



**ADDIS ABABA UNIVERSITY
SCHOOL OF GRADUATE STUDIES**

**AN ASSESSMENT OF BPR IMPLEMENTATION AT
ETHIOPIAN REVENUES AND CUSTOMS AUTHORITY:
CHALLENGES AND PROSPECTS.**

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**JUNE, 2010
ADDIS ABABA**

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**A Thesis Submitted to the School of Graduate Studies, Addis
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Abbreviations

BPR	:	Business Process Reengineering
CSRP:		Civil Service Reform Program
EFY:		Ethiopian Fiscal Year
ERCA:		Ethiopian Revenues and Customs Authority
FDRE:		Federal Democratic Republic of Ethiopia
GDP:		Gross Domestic Product
GMC:		General Motors Company
IT	:	Information Technology
MCB:		Ministry of Capacity Building
MDG:		Millennium Development Goal
NR	:	Number of Respondents
VAT	:	Value Added Tax
WCO:		World Customs Organization

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Abstract

This study is launched with the purpose to explore the effort made by ERCA to achieve the goals of BPR. BPR is a radical rethinking of an organization and it is cross functional, end-to-end process and an effective tool of work design.

The researcher preferred to undertake the study in examining the current situation in reference to the desired set of conditions as per the theoretical framework of BPR. By so doing, points of investigation pertaining to the challenges and prospects are helpful for policy makers, policy implementers and policy beneficiaries. Attempts have been made to investigate the compelling factors initiated ERCA to introduce BPR to its system, challenges facing in implementation process and prospects envisioned including indicative achievements in relation with BPR. Data was gathered through Questionnaire, Interview and Review of both published and unpublished materials. A total of 121 persons were contacted for the study, i.e. 84 employees and middle level managers from Headquarters, 2 Directors, 1 Deputy Director General from ERCA, 30 top management members from the six branches of ERCA around Addis Ababa, 3 representatives from the three selected customer associations and 1 consultant from CSRP office of MCB.

The findings of the study, among other things, revealed that BPR has been considered as the causal factor for effectiveness and efficiency as well as better customers service; the degree of commitment of top management is fairly high; the awareness and the attitude of employees as well as the management is moderate which is accompanied by significant commitment gap and resistance to change; weak IT infrastructure; and weak evaluation and monitoring. To alleviate the challenges it is recommended that implementation of the new laws, rules, regulations, manuals etc, should be preceded by an appropriate training and awareness development. In addition to this, the decision making process need to be participative and transparent.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

In today's ever-changing world, the only thing that doesn't change is 'change' itself. In a world everlastingly driven by the three Cs: customer, competition, and change, companies are on the lookout for new solutions for their business problems. Recently, some of the more successful business organizations in the world seem to have hit upon an incredible solution: Business Process Reengineering (BPR) (Wikipedia/BPR).

BPR is an approach aiming at improvement by means of elevating efficiency and effectiveness of the business process that exists within and across organization to look at their business processes from a "clean slate" perspective and determine how they can best construct these processes to improve how they conduct business.

BPR, if implemented properly, can give huge returns. BPR has helped giants like General Motors Company (GMC) succeed after financial drawbacks due to competition. It helped American Airlines to get back on track from the bad debt that is currently haunting their business practice. BPR is about the proper method of implementation (Wikipedia/BPR).

However, there is a critic that reengineering has earned a bad reputation because such projects have often resulted in massive layoffs. The reputation is not altogether unwarranted, since some companies have often downsized under the banner of reengineering. Further reengineering has not always lived up to its expectations.

The most frequent and harsh critic against BPR concerns the strict focus on efficiency and technology and the disregard of people in the organization that is

subjected to reengineering initiative. Very often, the label BPR was used for major work force reductions (ibid).

In light of the above critics, the present study examined and analyzed the existing practices of BPR in order to explore the core challenges and prospects of introducing BPR to the Ethiopian Revenue and Customs Authority (ERCA) and made recommendations about the corrective actions to be taken in relation to some ill sites identified in this study.

1.2 PROBLEM STATEMENT

For a nation to have sustainable development that benefits every citizen, it is important to have an efficient and effective tax system so that the nation gets involved in the development endeavors persistently.

In many African Countries, the tax to GDP ratio exceeds 20 percent and it is higher than this rate in Developed Countries. In Ethiopia the current ratio is about 7 percent at Federal level. The current government recognized the need to overhaul the revenue system and to strengthen the administration capacities of ERCA. In this regard a lot to be done by Ethiopian government at least to cope up with the Sub-Saharan Africa average ratio 24 percent. To overcome this challenge, the government of Ethiopia recognizes the need to adopt a broad range of intervention measures to improve the tax administration effort (tax coverage, collection, valuation, etc.) in order to tackle tax evasion (a researcher's own compilation).

BPR is one of the means to performance improvement. BPR is one of the approaches for redesigning the work to better support the organization's mission and reduce costs. Reengineering starts with the organization's mission, strategic needs and customer needs. Research findings show that top management's support, commitment and understanding of BPR [will be] vital. Accordingly, appropriate communication, empowerment, alleviation of downsizing fears, preparedness to organizational change,

choosing the reengineering team, enlisting customer and stakeholder support and the like are important actions which must be taken by top management for the success of BPR(Teka, Fisseha, and Solomon in Conference on the Achievements, Challenges, Prospects of the CSRP Implementation in Ethiopia,2007:243).

On the basis of the above idea ERCA had introduced BPR to its system in order to utilize it as an enabling management tool for transformation and hence has started its implementation before a year.

However, there is a critic that reengineering in ERCA has not lived up to its expectations. The most frequent critic against BPR implementation of ERCA concerns challenges like insufficient attitudinal change of its members; service delivery lacks transparency ; weaknesses in choosing far sighted leaders(change agents) especially in middle and lower levels of its hierarchy; performance measurement lacks objectivity; and so on.

Therefore, the present study, based on the aforementioned challenges, seek out answers for the following research questions:

1. How is the awareness and attitude of management and employees of ERCA towards BPR?
2. What are the prospects (indicative achievements) of BPR undertakings in ERCA?
3. What are the major challenges/problems that impede implementation of BPR?

1.3 OBJECTIVES OF THE STUDY

The study will be conducted with the aim of attaining the following objectives:

1. General objective

The objective of the study was to assess the implementation of BPR in order to explore the challenges encountering the implementation process and to assess the prospective situations of BPR implementation at ERCA.

2. Specific objectives

1. To understand the awareness level and attitude of employees and management of ERCA towards BPR.
2. To discover the prospects (indicative achievements) those uphold the success of BPR implementation, and.
3. To identify the challenges encountering the implementation of BPR.

1.4 SIGNIFICANCE OF THE STUDY

Some of the significances of this study are:

- It gives some insight about the awareness and attitudes of the officials , employees and customers of ERCA towards BPR
- It tries to show the opportunities that will help in implementing BPR
- It may throw lights on the nature of problems facing implementation
- It makes some recommendations for effective implementation of BPR.
- In general, this study is expected to be relevant to the works of researchers in the field, policy makers, and members of ERCA at different levels of its hierarchy.

1.5 SCOPE AND LIMITATION OF THE STUDY

1.5.1 Scope of the study

Taking time and resources constraint into account the scope of the study was limited to Headquarters of ERCA, its six branches and customer associations around Addis Ababa city.

1.5.2 .Limitation of the study

As the subject, BPR is a recent phenomenon in Ethiopian situation. No adequate works, reference books, and materials are in place. The time given for the research work was not adequate enough to supplement the study exhaustively and hence, the study by no means claims to be conclusive. It would rather serve as a spring board for further studies in the area.

1.6 RESEARCH METHODOLOGY AND PROCEDURE OF THE STUDY

1.6.1 Selection of the Study Area

ERCA was chosen as an area of study because of the researcher's enthusiasms to contribute to excellence of the revenue sector and prevalence of grievances (complaints) coming from employees and external customers.

1.6.2 Method of Data Collection

The research method predominantly employed in this study was case study method. According to Trochim William (2005:125) case study is an intensive study of a specific individual or specific context and there is no single way to conduct a case study, and combination of methods (such as unstructured interviewing and direct observation) is often used. Besides, the case study method helps in locating problems and identifying solutions in their context. The instruments used to collect data in present case were Questionnaires, and in-depth interviews. Questionnaires were administered in the form of household drop-off survey while interviews were administered by using both individual (one-on-one) and group interviews. This mixed approach is used to achieve the advantage of each and mitigate their weakness. For instance, the case study helps to investigate the case in depth and to triangulate the data using in-depth interviews of different informants while the questionnaire method helped to gather ample data within short period of time from diverse respondents. Besides the responses obtained from the questionnaires has helped to design an interview guide for the interviewees.

1.6.3 Sampling and Data Collection procedure

The Study Population

The population of this study has comprised of all the members of ERCA included under those work units which are engaged in BPR implementation, members of top management of the six branches of ERCA around Addis Ababa, two customer associations _the Ethiopian chamber of commerce and sectoral associations, and Addis Ababa chamber of commerce, and sectoral association_ the headquarters of maritime transit offices service

enterprise as a customer organization and consultants in Federal CSRP who are in charge supervising the BPR implementation .

The Sampling Procedure

At present ERCA has got 19 Directorates namely Tax assessment and collection follow up, Valuation and tariff classification, Customs procedure, Customers service, Education and communication ,Tax audit, Intelligence, Investigation and Risk management, Prosecution, Planning and Research, Human resource management and development, IT administration and development, Tax data collection and administration, Resource administration, Revenue accounts, Change implementation management, Regions Support and cooperation, Women affairs, Internal audit, and Ethics Directorates. Eighteen Directorates(excluding resource administration Directorate which mainly consists of the general service providers such as drivers, mechanics, guards janitors, messengers, lounge workers and the like is not fully reengineered and hence not undertaking BPR implementation) comprising a total of 410 employees were taken as sampling frame out of which 100 members were selected randomly as sample for this study. In addition 5 (all management team members) from each of the six branch offices around Addis Ababa were also selected randomly to be included as sample in this study. Semi-structured questionnaires were distributed to all the sample members mentioned above.

The final sample of the study contained 84 employees(16 questionnaires out of 100 questionnaires distributed were not returned back to the researcher) drawn from 18 work processes(Directorates) undertaking BPR implementation which represents about one-fourth of the whole employees in Headquarters level, 2 Directors from the Headquarters,30 members of the management team selected from the six branches(5 from each),3 top representatives from their respective associations of business organizations mentioned above, one consultant out of the two doing the same job from CSRP office of MCB have participated in the study. The eighteen work processes in the Headquarters level and the management in the six branches were selected purposefully while individual participants were selected randomly using simple random sampling method.

Regarding the business associations which were taken part in this study, the sample was deemed to be representative since each association represents many member business organizations and other sectoral associations within it. This enabled the researcher to gather all rounded data at a time.

Data Collection Procedure

(a) Secondary sources of data

The study was kicked off by reviewing the available relevant materials .This included proclamations, regulations , bulletins, reports and the like written documents both from within or outside ERCA.

(b) Primary source of data

This study has based itself much on the primary sources of data by means of qualitative data collection method by employing different tools such as questionnaires and interviews.

The detail procedures followed during the data collection are stated below:

Questionnaire: A semi-structured questionnaire which had been drafted using the insight that was gathered from a review of related literature was administered to the employees and middle level managers in Headquarters of ERCA and to the management team members in its six branches around Addis Ababa. A total of 114 responses, out of 130 questionnaires distributed, were received which is numbering to over all response rate of 88 percent.

Interviews: According to William T.(2005:125) un structured interviewing method is often used in case studies. This method involves direct interaction between the researcher and a respondent or group and hence, it gives freedom for the researcher to move the conversation in any direction of interest that may come up.

Un structured interviewing is particularly useful for exploring the topic broadly and hence it was administered in both individual(one-on-one) and group bases in order to have the detail information about overall practices of reengineering in ERCA. The individual interviewees included in this survey were three officials from the three customer organizations mentioned earlier in the study area section above(the head of department for planning,

project and business development in Ethiopian chamber of commerce; the manager of export and import division of Maritime transit service enterprise; the head of the department for policy advocacy of Addis Ababa chamber of commerce ;the deputy Director General of ERCA; and a consultant from Federal CSRP office here in Addis Ababa. The group interview was also administered to the group of key informants (2 Directors from two Directorates namely the planning and research Directorate and the change implementation management Directorate) who were deemed to be forefront persons in having all relevant information of the Authority. All the above mentioned sources of data were consulted to check, recheck and cross-check the validity of the data collected.

Data Analysis Method

The analysis of the study is predominantly qualitative that bring together both primary and secondary data. The data secured from different sources were organized and categorized under thematic areas in view of general and specific objectives of the study and analyzed descriptively supplemented by quantitative tools like percentages and tables. The researcher has also attempted to analyze the data in reference to the theory of Business Process Reengineering.

Table 1.1 Summary of samples taken from each work process at Headquarters level

NO.	Work process/Directorate	Total NE *	Sample (25%)
1	Planning and research	20	5
2	IT Administration & development	34	8
3	HRM & development	13	4
4	Tax Data collection& management	21	5
5	Education & communication	24	6
6	Tax audit	31	8
7	Intelligence, investigation and risk Management	70	15
8	Prosecution	58	14
9	Revenue accounts administration	18	4
10	Change implementation management	4	1
11	Regions Support and Cooperation	8	2
12	Tax assessment& collection follow up	10	2
13	Valuation& tariff classification	20	5
14	Customs procedure	19	5
15	Customer service	37	9
16	Women affairs	5	2
17	Internal audit	14	3
18	Ethics	4	2
	Total	410	100

* NE=Number of employees

1.7 ORGANIZATION OF THE THESIS

The Thesis is composed of four chapters. It begins with introductory outlines under which an overview of the topic under study is presented and then description is made on the statement of the problem, the general and specific objectives of the study, the significance of the study, the scope and the limitation of the study, the research methodology and organization of the Thesis. The second chapter is devoted to the review of related literature. Under this topic a detailed coverage on the concept of the proposed study is given. Many and different meanings/definitions attached to BPR are explained. The third one deals with assessment of the existing practices in order to explore the core challenges facing the implementation process and the prospects of BPR at ERCA. Here an attempt is made to deal with data presentation and analysis. Finally, the fourth chapter deals with findings, conclusions and recommendations drawn by the researcher based on the analysis made. References follow chapter four.

CHAPTER TWO

LITERATURE REVIEW

2.1. INTRODUCTION

Ethiopia is a country striving for building good governance, democracy and economic development and improving the living standard of citizens. The last few years experience in building democracy and economic development in the country is promising. .And now ahead, the Ethiopian Government is in charge of ensuring good governance and building democracy and economic development. Transforming the civil service system is one of the key tools in achieving these objectives. Other wise continuing with the old bureaucratic system of the civil service will result in futile attempt .This reality has brought about the need for BPR in the Ethiopian civil service system (Belete N. 2006:1).

Reengineering is about rethinking work from the ground up in order to eliminate work that is not necessary and to find better ways of doing work. Re-engineering's distinctiveness has been established by the fact that it actually works by the huge improvements that organizations around the world have achieved by applying its principles. Reengineering eliminates work, not jobs or people. Reengineering is also not to be confused with automation. Even though technology plays an important role in reengineering, its role is to enable new process designs, not to provide new mechanisms for performing old ones. Reengineering is, in fact, a revolution the most important one in business since the advent of the industrial revolution 150 years ago. Reengineering posits a radical new principle: that the design of work must be based not on hierarchical management and the specialization of labor but end-to-end processes and the creation of value for the customer. (Hammer and Stanton, 1995:69)

2.2 BASIC DEFINITIONS OF BUSINESS PROCESS REENGINEERING AND SOME RELATED TERMS

Business Process Reengineering (BPR) is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance, such as cost, quality, service, and speed (Hammer and Champy ,1993:32). This definition comprises four keywords that need further discussion. These are:

Fundamental: Understanding the fundamental operations of business is the first step prior to reengineering. Business people must ask the most basic questions about their companies and how they operate: Why do we do what we do? And why do we do it the way we do? These questions force people to look at the tacit rules and assumptions that underlie the way they conduct their business.,

Radical: In reengineering, radical redesign means disregarding all existing structures and procedures, and inventing completely new ways of accomplishing work. Reengineering is about business reinvention, begins with no assumptions and takes nothing for granted.

Dramatic: Reengineering is not about making marginal improvements or modification but about achieving dramatic improvements in performance. This refers to achieving quantum leaps in performance, but not about incremental improvement.

Process: A process is a collection of activities that takes one or more kinds of inputs and creates an output that is of value to the customer. It is the transformation of a set of inputs, which can include actions, methods and operations, into outputs that satisfy customer needs and expectations in the form of products, information, services or results. A process is any operational or administrative system which transforms inputs in to value-outputs-typically a sequence of tasks arranged into a procedure or set of work arrangements perhaps involving various machines, departments and people.

A process is a collection of activities that take our or more kinds of input and creates an output that is of value to the customer. A process is series of activities that take an input adds value to it, and produce an output.

A Business: is a purposeful actuality, an immediate task, a serious activity requiring time and effect, a mission or an objective. Business as an economic activity in its broadest sense can be defined as regularly, carried out and organized production and exchange of goods and services undertaken with the objective of earning project and acquiring wealth through the satisfaction of human needs.

A business process: - is a series of steps designed to produce a product or a service. It includes all the activities that deliver particular results for a given customer (internal/external). Organizations should have process maps to give a picture of how work flows through the company. Process making provides tools and a proven methodology for identifying ones current As-Is business process and can be used to provide a To-Be roadmap for reengineering ones product and service business enterprise functions.

Davenport & Short (1990) define **business process** as ‘a set of logically related tasks performed to achieve a defined business outcome. A process is a structured, measured set of activities designed to produce a specified output for a particular customer or market. It implies a strong emphasis on how work is done within an organization’. In their view processes have two important characteristics:

- (I) they have customers (internal or external), and
- (ii) They cross organizational boundaries, i.e., they occur across or between organizational subunits. One technique for identifying business processes in an organization is the value chain method.

Core Business Process:- this is the process central to business functioning. They emanate from the organization’s mission and meet the important needs of the organization’s external customer (Belete et al 2007: 6).

Process Owner:- is one responsible for reengineering a specific process. The owner should be a senior level manager who carries prestige, reputation., credibility, and clout within the organization.(Belete et al 2007: 19)

Business Process Redesign:- is the analysis and design of workflows and processes within and between organizations . It starts from clean sheet. It requires imagination and out of box thinking to set the stretch objective and to bring the desired change (Belete et al 2007: 43).

Process Improvement:- is a disciplined approach to the simplification and streamlining of processes, using measurements and controls to aid continuous improvement.

Process mapping /process representative:- is the graphic representation of the process, the activity of creating a detailed chart of the work processes showing inputs, tasks, steps, outputs, and sequence of activities. The map show work currently gets done or how you want work to be done. The map also uses to orient new employee to reevaluate or to establish attractive ways to organize people to get the work done; to identify improvement opportunities; and to evaluate, establish, or strengthen performance measures.

Process Orientation of Business:-Process orientation is a new paradigm for the organization of a business. Instead of the traditional inward-bound functional orientation, which divides the company into functions like sales, production, procurement, and product development, process orientation organizes companies around their processes. The basic idea here is, to have everybody in the company in a systematic way better and directly serve the customer, who is at the receiving end of business process. Process thinking and managing is at the heart of Business Reengineering. Members of the organization are no longer looking upward into the hierarchy, but ahead to the customers, who ultimately drive the organization. A process orientation can be assessed in basically two ways depending on the degree of change required: *Process simplification and Process reengineering*. *Simplification* usually results in *an incremental rather than a major step change*. Simplification exercises tend to take for granted an existing framework, the limits of installed information technology, as well as current attitudes and behaviors. In contrast,

process reengineering aims at fundamental or frame-breaking change. A reengineering exercise challenges the existing framework, questions attitudes and behaviors, and might suggest the introduction of new information technology. In practice though, simplification and reengineering can overlap and together form the process orientation of an organization (Coulson-Thomas, 1994 cited in Berhane 2008:11-12).

According to Hammer and Champy(1993:.66) when process reengineered, jobs evolve from narrow and task oriented to multidimensional. People who once did as they were instructed now make choices and decisions on their own instead. Assembly–line work disappears; managers stop to acts supervisors and behave more like coaches. Workers focus more on customers’ needs and less on their bosses. Attitudes and values change in response to new incentives. Practically every aspect of the organization is transformed, often beyond. BPR focuses on processes and not on tasks, jobs or people. It endeavors to redesign the strategic and value added processes that transcend organizational boundaries. It is about beginning again with clean sheet of paper. It is about rejecting the conventional wisdom and received assumptions of the past. Reengineering is about inventing new approaches to process structure that bear little or no resemblance to those of previous eras. Reengineering is the search for new models of organizing work. Tradition counts for nothing, Reengineering is a new beginning. and it is an approach aiming at improvements by means of elevating efficiency and effectiveness of the business process that exist within and across organizations new line. The key to BPR is for organizations to look at their business processes from “a clean state” perspective and determine how they conduct business (Wikipedia/BPR).

BPR encompasses the envisioning of new work strategies, the actual process design activity, and the implementation of the change in all its complex technological, human and organizational dimensions. BPR seeks radical rather than merely continuous improvement. Reengineering means starting all over, it is starting from scratch. In reengineering old job tills and old organizational arrangements- departments, divisions, group’s ands so on cease to matter. How people and companies did things yesterday doesn’t matter to the business reengineer, what matters is how we want to organize the work to day, given the demands of today’s markets and the power of to day’s technologies.

Reengineering is not about making marginal improvements to your business. It is not about making things 5 percent or 10 percent better. It is about making things quantum leaps in performance, achieving break through, performance, can be measured in various ways-reduced costs, increased speed, greater accuracy. Reengineering is not about improving what already exists. Rather, it is about throwing it away and starting over; beginning with proverbial clean state and reinventing how you do your work. Reengineering is based on the premise that the design of processes-how work is done-is of essential importance. Reengineering is not down sizing. It has nothing in common with that kind of superficial and reactive response to problems.

According to Hammer and Champy (1993:68)taking about the importance of processes, just as companies have original charts they also should have what are called process maps to give a picture of how work flows the compares. Process mapping provides tools and a proven methodology for identifying your current as-Is business processes and can be used to provide a To-BE road map for reengineering your produce and service business enterprise functions. It is the critical link that your reengineering team can apply to better understand and significantly improve your business process and bottom line performance. Having identified and mapped the processes, deciding which ones need to be reengineered and in what order is the will in dollar question.

Generally they make *three choices* based all three criteria: *Dysfunction*: which processes is the worst functioning? *Importance*: which processes are the most critical and influential in terms of customer satisfaction? *Feasibility*: which are the processes that are most likely to be successfully reengineered? When process reengineered, jobs evolve from narrow and task oriented to multidimensional. People who once did as they were instructed now make choices and decisions on their own instead. Assembly-line work disappears; managers stop to act as supervisors and behave more like coaches. Workers focus more on customers' needs and less on their bosses. Attitudes and values change in response to new incentives. Practically every aspect of the organization is transformed, often beyond. (Hammer, 1993:.66).

As work becomes more multi dimensional, it also becomes more substantive. Reengineering eliminates not just waste but non-value adding work as well. After reengineering, work become more satisfying, since workers achieve a greater sense of completion, closure, and accomplishment from their jobs. They are not just trying to keep the boss happy or to work through the bureaucracy. After reengineering there is no such things as “Mastering” a job; as a worker’s expertise and experience grow, his or her job grows with it.

Reengineering is about rethinking work from the ground up in order to eliminate work that is not necessary and to find better ways of doing work. Re-engineering’s distinctiveness has been established by the fact that it actually works by the huge improvements that organizations around the world have achieved by applying its principles. Reengineering eliminates work, not jobs or people. Reengineering is also not to be confused with automation. Even though technology plays an important role in reengineering, its role is to enable new process designs, not to provide new mechanisms for performing old ones. Reengineering is, in fact, a revolution the most important one in business since the advent of the industrial revolution 150 years ago. Reengineering posits a radical new principle: that the design of work must be based not on hierarchical management and the specialization of labor but end-to-end processes and the creation of value for the customer. (Hammer and Stanton, 1995:69)

2.3 THE PRINCIPLE OF BUSINESS PROCESS REENGINEERING

According to Coulson-Thomas, 1994 cited in Berhane(2008:17) the principles of BPR emerged during the early 1990`s are as follow:

- Externally, focus on end customers and the generation of greater value for customers
- Give customers and users a single and accessible point of contact through which they can harness whatever resources and people are relevant to their needs and interests
- Internally, focus on harnessing more of the potential of people and applying it to those activities which identify and deliver value to customers. This principle tends to be overlooked

- Encourage learning and development by building creative working environments. This principle has been almost forgotten in many organizations, the current emphasis being to squeeze more out of people and working them harder, rather than improving the quality of work life and working more cleverly
- Think and execute as much activity as possible horizontally, concentrating on flows and processes(including communication) through the organization
- Remove non-value adding activities, undertake parallel activities, and speed up response and development times
- Concentrate on outputs rather than inputs, and link performance measures and rewards to customer related outputs
- Give priority to the delivery of value rather than the maintenance of management control. The role of the manager is being redefined and an emphasis on command and control is giving way to empowerment, and the notion of the coach and facilitator
- Network related people and activities. Virtual corporations are becoming commonplace in some business sectors
- Implement work teams and case managers extensively throughout the organization
- Move discretion and authority closer to the customer, and re-allocate responsibilities between the organization, its suppliers and customers
- Encourage involvement and participation. This requires error-tolerant leadership
- Ensure people are equipped, motivated and empowered to do what is expected of them
- Where ever possible, people should assume full responsibility for managing and controlling themselves. This requires planning skills
- Work should be broadened without sacrificing depth of expertise in strategic areas
- Avoid over-sophistication. Don't replace creative thinking with software tools
- Keep the number of core processes to a minimum (approx. 12). They all should be directed to external customers. Management processes such as corporate planning processes which deliver too late to have any real impact can lack both internal and external customers
- Build learning, renewal, and short feedback loops into business processes.

- Ensure that continuous improvement is built into implemented solutions. Experience of business reengineering can re-awaken interest in total quality management; both are natural complements. This is widely overlooked.

2.4 WHO NEEDS BUSINESS PROCESS REENGINEERING?

Hammer and Champy (1993:34) have identified three kinds of companies that undertake reengineering:

First are *organizations that find themselves in deep trouble*. They have no choice. If a company's costs are an order of magnitude higher than the competitor's or than its business model will allow; if its customer service is so weak that customers openly complain against it; if its product failure rate is twice, three times, or five times as great as the competitor's; and if, in other words, it needs order-of-magnitude improvement, that company clearly needs business reengineering.

Second are *organizations that are not yet in trouble but whose management has the foresight to see trouble coming*. These companies have the vision to begin reengineering in advance of running into adversity.

The third type of organizations undertaking reengineering is *those that are in peak condition*. They have no discernible difficulties, either now or on the horizon, but their managements are ambitious and aggressive.

2.5 WHAT REENGINEERING IS NOT?

Hammer and Champy (1993:48) note the following forms and manifesto of change programs that are different from reengineering:

Reengineering is not automation or computerization: It is true that computerization can speed work up and automation can faster jobs accomplishment.

But, automating existing processes with information technology does not provide the break through performance because you are automating or computerizing the old system. Automation simply provide more efficient way of doing the wrong kind of things or, if your processes are inefficient and not customer focused, automating them will allow you to work inefficiently more quickly. Therefore, automation or computerization does not mean reengineering. Reengineering is innovation, crating new system of work. Automation is fixing the existing system to work faster.

Reengineering is not restructuring or downsizing: These are just fancy terms for reducing capacity to meet current, lower demand. Reduce size to match the demand at time of fewer markets. It means doing less with less. However, reengineering means doing more with less. Downsizing reduces costs by getting rid of people and jobs, reengineering reduces cost by eliminating non value-adding activities, steps, stages, hand offs, and non-value adding rules and procedures.

Reengineering is not reorganizing, delivering or flattening an organization: Although, reengineering may, in fact, produce a flatter organization, simply delivering or flattening an organization doesn't mean doing reengineering. The problems facing organizations do their not result from organizational structure, but their *process* structures. Overlaying a new organization on top of an old process is pouring soured wine in to new bottles. Bureaucracy is not also a problem. For the last two hundred years bureaucracy has been the solution to being glue that holds traditional organization together. If there was no bureaucracy, chaos will result. The underlying problem that bureaucracy has been and remains a solution is that of fragmented process. The way to eliminate bureaucracy and fatten the organization is by reengineering the processes so that they are no longer fragmented

Reengineering is not Quality Improvement, Total Quality Management, or any other Manifestation of Contemporary Quality Movement: To be sure, quality programs and reengineering share a number of common themes. They both recognize the importance of processes and they both start with the needs of the process a customer and work backwards from there. However, the two program fundamentally different. Quality programs work

within the framework of the organization's existing processes and seek to enhance them by means of continuous and steady incremental improvement to process performance. Reengineering seeks breakthroughs, not enhancing existing process, but discarding them and replacing them with entirely new ones. Reengineering is about beginning again with a clean sheet of paper. It is inventing new approaches to process structure. Reengineering is rejecting the assumptions inherent in Adam Smith's industrial paradigm (division of labor, hierarchical control) and search for new models of organizing work. Reengineering is a new beginning.

Reengineering is not Decentralizing or Outsourcing: The objective of outsourcing is to reduce costs. Reengineering have no assumption (old thought); but determining what the organization need to do and the best way to do it. Decentralizing might mean sending down the inefficient, problematic... Systems, procedures, rules, etc to let the use of these. It entails the existing system doing better (it exist with old system).

Reengineering is not about Incremental Change, but Step (Dramatic) Change: Reengineering is not about making incremental improvement in performance (e.g. 5percent reduction of cost, 10percent sales increment), but is about achieving quantum leaps in performance (e.g. 5 times cost reduction, 10 times sales growth).The hallmark of reengineering is achieving a dramatic break through performances in cost reduction, quality, service level, speed of delivery, etc.

2.6 FUNDAMENTAL TECHNIQUES AND TOOLS FOR GETTING REENGINEERING

According to Hammer & Champy (1993:102) how companies select and organize the people who actually do the reengineering is the key to the success of the endeavor. The following roles emerge, either distinctly or in various combinations, during the *implementation* of reengineering. In an ideal world, the relationship among these is as follows: the *leader* appoints the *process owner*, who convenes the *reengineering team* to reengineer the process, with the assistance from the *czar* and under the auspices of the *steering committee*.

The Leader: A reengineering leader is a senior executive who authorizes and motivates the overall reengineering effort. The leader is the primary or key ingredient for reengineering to happen. This is so because reengineering succeeds when driven from the topmost level of an organization. Therefore, the active engagement and commitment of top management is critical for the reengineering to happen. Without top-down leadership, reengineering failure is a foregone conclusion. Undertaking reengineering in this situation is a deceptive exercise and a fatal mistake. The likely attempt by other bodies (teams), in absence of the top level leadership is a fatal exercise hence no reengineering will actually happen.

The tools that the leader uses are so essential in discharging his/her responsibilities and achieve the revolution required. These tools include: **Signal** (explicit communications), **symbol** (personal behavior), and **system** (measurements and rewards).

Signals are the explicit messages that the leader sends to the organization about reengineering. That is communicating about the reengineering program- why we are doing it; how we are going to do it; what it will take etc. Constant repetition of reengineering message is essential to make people understand it and being part of it. It is important to note here that communication must be simple. The basic concepts must be conveyed clearly and concretely. It must be dramatic and exciting.

Symbols are actions that the leader performs to reinforce the content of the signals, to demonstrate that he lives with his words. The leader's acts are important symbolic activities as demonstrated through assigning the company's best and brightest to reengineering teams; and rejecting design proposals that promise only incremental improvement; removing managers who block the reengineering efforts. The leader must display the depth of his personal commitment to the effort by having contact with the team, coaching and advising; by authorizing them to break the rule and publicly honoring those who have become creative. The reengineering leader has to prove to the organization that he/she is serious about the transformation and change is inevitable.

System means the organization's management system by which people are measured and rewarded. Management systems are key instruments to shaping the attitude and behavior of people; and giving life and reality for the value required to develop in the reengineered company. Speeches need to be supported by management systems, that is, the system should reward good performers and encourage people to engage in new innovation.

The Process owner: A Process owner is one responsible for reengineering a specific process. The owner should be a senior-level manager, who carries prestige and reputation, credibility, and clout (power/influence) within the organization. As leader's job is to make reengineering happen in the large, process owner's job is to make it happen in small, at the individual process level. An owner along with leader assembles an engineering team. A process owner motivates, inspires, and advises the team. Process owner acts as the team's spokesman and liaison. Moreover, he works with other process owners to ensure that the processes are compatible and integrated. The Process owner's job will not end when the reengineering project is completed. He/she stays with the project throughout the design and implementation phases. In process - oriented organization, it is process, not function that will form the bases of organizational structure. Therefore, every process will continue to need an owner; processes would have owners.

The Reengineering Team /Design Teams: Reengineering teams are the second key ingredients next to the leader in making reengineering happen. Each process team in charge of one process at a time does the actual work of reengineering. Each member works as a team not as group and the size of the teams could be between five to ten people. They are experts that others have trust in them and act as key agent for conveying the others in the organization.

Reengineering work is not a part-time assignment rather a full time work. Hence, organizations should assign team members 100 percent to the project, do not stretch them with other assignment and commitments. This is one of the powerful signals for the organization for committing reengineering. The teams prepare high level maps of the current processes and identify the overall cycle time and satisfaction or frustration of the customers. They reinvent the business processes by producing breakthrough changes

through breaking assumptions using whacko ideas, benchmarking etc. The teams are composed of insiders and outsiders. Insiders are people currently working inside the process undergoing reengineering. These should be the best and the brightest, the company's rising stars. They are people who have full knowledge of the process undergoing reengineering and have credibility with the workers. Outsiders' also known as disruptive elements for they give a different perspective are people outside the process undergoing reengineering. These people could be within the organization or outside -the--organization. It is good to look at outsiders from departments of such as: engineering, information systems, and marketing.

An organization that does not have the right people for outsiders, must go outside the company, and use consulting firms. Experiences show that teams that consist of only insiders are likely to produce only incremental improvement, as they might be biased and confused with the existing system and tend to recreate what already exists. They remain within the frame of the existing process. As they are in the system, they are already familiarized and accustomed with it and do not break it. But outsiders will bring different ideas, can make waves in the team, they tend to take risks. A reengineering team has no official head but a captain/first among equals/ usually nominated by the group members. However, the process owner is their client. The members should remain on the team at least through implementation of the first field pilot site.

Reengineering Czar /Chief of Staff/: The reengineering leader needs strong staff support to realize the reengineering effort. Of the people who give support to the leader, the Reengineering Czar is one and if necessary could be a group of people. He/she plays a pivotal role in the overall reengineering project. The czar who serves as the leader's chief of staff for the reengineering has two distinct functions. One is just supporting each individual process owner and reengineering team by obtaining and allocating resources and giving technical advice to process owners and teams. The other is playing a crucial role in coordinating the all ongoing reengineering activities by helping select high-quality people for the reengineering team, keeping a watchful eye on process owners to keep them on track, moderating discussions among process owners, helping how teams can coordinate their works/if there is a need for/, anticipating the infrastructural needs and meeting them before hand. However, sometimes the Czar is seen becoming a problem by becoming too

controlling person forgetting that the leader and process owner are in charge. Thus, organizations must guard against these possibilities.

Steering Committee / Team: The steering team consists of senior managers and process owners chaired by the reengineering leader. It is a policy-making body that articulates and develops the organization's overall reengineering strategy, and monitors the progress. The steering team decides on which business process should be reengineered first and the required resources. The team also deals with the problems that are beyond the process owners and reengineering teams. What is more, it hears and resolves conflicts that could arise among process owners.

2.7 THE ENABLING ROLE OF INFORMATION TECHNOLOGY

Hammer and Champy (1995:83) consider Information Technology (IT) as the key enabler of BPR which they consider as 'radical change.' They prescribe the use of IT to challenge the assumptions inherent in the work processes that have existed since long before the advent of modern computer and communications technology. They argue that at the heart of reengineering is the notion of *'discontinuous thinking -- or recognizing and breaking away from the outdated rules and fundamental assumptions underlying operations... These rules of work design are based on assumptions about technology, people, and organizational goals that no longer hold..* They suggest the following 'principles of reengineering':

- (a) Organize around outcomes, not tasks;
- (b) Have those who use the output of the process perform the process;
- (c) Subsume information processing work into the real work that produces the information;
- (d) Treat geographically dispersed resources as though they were centralized;
- (e) Link parallel activities instead of integrating their results and put the decision point where the work is performed, and build control into the process also capture information once and at the source.

Further Hammer and Champy(1995:91) have also emphasized on IT as being disruptive, which means *'its ability to break the rules that limit how we conduct our work, that makes it critical to companies looking for competitive advantage'*? They identify eight areas where IT can be used disruptively and rules are broken and replaced by new ones.

Table 2.1 Hammer identification of IT used in BPR innovation

Old rule	Disruptive technology	New rule
Information can appear in only one place at one time	Shared databases	Information can appear simultaneously in as many places as needed
Only experts can perform complex work	Expert systems	A generalist can do the work of an expert
Business must choose between centralization and decentralization	Telecommunication networks	Business can simultaneously reap the benefits of both
Managers make all decisions	Decision support tools	Decision-making is everybody's job
Field personnel needs offices where they can receive, store, retrieve and submit information	Wireless data communication & computers	Field personnel can send and receive information wherever they are
The best contact with a buyer is personal contact You have to find things where they are	Interactive videodisk Automatic identification and tracking	The best contact with a buyer is effective contact Things tell you where they are
Plans get revised periodically	High performance computing	Plans get revised instantaneously

2.8 IMPLEMENTATION AND BUILDING PROCESS CENTERED ORGANIZATION

Implementation phase involves two themes. One is the redesigned process(the new process) which is going to be tested and implemented, and the other is alignments: structure, management, and measurement system, values and beliefs ,and information technologies(IT) are transformed and aligned so that the new process will furnish the

required result of values. At this stage since the way the values are created is shifted from task based thinking to process based thinking, all alignments mentioned above follow the nature of organization which is fundamentally transformed(Belete et al 2007:58).

Steps in implementing the new business process

- 1) Preparation of implementation plan(both Action plan and Manuals/Guide lines)
- 2) Establish process centered organizational structure and management system (work, placement of performers/employees, management and change oriented organization)
- 3) Testing
- 4) Refine the process design
- 5) Implementation and Monitoring
- 6) Establish measurement and Reward system
- 7) Promotion /Growth
- 8) Inculcate new values in the organization
- 9) Automation
- 10) Continuous Improvement

Key Mistakes in Implementation

The key mistakes that guarantee reengineering failure include not fitting the four components of the business diamond whereby people design superior new processes but in place it in traditional hierarchical organization; and not transforming the attitudes and thoughts of the people in the organization. The other major mistakes include missing the two key words ‘together’ and ‘organized’ during process design and placement; missing to assign the right people for the process teams and process leaders; placing people based on process version_ paths by which process teams(case teams or case workers)address customers’ needs; confusing sub-process version, and also sub process with the tasks of business processes; confusing case worker with individual member of process teams_ members of process team are performers while case worker is an individual who performs a process from end-to-end(Belete et al 2007: 79-80).

2.9 CHANGE MANAGEMENT

Wikipedia, the free encyclopedia, defines change as ,”Fundamentally ,change denotes *the transition occurs when something goes from being the same to being different.*”

Similarly, the free on line dictionary define change as *a transformation or a transition from one state, condition, or phase to another.* Change, in organizations, may take place in order to respond to a new opportunity and to avoid a threat to the organization (www.wikipedia.com).Change involves moving from the known to the unknown. This makes it difficult to get the results wanted from major organizational changes to successfully manage changes and avoid headaches during the process requires identification and implementation of the right change management approach for the specific case(Cummins and Worley,1993 cited by Yetemageta in Conference on the Achievements. Challenges and Prospects of CSRP in Ethiopia, 2007:196).

According to Yetemageta A.(2007:196-197) in thinking about what is meant by change management, at least four basic definitions come to mind: *an area of professional practice* where by independent consultants live on change management by doing change management practice as a profession; *a body of knowledge* where by the subject matter of change management is drawn from psychology, economics, sociology, business administration, the study of human and organizational behavior, etc; *a control mechanism* in which change management ,in some cases, is considered as a control mechanism consisting of requirements ,standards, processes ,and procedures; *the task of managing change* which obviously refers to the task of managing change(ibid).

2.9.1 Models or Approaches to Change and Change Management

Lewin’s Model of Change: Kurt Lewin(1951) described change as a three stage process_ **unfreezing stage** which involved overcoming inertia dismantling the existing mind set; **change occurring stage** in which one is aware that the old ways are challenged ,but does not have a clear picture to replace them with yet and hence said to be a period of

confusion; **refreezing stage** where by the new mind set is crystallizing and one's comfort level is returning to previous levels.

Adkar Model of Change: Jeff Hiatt (1998, 2006) presents five building blocks that an organization must obtain to realize change successfully. These include awareness, desire, knowledge, ability and reinforcement in which organization can go through these stages as quickly as possible.

Gleichr's Formula for Change: This formula illustrates that the combination of organizational dissatisfaction, vision for the future, and possibility of immediate, tactical action must be stronger than the resistance within the organization in order for meaningful change to occur.

Kotter Model of Change: This model is based on a research which shows that there are eight critical steps an organization needs to go through to ensure that change happens and sticks. These are establishing sense of urgency, form a powerful guiding coalition, creating a vision, communicating the vision, empowering others to act on the vision, planning and creating short term wins, consolidating improvements, and producing still more changes, institutionalizing new approaches.

2.9.2 Attitude and Attitudinal change

Ajzen 1982 cited in Eshetie A.(2007:225)defined attitude as the predisposition to respond in a generally favorable or favorable manner with the respect to the object of the attitude. Similarly, Wood and Wood 1993 in Eshetie A. (2007:225) defined attitude as a relatively stable evaluation of a person, object, or situation/issue. It is a mental position with regard to a fact or state. It enables us to appraise people, object or situation. Attitude guides our behavior, influences our social judgment and decision. Attitude has *three components*: *Cognitive* (our thought and belief about attitudinal object); *Emotional* (our feelings toward attitudinal object); and *Behavioral* (how we are predisposed to act toward the object).

According to Michel Hammer (1996:239). **Character** has been defined as *what you do when no one is watching*. It can also be defined as *how you interpret your own story*. If you answer ‘yes’ to any of the following questions, you are definitely not yet ready for the process-centered world.

Do you tend to blame others for your misfortune? Is the phrase “its” not fair’ a frequent part of your conversation? Do you wait for some one to tell you what do? Are you still coasting on what you learned in school? Do you think that you deserve special consideration because of some thing you did last years? Do you believe that your talents are un appreciated and your contributions are un recognized? Do you believe every thing you have accomplished has been by dint of your own effort alone? Do you resent having to break your routine? Do you resent having to come to work? Do you yearn for 5:00 PM?

2.9.3 The Process of Change

When a new idea is conceived in traditional companies without built in change enabling mechanisms, it must run a gauntlet of gatekeepers before reaching any one with authority and resources to act on it. Even when a good idea manages to find a champion, it is analyzed and pounded by a seemingly endless parade of taskforces, committees and study groups. By the time these notion gets to a point of action the opportunity it was meant to capture has often passed. The implicit assumption underlying all this is that innovation is risky and suspect, and that carrying on in the traditional way is almost always the best course (Hammer M. 1996:207).

According to Hammer M (1996:210) most companies’ compensation systems were also designed to reinforce and perpetuate behavior inimical to change. When employees are paid putting in time - not creativity- is what employers can expect from them. When incentive plans reward success but ignore or punish worthy failure, even the boldest innovators will limit them to sure bet that equally obvious to the competition.

Senior managers were rarely interested in hearing about ideas that “might” work. A fantasy word of decision trees and Bayesian analysis perpetuated a mind set that the world was predictable, and that failure, a sign of in competence, was avoidable. Indeed, a formal

system of change is not even on most organizations' radar screens. Today an inquiry in an organization's systems for change will provoke similar scorn yet an organization without a system for change is not likely to change (Hammer M. 1996:211).

The rate of change in the economic environment has become exponential. Organizations built for yesterday can't and do not work today, and today's organization may not work tomorrow. Therefore, organizations can accommodate the forces of change only by creating and institutionalizing a capacity for changing themselves. The secret of *success* is not predicting the future; it is creating an organization that will thrive in a future that can not be predicted ((Hammer M. 1996: 213).

According to Michael Hammer (1996:234) in process centered organizations there must be big picture thinkers. This type of thinking is an absolute requirement for all jobs in process centered organization but a great many people-perhaps most- have no experience with it. All of us live in boxes of one kind or another. There is another way to develop big-picture thinking skills that may sound far-fetched to some: learn to program a computer. The logic behind is that computer programming is nothing but an exercise in systems thinking. Young people have an advantage over the rest of us in not having had their thinking solidified through years of bad habit (P. 234 -235).

Success in a process oriented organization takes tenacity, self reliance, and the resilience to cope with change. It is not for whiners and crybabies; it is not for the rigid; it is not for those who can't go with the flow; and it's not for the dependent. You must be willing to take charge of your life and your career. If situations change and your skills become obsolete, you must recognize it's not your organizations' fault, it is yours for not having stayed on top of development and prepared your self for new challenges. You must be committed to non-stop learning, to re-learning your credentials over and over again. You must take to heart of the Bible's injunction that "by the sweat of your brow you will eat your bread.". These attitudes must be reflected in behavior. People who recognize success today does not mean success tomorrow will take care to take below their means. They will realize that they may have to face periods of unstable income. Remember that the seven fat years were followed by the seven lean ones, and save hard while you can(Hammer M. 1996:240)

According to Michael Hammer(1996:242)in *Great Expectations*, Mr. Wemmick explains his philosophy of success *'My guiding star always is _Get a hold of portable property.'* In our process centered global economy, where job security is oxymoron, we are all portable property. Your surest path to success is to take control of your self _ your thinking, your education, your skills, your passion, your humanity- and became an adult who can make his or her way any where in the world.

Managers will coach and design rather than supervise and control. Employees will be process performers rather than task workers, the organization it self will be dynamic, flexible organization filled with entrepreneurial zeal and focused sharply on customer needs. It will be an organization whose every employee is important, where people are treated as assets, not as expenses, change will be expected, not feared (Hammer M. 1996:228).

The process-centered world is at our doorstep. It is the inevitable result of technological advances and global market changes; the question that we must confront is not whether to accept it but what we make of it. One thing we can do to help cushion the impact of the transition to the process centered world. We can adjust our expectations, process centering is neither all good nor all bad; like every thing else in to life, it is a mixed bag whether it is seen as mostly good or mostly bad depends on who is doing the seeing. Our new world will be very different from the one to which we are accustomed, and no one likes letting go of the familiar(Hammer M. 1996:265).

As stated in Michael Hammer(1996:268)-serving the customer is not a mechanical act but one that provides an opportunity for fulfillment and meaning process centered work widens our horizons and connects us with others- with our team mates, with our organization, with our customers. In the process centered world dignity is restored to work, the dignity that was lost to workers who only performed repetitive tasks. Pope John Paul II states that "through work man achieves fulfillment as a human being. Man shares by his work in the activity of the creator." By making these prophetic words a reality, the twenty-first-century organization will truly be on the side of the angels.

2.10 PERFORMANCE MEASUREMENT IN THE PROCESS OF BUSINESS PROCESS REENGINEERING

Performance measurement is, according to Berhane G.(2008:41), *the ongoing monitoring and reporting of program accomplishment, particularly towards reestablished goals.* It analyzes the success of an organization's, work-unit's or individual's efforts comparing data on what actually happened to what was planned or intended. Different authors give definitions which, if not for the wording, mean the same thing. Most of them seem to revolve around: *'Systematical collection and reporting of information that track resources (input) used, work produced (process) and results (output/outcome) achieved.'*

Performance measurements are important for, among others, the following: enable organizations to know the extent to which they satisfy their customers; to understand one's process; to base decision on facts; and to identify improvement points. Here will be some of the performance measurement tools used to evaluate the business process reengineering:

2.10.1 The Balanced Scorecard

The Balanced Scorecard (BSC) intends to reflect the necessity of balance between the traditional financial perspective and the three non-financial elements of customers, internal business processes and innovation/improvement. BSC translates an organization's mission and strategy into a comprehensive set of performance measures to provide the necessary framework for a strategic measurement and management system. The BSC enables companies to track short-term financial results while simultaneously monitoring their progress in developing the capabilities and acquiring the intangible assets that generate growth for future financial performance (Kaplan & Norton 1996 cited in Berhane 2008:41). According to Kaplan & Norton (1996), an effective strategic learning process requires a shared strategic framework that communicates the strategy and allows all participants to see how their individual activities contribute to achieving the overall strategy. The BSC provides a representation of the organizations' shared vision. The use of measurements as a language helps translate complex and frequently nebulous concepts into a more "precise" form that promotes consensus among senior executives. The BSC communicates a holistic model that links individual efforts and accomplishments to business unit objectives.

The scorecard should incorporate the complex set of cause-and-effect relationships among outcome measures and the performance drivers that describe the trajectory of the strategy of those outcomes. The measurement system should make the relationships (hypotheses) among objectives (and measures) in the various perspectives explicit so that they can be managed and validated.

Outcome measures without performance drivers fail to communicate how the outcomes are to be achieved. Moreover, they do not provide an early indication about whether the strategy is being implemented successfully. Conversely, performance without outcome measures may enable the business unit to achieve short-term operational improvements, but will fail to reveal whether the operational improvements have been translated into expanded business with existing and new customers and, eventually, to enhanced financial performance.

Implementing the scorecard typically includes four processes: translating the vision into operational goals; communicate the vision and link it to individual performance; business planning; and feedback, learning and adjusting the strategy accordingly.

Further Balanced Scorecard is a method and a tool which includes: a strategy map where strategic objectives are placed over four perspectives in order to clarify the strategy and the cause and effect relationships that exists among them.; Strategic objectives which are smaller parts of the strategy interlinked by cause and effect relationships in the strategy map; Measures directly reflecting strategy. Their prime purpose is to measure that the desired change or development defined by strategic objectives actually takes place; strategic initiatives that constitute the actual change as described by strategic objectives.

Benefits of the Scorecards

Kaplan and Norton cite the following benefits of the usage of the BSC: focusing the whole organization on the few key things needed to create breakthrough performance; helps to integrate various corporate programs. Such as: quality, re-engineering, and customer service initiatives; breaking down strategic measures towards lower levels, so that unit managers, operators, and employees can see what's required at their level to achieve excellent overall performance.

Perspectives of the Balanced Scorecards

The BSC method of Kaplan and Norton is a strategic approach, and performance management system, that enables organizations to translate a company's vision and strategy into implementation, working from four perspectives: *financial Perspectives; customer Perspectives; business process Perspectives; and learning and growth Perspectives*

2.10.2 The Benchmarking

Organizations and companies use benchmarking to determine where inputs, processes, outputs, systems, and functions are significantly different from those of competitors or others. The common question raised here is *what is the best practice for a particular activity or process?* Comparison with competitors and exemplary organizations is helpful in determining whether the organization's or company's capabilities or processes are strengths or weaknesses. Significant favorable input, process, and output benchmark variances become the basis for strategies, objectives, and goals. Often, a general idea that improvement is possible is the reason for undertaking benchmarking. *Benchmarking*, then, means *looking for and finding organizations or companies that are doing something in the best possible way and learning how they do it in order to emulate them*. Organizations or companies often attempt to benchmark against the best in the world rather than the best in their particular industry. A problem with benchmarking is it may restrict the focus to what is already being done. By emulating current exemplary processes, benchmarking is a catch-up managerial tool or technique rather than a way for the organization or company to gain managerial dominance or marketing share. Benchmarking can foster new ideas or processes when management uses noncompetitive organizations or companies outside its own industry as the basis of benchmarking. What if new ideas are not generated? It is possible that no one in some other organization or company has had a great idea that is applicable to the input, process, or outcome that the organization is attempting to improve or change by benchmarking.

Benchmarking is not a competitive analysis. Benchmarking is the basis for change. It is about learning. The organization performing the benchmark analysis uses the information found in the process to establish priorities and target process improvements that can change business or manufacturing practices.

Types of Benchmarking: Benchmarking commonly takes one of four forms:-

Internal Benchmarking: Internal benchmarking compares processes or practices within the organization or company over time in light of established goals. Advantages of internal benchmarking include the ease of data collection and the definition of areas for future external investigations. The primary disadvantage of internal benchmarking is a lower probability that it will yield significant process improvement breakthroughs.

Competitive Benchmarking: Some authors call benchmarking 'best practices benchmarking' or 'process benchmarking.' This is to distinguish it from what they call 'competitive benchmarking.' When researching your direct competitors you also researches the best company in the industry (even if it serves a different location). Competitive benchmarking compares the organization's processes to those of direct competitors. In competitive benchmarking, a consultant or other third party rather than the organization itself collects and analyzes the data because of its proprietary nature.

Functional Benchmarking; Functional benchmarking looks at similar practices and processes in organizations or companies in other industries. This type of benchmarking is an opportunity for breakthrough improvements by analyzing high-performance processes across a variety of industries and organizations.

Generic Benchmarking: Generic benchmarking investigates activities that are or can be used in most businesses. This type of benchmarking makes the broadest use of data collection. One difficulty here is in understanding how processes translate across industries. Yet generic benchmarking can often result in an organization's drastically altering its ideas about its performance capability and in the reengineering of business processes. Sometimes benchmarking may be carried out collaboratively by groups of companies.

Steps that are typically employed in the benchmarking process:

1. Identify processes, activities, or factors to benchmark and their primary characteristics
2. Determine what form is to be used: generic, functional, competitive, or internal

3. Determine who or what the benchmark target is: company, organization, industry, or process
4. Determine specific benchmark values by collecting and analyzing information from surveys, interviews, industry information, direct contacts, business or trade publications, technical journals, and other sources of information
5. Determine the best practice for each benchmarked item
6. Evaluate the process to which benchmarks apply and establish objectives and improvement goals
7. Implement plans and monitor results
8. Recalibrate internal base benchmarks.

A recurring problem that must be addressed during the eight steps is the determination of criteria to ensure that inaccuracies or inconsistencies do not occur that will make any comparisons meaningless.

2.11 THE CHALLENGES OF BUSINESS PROCESS REENGINEERING

According to Hammer and Stanton (1994:14-33) there are ten top mistakes that cause the reengineering effort fail. These are: to say you are reengineering without actually doing it; trying to apply BPR where it can not fit; to spend too much time analyzing the existing processes; to attempt the reengineering with out the requisite leadership; difficulty in coming up with new ideas; the attempt to go directly from process redesign to implementation; not reengineering quickly; limiting the range of reengineering effort, to adopt the wrong style of implementation; and failure to attend the concerns of the people.

In addition to the top ten mistakes, there is also another challenge that faces the reengineering effort. That challenge is living through change: getting the people to let go of their old ways and embrace new ones. Reengineering challenges all aspects of a business. When a process changes perforce so do the jobs of the people who work in that process. But more than jobs and skill requirements change people's styles_ the ways in which they think and behave _and their attitudes_ what they believe is important about their work_ must also

be realigned to fit the new process. In effect, a new process requires new people, new measurement, new arrangement, and so on. In each of these cases, the transition from the old to the new was a painful experience for everyone involved. It should come as no surprise that people regard such a transition with much trepidation and anxiety, and that they find the experience itself to be unsettling and dislocating. Therefore, resistance is one of the challenges expected in the reengineering efforts.

CHAPTER THREE

DATA PRESENTATION AND ANALYSIS

3.1. INTRODUCTION

It is commonly understood that every government seeks to raise revenue, mainly through taxation, in order to pay its expenditure on infrastructure development. In Ethiopia, the responsibility to collect revenue for the Federal Government rests with the Ethiopian Revenues and Customs Authority (ERCA). In addition to raising revenue, ERCA is responsible to facilitate the legitimate movement of people and goods across the border. Simultaneously, the authority focuses on those people and vehicles that may involve in the act of smuggling. ERCA conducts investigation, audit and prosecutes offender. In the attempt to discharge its responsibility, the authority closely works with the Federal Police, Standardization Authority, and Ministry of Health Immigration Service and with other stake holders (Change Implementation Directorate, ERCA.)

3.1.1 Background Information

According to Article 3 of the Ethiopian Revenues and Customs Authority Establishment Proclamation No. 587/2008, the Authority is looked upon as “an Autonomous Federal Agency having its own legal personality”. The Authority came into existence on 14 July 2008, by the merger of the ministry of Revenue, the Ethiopian Customs Authority and Federal Inland Revenues Authority who formerly were responsible to raise revenue for the Federal Government and to prevent contraband. Reasons for the merger of the foregoing institutions in to a single autonomous Authority are varied and complex. Some of those reasons include:

- To provide the basis for modern tax and customs administrations
- To cut through the red-tape or avoid un necessary and redundant procedures that results delay and are considered cost-inefficient etc
- To be much more effective and efficient in keeping and utilizing information, promoting law and order, resource utilization and service delivery, and
- To transform the efficiency of the revenue sector to a high level.

A long process of study known as BPR has been undertaken for a year and half time beginning from November 2007 by teams of officials selected from within the foregoing institutions before any steps were taken to effect the merger. The study had looked into the selected key business processes and had come across inefficient organizational structure and unnecessary complicated procedures that permitted insufficient service delivery. The study had also indicated that there was corruption within the administrations and that smuggling and tax evasion were serious problems. These problems had depressed the attempt of the foregoing institutions (administrations) to be successful in achieving their objectives. Owing to the depressing problems that worked against efficiency, the former administrations had failed to deliver efficient service to their customers such as importers, exporters, tax payers, and the federal government and so on. Every imported or exported goods and their documents were to be processed through the then Ethiopian Customs Authority and due to inefficient procedures, these goods were subject to delay at entry or exit points. Owing to this, importers and exporters viewed that procedure with disfavor or as an impediment that blocked the movement of international trade.

The then Federal Inland Revenues Authority (FIRA) had long been criticized for its inefficient system to control tax payers who failed to declare their actual income in order to reduce their tax bill. The former administrations were far behind in protecting investors from adverse effects of contraband. It was a daily event to see contraband goods displayed on and being sold in the streets of major towns of the country. These and other problems called for solutions and in response to those, the reengineering study made problem solving proposals. In its proposal, the study suggested the merger of the foregoing three institutions. The study team believed that it would be better if the three administrations merged to form a single powerful organization so that a base for modern and equitable tax and customs administration system, efficient resource utilization and quick service delivery can be laid down.

The merger was put into effect eventually with the knowledge, participation and approval of the employees, senior management members and tax payers (Change Implementation Management Directorate ERCA).

3.1.2 Strategic Intent of Ethiopian Revenues and Customs Authority

According to External Assistance and Fund Mobilization Work Process, ERCA has set its vision as *‘to see fair and modern taxes and customs administration system that enhances the proper and effective revenue collection’*. This vision is in consistence with the vision of Ethiopia which strives to reach the level of middle income economy within the coming 20 to 30 years. Similarly, its mission is *stated as ‘to promote the voluntary compliance of tax payers, ensuring integrity and developing the skill of the employees, supporting modernization and harmonization of the taxes and customs administration system, contributing to economic development and social welfare through effective revenue collection’*.

According to the Proclamation No.587/2008 which established *ERCA*, it is bestowed with the following objectives:

- To establish modern revenue assessment and collection system and provide customers with equitable, efficient and quality service
- To cause tax payers voluntarily discharge their tax obligations
- To enforce tax and customs laws by preventing and controlling contraband as well as tax fraud and evasion
- To collect timely and effectively tax revenues generated by the economy, and
- To provide the necessary support to regions with a view to harmonizing Federal and Regional tax administration systems

As per the External Assistance & Fund Mobilization Work Process, values adopted and followed by staff are the following:

- Customer focused service delivery (trust, respect, protect, support)
- Protecting the well-being of the society
- Integrity and transparency
- Professionalism, and
- Collaborative working.

The key business drivers of ERCA have been identified as Revenue Collection, Trade Facilitation, Enforcement and Security, Reliable data and Statistics, Process oriented

management and Good Governance(Tax and Customs Modernization and Reform Program in Ethiopia, a need Assessment paper by External Assistance & Fund Mobilization Work Process 2009: 5-7).

3.1.3 Organization of the Authority

The Authority has its Head Quarters in Addis Ababa. The Authority is led by a Director General who reports to the Prime Minister and is assisted by four deputy Director Generals, namely deputy Director General for Corporate Functions, Operation Function, Change Management and Support Function and Enforcement Function. Both the Director General and the Deputies are appointed by the Prime Minister. The Authority, at the Headquarters level, has nineteen Directorates. According to the Council of Ministers Regulation No. 155/2008, the technical term “business process” *is defined as a class or some class of work flow in which a series and succeeding group of activities are performed step by step by a case worker or a case team in a single cycle of performance to bring about a result form the external or infernal inputs and information utilized in the general course of performance of the Authority.* Each business process and directorate is led by a Director. The two business processes the Audit and Inspection Business process and the Public Relations and Image Building Business processes are directly accountable to the Director General while the remaining seventeen are accountable to the four deputy Director Generals (Change Implementation Management Directorate, ERCA).

A part form the nineteen directorates at the Head Quarters level, ERCA has 18 field offices which can be divided as follows: sixteen branch offices located in regional states or city administrations and two coordination offices located outside Ethiopia at the port Djibouti and at the port Barbara, Somalia. Each field office is directed by a manager who is accountable to the Director General of ERCA. The prime function of those two coordination offices is affording/providing transit service for the goods imported into or exported from the country.

Various Tax centers and customs control stations are also placed under the administration of the branch offices. These branch offices in turn have 37 tax centers, 22 customs clearing stations and 48 customs control stations across the country. The main duty of the 37 tax

caters and 22 customs clearing stations are collecting taxes and facilitation of trade. The 48 customs control stations, largely located at frontier and along recognized routes leading straight to Addis Ababa from neighboring countries, are responsible for protection of society from illegal entry and exit of prohibited goods and facilitation of trade(Change Implementation Management Directorate, ERCA).

Tax centers are a tax collection stations located in the vicinity of tax payers while customs control stations are stations where customs formalities are complied with and collection of taxes and duties take place on imported and exported goods. Customs control stations are located at the frontiers or in between the border of Ethiopia and its neighboring countries.

Regarding the Authority's employees, 2446 employees are arranged to carryout various tasks based on internal rules and procedures. The Authority's employees consist of Computer specialists, Accountants, Auditors, Investigators, Communication specialists and the like. The Authority has also small group of prosecutors appointed by the Director General of the Authority. The working hours of the employees is determined to be 8 hours per day and 43 hours per week. In selected areas where customs operation takes place, employees are made to work in shift to make the 24 hours service delivery possible.

The employee of the ERCA is governed by the regulation No.155/2008 issued by Council of ministers as stipulated in article 19 (b) of ERCA establishment proclamation No.587/2008 issued by HOPR, not by provisions of the Federal Civil Servants Proclamation No.515/2007.

The other important part of the Authority is the advisory board. This board holds quarterly meeting at the head office of the Authority. It consults with and makes recommendation to the Director General of the Authority on matters of policy and strategy as spelt out in proclamation No.587/2008. The Director General of the Authority is the chairperson of the Advisory Board and designates the board members based on their competence and efficiency.

Another important issue to be noticed is that the responsibility of preventing contraband is transferred to the Federal police as of July 7/2008. Previously this responsibility was carried

out by the Ethiopia Customs Authority. The Authority, with Federal Police, combats smuggling to prevent the adverse effect on the socio-economic development of the country (Change Implementation Management Directorate, ERCA).

3.1.4 The Rationale behind Introducing BPR to ERCA

An increasing level of globalization and better orientation and awareness of citizens have changed the fabric of how the public service is being managed all over the world.

Besides, today's civil servants happen to be more educated and over demanding. They need better work places, better salaries and benefits, and better opportunities.

These require better management which is reflected on strategic rethinking, technical competence, and the full understanding of the new public management by the public officials. Therefore today's public official need to be change oriented and innovative enough so that they can enhance better organizational performance (effectiveness and efficiency). They need to be reformists in the sense that they should take an initiative to re-invent or re-engineer their organizations. (Tilaye Kassahun in National Conference on CSRP 2007:11)

Like any other government in the world, Federal Democratic Republic of Ethiopia (FDRE) had also shown strong interest in reforming its civil service in early 1990s. The present Ethiopian government seems to have strong conviction in that the existence of an effective and efficient civil service serves as the back bone of a responsive administration without which sustainable development can not be materialized (ibid).

One of the relevant public institutions which need to be reformed is ERCA. There is no single issue of greater importance to the ERCA than building its strong institutional capacity that can make a meaningful difference. So that it can renew itself and become competent, dynamic, transparent, responsible, reliable and dependable public institution that facilitates the execution of the development policies and strategies of the country. Therefore, the experience in ERCA reveals that BPR is the best way to obtain dramatic improvement in the performance of the revenue sector (a researcher's own translation from Amharic material)

3.2 DATA PRESENTATION AND ANALYSIS

The basis for this study is ERCA that has reengineered its work processes and started implementation of BPR before a year. This chapter of the paper is confined to the presentation and analysis of the data collected from various sources.

3.2.1 General Information about the Respondents

A total of 130 questionnaires were distributed out of which 114(88percent) were filled and returned to the researcher. Besides, the data were collected from key informants from front line positions to BPR implementation and follow up of its performance such as the deputy Director General of the Change Management and Support function, the Director of Planning and Research Directorate, and the Director of Change Implementation Management Directorate and other officials from external organizations like Ethiopian Chamber of Commerce, Addis Ababa Chamber of Commerce, Maritime Transit Service Enterprise, and Federal Civil Service Reform Office.

Table 3.1 Summary of Number of Questionnaires Distributed and Returned

Respondents	Questionnaires Distributed	Questionnaires Returned
At head office	100	84
At branch offices	30	30
Total	130	114

Source: Field Survey, April 2010

3.2.2. Awareness and Understanding about BPR

Table3.2 Awareness About and Exposure to BPR Concepts

Criteria for evaluation	Yes		No		Missing		Total	
	NR	%	NR	%	NR	%	NR	%
(a)Having understanding of the BPR.	108	95	6	5	0	0	114	100
(b) Any exposure to the concept of BPR before.	77	67	35	31	2	2	114	100

Source: Field Survey, April 2010

As one can see from the criteria (a) of Table 3.2 above 95 percent of the employees of ERCA confirmed that they have clear understanding of BPR while 5 percent of the employees confirmed that they have no clear knowledge about BPR.

Regarding exposure to concepts of BPR mentioned in the criteria (b) of Table 3.2 above 67 percent of the respondents have got an exposure to the concept of BPR while 35 percent haven't got the chance.

Table 3.3 Responses for the item if yes, how?

Criteria for evaluation	Seminar		Conference		Workshop		T & D *		Others		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%	NR	%	NR	%
If yes, how Did you get acquainted?	10	9	9	8	17	15	114	100	60	52	8	7	10	9

Source: Field Survey, April 2010

* Training and Development

The Table 3.3 above reveals that 52 percent of the respondents did get acquainted with the concept of BPR through trainings. From the remaining portion of respondents 15 percent have got acquainted with concept through workshops, and others 9 percent, 8 percent and 7 percent of them have been participating in related seminars, conferences and in other ways like academic ground respectively. 9 percent of the respondents kept silent.

Table 3.4 Level of understanding about CSRP and BPR

Criteria for evaluation	Very high		Fairly High		Medium		Low		Do not know		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%	NR	%	NR	%
The level of understanding of management and employees	13	10	37	32	50	44	9	8	2	2	3	3	114	100

Source: Field Survey, April2010

As can be seen in the Table 3.4 above about 44 percent of the respondents confirmed that the level of understanding of employees and management in all levels of the hierarchy in ERCA about CSRP and BPR deserves medium level. In the same way 32 percent of the

respondents indicated that the understanding level is fairly high. Some 11 percent of the respondents believe that the level of understanding about CSRP and BPR is very high in ERCA.

Table 3 5 responses about where the BPR projects should start from

Criteria for evaluation	Top		Bottom		Do not know		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
BPR projects should start from	83	73	21	18	9	8	1	1	114	100

Source: Field Survey, April 2010

According to the Table 3.5 above, 73 percent of the respondents believe that the reengineering activity should start from the top of the hierarchy. The belief of these respondents is in conformity with the idea of Hammer and Stanton (1995:20) which states that *reengineering succeeds when driven from the top most level of an organization*. However, the beliefs of some thirty percent of the respondents differ from the above reality and the situation need attention.

The respondents were also asked an open-ended question to know in which departments BPR has been introduced. Why?

The intention of this question was to gauge the awareness about which sections are undertaking BPR implementation and which are not. The opinions collected reveal that about half /49 percent/ of the respondents replied all the sections in ERCA are implementing BPR. The remaining half (about 51 percent) of respondents suggested different sections which they thought to be included in BPR implementation. Some of the respondents under the latter category replied operation section, others replied information management, customer service, tax centers, human resource management, branch officers like Addis Ababa air port branch, and some of the respondents had no idea. This may be an indication of lack of access to essential information

3.2.3. Change Orientation and Attitude Of Employees and Management

According to Getachew S.(2007:17) it is noted that organizations are operating in a dynamic environment where change becomes the rule rather than the exception. Hence, organizations must introduce change because their environment is changing rapidly. They must adapt to the changing environment otherwise survival becomes very difficult. So it is useful to understand that dynamism is unavoidable to be successful and maintain the survival of organizations.

Table 3.6 Factors which influenced ERCA to introduce BPR

(a) Internal factors	NR	%
The need to improve technology or to automate	66	58
The need to increase efficiency and effectiveness	97	85
The need to reduce cost	50	44
The need to define and redefine strategic focus	30	26
(b) External factors		
The customer needs	99	87
The changing industry or market condition	40	35
The competition	32	28
The advantage of new opportunities	36	32
The shifting government policy	36	32
Others	4	3

Source: Field Survey, April 2010

As can be seen from the Table 3.6 85 percent of the respondents under item (a) agree that the highest pressure to introduce BPR to ERCA was exerted by the need to increase efficiency and effectiveness followed by 58 percent of the respondents who believe that the need to improve technology or to automate the service delivery has exerted its influence on the ERCA internally. At the same time 87 percent of the respondents under item (b) believe

that external factors related to customer needs put pressure on ERCA to introduce BPR succeeded by the changing industry and market conditions which is believed to be another factor to put pressure on ERCA to introduce BPR by about 35 percent of the respondents. The above information show that the majority of respondents are aware of the idea of change is not some thing escapable in the world of ever changing. Interview results also support this notion of change by explaining that both external and internal factors exert influences of their own to introduce change to one's organization and the interviewees believe that change is an everlasting solution to cope up with the environment changing rapidly. Here it is allowed to choose more than one answer/factor and that is why the number of the respondents exceed the total number of respondents participated in the study.

Table 3.7 The significance of Improvements in Performances, Customer service, and work environment

Criteria for evaluation	Yes		No		Can't say		Missing		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
(a) BPR serves as a tool for fundamental rethinking and improvement of performances.	103	90	2	2	8	7	1	1	114	100
(b) BPR essentially helps to provide better customer service.	110	96	1	1	3	3	0	0	114	100
(c) BPR leads to efficiency and effectiveness	100	88	1	1	12	10	1	1	114	100
(d) BPR improves work environment?	98	86	7	6	8	7	1	1	114	100

Source: Field Survey, April 2010

According to the criteria (a) in the Table 3.8 above 90 percent of the respondents agree that BPR can serve as a good instrument for fundamental rethinking and improvements in performance. This view of the respondents was inconformity with the definition of BPR given by Champy Hammer (1995:3). The Author defines Reengineering as *'the fundamental rethinking and radical redesign of business processes to bring about dramatic improvements in performance.* A very small portion (9 percent) of the respondents responded in diverging way and this can be taken as some thing tolerable.

The information under criteria (b) of Table 3.8 above reveals that 96 percent of the respondents feel that BPR helps ERCA essentially to provide better service for its customers. This feeling of respondents is in alignment with the principle of BPR by Coulson Thomas 1994 in Berhane G. (2007:17) which states that BPR should focus on external customers. The information held in criteria(c) of the same table above shows that 88 percent of the respondents believe that BPR leads ERCA to better efficiency and effectiveness while 10 percent of the respondents were hesitant to say something.

Again the information in criteria(d) above 86 percent of the respondents responded that BPR has helped ERCA improved its work environment.7 percent of the respondents did not say anything whether their work environment is improved or not while 6 percent of the respondents envisage their work environment has not shown improvement.

To sum up, the significance of improvements in performances, customer services, and working environment is deemed, by the large majority of the respondents(90percent), to be bases for efficiency and effectiveness of an organization under study. The researcher understands this can be good evidence about the change orientation of ERCA if the respondents tend to be persons of their words.

The respondents were asked an open-ended question seeking information on *who happened to be the change agent in ERCA* (question No.13). 53 percent of the respondents replied that the top management happened to be the change agent in ERCA while 33 percent of the respondents expressed that all the employees of ERCA happened to be the change agents in the organization. The majority of the respondents were in conformity with Hammer and Champy(1993:103) who state that ‘the leader kicks off the organization’s reengineering efforts.’ However, significant number of respondents replied on the contrary. This shows that still there is confusion about who should lead the change process in front position although the change orientation of employees and other stake holders can not be undermined.

Table 3.8 Responsibility of Role of Change Agent

Items	NR	%
Top executive	60	53
Middle level management	14	12
Supervisor level management	8	7
Employees	26	23
External stakeholders	6	5
Total	114	100

Source: Field Survey, April 2010

As the table 3.8 above reveals 53 percent of the respondents think that the top executive of ERCA should be primarily responsible to assume the role of a change agent while 23 percent of the respondents think that this responsibility should be assumed by the employees of ERCA. 12 percent of the respondents assume the middle level management to play the role of change agent and 7 percent of them think the supervisory level management should play this role. The intention of this question was to crosscheck its responses with the responses given to the earlier open ended question above(question No.13 in questionnaire).Almost equivalent number of respondents(majority) were thinking that the top executive should assume the role of the change agent and this is also consistent with the idea of Hammer and Champy(1993:103).

Table 3.9 the attitude of employees towards BPR

Responses	NR	%
Pro-change	66	58
Anti-change	4	3
Indifferent	43	38
Missing	1	1
Total	114	100

Source: Field Survey, April 2010

The Table 3.9 above shows that 58 percent of the respondents see the attitude of employees of ERCA towards BPR is pro-change. 38 percent of the respondents are indifferent to explain whether the employees of ERCA are pro-change or anti-change while 3 percent of the respondents told that the employees of ERCA are anti-change.

According to Hammer & Stanton (1994:119) the pain involved in getting people to let go of their old ways and embrace new ones is not surprising because people regard such a transition with much trepidation and anxiety. Therefore, resistance is one of the challenges expected in the reengineering endeavors. This can be alleviated through time and needs relentless follow up to lessen to tolerable level.

Table 3.10 the attitude of management towards BPR

Criteria for evaluation	Excellent		Good		Fair		Poor		Total	
	NR	%	NR	%	NR	%	NR	%	NR	%
(a) The initiative taken by top executive to trigger BPR	47	41	61	54	0	0	6	5	114	100
(b) The roles played by leaders towards change	35	31	63	55	14	12	2	2	114	100
(c) Harmony with immediate supervisor	37	33	63	55	10	9	4	3	114	100
(d) Informing employees about the happenings around	33	29	53	46	18	16	10	9	114	100
(e) Level of valuing views& participation	22	19	62	55	23	20	7	6	114	100
(f) Satisfaction level of professionalism	22	19	62	55	23	20	7	6	114	100
(g) Rating team spirit	24	21	63	55	17	15	10	9	114	100

Source: Field Survey, April 2010

The information under criteria (a) in Table 3.10 above shows 54 percent of the respondent rate that the initiative taken by the top executive to trigger BPR is good and 41 percent of the respondents rate it as an excellent while 5 percent of the respondents rate it as poor. The majority of respondents accept that the initiative taken by top leadership to trigger BPR is dependable.

As can be known from the information in the criteria (b) of Table 3.10 above, 55 percent of the respondents believe that the leaders in their work environment play good roles towards change while 31 percent of the respondents believe that the roles are played in an excellent way by the leaders. In addition 12 percent of the respondents believe that the leaders play fair roles towards change while 2 percent rate it as poor.

The information contained in criteria(c) of Table 3.10 above 55 percent of the respondents confirmed that they work closely and harmoniously with their immediate supervisors in a good way while 33 percent of the respondents rate their relation with their immediate supervisors as excellent. At the same time 19 percent of the respondents view their relation with their supervisors as fair while 3 percent of the respondents believe that their relation with their immediate supervisors is poor.

One can understand from the information under criteria (d) of Table 3.10 that for 46percent of the respondents, their immediate supervisors keep them informed about what is going around in a good way, while 29 percent of the respondents confirmed that their immediate supervisor inform them in an excellent way 16percent of the respondents rate the situation as fair while 19 percent of the respondents rate it as poor. This information shows that at least one-fourth of the respondents are not kept informed properly by their immediate supervisors which is against the idea of Hammer& Champy(1993:104)that states ‘Be bold,’ the leader says, ‘and if you get heat from any one, pass it on. If someone blocks your way, let me know who that person is, and I will take care of it.’

Again regarding the criteria (e) as depicted in the same Table above, 55 percent of the respondents value the acceptance of their views and participation as good while 20 percent of the respondents value it as fair. Only 19 percent of the respondents rate the acceptance of their views as an excellent one while 6 percent rate it as poor. One can infer from this that participatory decision making in ERCA is not that much a high ranking one. The respondents of an open ended item in the questionnaires also did not conceal that there is weak commitment and transparency to support employees especially by middle level managers of ERCA. This needs the intervention of top leadership because it is the leader who appoints senior managers as owners of business processes.

Similarly the information held in item (f) of Table 3.10 above 55 percent of the respondents evaluate their level of satisfaction about professionalism as good and 19 percent of the respondents evaluate their level of satisfaction about professionalism as an excellent while 19 percent of respondents rate it as fair 6percent of the respondents revealed that their level of satisfaction about professionalism is poor in ERCA.

The information in criteria(g) of the same Table above shows that 55 percent of the respondents rate the team spirit in their work environment as good 21 percent of the respondents rate the team spirit in their work environment as excellent while 15 percent rate it as fair and 9 percent rate it as poor. However, interviewees from ERCA made known that new team charts and work manuals are in place to foster team work.

Prospects of Business Process Reengineering at ERCA

Regarding the prospects of BPR including achievements in pipeline, the following data were gathered both from the primary and secondary sources.

The survey results confirm that commitment of top leadership is taken as an achievement. The top leadership took the pain of deciding on the merger of the then three administrations in to one. However, it is argued that those managers at middle and supervisory level do not share the same level of commitment and hence, the situation in lower hierarchies is not as good as the situation at the top.

Another on going achievement identified was effort made to raise awareness and gain the support of legal business community as well as other stakeholders Service delivery (simplicity, transparency, timeliness, harmony and so on) is also improving. For instance, customs clearance procedure which had been taking 48 days and above has now reduced to a day (8 hours).

Adjustment in salary scale and other performance incentives and benefits is expected to enhance the sense of ownership and commitment of employees.

Capacity building measures keeping workers fit to the competitiveness of the time have been introduced. For example, trainings have been conducted on strategies and policies of government, BPR concepts, study results and manuals, awareness creating forums on the implementation of the new proclamations, rules and regulations and many trainings and consultation workshops have been conducted so far.

Two separate benches, one in Federal first instance court and another in Federal high court, have been established in order to give due emphasis to taxes and customs related cases. As a result ERCA has been a winner of claims and beneficiary of judgment in above 91 percent of its cases in the current budget year. This figure is taken by different participants of the discussion as an accomplishment recorded for the first time in the history of ERCA

The study has also confirmed that the step taken by ERCA to foster the participation of the business community in steering committee meeting and the board meeting is another smart measure to encourage coherence between business society and government. Almost all participants of this study appreciate the step taken in this regard. They stated that;

ERCA stands at the top of other public offices in its informative, pro-change, accommodative and consultative qualities. A visible change is observed in a system of keeping documents related to custom clearance. These documents are now located in easily traceable way. We have been suffering from the loss of these documents repeatedly.

Improvements in revenue generation capacity as well as actual amount of tax revenue collected from year to year. For instance, if one sees the amount of tax revenue collected annually in the Year 2008/09 was Birr 23.6 billion and the amount collected in the first half of the current budget year (from July to December,2009) is birr 22.8 billion. This amount is almost equivalent to the amount collected in previous budget year annually. The target of this budget year is to collect birr 34 billion and the participants of this study were confident enough that the money can be collected beyond this target if they keep the existing momentum.

An injection of new and qualified man power to the system is taken as another promising measure to improve the existing problem of skilled man power. The firm stand against tax evasion and fraud is very promising for emergence of competent business entities and also for enhanced national economic development.

Attitudinal change of employees is improving because it is possible to identify strong or weak performers in order to award or punish them respectively. This is included clearly in the regulation No. 155/2008 provided for administration of employees and prosecutors. Balanced scorecard (BSC) is under introduction as an objective measurement of performances in order to avoid the subjectivity problem prevailing.

Bilateral and multilateral agreements signed recently to work with and learn from developed countries like UK, Denmark, Australia, Israel, Kenya, India, and other international organizations like WCO. These include E-learning, Cargo tracking, long term education and training at MA level for top and middle level management members, various technical and seasonal (short term) trainings, and experience sharing. These will build potential capacity for the sector undoubtedly.

Reduced tax evasion and fraud due to strengthened enforcement capacity has increased the credibility of ERCA by legal (licensed) business entities although smugglers and/or offenders hold different stand here.

3.2.5 Challenges Encountering BPR Implementation

According to Linden R. (1994:77) BPR requires us to challenge fundamental assumptions on which the organization is built by radically redesigning its processes, systems, and structure around desired outcomes. The researcher understands that when one tends to challenge the conventional wisdom and received assumptions of the past and introducing new approaches to the system, it is inevitable that this reinvention process will have a tendency to challenge oneself back. Having the above reality in mind, the respondents were asked an open ended question in search of response /information on challenges encountered in implementation of BPR at ERCA.

The summary of the survey result revealed the existence of challenges such as knowledge gap expressed in the form of weak understanding about BPR concepts and its objectives; and considering BPR as a political tool rather than a management tool. However, interviewees from the management side argue that all the capacity building measures keeping employees on equal footing were taken.

Insufficient attitudinal change by employees and management remains challenging. The survey result made known that this insufficiency in attitudinal change is expressed in the form of resistance to change; old mentality expressed in the form of benefit orientation by some of the management members and employees; negative thinking emanating from status consciousness, fear of dismissal, fear of change and the like; and lack of sense of belongingness. Again there is challenge pertaining to deployment/placement issues such as dissatisfaction about the credence given to education and work experiences; inappropriate work assignments given (there is a dissatisfaction that the right person at the right position principle was not followed); and unfair distribution of positions (some sections have relatively excess manpower and positions while others have been less manned.). In general, the researcher has observed gap in coping up with the new system which increase values pertaining to cooperation within the system as well as with external customers.

Follow up problems are also still unsolved for reasons like lack of experience and knowledge to follow and record the performance of each employee under one's supervision. Similarly overlying responsibilities emanated from shortage of man power put another pressure on individuals who bear those responsibilities.

There are problems related to the participatory decision making expressed in the form of ambiguity about criteria of work assignment; lack of clarity in measuring work performances; delayed decisions in middle level management due to problems in delegation or empowerment; absence of clear monitoring and evaluation system; and turnover of rules and regulations without sufficient consultation of workers. Correspondingly key informants did not conceal that the managers in the middle level, including themselves, are not strong enough in discharging their responsibilities related to coaching, redesigning and advocacy functions for varying reasons

There is constraint of resources to implement BPR as intended. This idea was supported by most of the participants in both interview and questionnaire surveys as well as archives consulted. This was explained in such way that *facilities included in the reengineering study are not still supplied fully*. However, regarding availability of human resource, ERCA has attempted to redeploy its existing staff, recruit new staff and also to give work transfers to the applicants from other public organizations who have been witnessed to be competent and ethical.

Still there is unsolved problems related to tax payers' knowledge and capacity and hence voluntary compliance with *rules* and regulations is at its immaturity stage. However, some interviewees tried to explain that the degree of compliance with rules and regulations (voluntary declaration of incomes and payment of tax) is improving after installation of BPR. Nonetheless, the researcher believes that tax payers' education and communication still require unrelenting effort to reach on reliable voluntary compliance level.

There is weak cooperation among different public offices regarding revenue generation and collection. Therefore, some of the respondents recommend that the reform program of the revenue sector need to be led by the Prime Minister's Office in order to facilitate synergy among different institutions of public and private origin.

The absence of *National road map* on CSRP in general and BPR in particular is identified as a big gap which hinders speedy movement of the implementers.

Inconvenient office lay out which is incompatible with the idea of seamless office layout. The survey result revealed that the office should be arranged in such way that it can enable ERCA deliver one stop-shopping service This idea of the subject of the study is also compatible with Linden R.(1994:4) who states that *the customers of seamless organizations are in direct contact with the service providers; there are no forms, handoffs, or runarounds*. However ,an interviewee ,from top management, explained that the new office deemed to be convenient for one-stop-shopping is under construction to solve the problem in near future; otherwise he appreciated the concern of the respondents.

ERCA has no adequate alignment of IT infrastructure. Factors related to IT infrastructure have been increasingly considered as a vital component of successful BPR efforts. This botheration of the respondents is supported by Davenport and Short (1990:24)who state that *IT should be viewed as more than an automating or mechanizing force to fundamentally reshape the way business is done*. Other interviewees also noted that ERCA is using an outdated manual record system which is difficult and unreliable for users from within or outside. However, some operational wings have got automated although they are not utilizing the services in their full capacity.

The process owners and employees of ERCA are not able to get out soon from routine works (business as usual) and hence, they are biased to management control approach rather than facilitation of services. This can be taken as a typical sign of an intension/an implicit change resistance to stay in the comfort zone where they have become accustomed to.

Lack of a mechanism for job rotation of employees into different positions is also mentioned as an obstacle to protect and/or to narrow the likelihood of getting indulged into corrupt acts due to their long stay in the same position for years.

Mismatch in the level of thinking between government and that of business community is very wide. ERCA as a public institution attempts to introduce very sophisticated styles of tax administration while business community lags behind by far and hence both are not in equal footing.

Segregation of intermediate traders (between actual producers and actual traders) and other unlawful traders still remain challenging.

CHAPTER FOUR

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

This Chapter deals with findings of the study, conclusions that are drawn on the bases of these findings, and recommendations forwarded.

The objective of the study was to assess the implementation of BPR program in order to explore the challenges encountering the implementation process and to assess the prospective situations of BPR implementation at ERCA.

Further more; the study has set the following specific objectives:

1. To understand the awareness level and attitude of employees and management of ERCA towards the BPR.
2. To discover the prospects (indicative achievements) that uphold the success of BPR implementation.
3. To identify the challenges encountering the implementation of BPR.

In order to meet the set objectives, the study has been guided by the following research questions:

1. How is the awareness level and attitude of management and employees of ERCA towards BPR?
2. What are the prospects/indicative achievements of BPR undertakings in ERCA?
3. What are the major challenges/problems that impede implementation of BPR?

The study was carried out in ERCA. The primary data have been collected from employees, management team, and customer organizations like Ethiopian Chamber of Commerce and Sectoral Associations, Addis Ababa Chamber of Commerce and Sectoral Associations, and Maritime Transit Service Enterprise, and Ministry of Capacity Building (MCB) through questionnaires and in-depth interview. Secondary data has also been collected from sources

such as proclamations, regulations, bulletins, reports, and monthly published news paper called 'Gebi Lelimat'

The major findings of the study, regarding the participants' awareness level and attitude, the suggested impeding factors and the indicative achievements of BPR undertakings in ERCA are discussed here after as following.

4.1. FINDINGS

Analyses of the data gathered confirm the following findings:

- The ambition of the top management to improve technology and to increase efficiency and effectiveness has been the main internal reasons which compelled ERCA to introduce BPR. It is also understood from the study that the above ambition of the top management have been emanating from challenges related to inefficient revenue administration, prevailing corruption in the sector, contraband movement, stringent and redundant work processes and the need to redesign the organizational structure which had been shaped in the command economy during the previous regime.
- The study revealed that pressure from external customers which demands improved service delivery; pressure from government side to get the revenue sector reformed; the current global situation; and the like external factors compelled ERCA to undertake BPR
- Besides, the work process for reengineering undertaking selected by using dysfunctional and important criteria during which series of discussions made with management members, employees and other external Stakeholders.
- There is a visible awareness gap among employees, management and external customers about the concept, objective and significance of BPR.
- Employees and management at different levels of the hierarchy have been receiving training as a result of BPR implementation, but still the need for training and development remains a high priority.

- It was found that factors like data management; tax payer education and communication; customer service and support; enforcement of laws, rules and regulations; collection of revenues due to the government; and human resource management and development are identified as strategic focus areas of ERCA.
- BPR paved the way for amendment of laws, rules, regulations, directives and so on..
- There is a visible knowledge gap between employees and management signaled by weak understanding about BPR. Significant number of the members lack clarity on the concepts, objectives and importance of BPR and hence, views the program as a political tool which is aimed at downsizing rather than a management tool. However, ERCA has been appreciated for conducting the study without costly mistakes and also has not down sized its human resource as such as witnessed by other participants.
- Some of the employees are disappointed with the placement made after reengineering study. They forwarded that there was unfair deployment of the existing staff which has not given due weight for education and work experience as well mismatch between qualifications and positions observed. However, the management side argues that all the existing employees have been given their position fairly based on the newly designed minimum requirements, their past and present performances, their qualifications and their work experiences
- There is no clear monitoring and evaluation mechanism, objective performance measurement, and support giving mechanisms
- ERCA is injecting new blood (employees) to the system aggressively and this measure in turn is expected to reverse the existing shortage of professionals and other problems related
- Lack of National road map on the reforms management resulted in independent way of leading the reform .Different sectors follow different approaches which may put the program in uncoordinated situation
- There is a significant mismatch between the level of understanding by government and by that of a business community. Ethiopian government is attempting to introduce a very modernized tax administration system while business community is in trouble to make the same pace

- Strong public private partnership is expected to contribute more to the success of BPR implementation and foster the alliance between government and private sector, but it is in its weak stage now
- There is still problem in VAT administration which indicates unfairness of the system by treating people of similar capital in differing ways, i.e. those who have been registered as VAT registrant are liable to collect VAT from customers and transfer it to the tax authority while others are not obliged .However, ERCA argues that it is on the way of bringing all the tax payers who should be included in this category together
- Further more, ERCA has no dependable risk assessment system which is backed by reliable information technology (IT)
- As it is confirmed by most of the participants, ERCA is in good position to consult, to cooperate with, and to accommodate suggestions from its stakeholders and hence, improvements are seen. But in contrasting way other participants put that there is no significant improvement in the performance of appeal committee and the like
- In relation to the attitude of employees and management, it is found that there is an implicit change resistance(weak change orientation); status consciousness; benefit mindedness; and inability to adopt change with regard to some middle level managers and employees
- The newly introduced salary scale has motivated the employees and hence they started to think that they are responsible to contribute an equivalent return to the government who became responsive to their question of improved remuneration
- As it is confirmed by the interview held with key informants(management team members), the newly established intelligence, investigation and risk assessment systems enabled ERCA to classify its customers in to different categories and this helped to align its resource allocation as well as its efforts to wards those areas to be classified as risky
- Enhanced cooperation with bilateral and multilateral organizations is expected to gain experiences, resources and academic capacity building opportunities

- The risk taking quality of leadership in ERCA is remarkable. The leadership has been absorbing all the shocks emanating from status orientation and from the like diverging interests
- The recordkeeping system followed by ERCA is manual and as a result it is difficult to trace and measure the performance accurately
- Employees and process owners in ERCA are in trouble to get out soon from the previous situation. The new environment need facilitation of services than management control, but they are still biased to management control and are usually occupied more of by routine works. This idea is confirmed by most participants of the study
- Significant increase in revenue collection is recorded as per the confirmation both from the discussion made with different participants and also from the seasonal reports of the authority. This is so because of improved education and communication, improved service delivery time, improved enforcement capacity , improved auditing practices, usage of improved control technologies like TIN, cash register, finger print machine, cargo tracking, weigh bridge, mobile scanning and so on. However, this study also indicates that a long way is awaiting ERCA to reach on an ideal level of revenue collection
- There is an insufficient human skill development practice in ERCA. The type of trainings conducted by ERCA are of short term and awareness creation focused, but against this view another finding shows ERCA is conducting two different types of trainings practically. The one is an induction which aims at creating awareness about work environment and some seasonal issues. Another one is skill development which aims at upgrading the competence, knowledge, professionalism and so on. The participants from ERCA explained that this situation can be witnessed by their staff members who had been undertaking their college studies in ECSC and graduated in two rounds. These employees are in service by now and there are many other employees undertaking their study at diploma, undergraduate and post graduate levels both within a country and abroad. So the participants from ERCA believe that both types of trainings serve their own separate purposes and hence the

situation is in the right track .The researcher took the justification by ERCA to be sensible

- In other way, the study revealed that there is lack of job rotation which turns around employees to different posts in order to minimize their exposure to corrupt acts due to their durable stay in the same position. The managers from ERCA explained that ERCA has issued a job rotation manual, but implementation is not commenced yet due to some activities to be performed in advance. These activities include the awareness creation, equipping employees for other jobs in reliable way and others .Therefore, ERCA believe in the idea in principle; started the job rotation in some operational units as a pilot program; and preparing itself for all-inclusive implementation of the aforementioned manual
- The tax and GDP ratio has fallen from the height of 12.06 percent (2003/04) to 7 percent (2009/10). However, the interviewees from ERCA explained that the problem is in place because significant decisions have been passed by Ethiopian government to support investment endeavors by way of tax exemptions, tax holidays and the like which in near future are expected to bring remarkable returns as a revenue to the government.

4.2 CONCLUSIONS

Taking the data analysis and the findings in to account the following conclusions could be reached.

The research results appear to underscore that public service in Ethiopia can be improved if commitment, ownership, and the drive for change are in place. In particular, BPR has brought significant change in the efficiency and performance of the public sector organizations in which the current organization under study is included.

According to the findings, it is possible to conclude that those external factors such as the ambition of the federal government to get the revenue sector reformed; the need to receive improved service delivery by external customers; and the national and international market and industry situations had compelled ERCA to undertake BPR. The internal reasons like

the ambition of the top management to improve technology, to increase efficiency and effectiveness, to redesign the strategic focus and so on exerted similar influence on ERCA to undertake reengineering. On the basis of this study, a one and half year continuous BPR study came up with the idea of merging the three forgoing tax administering institutions in to one authority called ERCA. This idea of merger has been accepted as a point of departure by Ethiopian government and then ERCA was established by proclamation No. 587/2008. It has embarked on BPR implementation as per the study since 7 July 2008.

The researcher understands that it is premature to assess the achievements of BPR in a year time. No one can expect a transformation with in a year. Cognizant of this fact, the researcher is interested to use the *prospects or indicative achievements* in this study and attempted to conclude the prospects and challenges facing BPR implementation at ERCA.

To start with the prospective situations, there are prospects including on going achievements which are looked forward to improve the situation as per the finding of the study. These include the BPR exercise resulted in unprecedented reorganization of the sector; the existing commitment of leadership is expected to maintain the momentum of change; injection of qualified manpower (new blood) to the system is promising; new salary scale, performance incentives and benefits introduced are expected to induce commitment and sense of ownership of workers; amendment of laws, rules and regulations in such away that they can facilitate the change; new code of conduct to be followed by members of ERCA in the discharge of their duties including registration of property, the training and development practices held are expected to scale up the knowledge and enthusiasm of workers; the newly introduced intelligence, investigation and risk assessment systems are expected to check corruption or at least to lessen its incidence.

Similarly, the firm stand held against tax evasion and fraud is looked forward by legitimate business entities as a promising step to foster competent business entities in the country; a promising beginning of tax payers education and communication through media (both electronic and print media); co-operations started with customer associations like Ethiopian Chamber of Commerce and Sectoral Associations, transit service providers' associations, transporters' associations, and the like; new office constructed is expected to enable ERCA

to provide a smooth, transparent and almost effortless service for their customers in direct contact with them.

Besides, establishment of separate benches in Federal first instance and Federal higher courts to proceed taxes and revenues related cases in accelerated way which has enhanced an enforcement capacity of ERCA; establishment of strong prosecution unit in ERCA; efforts under way to broaden tax bases and to include as many tax payers as possible in the tax net; co-operations instigated with international community on the bases of bilateral and multilateral agreements is expected to result in enhanced knowledge, experience and assistance.

Generally, the achievement registered so far at ERCA can be attributed to various factors among which are the commitment and full involvement of top leadership and the government of Ethiopia to get success in the BPR endeavors may be able to lead ERCA to efficient and effective collection of Federal revenues that the economy generates in order to bring rapid and sustainable development as stated in vision statement of ERCA. However, it should be understood that BPR can not be a guarantee for success. Unless internalization of the concept of BPR gets improved and ERCA gets rid of those who block the transformation process, the change may tend to backslide.

To proceed to the impeding factors, the research result appear to call attention to that a number of challenges have been facing the BPR implementation process at ERCA among which operating in an ever changing and dynamic environment where change has become the norm rather than exception. Hence, the survival and success of organizations can only be guaranteed with new ways of managing relationship within and outside. As part of this challenge, significant number of respondents of questionnaires(38percent) were indifferent to give their responses whether the workers in ERCA have been pro-change or anti-change while 3 percent of the respondents gave their response boldly that the workers of ERCA have been anti-change. This reveals that the workers are skeptical about the outcome of the implementation of BPR well ahead of time and this negative attitude of workers still remain another impediment to BPR implementation. Further more, there is a belief that the motive of BPR is largely political driven than a management tool.

Contraband and tax fraud are not under very control of ERCA ; VAT related challenges still exist; visible commitment gap among workers due to reasons like pessimism, disappointment on the placement made, and so on; irregularities in service delivery and transparency issues; bias to management control approach than facilitation of services; weak evaluation and monitoring system due to manual documentation and track record system followed; lack of objective measurements of performances to compare the results against standards set; weak IT infrastructure; weak risk assessment mechanisms; absence of proper job rotation; and weak intolerance of corrupt acts.

On top of the above mentioned challenges, there are additional challenges from outside such as lack of strong public private partnership; weak coordination among stakeholders about tax payers education and communication; big gap of thinking between government and business community which resulted in low compliance level though it is reported to be improving; weak cooperation among different actors of public or private origin such as commercial banks, public offices (Ministries, Agencies, Departments etc.), postal service, Transporters, transit service providers, airport security, dry port service, investment agency, warehouse operators and project implementing/owning institutions like Ethiopian Electric Power Corporation, Ethiopian Telecommunication Corporation, Ethiopian Road Authority, and so on. From here it is logical to conclude that the revenue sector is surrounded by challenges and hence it is not generating the amount due to the state exhaustively.

4.3 RECOMMENDATIONS

On the basis of ERCA's reengineering attempt that was summarized under the findings of the study, the following recommendations are made:

- According to the findings of this study, the leadership in ERCA assumes the role of a change agent and has commitment to get the revenue sector transformed, but most of the managers in middle and lower levels as well as the employees lack determination, courage and skills of management in the level that radical change requires. The leadership needs to create conducive environment by embracing more

change agents in the reengineering effort. Otherwise undertaking reengineering in this situation will become a deceptive exercise

- It is high time that ERCA should develop and maintain an awareness creation so as to avail a good ground for all its members to internalize the concept of BPR. This can be done by rapidly increasing change agents and consistently addressing the benefits of BPR. Although the study revealed substantial number of members of ERCA have witnessed good awareness level, still the proportion of members who fall on the other side of the spectrum can't be overlooked
- IT plays the most important role in implementation of BPR, but the situation in ERCA shows that there is no dependable IT infrastructure installed. It needs due attention to improve the existing situation since the need to improve technology and to automate the organization was one of the basic reasons for introducing BPR to ERCA, as the study confirmed
- ERCA has made a significant improvement on its overall institutional functionality. However, from the finding of this study, it is possible to infer that BPR implementation has not brought a radical change in ERCA. ERCA has to consider a radical change in respect of employees' attitudinal and behavioral change. This can be resulting from a focus on harnessing more of the potential of people which requires a continuous capacity building and transparent and participative decision making. By so doing, it is possible to identify those sources of reactivity of employees; to put remedies to these barriers; to exercise thorough support and follow up in the attempts of employees to get out of these barriers ; and finally, to take corrective measures if the reactions are deliberate
- It is crucial to give priority to facilitation of delivery of value than maintaining management control. The existing emphasis on management control both internally and externally needs to get reversed. Staff participation and efforts of all customers_ both internal and external _ need to be sought to ensure success. This is not by leaving the need for enforcement of laws, rules and regulations aside

- Objective performance measurements are of a vital importance to enable ERCA to know the extent to which it satisfies its customers, to identify its improvements and to base its decisions on facts. This study revealed that there is no strong monitoring and evaluation systems in ERCA currently and hence the performance measurement activity is exposed to subjectivity. There is no objective performance measurement in place and performing below standard is prevailing. Therefore, ERCA needs to develop an appropriate performance measurement
- Some of the staff are worried about the danger of job losses because of their wrong perception about a civil service job as a ‘job for life’. They should know their surest path to success is to take control of their selves_ their thinking, their education, their skills, their passion, their humanity_ and become an adult who can make her/his way anywhere in the world. In general, they should understand that we are all portable and accept job insecurity as a part of modern life.
- Enhanced voluntary compliance of tax payers is at its immaturity stage as this study revealed. This also needs improved tax payers education and communication, improved customer service and support activities, and improved public private partnership (forum) to foster alliance and coherence in between and also to reach on enhanced voluntary compliance level. This in turn will enable ERCA to contribute to economic development and social welfare of Ethiopia through effective revenue collection. In concluding the thesis, it can be said that if above mentioned recommendations are implemented the BPR in ERCA will become more effective in fulfilling the Authority’ objectives, goals, mission and vision.

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APPENDICES

Appendix A

Addis Ababa University
Faculty of Business and Economics
Department of Public Administration and
Development Management

Questionnaire (General) to be filled by all members of Ethiopian Revenues and Customs Authority (Middle level management and employees)

Dear respondent,

It is well known that the Ethiopian Revenues and Customs Authority (ERCA) has been implementing BPR program pursuant to the Civil Service Reform Program under way in Ethiopia. Such efforts can be successful with full participation of various stakeholders including you.

The researcher is a prospective graduate at the School of Graduate Studies of Addis Ababa University. The study is initiated with the view to securing your honest opinions and comments related to the reengineering processes, problems, and possible results of the BPR project.

Undoubtedly, the outcome of the research will serve as valuable input for managerial decision making. Hence, your genuine responses and comments are crucial ingredients for the successful completion of the research.

It should be noticed here that, information is being sought for academic purposes and shall be kept confidential. You are to put tick (\checkmark) marks in the boxes and/or write your suggestion (comment) in the space provided. If the space provided is not sufficient, you can use the back pages.

Many thanks in advance.

Wanna Wake

Part I: Close Ended Questions

Section One: Awareness of members of ERCA about BPR

1. Do you have clear understanding of the BPR?

Yes No

2. Have you got any exposure to the concept of BPR before?

Yes No

3. If your answer for question number 2 above is yes, how did you get acquainted to it?

Seminars Conferences Work shops
 Training and development Others: _____

4. What do you think of the level of understanding of employees and management of Ethiopian Revenues and Customs Authority about the Civil Service Reform (CSR) and BPR?

Very high Fairly high Medium Low Do not know

5. Where should BPR projects typically start from?

Top of the hierarchy
 Bottom of the hierarchy
 Do not know

6. In which departments BPR was introduced? Why? Please specify.

Departments	Reasons
_____	_____
_____	_____
_____	_____

Section Two: Reasons to introduce BPR to ERCA

7. Which of the following internal factors exerted pressure on the ERCA to introduce BPR? (Note: more than one responses is possible)

- The need to improve technology or automate
- The need to increase efficiency
- The need to reduce cost
- The need to define and redefine strategic focus

8. Which of the following external factors put pressure on the ERCA to introduce BPR? (Note: more than one responses is possible)

- Customer needs
- Change in industry or market conditions
- Competition
- Advantage of new opportunities
- Shifting government policy
- Others (please specify)_____

9. Does BPR serve as a good instrument for radical rethinking and improvement of processes and workflows?

- Yes
- No
- Can't say

10. Does BPR essentially help to provide better customer service?

- Yes
- No
- Can't say

11. Do you think that BPR lead to efficiency and effectiveness?

- Yes
- No
- Can't say

12. Does BPR help Ethiopian Revenues and Customs Authority to improve its working environment?

- Yes
- No
- Do not know

21. . How do you evaluate your satisfaction level of the professionalism of the people with whom you are working?

Excellent Good Fair Poor

22. How do you rate team spirit in your work environment?

Excellent Good Fair Poor

Part II: Open Ended Questions

23. What challenges do you observe in implementing BPR in ERCA? Please enumerate.

24. How could these challenges be overcome? Please recommend the possible solutions including any other requirements which you think are valuable for successful implementation of BPR.

Appendix B:

Unstructured interview guide prepared for key informants (Directors) in head office of ERCA.

1. Would you mention factors compelled ERCA to introduce BPR to its system?
2. Has the reengineering study conducted with full participation and knowledge of both employees and middle level managers? Have all the work processes been included in the study?
3. Would you explain to what extent the BPR program is in alignment with the ERCA's strategic direction?
4. Have all the stakeholders been participated in the reengineering study process? Is there any mechanism in place with which the stakeholders/customers can take part in measuring and evaluating the result?
5. Have all the redesigned work processes engaged in BPR implementation as per the study? Had the facilities and other resources been supplied to the work processes in sufficient amount?
6. Have sufficient quantity and quality of workers been a waived? Have the existing workers been deployed as per their qualification and work experience? Are clear job descriptions, rules and regulations in place?
7. Is there any team or person assigned responsible for change implementation, management and follow up? How does this organ deal with other process owners? Is there any objective measurement in place to measure the performance?
8. Is there any mechanism of making/holding liable those who abuse power and breach laws, rules and regulations including top management members? Is there any system with which those employees who have registered outstanding results get rewards and the other way round?
9. Would you enumerate some main indicative achievements/prospects which are brought about by BPR?
10. Can you think of any challenges/problems encountering during implementation of BPR?

Appendix C:

Unstructured interview guide for the Deputy Director General for Change Management and Support Functions of ERCA as well as for a consultant in CSRP office of the Ministry of Capacity Building.

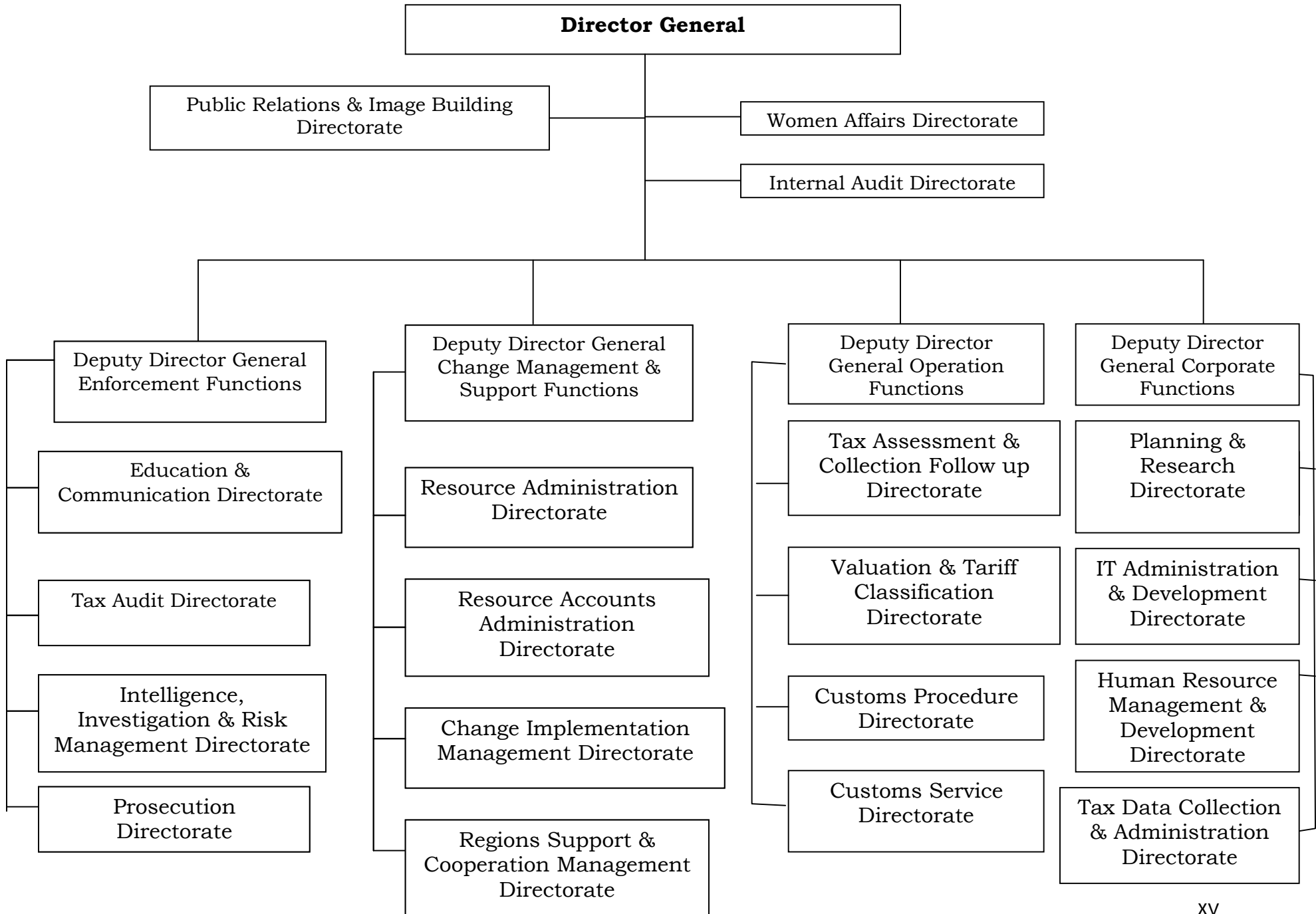
1. Would you say something on the level of commitment of leaders and employees in different stages of the hierarchy in ERCA? How can this be gauged?
2. Can you enumerate some of the main indicative achievements/prospects brought about by introducing BPR program to ERCA?
3. Have you been facing some challenges during the BPR implementation period of a year and halftime? Would you mention some of these challenges please?

Appendix D:

Unstructured interview guide prepared for Stakeholders of ERCA (Ethiopian Chamber of Commerce and Sectoral Associations, Maritime and Transit Service Enterprise of Ethiopia, and Addis Ababa Chamber of Commerce and Sectoral Associations)

1. Does your organization have any knowledge about participation in the reengineering study conducted in ERCA as a stakeholder? How?
2. Have you ever observed some indicative results/prospects brought about by introducing BPR to ERCA? Would you mind enumerating them please?
3. If you have been facing some challenges/problems during BPR implementation period and still unsolved? Can you mention them please?

Appendix E: Organizational Structure of ERCA



Appendix F:

Relevant tables

The revenues Collected from EFY 1997 to 2002 (in billion birr)

No.	EFY	Plan	Accomplishment	%	Remark
1	1997	9.9	9.7	98.0	The Data for Budget year 2002 represents a half year plan and achievement. The annual plan of this year is birr 34 billion.
2	1998	12.1	11.3	93.40	
3	1999	14.8	14.2	96.0	
4	2000	20.4	19.3	94.60	
5	2001	30.0	23.6	78.70	
6	2002	22.6	22.8	101	

The GDP of Ethiopia registered in EFY 1999 to 2002

No.	EFY	GDP (in billions of Birr)	Remark
1	1999	171.9	
2	2000	248.6	
3	2001	336	

The tax to GDP ratios of EFY 2000 to 2002

No.	EFY	Tax to GDP ratio	Remark
1	2000	7.8%	
2	2001	7.02%	
3	2002	8.0%	

Source: Planning and Research Directorate, ERCA (2010)

Appendix G: Name and Location of Branches of ERCA

S.NO	Name of Branch	Location (City/Region)	Distance from Addis Ababa in KMs
1	Addis Ababa Airport Customs	Addis Ababa	-
2	Addis Ababa export and other Goods Facilitation	Addis Ababa	-
3	Addis Ababa Commercial Goods Facilitation	Addis Ababa	-
4	Large taxpayers office	Addis Ababa	-
5	Western Addis Ababa	Addis Ababa	-
6	Eastern Addis Ababa	Addis Ababa	-
7	Adama	Oromia	98
8	Bahr Dar	Amhara	563
9	Mekele	Tigray	783
10	Mille	Afar	531
11	Dire Dawa	Dire Dawa	515
12	Jijiga	Somali	628
13	Kombolcha	Amhara	376
14	Moyale	Oromia	-
15	Jimma	Oromia	346
16	Hawassa	SNNPR*	260
17	Djibouti Coordination Office	Djibouti	-
18	Berbera Coordination Office	Somalia	-

*Southern Nations, Nationalities and peoples Region

DECLARATION

I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other University, and that all the sources of materials used for the thesis have been duly acknowledged.

Declared by:

Name: Wanna Wakie Gelesu

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Name: Prof. Dr. C .D .Dash

Date: _____

Signature: _____

Place and Date of Submission: Department Of Public Administration and Development Management, Master of Public Administration (MPA) June , 2010.