 1995, they projected growth to $20 million by 2000. Employment was expected to grow from 33 workers to 80 in that time. They have 3 integrated underlying factors; a set of core values called internal operating commitments, a team of highly skilled software engineers, and a unique approach to management. Integrity is valued over profit. When they started applying their core values to the people they work with, employee satisfaction shot up, customer satisfaction, fun and profits shot up. Skilled software developers are attracted to the company because of its core values.

Research Methodology

The study design provides the layout in which the research study was carried out. The focus was to establish people challenges and their effect on i-tax strategy utilization at Kenya power and lighting company limited.A case design was embraced in this study and questionnaires were used to collect data. It was largely rely on a qualitative approach by seeking to capture detailed information about people challenges and their effect on i-tax strategy utilization at Kenya power and lighting company limited. The research approach was through a case study approach where Kenya power and lighting company limited was used as a case. This method was preferred because it allows for an in depth study of the case. The research used questionnaire to gather information (Mugenda & Mugenda, 1999). The target population was drawn from senior management team, managers, operating team members and subordinating staffs of the corporation that made up a total of 130 personnel holding key information about the organization within their respective departments at Kenya Power and Lighting Company Ltd. The respondents were drawn from the employees of organization according to human resource department (2016). Currently, there are 130 employees working in the head office in Nairobi, Kenya. The state of population under study was identified and the study used a census where all one hundred and thirty personnel were involved in the study. The study focused on a conviction that the population was heterogeneous and according to Cooper (2006) these were participants or groups consisting of individuals with a variety of opinions, backgrounds and actions relative to a topic. The reason for using this was to enable the researcher to source information from different personnel within their respective department in the organization and this was of great help for the study and then the Qualitative analysis was done on the information collected from the results of the questionnaires; quantitative analysis used both descriptive and inferential statistical techniques. The findings were presented using tables, graphs and pie charts.

5. Results and discussions of the findings

People Challenges

Level of agreement with statements relating to the People challenges on i-tax strategy utilization

Statement	1	2	3	4	5
Organizations decide for themselves what values they hold as core, without compromise its goals and the offerings to the clients.	6%	14%	5%	33%	42%
It doesn‘t matter how wonderful an organization‘s strategy is, if its cultural values does not support it, the strategy will not be realized – even if your goals and infrastructure are aligned.	9%	11%	11%	22%	47%

Using the Likert scale the study sought to find out the respondents' level of agreement with the following statements that are related to the people challenges on i-tax strategy utilization. The study found out that 6% strongly disagree, 14% disagree, 5% are neutral, 33% agree and 42% strongly agree that organizations decide for themselves what values they hold as core, without compromising its goals and the offerings to the clients. The study sought to find out the respondents' views on whether it doesn‘t matter how wonderful an organization‘s strategy is, if its cultural values does not support it, the strategy will not be realized – even if their goals and infrastructure are aligned, 9% strongly disagree, 11% both disagree and are neutral, 22% agree and 47% strongly agree. The study also found out that 51% agree while 49% disagree that skilled software developers are attracted to the company because of its core values in improving i-tax utility.

6. Conclusions

People challenges on i-Tax strategy utilization is a very important aspect of increasing organizations turnover and compliance with tax collection. The tax collection process should ensure compliance with strategies of solving people challenges and this will lead to determination of the way leading to the organizational performance. Whenever an organization wants to improve, the organization has to plan and provide necessary resources beforehand. The communication of the implementation of the strategy change should be done early and this should be an all-inclusive affair of all the stakeholders. The findings of this study will help other institution on to be aware of the challenges to be faced in i-tax strategy utilization.

7. Recommendations

There was consensus by the respondents that organizations decide for themselves what values they hold as core, without compromising its goals and the offerings to the clients. Organizations values should be able to support the strategy inorder to succeed. It also established that skilled software developers are attracted to the company because of its core values in improving i-tax utility.

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