

Integrated and Open Systems Model: An Innovative Approach to Tax Administration Performance Management

Dr. Muzainah Mansor

School of Accountancy, College of Business
Universiti Utara Malaysia
06010 Sintok, Kedah, Malaysia.
Email: muzainah@uum.edu.my

Professor Mahamad Tayib

OYA Graduate School of Business
Universiti Utara Malaysia
06010 Sintok, Kedah, Malaysia.
Email: mohamad@uum.edu.my

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ABSTRACT

The pressure for outcome-based performance management increases performance and evaluation activities at all government levels. Research on public sector performance management systems, however, points to problems in the design and management of these systems and questions their effectiveness as policy tools for increasing governmental performance. It has been reported that the problem involves the lack of integration between performance management at the strategic, operational and individual levels.

In the tax administration context, the integration issue in performance management has also been highlighted. However, the existing literature does not propose how to overcome this issue. This paper introduces an innovative way to undertake tax administration performance management based on an integrated and open systems model. The distinct feature of the model is that it highlights the critical process of transforming inputs into outputs/outcomes in a tax administration by diagnosing the interrelation of the components in the process, i.e. formal organisation, informal organisation, task and people. These components contain both institutional and behavioural factors which have significant effect on tax administration performance. A set of guidelines is also developed in this paper to enable application of the performance management model.

A case study was undertaken to test the applicability of the model to tax administration based on the guidelines developed. The case study shows that the model enable better management of tax administration performance by providing valuable feedback on the present state of a tax administration, identifying possible reasons for underperformance and highlighting ways in which a tax administration can improve its performance.

Key Words: tax administration; performance management; integrated; open systems.

Introduction

During the past decade, there has been a noticeable trend throughout the world whereby major efforts for public organisation reforms have been undertaken to achieve efficient and effective management of public sector. These efforts have shaped the delivery of public services through the use of performance management and program evaluation. Performance management involves improving strategic focus and organisational efficiency and effectiveness by continuously securing improvements in the performance of individuals

and teams (Philpott and Sheppard, 1992). Performance management is viewed as a means of getting better results from an organisation, teams and individuals within an agreed framework of planned goals, objectives and standards (Armstrong and Murlis, 1994). The idea of managing organisational performance has spread rapidly throughout the public sector (Salem, 2003).

Despite the utilisation of performance management in public organisation, limited studies can be found on tax administration performance management. Studies on tax administration tend to focus on performance measurement rather than the process of performance management itself (see, for example, Klun, 2004; Serra, 2005; von Soest, 2006; Tenant and Tenant, 2007). Although performance measurement is a critical component of performance management, measuring and reporting alone have rarely led to organisational learning and improved outcomes (US National Performance Management Advisory Commission, 2009). Performance management systematically uses measurement and data analysis, as well as other tools, to facilitate learning and improvement and strengthen a focus on outcomes. While measurement helps to monitor performance, management encompasses an array of practices designed to improve performance. Alley and Bentley (2008) also suggested that performance management supports the achievement of a good tax administration through target setting, which is measured by selected key performance indicators.

Best practice in performance management involves an integrated performance management system as different organisational levels compete for managers' attention and organisational resources (Verweire and Van Den Berghe, 2004). The people at the different levels have the common aim of increasing the performance of the organisation (or department), but they differ in how to tackle this overall goal. The integrated view to performance management has the potential to assist individuals and organisations to better understand and align the different levels and create a complete, holistic picture of performance that outlines the relationship between organisational and individual performance.

The need for an integrated approach to performance management is also recognised in the tax administration context. Crandall (2010), in a recent series of technical notes and manuals from the Fiscal Affairs Department of the International Monetary Fund (IMF), proposed that a tax administration should apply performance management at the strategic, operational, and individual levels. Despite this suggestion, the discussion on performance management actually focused on how performance should be measured at these three levels. It was proposed that the measurements at the strategic level should be on the organisation's overall performance in delivering the mission and strategic goals; the measurements at the operational level should be on the effective execution of particular aspects of the organisation; and the measurements at the individual level should be based on critical elements and standards.

The OECD (2011), in its study on 49 OECD and selected non-OECD countries, reported that 64 percent of the revenue bodies do not set objectives for each member of staff at the start of the performance period. About 84 percent of the revenue bodies review the performance of each staff member at least annually. What is apparent in the OECD report is that the focus of these revenue bodies is on performance management at the individual level, with lack of integration with performance management at the operational and strategic levels.

Hanninen (2011) noted that the immediate challenge facing a tax administration is to combine performance management at the strategic, operational, and individual levels. He stated that it is important to do this so that operational and strategic levels are not separated, but support each other and have impact on how people act at a behavioural level. He added

that, although measurement is a critical component of performance management to improve a tax administration, measuring and reporting alone have rarely led to organisational learning and improved outcomes.

Crandall (2010), OECD (2011), and Hanninen (2011) agree that there is a need to find a way to integrate performance management at the individual, operational and strategic levels to form an integrated approach towards tax administration performance management. However, the method to apply the integrated approach in tax administration is not offered by these three studies. The lack of integrated performance management in tax administration raised the question as to whether it is possible in practice.

The Present Performance Management Practice

Practice in general shows that actual communication and integration between performance management at the strategic, operational and individual levels is limited (Brudan, 2010). This is because strategic performance management efforts are led by the executive team, operational performance by group managers, and individual performance management by the human resource department, mostly with limited interaction between them. Brudan (2010) has indicated that management does not see performance management as an integrated discipline used at various organisational levels, but as a subcomponent of strategic, operational and human resource management respectively. However, an integrated approach, linking all levels of performance management together, becomes a necessity for both research and practice to facilitate the understanding and usage of performance management systems. Integrating performance management at the strategic, operational, and individual levels is critical for an organisation as different organisational levels compete for the managers' attention and organisational resources (Verweire and Van Den Berghe, 2004). The people at the different levels have the common aim of increasing the performance of the organisation (or department), but they differ in how to tackle this overall goal. It is significant for an integrated approach to be adopted by an organisation to promote efficient use of organisational resources.

The lack of integration between the different levels of performance management in practice is particularly apparent for public organisations. According to Fryer et al. (2009), notwithstanding a quarter of a century of performance management within the public sector, there are still major problems, and the expected improvements in performance, accountability, transparency, quality of service and value for money have not yet materialised. It was observed that the problems with performance management implementation occur because public organisations developed performance management systems with rules and regulations, and then let these run without proper management of the various levels involved (Benh, 2005).

The problem related to limited integration between the different levels of performance management in public organisations is also highlighted in a study by Verheijen and Dobrolyubova (2007). The study involved performance management in public organisations in the Baltic States and Russia. It was found that performance management systems were successfully developed and introduced at the organisational level, but were unsuccessfully implemented at the operational and individual levels due to lack of appropriate support in terms of organisational culture, human resource and other physical resources.

The lack of support in terms of organisational culture, human resource and other physical resources shows that performance management systems in public organisations do not sufficiently address the institutional and behavioural factors that can affect performance

management at the operational and individual levels. This, in turn, can also affect performance management at the organisational level. According to Armstrong (2009), implementation of a performance management system is influenced by institutional factors such as an organisation's structures, processes, and resources that enable an organisation to perform its tasks; and behavioural factors such as organisational culture and employees' behaviour. Radnor and McGuire (2004) recommended that if public organisations are truly going to use performance management in an interactive way, then they need to embrace on a behavioural rather than just operational level.

Institutional and behavioural factors are also important in the systems approach to performance management. Mwita (2000) stated that a systems-based performance management should include three interrelated variables: processes (behaviours), outputs (results), and outcomes (impact). Bromwich (1990) also supported this view by arguing that performance means both behaviours and results because behaviours emanate from the performer. Conceivably, behaviours, results and impact are inseparable and interdependent variables. They are all important in performance management schemes.

The Existing Models for Tax Administration Performance Management

The general literature on performance management proposed that strategic, operational, and individual performance management can be effectively integrated in a systems perspective, where organisational performance improvement is the key driver (Brudan, 2010). Systems-thinking promotes a holistic approach to managing organisational performance. It is the basis of the input-process-output-outcome model of managing performance, which assesses the entire contribution that an individual makes within the organizational domain in carrying out his or her allocated tasks (Senge, 1990). Inputs—the skills and knowledge that an individual brings to a job together with process, which is how people actually perform their jobs—are measured to assess developmental and learning needs. Outcomes measure the scale of an individual's contribution to the overall team, in contexts of departmental and corporate performance, and are central to performance management. A systems view focuses on integrating all components of the organisation and mapping the relationship between them.

There are two broad interpretations of a systems approach in performance management, namely the 'open' and 'closed' systems. Open systems theory proposes that an organisation transforms inputs into outputs within the environment (both internal and external) upon which it is dependent (Miller and Rice, 1967). The theory focuses on integrating all components of an organisation and mapping the relationship between them for the purpose of performance management. The premise of open systems theory is the opposite of traditional organisational theories, which viewed organisations as 'closed' systems which are independent of the external environment in which they exist (Katz and Kahn, 1978). The premise of the 'closed' system is relatively conventional from the standpoint of modern organisations.

In the context of tax administration, a basic systems approach to performance has already been utilised through the use of the program logic model (ANAO, 1998). Since its initial development, many versions of the logic model have been used in performance evaluations throughout the world (Australian Taxation Office, 2007). The latest version of the model is the expanded program logic model (OECD, 2008). In the model, the relationship among the process elements of inputs, activities, outputs, and outcomes is clearly projected, together with how this process relates to the efficiency and effectiveness in the tax administration

system. Even though the model is based on a systems approach to performance management, it does not have the attribute of an open systems theory as it displays the view of a 'closed' system where an organisation is independent of the external environment in which it exists.

In summary, the existing performance management models for tax administration do not demonstrate how the strategic, operational, and individual levels interact in an open systems view, where an organisation needs to consider both the internal and external environment in which it exists. These systems-based models do not display how the three levels of performance management are integrated as the models show the process of transforming inputs into outputs/outcomes (transformation process) as just 'activities', and treating it as a 'black box'. The transformation process (operational level) of an organisation is the centre of activities where both the strategic and individual levels interact to perform the functions of the organisation. The transformation process is also the phase where the institutional and behavioural factors interact with each other. Hence, there is a need for an alternative approach which can highlight the detailed components of the transformation process at the operational level of an organisation.

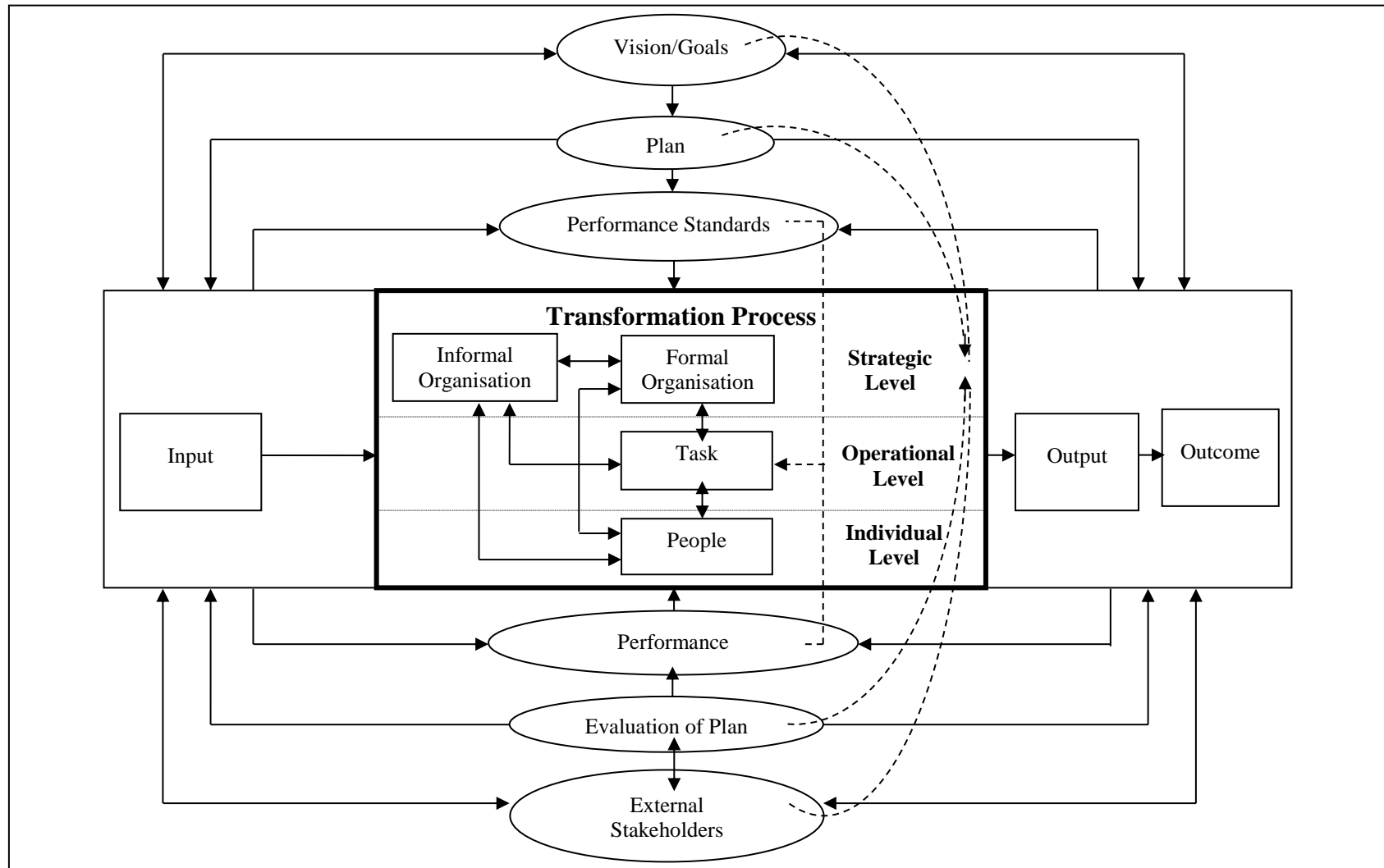
An Innovative Model for Tax Administration Performance Management

This paper proposes a new integrated and open system performance management model for a tax administration as illustrated in Figure 1. The model highlights the components in the transformation process and shows how various components in performance management are interrelated with arrows connecting them; and how they are integrated at the different levels of performance management, i.e. strategic, operational and individual levels. The integrated approach, linking together all levels of performance management now underpins this holistic performance management system. The integrated view to performance management has the potential to assist a tax administration to better understand and align the different levels and create a complete, holistic picture of performance that outlines the relationship between organisational and individual performance and substantively expose efficient and less than efficient aspects of a tax administration.

The model also adopts an open systems approach as it includes external stakeholders in a tax administration environment. A tax administration should involve the external stakeholders in its performance management process to undertake an open systems approach to performance management. External stakeholders' requirements and expectations define the environment and general constraints that an organisation must recognise in its operations (Atkinson et al., 2001).

The connective model in Figure 1 provides a holistic framing of performance management, highlighting the issues to be addressed when undertaking performance management. However, application in practice is typically difficult and probably not possible. Consequently, a guide on how a tax administration can deliberately apply this model for effective performance management is also provided in this paper.

Figure 1: An Integrated and Open Systems Performance Management Model for Tax Administration



Source: Authors

Guidelines for Applying the Performance Management Model

The model in Figure 1 shows general components of formal organisation, informal organisation, task, and people. At this stage, the components are still at a high level and it will be difficult for one to clearly gauge what encompasses these components. Consequently, there is a need to specify the detailed elements to be examined in these four components and show how they are related to the elements outside the transformation process, i.e. vision/goals, plan, evaluation of plan, external stakeholders, performance measurements, and performance standards. This must be done to demonstrate how all the elements in the performance management model are interrelated and integrated at the strategic, operational and individual levels and can be managed in practice.

Detailing the elements in the transformation process can also help to clarify how they should be assessed, and where to get the related sources to assess them. This is useful to diagnose a tax administration's current state, identify areas of underperformance, and finding ways to solve its problems. Based on the diagnosis on the elements in the model, a tax administration can then design and develop strategies to improve areas of underperformance.

To clarify the above issues and enable the process to be enacted, a set of guidelines is also presented. Basically, the guidelines are based on the performance management cycle, which involves: 1) developing organisational vision/goal through established plan; 2) measuring whether performance is in congruence with the plan; 3) taking corrective action where performance is falling short of targets; and 4) starting the cycle again with a new plan being drawn up.

The following sections outline the detailed procedures in the guidelines. The procedures are described in relation to the four components in the transformation process, i.e. formal organisation, informal organisation, task and people. The four components are the core of an organisation's operational functions, which, if methodically examined, will draw on all levels of performance management in an integrated way.

1) Established Organisational Plan

Formal Organisation

The first stage in the performance management cycle involves developing a vision/goal for a tax administration. In the model in Figure 1, vision/goal is illustrated as the first component that should be established at the strategic level of an organisation. The establishment of vision/goal of an organisation is important in the performance management process. This is because goal theory is the main theory underpinning performance management (Buchner, 2007). This theory underpins the emphasis in performance management on setting and agreeing to goals and objectives against which performance can be measured and managed. Goal-setting requires an organisation to create formal processes that can group people and the work they do and to coordinate their activities in ways designed to achieve organisational goals.

In order to achieve organisational goals, an organisation needs to establish an organisational plan. Strategic plan is the most important organisational plan as it covers organisation-wide plan and deserves most attention if an organisation is to improve performance and achieve its long-term goals and vision (Bryson, 1995). Therefore, it is necessary to investigate the formal organisational arrangements of a tax administration to observe whether a strategic plan has been established. The focus of investigation should be on

the strategic planning process, the people involved in the process, the history of strategic planning in a tax administration, and the use of a strategic planning system. All this information is valuable to understand the strategic planning practices of a tax administration that can be used to enhance its performance management process.

2) Measure Performance

Formal Organisation

Performance measurement for formal organisation involves evaluating the strategic planning process of a tax administration and how it relates to important aspects such as vision/goals, involvement of stakeholders, strategic management practices and allocation of resources, performance management activities, and performance measurement activities (Poister and Streib, 2005). In addition to measurement, the correlation among these aspects should be diagnosed to find out how they affect the implementation and achievement of the strategic goals in a tax administration's strategic plan. The evaluation of the strategic planning process calls for identification of the relevant sources of information. A strategic plan of an organisation is usually detailed out as operational business plan, essentially in the form of an action planning document. In this case, a tax administration's strategic plan documentation is the first source of information that should be examined. Another alternative source is the key people who are involved in the strategic planning process.

Informal Organisation

Performance measurement for informal organisation involves evaluating the culture of a tax administration. Research in organisational culture argues that certain cultures lead to superior organisational performance (Ogbonna and Harris, 2000). According to Zammuto and Krakower (1991), there are basically four types of organisational culture i.e., hierarchical culture, rational culture, group culture and developmental culture. Research has suggested that the balance of the cultures is the most desirable state for an organisation and has a positive effect on its performance (Parker and Bradley, 2000). In the case of imbalance among the four different types of culture, it is significant to find out the type of culture which is dominant in a tax administration. This is to evaluate how it is connected to the other types of culture in order to find a way to improve the imbalance state. The most appropriate source of information to evaluate the culture of a tax administration is its employees as they are the ones who define the way a tax administration is conducted, and the values, beliefs and assumptions that form the culture of a tax administration.

People

Performance measurement for people involves measuring and subsequently actively managing employee performance in order to improve organisational performance (Den Hartog et al., 2004). In addition to possessing the right skills to perform the assigned task, the behavioural aspect of the employees plays an important role in determining organisational performance. The literature suggests that employee motivation, commitment, job satisfaction and work stress are important factors that affect employee performance (see, for example, Li (2008), Ketchand and Strawser (2001), Rainey (1991) and Leong et al. (1996)). It is therefore important to investigate these factors and diagnose the correlation among them to find out

their possible effect on tax employees' performance. Employees' behavioural aspect are best measured based on their opinions and this can be done by asking them to provide such information.

Task

Performance measurement for tax administration task is in terms of inputs, process, outputs and outcomes (Gill, 2003). Inputs for a tax administration in tangible forms are, for example, tax employees, budget allocations, information technology systems and infrastructure. On the other hand, the intangible resources can take the form of legal authority granted to the tax administration for the execution of the tax laws, and the perception of taxpayers on the transparency, integrity and enforcement capacity of the tax administration.

Process in a tax administration involves organisation and management tasks as well as operational task. Organisation and management tasks are, for example, strategy formulation, planning and budgeting, monitoring and evaluation, financial management and personnel management. Operational tasks are, for example, registration of taxpayers, taxpayer services, processing of declarations and payments, collection of information about taxable transactions, audit and investigation and recovery of tax arrears.

Outputs of a tax administration are, for example, the number of audits carried out by each tax inspector; percentage of stop-filers as compared to the registered and active taxpayers; average time to detect stop-filer; tax debt as percentage of annual tax revenue; share of fines collected; and administrative cost as per cent of total tax revenue.

Outcomes of a tax administration can be both mid-term and long-term outcomes. A mid-term outcome is taxpayer satisfaction towards the quality of services that they received, while long-term outcome involves taxpayers' compliance level.

The relevant documents which contain the data and statistics on the achievement/accomplishment of the tax administration task are the first source of information to evaluate the inputs, process, outputs and outcomes of a tax administration. In case of insufficient documentation available for such data, an alternative source will be the people who possess the information on the inputs, outputs and outcomes of the task performed. For measuring the outputs, the person with such information will be the head of department who manages the functioning of the specific task. In order to obtain the source for measuring tax administration outcomes, for example the quality of taxpayer services, the best way is to get the opinion of the taxpayers on their perceived satisfaction towards the quality of services provided by the tax administration.

There is also a need to diagnose the connection among inputs, processes and outputs/outcomes related to task execution in a tax administration to find out whether the appropriate tax collection processes and capabilities are in place to achieve the strategic goals and objectives in the strategic plan. The diagnosis can be performed by comparing the inputs, processes and outputs/outcomes related to task execution with a set of performance standards or benchmarks as proposed by Hanninen (2011) and Gallagher (2005).

3) Diagnose the Congruence among the Four Components for Corrective Action

The next phase in the performance management model is to take corrective action where performance is falling short of targets. In this case, it is essential to use the data from performance measurements on the components of formal organisation, informal organisation, task and people to diagnose the congruence among them. If these components exist in states

of relative balance and fit with each other, then the different parts of an organisation can fit well together and function effectively (Nadler and Tushman, 1999). The findings from the diagnosis can be used to better integrate performance management at the strategic, operational and individual levels. This is because the diagnosis can provide feedback on the reasons the strategic plan is not fully accomplished by identifying the aspects of the strategic level (strategic planning process and culture), operational level (task), and individual level (employees) that are possibly contributing to underperformance. Therefore, corrective action can be taken if performance is falling short of targets.

4) Communicate Information and Continue the Cycle

The final phase in the performance management model is to communicate the relevant information on tax administration performance to the public, who represents the external stakeholders. This can be done through the use of proper channels to report the achievement of a tax administration's strategic plan to increase integrity and public confidence, and encourage taxpayers' voluntary compliance. Then the performance management cycle can start again with a new strategic plan being drawn up to include new policies that can improve tax administration performance.

The guidelines for applying the performance management model in this paper are summarised in Figure 2.

A Case Study to Test the Applicability of the New Model

A case study on the Royal Malaysian Customs (RMC) was performed to test the applicability of the model to tax administration based on the guidelines developed in this paper. RMC is the revenue body which administers the indirect taxes in Malaysia. The adoption of the model is in line with the country's Vision 2020 i.e., to become a fully developed nation by 2020. To meet the challenges, Malaysian government committed itself to a 'Government Transformation Programme (GTP), in accordance with its principles of '1Malaysia, People First, Performance Now' (PEMANDU, 2010). The government realised that the public are impatient for results, that resources are limited and that new ideas are necessary – and that the government do not have all answers. Therefore, the methodology – or transformation engine – that the government will now use, begins with a quick call for innovative ideas, and then rapidly moves to action. The development of the performance management model as proposed in this paper is one of the innovative ways to enhance a public organisation performance.

Figure 2: Guidelines for Applying the Performance Management Model

Procedures						
a).	Investigate the formal organisational arrangements of a tax administration to observe whether a strategic plan has been established. This will typically involve identification of the relevant documents and key people involved in the strategic planning process. Focus on the strategic planning process by identifying who are involved in the process, the history of strategic planning in the tax administration, and the use of a strategic planning system (short-term plan, mid-term plan, or long-term plan). Find out whether there is a specific model used for the strategic planning systems.					
b).	Measure the performance of a tax administration by evaluating the strategic planning process and the achievement of the strategic plan, measuring the task performance, and evaluating the informal organisation and people.					
	Institutional Factors	<u>Component</u> Formal organisation	<u>Element</u> <ul style="list-style-type: none"> • Strategic plan • Vision/Goals • Evaluation of plan • Stakeholders 	<u>Evaluation</u> <ul style="list-style-type: none"> • Evaluate the strategic planning process of a tax administration and how it relates to vision/goals, involvement of the internal and external stakeholders, strategic management practices, allocation of resources, performance management activities, and performance measurement activities • Evaluate the outcomes of the strategic plan in terms of its implementation and achievement • Diagnose the connection among the strategic planning process, evaluation of strategic plan and stakeholders' involvement to find out how they affect the implementation and achievement of the strategic goals in the strategic plan 	<u>Source of Data</u> <ul style="list-style-type: none"> • Strategic plan documentation • People involved in the strategic planning process 	Strategic Level

	<u>Component</u>	<u>Element</u>	<u>Evaluation</u>	<u>Source of Data</u>	
Institutional Factors	Task	<ul style="list-style-type: none"> • Systems/Processes • Input • Output • Outcome • Performance measurements • Performance standards 	<ul style="list-style-type: none"> • Evaluate the systems and processes involved in performing the task • Measure performance in terms of inputs, outputs and outcomes • Compare performance with performance standards • Diagnose the connection among the inputs, processes and outputs/outcomes related to task execution to find out whether the appropriate tax collection processes and capabilities are in place to achieve the strategic goals and objectives in the strategic plan 	<ul style="list-style-type: none"> • Documents which contain the data and statistics on the task • People who possess the relevant information • Performance standards from the strategic plan documentation and from the international benchmarks 	Operational Level
Behavioural Factors	Informal organisation	Organisational culture: <ul style="list-style-type: none"> • Hierarchical culture • Rational culture • Group culture • Developmental culture 	<ul style="list-style-type: none"> • Investigate the type of culture that exists in a tax administration • Find out whether there is a balance among the four types of culture • Identify the dominant culture • Diagnose the connection between the dominant culture and the other types of culture 	Employees of the tax administration	Strategic Level
	People	Employees' attitudes: <ul style="list-style-type: none"> • Stress • Motivation • Commitment • Satisfaction 	<ul style="list-style-type: none"> • Investigate employees' level of work stress, motivation, commitment and satisfaction in performing tax administration task • Diagnose the correlation among employees' stress, motivation, commitment and satisfaction to find out the possible effect on employee performance 	Employees of the tax administration	Individual Level
c).	Diagnose the correlation among the elements in the formal organisation, informal organisation, task and people holistically to provide feedback on whether these elements are in congruence with each other to achieve the strategic plan and take corrective action.				
d).	Communicate relevant information on tax administration performance to the public. This can be done through the use of proper channels to report the achievement of a tax administration's strategic plan to the public to increase integrity and public confidence, and encourage taxpayers' voluntary compliance. The performance management cycle starts again with a new strategic plan being drawn up to include new policies that can improve tax administration performance.				

Source: Authors

Methodology

The guidelines for performance management developed in this study involve collecting and analysing data on formal organisation, task, informal organisation and people in a tax administration. The guidelines propose that the information on these four components can be derived from the following: 1) formal organisation - the strategic plan documents and the relevant people who are involved in the strategic planning process; 2) task - documents which contain the data and statistics on the specified task and the people who possess the relevant information on the task performed; 3) informal organisation - employees of the organisation; and 4) people – employees of the organisation. The data for this case study is therefore drawn from multiple sources of evidence in the forms of both qualitative and quantitative data.

1) Document Study

This study used the documentary study to obtain information on the formal organisation and the task performed at RMC. Various documents were analysed to see if they can provide information on the formal organisation at RMC. Specifically, the intention was to find the data on the strategic planning process at the department. However, it was discovered that the documents did not provide enough information to analyse the strategic planning process, hence requiring further enquiries through the face-to-face interview with the relevant people who were involved in the strategic planning process at the department.

The documents were then used for the purpose of evaluating the performance of tax administration task at RMC. A total of 48 task items were evaluated based on the general task proposed by Gill (2003) and detailed out by Gallagher (2005). These 48 items were classified according to seven categories: 1) enforcement; 2) payments and collections; 3) automated systems; 4) planning and coordinating; 5) tax personnel management / human resources; 6) sanctions and penalties; and 7) organisation, institutional credibility and public confidence.

The 48 items concerning RMC were evaluated based on the document analysis. The items were then compared against the data in the strategic plan documentation of RMC and the international benchmarks as proposed by Gallagher (2005). Comparison data for the benchmarking purpose was also derived from the report of the World Bank (2009) and OECD (2009). The purpose of benchmarking is to measure the task performance at RMC.

2) Face-to-face Interview

This study employed the face-to-face interview to investigate the formal organisation at RMC. Specifically, the purpose of the interview was to investigate the strategic planning process at RMC, which was not available from the document sources. In addition, only a small group of people who were involved in the strategic planning process have the required information, which made the face-to-face interview more appropriate as compared to a survey method.

To evaluate the strategic planning process, this study followed the methodology used by Poister and Streib (2005), which consists of questions about the use and status of the strategic planning system and the specific steps in the strategic planning process. Subsequently this study evaluated the strategic planning process at RMC by focusing on its relationship to the vision/goals of the department, involvement of stakeholders in the process, strategic management

practices and allocation of resources, performance management activities, performance measurement activities, and the overall accomplishment of the strategic plan.

3) Questionnaire Survey

This study used a questionnaire survey to investigate the informal organisation and people at RMC. The survey was also used to get the data related to task, which could not be obtained from the documentary method. Specifically, the survey was conducted for evaluating the following elements: informal organisation - the type of organisational culture at RMC; people - tax employees' level of work stress, motivation, commitment, and satisfaction; and task - outcome in terms of taxpayers' service satisfaction.

Results of the Case Study

1) Strategic Level

a) Formal Organisation

It was found that there are five weaknesses in the strategic planning process at RMC, based on the results of face-to face interviews with the tax officials involved in the strategic planning of RMC.

- Lack of involvement from both the internal and external stakeholders:
The interviews revealed two issues regarding stakeholders' involvement that are inapplicable to RMC. First, RMC did not involve the taxpayers (as the external stakeholders) in the development of its strategic plan. This should not be the case as stakeholders' involvement enables managers to ensure that the strategic and operational direction of an organisation addresses stakeholder perceptions and needs. Consultative meetings between the tax authority and the taxpayer representatives (through taxpayers' associations) can provide opportunities for both parties to air grievances, share views, seek clarification and make suggestions to resolve issues involving both parties. This should be the place where the views of the taxpayers are taken into consideration for the purpose of developing the strategic goals and objectives of a tax administration. Due to the lack of involvement from the external stakeholders, the taxpayers in particular could not voice out their opinion with regards to the quality of services provided by RMC. This practice is inconsistent with the international norms. According to OECD (2009), around two-thirds of the 43 revenue bodies in OECD and non-OECD countries reviewed in its study regularly survey taxpayers and other stakeholders to gauge their views and perceptions of service delivery and the overall tax administration performance. This problem can be resolved if RMC provides a medium for the taxpayers to communicate their dissatisfaction and involves the taxpayers in the development of its strategic plan.

Second, lower level employees of RMC are not involved in the department's strategic planning process. However, the employees were directed by the management to report on their activities concerning the achievement of the strategic plan without really understanding the rationale or importance of doing so. This resulted in lack of commitment from the lower level employees to formally report on their activities related to or the achievement of the strategic plan to the management of RMC. The reason for the lack of commitment for such activities was the limited understanding of management expectations on the part of the operational level, as well as

insufficient information regarding the operational constraints in implementing the strategic initiatives.

- No reporting to the external stakeholders:

It was revealed that there was no reporting on a regular basis made to the external stakeholders (taxpayers) on performance measurement activities and the achievement of the strategic plan of RMC. The practice of preparing annual performance reports is almost universal, i.e. 42 out of 43 revenue bodies surveyed by the OECD (2009). The Canada Revenue Agency (CRA) and the United States Internal Revenue Service (IRS), for example, publish an Annual Performance Report and Accountability Report. For both CRA and IRS, agency plans and key elements of program activity are subject to external scrutiny. In a study by Mucciarone (2008), it was revealed that, for most of the government departments in Malaysia, performance-related documents are only available upon request. A person interested in the performance of a government department actually has to contact the department for a copy of the required information. This is also the case for RMC. The annual reports and other performance-related documents could only be obtained upon request and are mostly restricted by confidentiality issues. In this case, RMC did not address the external stakeholders' expectation for external reporting on the benefits and outcomes of a tax administration.

- No intensive evaluation and timely feedback on the achievement of the strategic plan:

The evaluation of the strategic management practices of RMC showed that there was no evaluation or timely feedback to improve the results/achievements of the strategic plan after the report was submitted to the management. This situation is contradictory to the emphasis of the performance management cycle, where the reports on results should be interpreted to obtain information and identify areas for improvement (OECD, 2009). Consequently, appropriate changes could not be made to the management structures and delivery mechanisms concerning the strategic plan of RMC. Also, the relevant benchmarks and/or data collection strategies could not be revised accordingly. Poister and Streib (1999) stated that strategic management requires continual monitoring of the 'fit' between the organisation and its environment and tracking external trends and forces that are likely to affect the governmental jurisdiction or agency. Poister and Streib (1999) added that successful strategic management requires the development and dissemination of innovations and encourages the flow of useful feedback from managers and employees regarding the viability and effectiveness of the strategies.

RMC also did not target programs for more intensive evaluation based on the achievement of the goals and objectives of the strategic plan that it had developed. The department did not benchmark performance measurements against other jurisdictions or countries to determine the effectiveness of its strategic initiatives. The practice of benchmarking performance results should be encouraged as it is difficult to assess the performance of a tax administration without comparing it to some performance standards. According to OECD (2009), countries continue to struggle with the issues of target level and numbers. There are problems with setting targets too low and/or too high. Setting targets too low means that tax administrations are not challenged to improve performance. Setting them too high creates unrealistic expectations and situations in which the tax administrations will fail. It takes time to get the right level and to get the comparative data to realise that targets are set at too high or too low a level. In this case, benchmarking with international benchmarks is an appropriate tool for evaluating the performance of a tax administration. Benchmarking is used by some to refer to

goals and outcome measures which are linked to a strategic plan or vision (Link and Oldendick, 2000). In the case of RMC, no comparison was made between its performance and any form of benchmarks or performance standards.

The lack of evaluation and timely feedback on the achievement of the strategic goals and objectives of RMC can affect its performance. This is because prompt feedback on the performance of a tax administration can help to improve the execution of its tasks, hence producing better outputs.

- **Insufficient allocation of resources in the strategic planning process:**
Basically, the annual budget prepared by the Director of RMC supported its strategic goals and objectives, the capital budget reflected these goals, and the strategic plan had a strong influence on the budget requests submitted by the department heads. The performance data tied to the strategic goals and objectives also played an important role in determining the allocation of resources at RMC. The existence of these elements for strategic planning process is in accordance with what was proposed by Poister and Streib (2005). However, the result of the interviews revealed that there was no new budget granted to RMC specifically for the purpose of achieving the strategic goals or objectives which have not been accomplished by the department. On the contrary, in the study by Poister and Streib (2005), it was found that almost 84 percent of the municipal governments in the United States reported that new money in particular was targeted to achieving strategic goals and objectives of the departments. Their finding indicates the importance of allocating sufficient resources for the purpose of achieving strategic goals and objectives of public sector organisations, which should also be the case for RMC. Insufficient resources can affect operational and individual performance, hence affecting the achievement of the strategic goals and objectives of RMC.

- **Employees' salary was not based on contributions to advancing the strategic plan:**
At RMC, the annual salary adjustments for the employees were not based on their contributions to advancing the strategic plan of the department. This resulted in employee unwillingness to be concerned with the accomplishment of the strategic plan of the department, as they perceived that 'business' will be as usual and it had no direct effect on their individual promotion, even if they did not contribute to achieving the strategic plan. A study by Poister and Streib (2005) on the municipal governments in the United States also revealed that only 30 per cent of the municipals adjusted annual salary for the employees based on the contributions towards the strategic plan. On the other hand, management theory and empirical researches concluded that a strong performance incentive increases motivation and performance of employees (Rynes et al., 2005). The appraisal system for employees should be in line with the organisation's budget and organisational plans and allow employee performance and contributions to be more closely measured against organisational objectives (Joinson, 2001). Tying employees' performance to the achievement of the organisation's strategic plan is an important factor to increase motivation and performance of employees.

b) Informal Organisation

The overall result shows that RMC was dominated by the hierarchical culture. In such a culture, individual conformity and compliance are achieved through the enforcement of formally stated rules and procedures (Zammuto and Krakower, 1991). The culture involves authoritarian

management style with high degree of control, little communication and top-down management, and centralised decision-making (Parker and Bradley, 2000). The hierarchical culture corresponds with the finding for the strategic planning process at RMC. The investigation of the strategic planning process revealed that lower level employees were not involved in the process but were directed by the management to report their activities related to the strategic plan without understanding the rationale or importance of doing so. The employees perceived the activities of preparing such reports as extra workload that had no direct relation to their routine tasks. In this case, the hierarchical culture within the department did not help to communicate to the employees at all levels on the importance of understanding and participating in the efforts to achieve the strategic plan of the department.

The results from the survey on the organisational culture at RMC also show that there was a lack of group culture in the department. Group culture involves an internal focus in which training and development of human resources are utilised to achieve cohesion and employee morale. The lack of group culture correlates with the finding from the interview concerning the strategic planning process at RMC. The interview revealed the unwillingness of the employees to attend job-related training and courses organised by RMC. This issue can be reduced if the group culture is strong within the department. When this is the case, managers seek to encourage and mentor employees and goals are achieved through consensus building rather than control. Group culture can promote employees' morale, hence motivating them towards performing their task in an efficient manner.

Hierarchical culture, a dominant culture at RMC, rewards employees' performance based on rank. The system of rewarding performance based on rank shows association with the finding on the source of job dissatisfaction among the tax employees. The employees were dissatisfied with RMC's concern for their welfare and the system for recognising and rewarding performance. The correlation test performed in this study shows that tax employees' work stress was positively correlated with the hierarchical culture at RMC. This concerned the stress of not knowing for certain how they will be evaluated for a raise or promotion. The correlation test also revealed that tax employees' job satisfaction was negatively correlated with the hierarchical culture. Studies in various industries and countries show that bureaucratic/hierarchical culture had a negative impact on job satisfaction (Brewer and Clippard, 2002; Rashid et al., 2003; Silverthorne, 2004).

2) Operational Level

An investigation on the tax administration tasks performed at RMC was conducted through document studies. The investigation involved analysing 48 items related to: 1) enforcement; 2) tax payments and collections; 3) automated systems; 4) planning and coordinating; 5) sanctions and penalty systems; 6) organisation, institutional credibility and public confidence; and 7) tax personnel management.

The guidelines in this study proposed that the performance of these task items should be compared against the performance indicators/standards from the strategic plan of RMC. However, the strategic plan document only included the general seven strategies of RMC and did not cover the detailed performance indicators for achieving the strategic goals and objectives of the department. Detailed indicators which were set up for each department at RMC were for internal use and were inaccessible by the public. Due to unavailability of performance indicators from RMC, this study evaluated the 48 task items of RMC by comparing them against the

international benchmarks as proposed by Gallagher (2005). Comparison data for the benchmarking purpose was also derived from the report of the World Bank (2009) and OECD (2009). The results from the evaluation of these items are summarised in Table 1.

Table 1: Task Performance of RMC in Comparison with International Benchmarks

	Items Evaluated	International Benchmarks	Royal Malaysian Customs
1.	Auditors per tax administrators	16% - 40%	7.20%
2.	Auditors per registered taxpayers	-	1:411
3.	Percent of taxpayers subject to annual audit	1% - 10%	1.38%
4.	Comprehensive audit plan, type of audit and audit selection criteria	Yes	Yes
5.	Simultaneous or separate audit for different type of taxes	Simultaneous	Simultaneous
6.	Unified domestic and import audits	Trend	Trend
7.	Separation of taxpayers by size or nature	Yes	Yes
8.	Enforcement powers of the tax administration	Broad	Broad
9.	Advance notification of intention to take enforcement action	Yes	Yes
10.	Electronic payment methods	Yes	Yes
11.	Percent of large taxpayers paying via internet	100%	n.a.
12.	Numbers of stop-filers as percent of active taxpayers	5%	13.38%
13.	Average time to detect stop-filer and procedure to detect stop-filer	Minimum	Minimum
14.	Tax debt as percent of annual tax revenue	5%	1.54%
15.	Recovery of tax debt	33% - 50%	32%
16.	Share of fines collected	80%	70.90%
17.	Administrative cost as percent of total tax revenue	0.75% - 1%	0.26%
18.	Institutions that establish revenue targets	Ministry	Ministry
19.	Computerised tax administration functions	Yes	Yes
20.	Interconnectivity between head office and local tax offices	Yes	Yes
21.	Data and systems backups	Yes	Yes
22.	Operating taxpayer current account	Yes	Yes
23.	Operating taxpayer registry	Yes	Limited
24.	Automated audit selection	Yes	No
25.	Tax declaration entry with automatic error correction	Yes	Yes
26.	Use of external data, information and databases	Yes	Yes
27.	Crossing information among taxes	Yes	Yes
28.	Late or stop-filer system	Yes	Yes
29.	Planning, monitoring and evaluation system	Yes	Yes
30.	Coordinate information with ministries and other departments	Yes	Yes

31.	Number of taxpayers per tax administration staff	150 to 250:1	104:1
32.	Percent of staff in non-core operational functions	20%	40%
33.	Percent of employees with university degrees	70%	29.70%
34.	Ratio of director salaries to the tax auditors	2:1	3.2:1
35.	Ratio of tax administrator's salary to average GDP per capita	2:1	0.15:1
36.	Existence of administrative career plan and formal retirement plan	Yes	Yes
37.	Specialised training for staff	Yes	Yes
38.	Tax administration code	Single code	Variety of laws
39.	Existence of tax fraud law	Yes	Yes
40.	Application of tax fraud felony sanctions	Little	Little
41.	Appeals tribunal	Yes	Yes
42.	Penalties and late payment interest rates	Yes	Yes
43.	Stability of top-level position	Fixed appointment	Fixed appointment
44.	Professionalism of staff	Excellent	Moderate
45.	Tax fraud unit in the tax administration	Yes	Yes
46.	Unit for investigation of internal corruption	Yes	Yes
47.	Internal regulation	Yes	Yes
48.	Quality of taxpayer services	Yes	Moderate

Source: Various documentary sources

The findings identified key problems in task performance of RMC, which were below the international benchmarks. From the findings, 14 out of 48 items that showed a divergence from the international benchmarks are related to enforcement (1 item), payment and collection (4 items), information systems (2 items), tax personnel management (4 items), sanction and penalty (1 item), organisation, institutional credibility and public confidence (2 items). Specifically, the aspects of tax administration which were less efficient as compared to the international benchmarks are as follows:

1. Existence of a large variety of laws
2. Incomplete and not up-to-date taxpayer registry
3. High percentage of stop-filers as compared to registered and active taxpayers
4. Low share of fines collected
5. Manual audit selection
6. Moderate taxpayer service quality
7. Too low administrative cost as compared to total tax revenue
8. Unavailability of tax payment via the internet or electronic filing
9. Large number of taxpayers per tax administrators
10. Small number of tax administrators performing core operational functions
11. Small number of tax auditors as compared to tax administrators
12. Low percentage of tax administrators with university degrees
13. Moderate professionalism of the tax administrators
14. Low tax administrators' salary as compared to GDP per capita

Basically, the above items can be classified into two main issues, i.e. tax collection process (items 1 to 6) and capabilities (items 7 to 14). According to Neely et al. (2007), many existing measurement frameworks do not address the issue of processes and capabilities in achieving organisational strategies. Once the strategies have been identified and the right performance measures established, it is assumed that everything will be fine. However, studies suggest that some 90 percent of managers fail to implement and deliver their organisation's strategies, and the key reason for strategic failure is that an organisation's processes and capabilities are not aligned with its strategies (Neely et al., 2007). In this case, measurement plays a crucial role by allowing managers to track whether or not the right processes and capabilities are in place and to communicate which processes and capabilities matter to achieve an organisation's strategies. The findings in this study indicate that RMC's tax collection process and capabilities were not aligned with its strategies, which are as follows:

1. Collect customs duties and taxes accurately and correctly
2. Implement the actions to ensure the safety of global trading and give balance facilitation in order not to impede the legal trading flows
3. Prevent smuggling, trading fraud and violation of law
4. Increase compliance of the law through voluntary and informed compliance by the customers and through programmed auditing
5. Ensure customs ruling, classification and evaluation of goods are confidently viewed, as well as manage revenue accounting and drafting systems efficiently
6. Increase competitiveness of industrial and trading sectors of the country through incentives and facilitations granted in line with the foundation of the industrial, trading and tourism sectors of the country
7. Manage the department resources efficiently and effectively

It seems difficult for RMC to fully implement the above strategies. For example, 'strategy 1', i.e. to collect customs duties and taxes accurately and correctly, and 'strategy 7', i.e. to manage the department resources efficiently and effectively, were not achieved due to inefficiency in the tax collection process and limited capabilities in terms of capital and human resources as indicated in the above 14 items.

For the measurement of the mid-term outcome of a tax administration in terms of taxpayer satisfaction with the quality of services provided, the result of the survey shows a moderate level of satisfaction towards the quality of services delivered by RMC. In the survey, the taxpayers revealed the dissatisfaction with the quality of interaction with the tax employees as well as the waiting time at the department. This result indicates that the quality of customer services at RMC should be improved to better serve the public. Empirical evidence shows that voluntary compliance by taxpayers improves when the tax administration provides better services (Wallschutzky, 1984).

3) Individual Level

Several issues were discovered based on the overall results on the perceptions of tax employees regarding work stress, motivation, organisational commitment and job satisfaction at RMC. It was found that the tax employees of RMC were generally motivated and committed towards their jobs and workplace. However, the assessment on the tax employees' work stress

revealed that the employees received many assignments without the manpower to complete them within the deadlines. The existence of stress was related to the issue of inadequate human resources, especially in performing core operational tax administration functions such as auditing. Williams et al. (2001) found out that short-term outcomes of job stress have both physiological and behavioural effects leading to poor job performance. This, in turn, can affect the implementation of an organisation's strategic goals and objectives.

For the tax employees' job satisfaction, the employees indicated that they were dissatisfied with the department's concern for their welfare. They were also dissatisfied with the department's processes for recognising and rewarding outstanding performance. It was also discovered that the work stress of the tax employees was significantly correlated with their perceived job satisfaction. The result of the correlation test in this study indicates that work stress among the tax employees was negatively correlated with their job satisfaction. Studies have shown that stress at work is a well-known factor for low morale, decrease in performance, high turnover and sick-leave, accidents, and low job satisfaction (Schabracq and Cooper, 2000).

Diagnose the Congruence in the Transformation Process

The guidelines in this study show that the strategic level should be the first level to be evaluated as this is the highest level in performance management. The performance of this level can affect performance at the operational and individual levels. The investigation of RMC's strategic planning process revealed several weaknesses: 1) a lack of involvement from external stakeholders; 2) no reporting on a regular basis on the performance measurements and achievement of the strategic plan to the external stakeholders; 3) a lack of involvement from internal stakeholders; 4) no intensive evaluation and timely feedback on the achievement of the strategic plan; 5) insufficient allocation of resources in the strategic planning process; and 6) employees' salaries were not based on their contributions to advancing the strategic plan.

The first two weaknesses are related to the lack of application of an open systems approach in tax administration performance management. The limited involvement from the external stakeholders (taxpayers) in the development of RMC's strategic plan and the lack of reporting on the achievement of the plan to the external stakeholders demonstrated that the tax administration did not adopt an open systems approach to performance management. This is because it did not acknowledge the importance of stakeholders in its external environment. The finding from the case study raises the question as to whether an open systems approach to performance management is appropriate in the tax administration context of a developing country. However, tax administrations in the developed countries regularly survey and involve their external stakeholders to gauge their views and perceptions of service delivery and the overall tax administration performance. In addition, publishing reports for external stakeholders is a normal practice for tax administrations in developed countries. This is because organisation goals embody the vision/mission, which are expressions of its response to external stakeholders' expectations and requirements. These expectations and requirements represent external reporting that includes outcomes of a tax administration. External reporting that promotes transparency, accountability, efficiency, effectiveness, openness, preventing of corruption and excess expenditure can promise good governance for public administration (Shimomura, 2003). Consequently, it is concluded that it will be useful for tax administrations in developing countries to also involve external stakeholders and provide external reporting.

The other four weaknesses in the strategic planning process at RMC demonstrate the importance of integrating performance management at the strategic, operational and individual levels. The lack of involvement from the internal stakeholders (lower level employees) in the strategic planning process affected performance at the operational and individual levels. Restricted communication between the management and the employees in the strategic planning process resulted in limited understanding of management expectations at the operational level, as well as insufficient information regarding operational constraints in implementing the strategic initiatives. At the individual level, the employees were uncommitted to formally report on their activities related to or the achievement of the strategic plan to the management of RMC. This shows a lack of ownership among the employees towards the strategic plan of the department. The lack of communication between management and employees was also connected to the hierarchical culture which was dominant within the tax administration. The culture involves authoritarian management style with high degree of control, little communication and top-down management, and centralised decision-making. The hierarchical culture did not help to communicate to the employees at all levels the importance of understanding and participating in the efforts to achieve the strategic plan of the department. Consequently, these results affirm the value of the integrated approach to performance management incorporated into the model in relation to strategic planning of a tax administration.

The weakness in the strategic planning process of RMC was also evident in the absence of intensive evaluation and timely feedback on the achievement of its strategic plan. Feedback is very important in strategic planning as well as the performance management cycle as it can reflect whether a tax administration is performing in accordance with the plan. As people receive feedback on their performance, they appreciate the discrepancy between what they are doing and what they are expected to do and take corrective action to overcome it. In this regard, the lack of timely evaluation on the achievement of RMC's strategic plan can affect performance at the operational and individual levels.

The problem in the strategic planning process at RMC was also related to the lack of proper planning with regards to the department's capabilities (human and capital resources) to achieve its strategic plan. RMC should carefully consider the capabilities of achieving its strategic plan in its strategic planning process, hence preparing and submitting the annual budget that strongly supports its strategic goals and objectives to the Ministry of Finance. In this case, performance management plays a crucial role by allowing managers to track whether or not the right capabilities are in place to perform the task at the operational level. The insufficient resources resulted in the inefficiency of RMC in performing its task. This problem also affected performance at the individual level as the tax employees were stressed because they received many assignments without the manpower to complete them within the deadline. In this case, the integrated approach to performance management has indicated that the capabilities at the operational and individual levels are not always appropriate to achieve the strategic goals and objectives of a tax administration.

The final issue in the strategic planning process is that employees' salaries were not based on their contributions to advancing the strategic plan. This is associated with the hierarchical culture at RMC, which rewards employees' performance based on rank. The system of rewarding performance based on rank shows association with the source of job dissatisfaction among the tax employees. The employees were dissatisfied with the department's concern for their welfare and the system for recognising and rewarding performance. The correlation test performed in this study shows that tax employees' job dissatisfaction and work stress were

significantly correlated with the hierarchical culture. Due to the dominance of the hierarchical culture, it was also found that there was a lack of group culture at the department. Group culture involves an internal focus in which training and development of human resources are utilised to achieve cohesion and employee morale. The lack of group culture correlates with the unwillingness of the employees to attend job-related trainings and courses organised by RMC. Group culture can promote employees' morale, hence motivating them to perform their task in an efficient manner.

Overall, the above findings show the importance of applying an integrated and open systems approach to tax administration performance management. The integrated approach to performance management can help to identify issues as well as highlight specific areas that can be addressed to support performance improvement. The guidelines for performance management developed in this study are practical for diagnosing the areas of incongruence among the components at the different organisational levels by showing how the components are interrelated, interdependent and affect each other.

The findings from the diagnosis can be used to better integrate activities at the strategic, operational and individual levels that will support the improvement of a tax administration's overall efficiency. This is because the diagnosis can reflect the reasons that the strategic plan is not fully accomplished by identifying the aspects of the strategic level (strategic planning process and culture), operational level (task), and individual level (employees) that are possibly contributing to underperformance of a tax administration. In this case, corrective action can be taken where performance is falling short of targets. Then the performance management cycle can start again with a new strategic plan being drawn up to include new policies that can improve the tax administration's performance.

Communicate the Information

It was found that there was no external reporting on a regular basis made to the external stakeholders, specifically the taxpayers, regarding the performance measurements and the achievement of the strategic plan of RMC. The practice of preparing annual performance and accountability reports is almost universal in the developed countries. The same scenario is not applicable to RMC because the annual report and other performance-related reports are only internally circulated and are not available for public scrutiny. Nonetheless, such reports are important for public information, specifically in an open systems approach to performance management, as the reports can enhance the accountability of a tax administration. The Chartered Institute of Public Finance and Accountancy (CIPFA) (CIPFA, 1995) stated that the concept of stewardship in the public service is closely related to the concept of accountability. The institute believes that performance reports and accountability reports are the key ways in which accountability is communicated, and that public service organisations have an opportunity to use such published information as the main vehicle for demonstrating their accountability. This view is also supported by Mulgan (2003) and Curtin and Dekker (2005). It is therefore significant to continually consider ways to increase integrity and public confidence, hence encouraging voluntary compliance by the taxpayers. In turn, this will improve the outcome of a tax administration in the long term.

Conclusion

The performance management model and its guidelines developed in this study were used to guide an effective investigation of a tax administration transformation process and highlighted areas for improvement and ways to improve its performance management. The guidelines also provided a means to evaluate both institutional and behavioural aspects of a tax administration. However, the guidelines do not offer a 'cookbook'-like approach to improving tax administration performance management. Every scenario of a tax administration will require a different set of strategies to improve performance. The time-frame to achieve the strategic goals and objectives in a tax administration's strategic plan should also be considered. This is because some goals and objectives can be achieved in a short-term plan (one-year period), while others can only be achieved in a mid-term plan (three-year period) or a long-term plan (five-year period). In addition, the model and its guidelines are only effective if the people at the different organisational levels cooperate with each other to undertake the integrated approach to performance management and work together to understand both the institutional and behavioural factors that can affect performance. Rather than a prescriptive set of steps or a definitive checklist, this study highlights specific aspects of the guidelines that contribute to identify ways to improve performance management in a tax administration, and, in doing so, identify measures that can be taken by other tax administrations to improve their performance management.

A significant finding from this study is that the performance management model and its guidelines provided a reliable approach for integrating the different levels of performance management. They demonstrated that the components in the transformation process of a tax administration are interrelated, and contributed to the overall performance of a tax administration. For example, the lack of proper planning at the strategic level at RMC resulted in the problems of achieving some of the strategic goals and objectives in its strategic plan, tasks being performed in less efficient manner, and the existence of work stress and job dissatisfaction among the tax employees. The findings from the case study supported the claim that the guidelines in particular, and the model in general, can provide valuable information on the interaction of the different organisational levels, hence indicating a way for a tax administration to integrate and improve the different performance management levels. The guidelines are reliable mechanisms for a tax administration to evaluate its current state and plan for the development of resources, tasks and procedures, services, people, outputs and outcomes to improve its efficiency and effectiveness.

About the Authors:

Dr. Muzainah Mansor received a PhD in Taxation from University of New South Wales, Australia. She is a senior lecturer at the School of Accountancy, Universiti Utara Malaysia, Malaysia. She has thirteen years of experience in teaching and research. She is the former Director of the Institute of Taxation Research, Universiti Utara Malaysia. Her research interests include Taxation and Accounting Education. She has presented papers in various national and international conferences and published papers in both local and international refereed journals. She has written eight books and book chapters on taxation and accounting. Her current area of research is on tax administration performance management.

Professor Mahamad Tayib received a PhD in Accounting and Finance from Glamorgan University, Wales. He is a professor at the OYA Graduate School of Business, Universiti Utara Malaysia, Malaysia. He is the former Assistant Vice Chancellor of UUM College of Business, Universiti Utara Malaysia and the former Deputy Vice Chancellor of Universiti Tun Abdul Razak, Kuala Lumpur, Malaysia. He has more than twenty-five years of experience in teaching and research. His research interests include Accounting Education, Taxation (Property Tax and Indirect Tax), Public Sector Financial Management (Local and Central Government), Financial Accounting Theory and Reporting, and Accounting Information System. He has presented papers in more than thirty national and international conferences. He has also published papers in more than twenty refereed international journals. He has written eight books related to his research work. He is currently dealing with few projects sponsored by government of Malaysia.

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