

Organizational Structures in County Governments in Kenya and Its Role on IFMIS Effectiveness

 Wakhaya, Musumba Charles¹,  Gulali Donald¹ and Mengich Esau²

¹Department of Business Administration, School of Business and Economics, Maseno University, P.O. BOX, Private Bag, Maseno, Kisumu, Kenya

²Department of Management Science, School of Business and Economics, Maseno University, P.O. BOX, Private Bag, Maseno, Kisumu, Kenya

Abstract

The purpose of this study was to examine organizational structures in County Governments in Kenya and its role on integrated financial management Information system's effectiveness. Specifically, the study examined whether central or departmental structures had any role in the effective performance of the procurement, payment and budgeting roles. The study was anchored on structuration theory that states that organization structures had a dual role; of both being a consequence of the previous behaviors and predictor of the subsequent behavior of the staff toward operations in an organization. The study used a constructivist research philosophy. Qualitative research approach and multiple case design were adopted in order to generate vivid experiences and in-depth information from the participants. The participants were 17 directors who were purposively sampled from Mombasa, Nairobi, Turkana, Makueni and Baringo counties. The participants were exposed to key informant interviews which gave thick-rich information on usage structure of integrated financial management information system. The researcher also carried out natural observations to collect information on relevant features of the study in the study settings. The findings showed that centralization played a significant negative role on the effectiveness of IFMIS while departmentalization did not play any role in effectiveness of IFMIS in the counties. The study also revealed that the county government structures were weak. This negatively affected the integrated financial management information systems that manifested delays, low coverage of users, poor coordination and conflicts in usage. The study therefore recommends a national legislation that demarcates IFMIS roles of county governments finance departments against user departments and develop capacity of user departments to use IFMIS effectively. Further studies are recommended on the role of organization structure on the effectiveness of IFMIS in other state agencies other than the county governments.

Keywords: Integrated, financial management, information systems, organization structures, centralization, departmentalization

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Correspondence: wakcharles.com@gmail.com

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Introduction

Background information

Integrated Financial Management Information System (IFMIS) refers to a technology-enabled system that support firms to budget, manage finance, manage expenditure, be accountable, generate financial reports and audit. The system is an innovation to transform and correct corruption and inefficiencies spread out in various financial departments and processes (Tetteh, Agyenim-Boateng, Simpson & Susuawu, 2021). Integrated Financial Management Information System (IFMIS) is a technology implemented by governments fronted and funded by World Bank in more than 50 countries across the world. These countries cut across the world, but predominantly in Latin America, Asia and Africa (Mwabili & Kyalo, 2022).

The approaches of IFMIS in the continents vary as the reasons of their establishment. For example, in Europe

IFMIS was a public-sector financial reform strategy based on economic market-oriented theory. According to Nyamita, Dorasamy and Garbharran, (2015), the strategy was meant to streamline political and administrative tendencies in the public sector on matters of finance. In America, IFMIS was a new public financial management style (NPM) recommended for not only for the federal government, but also for states and municipalities. The NPM was founded on principles that fostered catalyzing businesses, community ownership, injecting competitiveness in service delivery, mission driven, enterprising, anticipatory, decentralization and market-orientation (Nyamita, Dorasamy, & Garbharran, 2015).

In Asia, IFMIS was a public sector financial management reform strategy occasioned by behavior within the public sector and outside. The liberal and democratic movement from America and UK caused the reforms to happen in the public finance sector. The Asian IFMIS promoted separation of power, political

neutrality and public accountability. These were anchored on the constitutions and legal systems and ministerially supervised alongside budgets, audits and performance evaluation (Nyamita, Dorasamy, & Garbharran, 2015).

IFMIS has been adopted since the 1980s in Latin America including in Argentina, Bolivia, Brazil and Paraguay (Uña & Pimenta, 2022). In these Latin American countries, the IFMIS usage was highly centralized. All the regional users are controlled from a centralized region (Selimoglu et al., 2022). In South Africa and Ghana, the adoption was based on global interlink networks. South Africa's adoption came in the early 2000s for purposes of modernizing the management of financial resources (Tetteh & Agyenim-Boateng, 2020) while in Ghana, the purpose was to manage the wastage and corrupt dealings in government. (Tetteh et al., 2021).

Public financial management reforms in Ethiopia embraced hybrid approach with a focus on legal framework, budgets, accounts, reporting, automation replicates, strong manual controls, procurement, disbursement and sequencing (Muhammed, 2014). In Tanzania, the reform used a 'turnkey' information technology approach that used a commercial software package. The approach focused on a centralized

structure of payments, procurement and disbursement (Muhammed, 2014).

Statement of the problem

In Kenya, IFMIS was introduced in County Governments in the year 2012 to improve financial management. Decades since its adoption, IFMIS effectiveness at county government level is still mirrors systemic problems. According to the office of the Auditor General, IFMIS challenges are more pronounced in the counties of Nairobi, Mombasa, Turkana, Baringo and Makueni where pending bills are highest and budget deviations constantly exceed 15%. Studies examining organizational structures have focused on national government and private sector thereby creating a gap in understanding the structures as determinants of IFMIS effectiveness at the county level (Noor, 2022; Njau & Kinoti, 2020; Wangari & Jagongo, 2015; Masungu, Namusonge, & Nambuswa, 2017).

Conceptual Framework

Conceptual framework is the mental drawing of how variables relate in a study. In this context, it shows how organizational structure play a role of making IFMIS an effective tool in public finance management functions as shown in fig. 1 below.

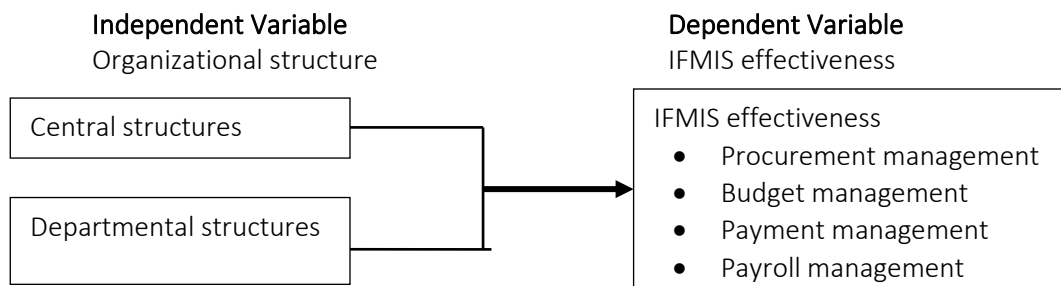


Figure 1: Conceptual framework of organization structures and IFMIS effectiveness

Source: Author (2024)

According to fig. 1, the arrowed lines demonstrated an assumption that organization structures contributed to IFMIS effectiveness at the county governments in Kenya. The organization structures are conceived as either central or departmental. The framework is informed by Giddens' theory of structuration, where staff behavior towards a new phenomenon at workplace is influenced by the structures in place and time.

Literature Review

The purpose of literature review is to find both theoretical and empirical evidences that would address information needs on the role of organization structure in IFMIS effectiveness in Kenya. The study found structuration theory the best anchor on which to explain the role of the independent variable (organization structure- central and departmental) on the dependent variable effectiveness of IFMIS). Empirical evidences were scientific evidences (books, reports, guidelines, peer reviewed journal articles and conference proceeding) on organization structure and IFMIS effectiveness or performance.

Theoretical review

According to the study constructs, structuration theory fitted well in guiding the process of finding out the role of organization structure on effectiveness of IFMIS. Structuration theory was established in 1979 by A. Giddens and later improved to include the society (Giddens, 1984). The theory states that organization structures are influenced and influence human behavior at workplace, hence having dualistic effect (Giddens, 1979). As a result of previous human experiences, organization structures are designed. Current structures define the way people at the workplace relate and

behave. The structures are 'interpretive schemes' of rules, norms and channels of communicating. Therefore, structurization is a mutual interaction of staff and structured features in an organization.

This theory relates well with the study because it reinforces the concept of organization structure and its role of influencing performance. Structures in the organization formed the predictor variable and performance or effectiveness was the outcome variable in the study. Human behavior of public finance departments in the county governments are guided by interpretive schemes of rules and procedures to yield effectiveness and efficiencies in procurement, budget, payment and payroll management. The structurization theory was also picked because it successfully identified and explained the factors that affected the adoption and implementation of IFMIS in Kenya. According to the study, structures within the organization are to be a precursor and determinant of organization social culture that either constrained or accelerated the adoption and implementation of the IFMIS in Kenya (Wanyama & Zheng, 2011).

Empirical review

Organizational structure and effectiveness of IFMIS

A panel study using Huasman specification test in Europe revealed that countries with public spending policy recorded desirable performances on indicators of competitiveness and sustainable development. The study did analysis of public finance data of between 2008 and 2018 of European member states. The aim of the study was to find the extent to which EU member states' public spending impacted performance indicators (Postula & Raczkowski, 2020). According to the study, an efficient public

finance management system determined progressive economic development of a country. Public spending management is an important function of IFMIS. The study, therefore, provided good insight on the quality of dependent variable. However, it missed to bring out how structuration of EU countries influenced the policies. It is on the basis of such limitation that this study was done.

In Bangladesh, a survey involving 70 public institutions was done to identify the factors influencing IFMIS implementation using structured questionnaires. The investigator discovered that the effectiveness of IFMIS was hindered by political and administrative factors. In addition, inadequate skills and credentials affected IFMIS implementation (Noor, 2022). The study was relevant in as much as it was done on public finance management in public institutions and informed the research objectives on other factors that affected IFMIS effectiveness. However, Bangladesh, the study area had different political and economic challenges from Africa and Kenya in particular. The study also assumed that organizational structure was the same as political, administrative and skill factors. Consequently, the results could not directly be applied on the establishments of public finance in the county governments of Kenya, hence the need for this study.

Empirical evidences from Nigeria showed that IFMIS significantly affected investigations on fraud. The findings were obtained from a survey design study involving 137 workers in 4 government agencies in Nigeria (Izang, Owolabi, & Odunlade, 2022). According to the study, IFMIS provided a centralized registry of revenues and expenditures upon which budgeting, financial and accounting processes were actualized. The system, therefore, guaranteed fiscal transparency

and ensured active public and government engagement with the private sector. The study in Nigeria unveiled the transparency and accountability aspects of the effectiveness of IFMIS, an aspect of dependent variable of this study. However, it ignored finding out the role of organization structure on the IFMIS performance, hence the relevance for this study.

A study by Gcora and Chigona (2019) focused on provincial treasury in South Africa. He found a differentiated manner in the importance as well as relevance of IFMIS users. Users were at the lowest rank while Chief offices, internal audits as well as budget officers occupied the second position in terms of their relevance with designers occupying the highest. The ranks correlated with the number of resources they got. Muwema and Phiri (2020) study was in Zambia on the country's national treasury. Their study revealed centralization in single departments. In Malawi, Laizer and Suomi (2017) focused on the use of IFMIS in the government of Malawi where the study found structures having more users correlating with increased coordination challenges. The study recommended high centralization. Ethiopia's Finance ministry was the focus of Gebreyesus (2022) whose finding revealed high distance between IFMIS users which reduced their coordination and performance. Distance was caused by lack of a coordination structure. Sausi et al. (2021) using a number of governmental institutions confirmed high centralization in IFMIS use by government in Tanzania.

A study using descriptive design surveyed 187 staff in ICT, human resource, finance and accounting departments at the national treasury in Kenya. The purpose was to establish the role of IFMIS on the performance of the National Treasury. The findings showed that IFMIS

significantly enhanced resource planning, allocation, accountability and integrity (Njau & Kinoti, 2020). The findings relevantly illuminated on IFMIS effectiveness in a public institution set up. Nonetheless, the study did not capture county government scenario and structures and how these structures contributed to IFMIS effectiveness. This limitation prompted the investigator to do this study.

Evidences from Nyeri, Kenya, showed that internal control (which is a product of organization structures) affected IFMIS success which intern made firms competitive in terms of credit score. The findings were a product of a descriptive survey on 30 workers (managers and IT staff) of five deposit taking SACCOs in Nyeri County. The purpose of the study was to evaluate the effect of IFMIS on credit scoring among Nyeri SACCOs (Wangari & Jagongo, 2015). Despite this article providing good insights on IFMIS success and internal control, it is limited in scope and methodology. It addressed exclusively IFMIS in SACCOs found in Nyeri county using descriptive survey. This study addressed this weakness by looking at IFMIS in Public finance management across the country.

In Bungoma-Kenya, a descriptive research design study involving 90 workers who interacted with IFMIS in the County Government was done. The study aimed at analyzing the determinants of IFMIS performance in public sector. The results showed that county government staff capacity, governance systems and politics did not significantly influence the performance of IFMIS (Masungu, Namusonge, & Nambuswa, 2017). The findings brought out the effect of governance and performance of IFMIS in county government, but was limited to Bungoma and general governance. There was need therefore, for a study capturing

the countrywide generalizable effect of structure on IFMIS.

A similar study covering Kakamega, Busia, Vihiga and Bungoma Counties revealed that IFMIS reporting system had a significant impact on public finance management in Kenya (Iravonga, Alala, Maingi, & Ngala, 2023). While investigating whether implementation of the IFMIS financial reporting improved the financial management of county governments, Iravonga, Alala, Maingi and Ngala (2023), confirmed that IFMIS reporting positively improved public finance management. The study was a descriptive survey of 172 finance staff in Kakamega, Busia, Vihiga and Bungoma Counties. In the study, county structures and how they influenced IFMIS effectiveness are excluded, hence the importance for this study.

In West Pokot County, an explanatory research design study involving 70 county staff working with IFMIS was carried out. The purpose of the study was to ascertain the effectiveness of IFMIS in financial reporting, budgeting, cash management and procurement. IFMIS was found to significantly contribute to efficiencies on the aforementioned functions (Dimba, Iravo, & Kibet, 2017). Again, the study looked at IFMIS as a means and an end in itself. It disregarded the structures and their role to the performance of IFMIS; that is why the investigator did this study.

Empirical evidences were also observed on IFMIS effectiveness in Nairobi City County. A descriptive research design showed that i) IFMIS significantly improved supply chain management (SCM). Particularly, it made SCM efficient and effective; and ii) IFMIS effectiveness was significantly impacted by staff competencies, technological infrastructure, policies and top management (Lundu & Shale, 2015). The

findings on this study clearly elucidated how IFMIS was made effective in supply chain management. Nevertheless, it did not clearly demonstrate how structuration influenced IFMIS effectiveness in supply chain management hence the need for this study.

Methodology

This study adopted constructivist philosophy and qualitative research approach. These two afforded the study, an approach that encourages detailed in-depth analysis of the conditions through socializing with the actors in the setting and finding out their views, experience and opinions. Multiple case study was the research design used. This fulfilled the purpose of enabling triangulation of the results from different counties and therefore increasing validity of the findings. The study used purposive sampling to obtain 17 directors from the directorates that mainly deal with IFMIS; procurement, budget, payroll and payment. The study was undertaken in the counties of Nairobi, Turkana, Makueni, Mombasa and Baringo. The interview results were transcribed before being coded and thematically analyzed. Observation was also used.

Findings and Discussion

Organization structure and IFMIS effectiveness

The study set out to establish the role of organization structures (centralization and departmentalization) on effectiveness of IFMIS in county government public finance management.

The role of centralized structures on IFMIS effectiveness

The first objective sought to establish whether centralized

organizational structure had a role. After thematic analysis, the study found out that there was centralization of IFMIS usage rights and privileges. The study found that the national IFMIS management was in control of all the approvals including budget approvals, payment approvals and procurement approvals. As the study found, this centralized approval system created inefficiencies due to the duplication of similar structures at the county level. As observed in the figure below, the county's Chief Officer of Finance and the CECM also provided another level of centralization where all the IFMIS usage including the approval of all procurement and payments had to occur through them.

As indicated in the structure above, the departmental Chief officers who are not from the finance department, work at the same level as directors and accounting officers. This study reached similar findings like one in Zambia where Muwema and Phiri (2020) found that the IFMIS use powers are concentrated in one department. As found in the study, the Chief officer finance ranks higher than the rest of the chief officers and works as their coordinator in terms of the access to the IFMIS resources. Further, the use of IFMIS was only identified to be the case in the finance departments while the non-finance departments highly used manual system. Similar findings were observed by Noor (2022) in Bangladesh where political and administrative factors concentrated power at one department; denying credentials to other departments which negatively affected of IFMIS. While evaluating the performance of the national treasury in Kenya, Njau and Kinoti (2020) conceded that IFMIS powers concentrated at the treasury. In as much as it worked at the centre, the delays and backlogs were heavily experienced at devolved units.

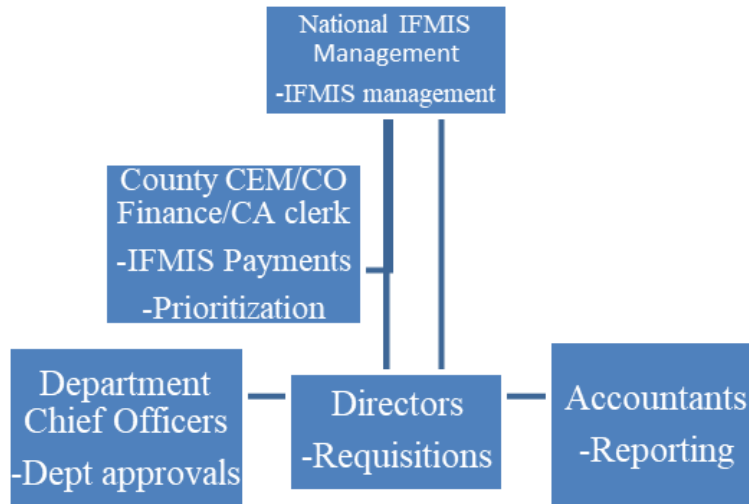


Figure 2: IFMIS management structure

Source: Author (2024)

The role of departmentalized structure on the effectiveness of IFMIS

The second objective for the study was to establish whether departmentalization of the county structures affected the effectiveness of the IFMIS systems. According to findings of the study, departmentalization played no role in the effectiveness of IFMIS. The finance department controlled all financial management functions including budgeting, procurement and payment. The study also found lower powers of usage on the IFMIS platform by the directors and other key resource persons. In instances IFMIS duplication of tasks was observed because each department had officers who dealt with procurement, payroll, payment and budget. The study also found that departmentalized structure led to delays. It took longer time to reach finance after going through the departmental approvals. The finding concurred with study results in Bungoma county where Masungu, Namusonge and Nambuswa (2017) found no significant role of workers capabilities at user

deptment level. Mwakio and Wekesa (2016) found weak relationships in IFMIS operations in counties in Kenya. Muigie et al. (2017) identified that the centralized use of structures reduced the autonomy of usage in counties in Kenya while Ochuodho and Ngaba (2020) found low power on the critical county IFMIS users as the reason for IFMIS inefficiencies in the counties in Kenya.

Other findings showed that manual systems were highly used amongst the non-finance departments. The photo below was an observation of the files within one of the non-finance departments. It was clear that much of the duties occurred through physical files as opposed to IFMIS based files as shown in fig. 3 below.

The finance department was mostly delinked from these other user departments mainly because of their use of manual system. The study found this to slow the uploading of files for payments, procurements and budget approvals which delayed service delivery.



Figure 3: Picture of manual files in non-finance department

Source: Author (2024)

Conclusion

The purpose of this study was to evaluate the role of organizational structures on the effectiveness of IFMIS in public finance management for county governments in Kenya. The study found a highly centralized structure in the management of IFMIS both at national and county level. At county level; IFMIS was centralized at finance department. The rest of departments largely used manual files to manage public finances. This compromised effectiveness and efficiency of the IFMIS at county level.

Recommendations

Recommendation for policy

- 1) The National Treasury should amend public finance management act so as to departmentalize IFMIS usage. This will permit the user departments at county level to use IFMIS for budgeting, manage finance,

manage expenditure, be accountable, generate financial reports and audit.

- 2) The County assemblies and executive should customize the national laws into county legislations and guidelines on effective management of IFMIS. The county legislations and guidelines should define proper organization structures with designated roles, duties and responsibilities while using IFMIS.

Recommendations for practice

- 1) The national treasury should carry out organization capacity assessment for each county on IFMIS and strengthen the structures by training the county departmentally designated IFMIS staff.
- 2) The national treasury should outline the functions and grant associated rights to finance and

user departments to avoid duplications.

Recommendations for further studies

- 1) The study recommends further study be done on the effect of organizational structure on other public institutions other than county governments.

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