



MAKERERE UNIVERSITY BUSINESS SCHOOL

IMPROVING EXPENDITURE MANAGEMENT AT UGANDA REVENUE

AUTHORITY

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**A RESEARCH REPORT SUBMITTED TO MAKERERE UNIVERSITY BUSINESS
SCHOOL (FACULTY OF GRADUATE STUDIES AND RESEARCH) IN PARTIAL
FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE
DEGREE OF MASTER OF BUSINESS ADMINISTRATION
OF MAKERERE UNIVERSITY**

PLAN B

DECEMBER 2023

Declaration

I, Namanya Doreen, hereby declare that the contents of this research report are my original work, and that it has not been submitted in any other University for an award of similar type. I have also acknowledged all the referenced work that I referred to while undertaking my study.

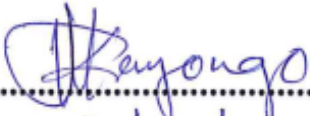
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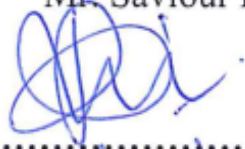
Approval

I, the undersigned, declare that I have been one of the supervisors of the student in this study titled, **IMPROVING EXPENDITURE MANAGEMENT AT UGANDA REVENUE AUTHORITY (URA).**

Dr. Isaac Newton Kayongo

Sign.....
Date.....07/12/2023

Mr. Saviour Bahikye

Sign.....
Date.....10/12/2023

Activate V
Go to Setting

Acknowledgement

First and foremost, praises and thanks to the God, the Almighty, for His showers of blessings throughout my research work to complete the research successfully.

I would like to express my deep and sincere gratitude to my research supervisors, Dr Isaac Newton Kayongo, Professor and Mr. Saviour Bahikye MBA Finance department Makerere University Business School for giving me the opportunity to do research and providing invaluable guidance throughout this research. Their dynamism, vision, sincerity and motivation have deeply inspired me. They have taught me the methodology to carry out the research and to present the research works as clearly as possible. It was a great privilege and honor to work and study under their guidance. I am extremely grateful for what they have offered me.

I am extremely grateful to my dear parents Johnson and Kellen Kasigazi for their love, prayers, caring and sacrifices for educating and preparing me for my future. I am very much thankful to my dear Husband Mr. Muhimbise Evans Kateeba and my Children Ian, Dylan and Iannah for their love, understanding, prayers and continuing support to complete this research work. Also, I express my thanks to my sisters, brother, sister in law and brother in laws, Nephews and Nieces for their support and valuable prayers. My Special thanks goes to my dear husband for the keen interest shown to complete this thesis successfully.

I would like to say thanks to my friends and research colleagues, Swizin Ngumya, Edmund, Malinga and Olivia for their genuine support throughout this research work.

I am extending my thanks to the MBA finance option students for their support during my research work. I also thank all the staff of the faculty of graduate studies and research Makerere University Business school especially Prof. Vincent Bagire for his genuine support to complete this thesis successfully.

Finally, my thanks go to all the people who have supported me to complete the research work directly or indirectly.

Dedication

I dedicate my dissertation work to my family and many friends. They instilled in me a desire to learn and made sacrifices so I would have access to high quality education from an early age.

A special feeling of gratitude to my loving parents, Johnson and Kellen Kasigazi whose words of encouragement and push for tenacity ring in my ears. My dear Husband Muhimbise Evans Kateeba, my children Ian, Dylan, and Iannah who have never left my side and are very special.

I also dedicate this dissertation to my siblings Gilbert, Grace, Sam, Susan, Becky and Liz and all my in-laws, Nephews and Nieces who have supported me throughout the process. I will always appreciate all they have done, My husband for the many hours of proofreading.

I dedicate this work and give special thanks to my course mates Malinga, Edmund, Olivia, Ngumya and Swizin who have been my best cheerleaders.

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Abstract

This work was guided by three specific objectives that included, assessing the effectiveness of expenditure management at URA, Identifying the challenges associated with expenditure management, and to establish the mechanisms for improving expenditure management. The study was adopted a cross sectional research design. Data were collected once without repeat. A quantitative approach employing questionnaires to collect data was employed. 269 questionnaires were dispatched and a response rate of 91.8% was realised.

An SPSS was used to undertake the descriptive analysis. The results show that expenditure management at URA has not been effective. This was largely demonstrated by weaknesses in terms of the degree to which the authority projects expenses with accuracy, projecting expenses per job/project, the variation between the actual and the projected expenses, and how URA has fared in terms of expenditure management in comparison with related institutions. In regard to the challenges that URA is facing, wastage, poor services, acts of negligence, ethical lapses, and weak approval system emerged as the critical challenges affecting expenditure management.

Finally, in terms of the mechanisms that can be employed to promote expenditure management, the result advances measures that included, employing new smart expenditure management system, hiring of competent employees, and offer incentives to employees of the departments that perform well in terms of expenditure management.

CHAPTER ONE

1.1 Introduction

This chapter has the background, the statement of the problem, the research objective and the research questions. The chapter also has the scope of the study and the significance of the study.

1.2 Background

Institutions incur expenses in the course of executing their mandates. However, it is expected that the incurred expenses are justifiable and calculated through the appropriate and acceptable accounting principles (Buye, 2020). Incurring the acceptable expenses is one of the means of providing accountability in running of an organisation. In government establishments, both the internal audit and the Auditor General on behalf of the government assess the accountability of the respective government (Chindengwike, & Tyagi, 2022). As such, regardless of the type of an entity in question, there is need to manage expenses as it affects the ultimate performance.

An effective expenditure management entails a system that demand competitive budgeting which attaches the acceptable expenses to be incurred in a given period, and establishes a mechanism of controlling expenses. The expenses in the different department, and enables an evaluation of the performance in expenditure management (Maliyetleme, 2020). Such a system should enable cascading down of expenditure management to the individual tasks and offer control mechanisms. An effective expenditure management systems should therefore, provide an opportunity for each member of an institution to play a role in reducing expenses (Hansen *et al.*, 2021).

Uganda Revenue Authority (URA), the institution of interest for this study is one of the best performing government institutions in the country. For instance, the Authority was voted the best performing government establishment in 2018(URA, 2020). It is the institution charged with

collection of taxes on behalf of the government. Nonetheless, the internal expenses have continued rising in the last five years and this need to be tamed. From the available records, the departments have continued to exceed the high limit charge in their overhead expenses. The Authority caps the excess limit at 9% but the average in the last five years has been 22 % (URA, 2022). This has been a cause of concern that needs to be addressed since if the trend was to continue, the performance of the institution can be negatively affected.

There being a strong correlation between expenditure management and performance of organisation and there being a concern that URA has continuously exceeded its expense cap, an opportunity to undertake a study on how the expenses can be effectively managed is urgent.

1.3 Statement of problem

Expenditure management is an important function that ensures that only rational expenses are incurred in an organisation. However, some entities have failed to effectively manage expenses and this threatens to reverse the performance of such entities negatively (Godinho, & Eberhard, 2019; Twesigye, 2022). URA has for over a decade now been a model of good performance among government owned institutions. Nonetheless, for the last five years the authority has consistently failed to meet its expenditure caps of 9% and this has exceeded to 23 % (URA, 2022). As such the actual expenditure exceeded the allowable variation by 14% which is an indicator of overspending (URA, 2022). Continuous over-expenditure may lead to the institution's failure to meet its mandate effectively. This calls for measures to be undertaken to control the expenses to an acceptable level. This study therefore, sought to find the mechanisms that URA can employ to effectively manage its expenses.

1.4 Purpose of the study

This study sought to examine the degree to which URA has been able to manage its expenses, the challenges it is facing, and the possible solutions towards improving expenditure management.

1.5 Research objectives

- i. To examine the degree to which URA has been effective in managing its expenses
- ii. To examine the main challenges URA is facing in managing its expenses
- iii. To propose the mechanisms that URA can employ to effectively manage its expenses

1.6 Research questions

- i. What is the degree to which URA has been effective in managing its expenses?
- ii. What are the main challenges URA is facing in managing its expenses?
- iii. What are the mechanisms that URA can employ to effectively manage its expenses?

1.7 Significance of the study

This study will be important for URA to identify the mechanisms that can be employed to boost its expenditure management.

This study adds to the scholarly works that have examined expenditure management in the Ugandan context.

1.7 Scope of the study

Geographical scope

This study was conducted URA headquarters in Kampala.

Conceptual scope

The study assessed the degree to which URA has been able to manage its expenses, the challenges and the possible mechanism to improve the management of the same.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature in relation to the theoretical review, and definitions of expenditure management. It also reviews literature on the common challenges expenditure management. Finally, it has literature regarding the possible strategies that the institution can employ to improve expenditure management.

2.2 Theoretical Review

This study was anchored on the structural expenditure management theory (Henri *et al* et al., 2016). The theory posits that, institutions should optimize its portfolio of activities using strategic choices and demand management. This is done through examining the areas where the institution is spending its money and the degree to which these expenses align with agency priorities (Rashidov, & Rashidov, 2022). Where an expense does not meet the institution's priority, it is considered unacceptable. To employ the said theory, Institutions are expected to use strategic planning and modern technologies and other capabilities that are able to project with a high degree of accuracy, the acceptable expenses in line with the institutions' strategic objective. It also entails having an equally strategic focused tracking and control systems. Such a system is able to provide a real time update on expenses which would guide the control processes (Giordano, & Limongelli, 2022). In this study, the aim is to assess the degree to which structural expenditure management theory can be applied in providing solutions of effective expenditure management at URA.

2.3 Expenditure Management effectiveness

Expenditure is as important as revenue in any organisation. The two can be viewed as two opposing forces towards the realization of performance and success of any organization. In profit making organization, expense incurred may cancel the revenue earned and affect the performance. Government institutions like URA, which form the institution of interest for this study, expense incurred can be a measure of effectiveness of an organization (Rashid, 2023). This is so since, it is expected that benefits should exceed the expenses of delivery of any service. In essence, while expenses are incurred in order to offer services and achieve the objectives of any organisation, it is expected that the expenses should be rational, justifiable, and be as minimal as possible if an organisation is to be considered to have been successful (Rahman, & Howlader, 2022). In essence, expense is one of the measures of performance of an organisation.

As to what amounts to an expense, it can be argued that the term refers to the expenses incurred by an institution in the process of pursuit of the earmarked objectives (Bhardwaj, & Bahurupi, 2023). The expenses are incurred as either sunk expense, a expense that is non-recoverable, expenses related to administration, production, marketing, service delivery, or any associated expense. In government service providing institutions like URA, the expenses incurred could be in terms of administration and service delivery (Abdel-Hamid, & Abdelhaleem 2023).

In terms of expense categorization many perspectives have been advanced over time. One of such categorisations is of fixed expenses and variable expenses. Fixed expenses entail the expenses that are constant in the short term and includes expenses such as rent, machinery and leasehold (Hansen *et al.*, 2021). As a characteristic, fixed expenses are incurred whether an organisation offers a service or not. The variable expenses on the other hand, entail the expenses

that change depending on the level of activity (Liu *et al.*, 2019). For instance, when the number of clients increases, the expenses increase since an institution may need to pay overtime to the employed.

In terms of what amounts to effective expenditure management, incurring the lowest expense possible is one of the key indicators. As such when the expenses are kept at a minimum possible level, then an institution can be said to have effectively managed its expenses (Blocher *et al.*, 2021). The said measure presupposes that an institution of interest has already calculated its expenses beforehand and established the minimum possible expense. Ordinarily, this would entail an undertaking that is assisted through expertise budgeting that bundles the different possible expenses in both the best and worst scenario cases. When the assessment is finally conducted, the ensuing result will demonstrate whether the expense has been as effective as expected (Firmansyah, & Ardi, 2020).

Individual, departmental, and organizational-wise indicators can be used to assess the degree to which expenditure management has been effective (Jongthun *et al.*, 2020). In this regard, organisations will normally set up the expenses that the organisation expects to incur and then subjects each department according to their budget to observe expenses limit and the process is cascaded down to teams and even to individuals. The assessment as to how each level of organisation has performed towards minimizing expenses is then undertaken to assess the effectiveness. The advantage to this aspect is that, an organisation is able to measure expenditure management effectiveness right from the individual employee to the organisation level (Elghaish, 2020).

Per project, per service, or per product expenses is yet another yardstick that is used to measure the expenditure management effectiveness (Zhang *et al.*, 2019). In this regard, organisations undertake to calculate the minimal expense of production for the project, product or the service it offers. It is thus expected that effective expenditure management is one that has the least incurred expenses as per the said calculation. This helps to assess whether the organisation is competently producing the product or service or implementing an earmarked project. The advantage to this method is that it can inform an organisations decisions as whether to produce on its own, buy, or outsource (Olyan-Ajam *et al.*, 2019).

Expense per market, region or branch for an institution that serve in different markets is also another measure that can be employed to assess expenditure management effectiveness (Diker *et al.*, 2022). In this respect, the institutions attempt to assess whether it is worth operating in different markets or regions. Ordinarily, there are contextual factors that affect the different expenses incurred by different institutions. Nonetheless, despite the factors, an institution ought to operate where it has a expense advantage. Therefore, a comparison between expenses incurred under different regions can be an indicator of the degree to which expenditure management per region has been effective (Kaplan, 2020).

Sector, industry or any other comparison that an institution in question belongs is another yardstick that have been used to assess the expenditure management effectiveness. Notably, institutions offering the same product or service will incur related expenses. However, some of the institutions manage the expenses more efficiently as opposed to others. In this regard, an institution in question can assess its degree of expenditure management effectiveness as against other peers (Catalão *et al.*, 2022).

This study was to examine the degree to which URA has been effective in managing the expenses.

2.4 Challenges of expenditure management

Expenditure management is a process that ought to include every one even though some people may have a higher responsibility than others. Nonetheless, there are a number of challenges that face this function as assessed hereafter.

Budgeting has been advanced as an important of planning. Indeed, budgeting is an integral part of strategic planning for many institutions as it projects the needed resources and allocates them accordingly beforehand (Kaharrukmi, & Adli, 2022). Broadly, budgeting inculcates the process of projecting and allocating the quantifiable resources such as, time and personnel, space, building or equipment and these are usually expressed in monetary value (Charles *et al.*, 2022). An approved budget becomes a tool that is utilized to guide the achievement of both operational and development activities in the short and long term (Bawono, 2022). For the purpose of this work, budgeting will be assessed from planning, implementation, monitoring and evaluation perspectives (Abang'a *et al.*, 2022).

Poorly prepared budget is one of the challenges that affect expenditure management effectiveness (Roy, 2019). In this regard, expenses can effectively be managed if they are indeed well established before its management. The long standing management principle is that you can only manage what is well established. In this case, a budget forms one of the most important managerial tool that can be employed to manage expenses. Nonetheless, there are cases where a budget is poorly prepared and this poses a challenge to expenditure management. It would be interesting to find out whether poor budgeting could be the challenge that URA is facing towards achieving an effective expenditure management (Choi *et al.*, 2021).

Unethical behaviour exhibited by some of the employees or department is another challenge that have been attributed to poor expenditure management experienced in some organisations more so the government bodies (Ibrahim, & Elshwady, 2021). In this regard, poor accountability, unethical acts like kickbacks, work delays, inflating expenses among others, are commonly reported in government entities. All the said acts, if deliberately done to either steal money, or increase expenses, amounts to unethical behaviour that have been found to pose a challenge in management of expenses (Wu *et al.*, 2020). It would be important to find out if URA is facing the same kind of challenge related to unethical behaviour in its expenditure management process. Wastage has also been found to be one of the challenges that institutions are facing which dent the effort of expenditure management (Ray *et al.*, 2020). In this regard, wastage could be in respect to time wastage, raw materials or other inputs. Such wastage leads to increased expenses such as labour expenses, raw material expense, expense of production and marketings expenses. As such, due to wastage, an institution fails to incur the lowest expenses possible and as such, the earlier becomes a challenge towards effective expenditure management (Chavez *et al.*, 2023). Incompetence among personnel is yet another challenge that institution face when managing expenses. In this regard, where employee charged with any role, assignment or a job fail to meet the threshold of competences, skills, and abilities required, there is a risk of an institutions incurring higher expenses than the least possible ones. This is so since, poor competences may lead to poor products or service which would need re-working, take longer time to complete a task, or even lead to errors that would increase expenses. As such, a challenge in expenditure management is related to having poorly competent employees (Kourantidou *et.* 2021). It would be interesting to find out whether URA is being faced by a challenge associated with poor competences that unnecessarily hikes the expenses.

Poor control system also ranks among the challenges that face expenditure management process (Przywara, & Rak, 2021). A control system entails a number of regulations and procedures. In expenditure management perspective a control system ought to define what acceptable expenses is, justification process of expenses and approval thereof (Chavez *et al.*, 2023). A good system tightens and reduces unnecessary expenses. Nonetheless, some of the control systems are either poor or weak as to create opportunities for unnecessary expenses and allow loopholes that can increase expense (Hu *et al.*, 2019). It would be interesting to examine the controls in URA to assess whether it is effective as to enhance expenditure management.

Relatedly, weak expenses control system has been one of the common challenges affecting expenditure management. Again, as a process, expenditure management requires that an organisation have effective control measures that track the expenses, evaluate and alert the organisation to take measures before the end of a period. As such, the control mechanisms are expected to be continuous. Nonetheless, due to weak control measures in some organisation, loopholes occasionally emerge and expenses are overcast through unethical behaviour, or due to errors of omissions or commissions, or even through slackness in managing expenses leading to a challenge of expenditure management. It was of interest to identify whether the challenges facing URA could be attributed to a weak expenses control system.

2.5 Possible solutions to improve expenditure management

Institutions are expected to continuously evaluate their expenditure management processes and be ready to adjust whenever necessary in order to enhance its effectiveness. The following discussion presents some of the different mechanisms that have been found to work to enhance expenditure management effectiveness.

Budgeting has been advanced one of measures that can be undertaken to enhance expenditure management in organizations. A budget is both a strategic planning and a control tool for many institutions as it projects the needed resources and allocates them accordingly beforehand (Kaharrukmi, & Adli, 2022). In undertaking budget, institutions put a cap beyond which expenses can be incurred.

Developing an effective control system is one of the mechanisms that an organisation can employ to enhance expenditure management (Li *et al.*, 2020). Such a system should be designed as to give rules on what would amount to acceptable expenses, the rules regarding justification of extra expenses. Again such a system should be able to monitor the expenses as they incur and offer the signals as to whether there needs to have some controls. At the end of it all, an effective control system will enhance expenditure management effectiveness (Yu *et al.*, 2019).

Relatedly, institutions can adapt modern technology in order to enhance expenditure management. (Shen *et al.*, 2020). In this regard, technology is provides more accurate expenses estimations, tracking and controls. This is so since expenditure management is a process that entails different phases and actors. Technology has come to enhance accuracy and also provide speed that human beings cannot (Furlan, & Lima, 2020). As such, it is possible to improve expenditure management through the aid of modern technology.

Providing training and development to the staff as to update their competences is a strategic move that an institution can employ to enhance expenditure management effectiveness (Hansen *et al.*, 2021). This would be a multifaceted move that can explain expenditure management in different ways. On one facet, trained employees work effectively and efficiently and as such incur less expense of operation. On the other hand, the trained employees with know how to actually manage expenses by being more responsible. More over trained employees will likely

not have many errors of commission and omissions (Olyan-Ajam *et al.*, 2019). As such, training and development for the staff is one of the means of enhancing expenditure management effectiveness.

Communicating the obligation of expense control to every employee is also another means that an institution can employ to manage expense (Blocher *et al.*, 2019). Notably, every employee whether consciously or unknowingly incur expenses in their respective roles in an institution. It is thus a good expenditure management practice for institutions to inform every employee of the various expenses and each one's obligation to play their role in expenditure management (Kaplan, 2020). This would enhance expense effectiveness since everyone will be active in managing expenses.

Equally, recognition of employees, teams, departments, or branches that have effectively managed expenses in a given period of time can act as an incentive to promote expenditure management. Management best practices demand that employees are provided with feedback on their performance in the different aspects of their engagements in the organisation. Feedback regarding positive performance has been noted to be a motivator of employees to even perform better in the subsequent periods. It is thus advanced that institutions can enhance expenditure management through employee recognition.

Benchmarking could also be another mechanism that an institution can undertake to enhance expenditure management (Feldman *et al.*, 2021). This strategy pertains to trying to match the best institution that has proven record of expenditure management effectiveness. This is normally an institution in the same sector or industry that can be considered as a role model in the area of expenditure management (El Khatib *et al.*, 2021). As such if an institution in question

has challenges in effectively managing its expenses, it can adopt the best practices that the best institutions are pursuing.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter provides an elaboration on the methodology that was adopted in carrying the study. Included in this section is the research design, study population, and sample size and the reliability. It also has ethical consideration.

3.2 Research design

In this study, a cross sectional design is appropriate and thus was adopted. The design entails collection of data once without repeat (Babbie, 2020). This design was in line with the resources available, in particular the time set aside for this study. Cross-sectional studies are relatively cheap and less time-consuming also allows one to collect data from a large pool of subjects and compare differences between groups. Further a quantitative approach, which is an objective means of data collection, whose data can be analysed statistically and presented in means, percentages, correlations and other quantifiable means (Cresswell, 2014) is appropriate and was thus adopted.

3.3 Study Population

The population included 890 URA employees working in the Headquarters in Kampala including officers, supervisors, administrative officers, and fleet assistants since they have been part of training and development programme (URA Human Resource Management Report, 2023). The choice of headquarters is based on the fact that it is the station that has the largest number of personnel and thus representative.

3.5 Sample size and technique

The sample size was determined in line with Krejcie and Morgan table of 1970. The table indicates that a sample size of 269 respondents is appropriate for this study. Respondents were selected using a convenience sampling which was practical for the selected participants were ready and available for the research study.

3.6 Data Methods

A closed ended questionnaire, which contain statements examining the different research objectives was employed in this study. It contained options that the respondent rated anchoring their responses on a 5-point Likert scale such that, 1= Strongly Disagree, and 5= Strongly Agree.

3.7 Measurement tool

To measure the effectiveness of the expenditure management, a tool developed after reading the works of Kaplan (2020) was employed. To measure the challenges, a tool adopted from the works of Percy *et al.* (2020) was used. Finally a tool developed by Diker *et al.* (2022) was used to measure the proposed mechanisms to improve the effectiveness of expenditure management.

3.8 Reliability Analysis

Reliability refers to the consistency with which a respondent can answer similar questions many times as long as the conditions remain the same. To ensure this is achieved, a Cronbach alpha coefficient test was conducted. As can be seen, the scores were above 0.7 (Nunnally, 1978) which is considered highly reliable was achieved.

Table 3.1 Reliability analysis

	N	Cronbach Alpha
Effectiveness of expenditure Management	7	.778
Challenges of expenditure Management	7	.856
Mechanisms to improve expenditure Management	5	.735

3.9 Validity of the research instrument

Validity is the degree of accuracy a research instrument is in measuring the intended variables. To ensure this was achieved, the questionnaire that was used for the purpose of this study was mainly be adopted from the previous scholars who have developed a validated instrument. Further, the views and recommendation of the supervisors were incorporated. Again, a CVI test was conducted and as can be seen below, the score was above .7.

Table 3.2 Validity analysis

	N	CVI
Effectiveness of expenditure Management	7	.801
Challenges of expenditure Management	7	.702
Mechanisms to improve expenditure Management	5	.769

3.10 Data Analysis

Of the 269 questionnaires distributed, 247 questionnaires were retrieved by the time the data collection was completed. Upon review, all the questionnaires were found to be appropriate for analyses. As such, 91.8% response rate was realised. These questionnaires were then entered into

SPSS package for analysis. Descriptive statistics were used to show the general characteristics of the respondents mainly gender. Means and standard deviations were used to assess the effectiveness of expenditure management, challenges, and proposed mechanisms.

3.11 Ethical Considerations

A researcher is required to observe ethical principles when conducting a study (Creswell, & Creswell, 2018). These principles include, among others, recruitment of respondents on voluntary basis, being observant to the intellectual property and authorship, and ensuring anonymity of the respondents. All the said principles and other guidelines included in the Makerere University Research Handbook were adhered to.

CHAPTER FOUR

ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter contains the results of the study and the interpretation to the same. The chapter also provides an explanation on each of the analysis and the reason for the same. In particular, the chapter shows the results on the general characteristics of the respondents and other descriptive analysis.

4.2 The background characteristics of the Respondents

This section provides descriptive results related to the characteristics of the participants. It is shown in such terms as gender, educational levels, the period they have served in their current institutions, and age. The results are summarised in table 4.1 below.

Table 4.1 : Characteristics of the respondents

Gender of the respondent		
	Frequency	Percent
Male	130	52.6
Female	117	47.4
Total	247	100
Marital status of the respondent		
Single	109	44.1
Married	133	53.8
Widow	2	0.8
Widower	3	1.2
Total	247	100
Age of the respondent		
20-29 Years	4	1.6
30-39 Years	98	39.7
40-49 Years	120	48.6
50-59 Years	25	10.1
Total	247	100
Education background of the respondent		
Bachelor's Degree	217	87.9
Postgraduate Diploma	22	8.9
Master's Degree	8	3.2

Total	247	100
Years of service of the respondent		
1-2 Years	24	9.7
3-4 Years	63	25.5
4-6 Years	66	26.7
8-10 Years	59	23.9
10 Years and Above	35	14.2
Total	247	100

Gender

The result show that the respondents in terms of gender was fairly equitably distributed with male respondents being slightly more than their female counterparts forming 52.6%. The female respondents were 47.4%. This indicates that URA is an equal opportunity employer.

Marital status

The result show that majority of the respondents were married and their percentage was 53.8%. The respondents that were single were 44.1% while the ones that had lost their spouse was 3%. This suggests that employees in URA encourage familyhood.

Age group

The result show that majority of the respondents were aged between 40-49 years constituting 48.6 %. The employees that were between 30 and 39 were 39.7%. The employees that were above 50 were 10.1%, while the employees that were aged between 20-29 years were 1.6%. This shows that majority of the employees are energetic and in their most productive age as employees.

Education level

The findings indicate that majority of the respondents had a bachelor's degree as the highest level of education. The respondents that had a master's degree were 3.2% while the respondents that had a post graduate diploma were 8.9%. This suggests that most of the entry jobs in URA require a minimum of bachelor degree.

Years of service

The result show that majority of the respondents had served the institution for between 4 and 6 years constituting 26.7% of the respondents. The respondents that had served the organization for between 3 and 4 years were 25.5% and the ones between 8 and 10 years were 23.9 %. The respondents that had served the institution for over 10 years were 14.2%, while the ones that had served in 1 and 2 years were 9.7%. Therefore, the respondents had served the institution for long enough and are thus in a position to respond to the issues of expenditure management.

4.2 Effectiveness of expenditure management

The following section presents results relating to the first objective that sought to assess the effectiveness of expenditure management in URA. The following is the interpretation that will be adopted in this study, average of 1 and 2 will indicate a disagreement with the respective statement, 3 uncertain, and 4 and 5 agree. The summary of the results is as shown in table 4.2 below.

Table 4.2 expenditure management effectiveness

Expenditure Management effectiveness		
	Mean	Std. Deviation
In our institution, we have competent employees	3.78	0.152
In our institution, we have competent supervisors and expense managers	3.93	0.068
Our institution effectively projects the expenses that are to be incurred in every accounting period	3.04	0.294
In our institution, works are well designed and their expenses well estimated	2.81	0.158
In our institution, estimated expenses and incurred expenses rarely vary greatly	2.07	0.282
Our organization expense fares well against other institutions that offer related services	2.36	0.314
In general, our institution has effectively managed its expenses in the last five years.	2.46	0.381
Grand Mean	2.92	0.236

The result show that URA has not been effective in its expenditure management. This can be seen in the results as shown in mean scores (Mean=2.92, SD=.236) which, according to the interpretation, is “uncertain”. This suggests that the respondents could not qualify URA as have been fully effective in expenditure management and neither is the situation totally ineffective.

In terms of individual aspects, URA has been effective in having competent staff, in terms of employees, supervisors and managers. This can be seen in responses of the two aspects namely, *“In our institution, we have competent employees (Mean=3.78, SD=.152)”*, *“In our institution, we have competent supervisors and expense managers (Mean=3.93, SD=0.068).”* The responses suggests that URA has been careful to follow human resource management principles that require employing competent staff if achievement of the set objectives, including expenditure management, are to be enhanced.

There was also an aspect that received an uncertain response, suggesting that the respondents were unable to ascertain that URA has been effective in that aspect. This can be seen in responding to statement that, *“Our institution effectively projects the expenses that are to be incurred in every accounting period (Mean=3.04, SD=.294).”* This suggests that it was not evident that URA effectively projects its expenses effectively which undoubtedly negatively affects the effectiveness of expenditure management.

In terms of the aspects that the respondents disagreed that URA has been ineffective is like undertaking cost or expenses estimates per job. This is in respect to statement, *“In our institution, works are well designed and their expenses well estimated (Mean=2.81, SD=.158).”* The cost accounting principles demand that expenditures are well estimated if expenditure management is to be effective.

In addition, the respondents indicated that there is high variation of the amount incurred as compared to the estimated expenditures. This means that URA has failed to control expenses. This can be seen in response to the statement, *“In our institution, estimated expenses and incurred expenses rarely vary greatly (Mean=2.07, SD=. 282).”* The response was “disagree” which is an indicator that URA was incurring high expenditure and a clear indicator of ineffectiveness in expenditure management.

Again, the respondents indicated that URA has not fared well in expenditure management in comparison with other similar institutions. This suggests that expenditure management has not been effective. For example, *“Our organization expense fares well against other institutions that offer related services (Mean=2.36, SD=.314).”*

Finally, the general result indicated that expenditure management was ineffective. The result in respect to statement, *“In general, our institution has effectively managed its expenses in the last five years (Mean=2.46, SD=.381).”*

4.2 Challenges of expenditure management

The following section presents results relating to the second objective that sought to assess the challenges of expenditure management in URA. The following is the interpretation that will be adopted in this study, average of 1 and 2 will indicate a disagreement with the respective statement, 3 uncertain, and 4 and 5 agree. The summary of the results is as shown in table 4.3 below.

Table 4.3 Challenges of expenditure management

Challenges of expenditure management	Mean	Std. Deviation
Our organization is still using traditional manual methods to estimate and control expenses	2.34	0.402
The employee-competence match is largely missing in our institution	2.23	0.333
There is wastage occasionally reported in our institution	4.28	0.588
There are poor services that is occasionally reported in our institution	4.26	0.309
There are acts of negligence that lead to incur expenses that are occasionally reported in our institutions	4.51	0.196
There are ethical lapses related to inflating expenses that are occasionally reported in our institution	4.68	0.706
The control system related to approval of the acceptable expenses is weak	3.73	0.238
Grand Mean	3.72	0.396

The results show that, in general, URA is facing some of the known challenges that affect expenditure management. The grand mean of the responses was in agreement (Mean=3.72, SD=.396) which is agree.

In terms of individual aspects, there are two known challenges that was not found to affect URA, namely, technology used to estimate expenses, and employees competent. On contrary, the results suggests that URA is using modern techniques and also has competent employees. The responses to items like, *“Our organization is still using traditional manual methods to estimate and control expenses (Mean=2.34, SD=.402)”*, and, *“The employee-competence match is largely missing in our institution (Man=2.23, SD=.333)”*. the answers were in the “disagree”.

There were a number of aspects that respondents indicated that there are a number of challenges are the one URA is facing. They include wastage, poor services, acts of negligence, ethical lapses, and weak approval system. The responses to the related items were agree. For instance, an agreement ranking was, “There is wastage occasionally reported in our institution

(Mean=4.28, SD=.588)”, was agree. This means that URA is facing a challenge of wastage. Wastage is a challenge of expenditure management.

In response to services, the response was agree that there are some challenges, “There is poor services that is occasionally reported in our institution (Mean=4.26, SD=.209).” The response indicates that URA is facing a challenge of wastage which increases expenditure.

In addition, in response to the item, “*There are acts of negligence that leads to incur expenses that are occasionally reported in our institutions* (Mean=4.51, SD=.196).” This suggests that in URA is facing a challenge of negligence that the challenge of negligence which ordinarily increases the expenditures.

Equally, the respondents noted that, there is a challenge of unethical behaviour which leads to inflation of the expenses. This can be seen in response to the statement that, “*There are ethical lapses related to inflating expenses that are occasionally reported in our institution* (Mean=4.68, SD=.706).” This means that undesirable behaviour among employees that connive to increase expenditures has been prevalent.

The respondents also indicated that the Authority is also facing a challenge of weak control systems. This can be seen in response to the statement that, “*The control system related to approval of the acceptable expenses is weak* (Mean=3.73, SD=.238).” From the result, it is clear that weak controls as a challenge that could amount to increased expenditures is being witnessed in URA.

4.2 Mechanisms to improve expenditure management

The following section presents results relating to the third objective that sought to examine the mechanisms to improve expenditure management in URA. The following is the interpretation

that will be adopted in this study, average of 1 and 2 will indicate a disagreement with the respective statement, 3 uncertain, and 4 and 5 agree. The summary of the results is as shown in table 4.4 below.

Table 4.4 Mechanisms to improve expenditure management

Mechanisms to improve expenditure management	Mean	Std. Deviation
Our institution needs to adopt the new smart expenditure management system	4.12	0.152
Our institution needs to hire competence employees to undertake works in our institution	4.03	0.368
Our institution needs to offer incentives to employees and departments that effectively manage expenses	4.59	0.594
Our institution needs to hire competent managers and supervisors	3.81	0.158
Our institution should enlighten employees on the need to improve expenditure management	3.87	0.282
Grand Mean	4.08	0.311

The results show that the respondents agreed that the popular mechanisms that have been employed to improve expenditure management are the ones that URA needs to employ in order to foster the same. The grand mean was agreement with majority of statements assessing the mechanisms (Mean=4.08, SD=.311).

In terms of individual aspects, the results show that the URA need to employ new smart expenditure management system, hire competent employees, and offer incentives to employees of the departments that perform well in terms of expenditure management.

Smart expenditure management suggests that URA should keep on updating its management system, more so in employment of technology. The response to the statement seeking to examine usage of smart technology was in agreement. This can be seen in response to statement, “*Our institution needs to adopt the new smart expenditure management system (Mean=4.12, SD=.152)*”. This show that the respondents felt that URA need to adopt smart technology.

In addition, the respondents were in agreement that URA needs to always have competent employees who can work towards improving expenditure management. This can be seen in response to statement, *“Our institution needs to hire competence employees to undertake works in our institution (Mean=4.03, SD=.368).”* The answer was in agreement.

Moreover, the respondents agreed that URA ought to consider offering incentives to employees in order to foster expenditure management. This can be seen in response to the statement, *“Our institution needs to offer incentives to employees and departments that effectively manage expenses (Mean=4.59, SD=.594).”* This suggests that, the respondents believed that through offering incentives, employees and departments could be motivated to improve expenditure management.

In another set of proposals, the respondents agreed that URA need to have competent managers and supervisors, and also enlighten the employees on the need to improve expenditure management. The responses to statements, *“Our institution needs to hire competent managers and supervisors (Mean=3.81, SD=.158)”*, and, *“Our institution should enlighten employees on the need to improve expenditure management (Mean=3.87, SD=.282).”* The responses were in agreement with the said statements.

In general, it can be argued that the known expenditure management best practices are the ones that URA need to adopt if they are to enhance the same in the Authority.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides a discussion on the finding comparing it with other findings in the literature. It also has the implications of the results, and also provides conclusions. Limitations to the study are also raised and the future research opportunities.

5.2 Effectiveness of expenditure management

The results show that expenditure management in URA has not been effective. Majority of individual aspects showed that URA has been ineffective in expenditure management and as such, thus pulling the grand mean negatively. These aspects which were deemed ineffective includes, the degree to which the authority projects expenses with accuracy, projecting expenses per job/project, the variation between the actual and the projected expenses, and how URA has fared in terms of expenditure management in comparison with related institutions. Nonetheless, there are areas where URA performed well in two aspects that are vital indicators of expenditure management namely, employees' competences and managerial competences. The following discussion explains how the aforementioned results can be interpreted in respect to effectiveness of expenditure management.

The results were in favour of URA having competent employees and competent managers. Competent personnel are a key foundation of an effective expenditure management (Bandyopadhyay, & Singh, 2023). Competent managers are important since they are expected to develop goals and devise strategies of expenditure management (Frumina, 2023). Employees on the other hand are expected to observe and implement the devised strategies in order to achieve the expenditure management goals.

The result showed that the respondents disagreed that URA has been able to effectively project the expenses from a period to period. Failure to effectively project or estimate the expenses per period is poor planning since the targets cannot be effectively set (Syed-Husin et al., 2022). Notably, the expenditure management best practices require that expenses of a given period are budgeted, and the departments or individual employees provided with allowable variances in percentage. Failure to have accurate projection is one of the indicators of an ineffective expenditure management.

Moreover, the results also show that, URA failed to design works and undertake a cost accounting of each work and project for a better expenditure management. Again, the best practices require that costs of each jobs and projects are calculated beforehand, and this becomes standards by which the expenses of each of the project/jobs are used (Zehri, 2023). Failure to undertake the process is yet another indicator of weakness in expenditure management and hence, its ineffectiveness.

In addition, the result was in disagreement that URAs expenditures compared fairly with related institutions. This suggests that, in comparison with other like-institutions, URA was incurring high expenditures. The result suggests that URA has not been effective in its expenditure management since it is in a worse state compared to the like-peers. In accounting principles, an effective expenditure management can be assessed based on comparison between institutions that are involved in a related business operating in a similar environment (Usman et al., 2023).

Conclusively, it can be noted that, in general, URA has not been effective in expenditure management. There were more indicators of poor results among the various aspects that measure expenditure management. This resulted into an ultimate poor expenditure management grand score.

5.3 Challenges affecting expenditure management

The results show that, in general, URA is facing some of the known challenges that affect expenditure management. Specifically, the salient challenges that were advanced include, wastage, poor services, acts of negligence, ethical lapses, and weak approval system. The said notable challenges and their impact on expenditure management is as elaborated hereafter.

Wastage as a challenge in expenditure management is related to the fact that in the ultimate, expenditures increase. Notably, wastage defies the principle of expenditure management (Silvestrov et al., 2023). Such principles as total quality management require that expenditures can proactively be managed by averting wastage. As such, wastage becomes a challenge in expenditure management (Zhao et al., 2023).

Poor services were also advanced as a challenge of expenditure management. In practice, poor services degenerate in increased expenditures from different fronts. On one front, poor service calls for service recovery which may be in terms of compensations or services be redone (Vo-Thanh et al., 2022). Either of the two, service recovery mechanism leads to increased expenditure. On another front the aggrieved parties of poor services may resort into legal redress which URA has to incur expenditures in defence or eventually penalties (Bhattarai, & Prompanyo, 2022). Ultimately, poor services increase expenses.

Relatedly, acts of negligence has been advanced as a challenge that expenditure management in URA. Acts of negligence lenders expenditure management a setback since it ultimately attracts further costs more so associated with service recovery and fines (Brown, 2023). In service providing institutions like URA, acts of negligence normally amounts to incurring otherwise preventable expenses (Nelson, 2022). In most cases, the redress for negligence is compensation to the aggrieved party. As such acts of negligence poses a challenge to expenditure management.

In addition, unethical behaviour was advanced as yet another challenge that URA is facing that negatively affects expenditure management. Unethical behaviour is possibly one single factor that can pose the greatest challenge that can handicap expenditure management. Unethical behaviour, if uncontrolled can pose a challenge throughout the processes aimed at expenditure management (Kajimo-Shakantu et al., 2022). At the planning phase, unethical behaviour may influence the projecting of expenditures, where, with a view of latter defrauding an institution, the parties involved can over-inflate the expenditures while projecting the expenditures for a given period (Seidu et al., 2022). In the implementation phase, unethical behaviour may manifest in real acts of defraud or providing the authority with a raw deal or even poor work that increases the expenditures (Biazzin, 2023).

Weak approval system was the other challenge that was advanced as being a hinderance to expenditure management. One of the most important tools that institutions use to manage expenditures are internal control measures which include an approval system (Gwiza, & Jarbandhan, 2022). Controls are a proactive means of ensuring expenditures are limited to plans and priority spending. Weak approval system allows infiltration of expenditures that would ordinarily be declined (Harasheh, & Provasi, 2023). As such, a weak approval system becomes a challenge to expenditure management given the possibility of incurring unplanned expenditures.

5.3 Mechanisms to improve expenditure management

The results shows that the widely known mechanisms are the ones that URA needs to adopt in order to improve expenditure management. Specifically, the results show that the URA need to employ new smart expenditure management system, hire competent employees, and offer incentives to employees of the departments that perform well in terms of expenditure management.

Smart expenditure management system as a mechanism to improve expenditure management mainly relates to the modern technology. Presently, technology has become one of the most important means of improving efficiency and effectiveness in most of managerial functions in different institutions (Lubis, & Pohan, 2022). Technology would thus be important in improving expenditure management. In specific terms, advanced technology can enhance planning, monitoring and control functions of expenditure management. In planning, technology can aid in projecting expenses which can be done with speed and to a high degree of accuracy (Zhao, & Xu, 2022). In monitoring, technology can enable real time update on the expenses (Wang et al., 2023). In control, technology can enable identification of areas that need to be adjusted (Wei et al., 2023). In addition, the more advanced the technology is the more capabilities it has (Wu et al., 2023). As such, URA can improve expenditure management through utilising modern technology.

The results further show that URA need to hire competent employees and managers in order to improve expenditure management. Employees competence is vital since human resource is instrumental in managing all other resources (Budiman et al., 2022). Notably, employees are critical in projecting of expenses, devising strategies to manage expenses, and implementing the strategies (Rasaili, 2022). Employees competences are therefore, important in enhancing the improvement of expenditure management.

In addition, the result show that URA can enhance expenditure management by offering incentives to employees and departments that perform well in a concluded quarter or period of consideration. Incentives are a form of recognition for a job well done (Schweiger, & Stepanov, 2022). The recognition could involve monetary reward, recognition, and also promotions. This becomes a motivating factor for employees to be keen in expenditure management. Evidence

from studies on motivation have shown that incentives are a powerful form of motivation towards a desirable behaviour or performance, and in the current case, a motivator towards expenditure management (Beer et al., 2022).

Finally, the respondents indicated that URA needs to enlighten employees on the need to improve expenditure management. In this regard, it would be important to note that URA as a public institution, is subjected to review by the government's Auditor General who acts on behalf of the public. Public institutions are expected to act with the best interest of public, and expenditure management is one of the indicators of how the institutions perform. As such, the Authority by enlightening the employees on the importance of expenditure management, will have helped in improving expenditure management in the institution (Ruscitasari et al., 2022).

5.5 Conclusions

The study sought to assess the effectiveness of expenditure management at URA, the challenges and to propose the mechanisms to improve expenditure management.

In respect to effectiveness of expenditure management, the study concludes that, expenditure management in URA has not been effective. While the results indicated that the Authority has competent employees, weaknesses in terms of the degree to which the authority projects expenses with accuracy, projecting expenses per job/project, the variation between the actual and the projected expenses, and how URA has fared in terms of expenditure management in comparison with related intuitions negatively affected expenditure management in the authority.

In regard to the challenges that URA is facing, wastage, poor services, acts of negligence, ethical lapses, and weak approval system emerged as the critical challenges affecting expenditure management.

Finally, in terms of the mechanisms that can be employed to promote expenditure management, the result advances measures that included, employing new smart expenditure management system, hiring of competent employees, and offer incentives to employees of the departments that perform well in terms of expenditure management.

5.6 Recommendations

URA should require departments and individuals that exceed the expenditure limits to justify the expenditure. Those that misuse the finances should be penalized.

URA should utilize the smart Information technology that is able to provide real time information on expenditure. This will ensure early control measures instead of waiting for annual report.

URA should continue hiring of competent employees and train them on how to manage expenditures. This can be a means of improving expenditure management of which personnel competences are a pre-requisite.

Further, URA should offer incentives to employees and departments that perform well in expenditure management. This acts as a motivating factor towards expenditure management.

Finally, URA should enlighten the employees on the importance of expenditure management. This instils a sense of urgency to manage expenditures effectively.

5.7 Limitations of the study

There are a number of limitations that can be attributed to this study as advanced.

This study only adopted a cross sectional study design and as such the results reflect the employees' perspective at one point in time. The study was thus not comprehensive enough.

The study employed only one approach, the quantitative. In addition, the respondents were only restricted to pre-set answers. As such, the respondents were not given an opportunity to make further individual comments that would have been important for the study.

Finally, the study only assessed only assessed only URA headquarters in Kampala. While the scope had a large population to offer generalizable results, it is not possible to offer a comparison with other stations where URA represented.

5.8 Future research opportunity

Given the findings and the limitations of this study, future researchers have the following opportunities to conduct a related study:

Future researchers have an opportunity to carry out a similar study employing a longitudinal design.

There is also an opportunity to conduct a similar study by employing a mixed approach. This can give a more comprehensive result

Finally, there is a need to carry out a similar study in other URA centres across the country in order to obtain a comprehensive report on the effectiveness of expenditure management.

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APPENDICES

APPENDIX 1: QUESTIONNAIRE

(i) Introduction

Dear Participant,

I am a student of Makerere University Business School, pursuing a Master of Business Administration and currently carrying out research titled **“IMPROVING EXPENDITURE MANAGEMENT AT UGANDA REVENUE AUTHORITY(URA)”**

You have been identified as a key and valuable respondent in carrying out this research. It is purely an academic research. Your responses will be treated with utmost confidentiality and will purely be used for the purpose of this study. It is a humble request that to you therefore, spare part of your valuable time and answer the following questions.

Your cooperation is highly appreciated

Please Tick where applicable

(ii) Background information

Sex: Male ☐ Female ☐

Marital status: Single ☐ Married ☐ Widow ☐ Widower ☐

Age

20-29	30-39	40-49	50-59	60 and above
1	2	3	4	5

Education Background

Certificate	Ordinary Diploma	Bachelor's Degree	Postgraduate Diploma	Master's Degree
1	2	3	4	5

Years of Service

Less than 1 year	1-2 years	3-4 years	4-6 years	8-10 years	Above 10 years
1	2	3	4	5	6

Effectiveness of Expenditure management

Please carefully read the following statements and relate them to your institution, then respond to the best answer that reflects your work such that **1=Strongly Disagree, 2=Disagree, 3= Neither Agree nor Disagree, 4=Agree, 5= Strongly Agree**

Effectiveness of expenditure management						
		SD	D	NAND	A	SA
EF1	In our institution, we have competent employees	1	2	3	4	5
EF2	In our institution, we have competent supervisors and expense managers	1	2	3	4	5
EF3	Our institution effectively projects the expenses that are to be incurred in every accounting period	1	2	3	4	5
EF4	In our institution, works are well designed and their expenses well estimated	1	2	3	4	5
EF5	In our institution, estimated expenses and incurred expenses rarely vary greatly	1	2	3	4	5
EF6	Our organization expense fares well against other institutions that offer related services	1	2	3	4	5
EF7	In general, our institution has effectively managed its expenses in the last five years.	1	2	3	4	5

Challenges of expenditure management

Please reflect on the challenges that affect expenditure management in your institution. Choose the best answer to respond to the following statements such that **1=Strongly Disagree, 2=Disagree, 3= Neither Agree nor Disagree, 4=Agree, 5= Strongly Agree**

Challenges of expenditure management						
		SD	D	NAND	A	SA
CC1	Our organization is still using traditional manual methods to estimate and control expenses	1	2	3	4	5
CC2	The employee-competence match is largely missing in our institution	1	2	3	4	5
CC3	There is wastage occasionally reported in our institution	1	2	3	4	5

CC4	There is poor services that is occasionally reported in our institution	1	2	3	4	5
CC5	There are acts of negligence that lead to incur expenses that are occasionally reported in our institutions	1	2	3	4	5
CC6	There are ethical lapses related to inflating expenses that are occasionally reported in our institution	1	2	3	4	5
CC 7	The control system related to approval of the acceptable expenses is weak	1	2	3	4	5

Mechanisms to improve expenditure management

Please carefully read the following statements suggesting the ways to improve expenditure management in your institution, then respond to the best answer that reflects your work such that 1=**Strongly Disagree**, 2=**Disagree**, 3= **Neither Agree nor Disagree**, 4=**Agree**, 5= **Strongly Agree**

Improving expenditure management						
		SD	D	NAND	A	SA
IC1	Our institution needs to adopt the new smart expenditure management system	1	2	3	4	5
IC2	Our institution need to hire competence employees to undertake works in our institution	1	2	3	4	5
IC3	Our institution needs to offer incentives to employees and departments that effectively manage expenses	1	2	3	4	5
IC4	Our institution needs to hire competent managers and supervisors	1	2	3	4	5
IC5	Our institution should enlighten employees on the need to improve employees	1	2	3	4	5