

CREATING TAX ADMINISTRATION CAPACITIES THROUGH STRATEGIC HUMAN CAPITAL DEVELOPMENT: EVIDENCE FROM KWARA IRS

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Abstract

This paper is a Tax Administrator's experience sharing on the modalities for creating tax administration capacities using strategic human capital development. It is based on the three years' experience of the particular tax administrator at a State Internal Revenue Service (SIRS) in the North Central Region of Nigeria. The paper examined the strategic human capital development (SHCD) methodology of the SIRS in the creation of the tax administration capacities required at all levels of management (low, middle and top) of the SIRS under focus. The SIRS identified the need for human capital development from its inception and built into its process the SHCD methodology of five layers, namely; entry training programme (of 3 months) for all staff, the monthly field feedback and training (of a day monthly) for all staff, directorates' regular technical training, professional trainings, and leadership and management trainings (both local and international). These schedule trainings have become a closely knitted SHCD that has improved the skills and capacities of the employees of the SIRS. To ascertain the extent to which the above have impacted on the employees in terms of readiness for change and service excellence, the study appraises the set of staff employed in the first two years of operations with a set of questionnaires applied to 642 staff of KW-IRS present at a particular month field feedback/training session. The findings revealed that the SHCD, as adopted by the SIRS, is instrumental to the successful start-up of the SIRS after its establishment by law in 2015, and the improved performance of the Service that has become a basis for several studies and commendations/accolades received. This paper is therefore significant given that it examined the impact of the strategic human capital development methodology in creating tax administration capacities in the SIRS.

Keywords: Strategic Human Capital Development, Employee Development, Revenue Service, Tax Administration

Introduction

Strategic Human Capital Development (SHCD) represents the alignment of various aspects of managing an organization's human capital including policies, strategies, and programmes with the vision, mission, and goals of the organization through proper design, planning and analysis. SHCD is a beginning to end process given that it covers all processes from hiring, training, development, management, and retention of employees. Investing in SHCD within organizations is a recent trend given that in the past, there was no formal approach to training and developing employees. The general order was that employees developed on-the-job as they learnt, go through the ranks and/or as they

gathered experience moving from one organization to another. This loss of human capital as well as the evolving complexity of organization structures across the past few decades has led to increasing demand for sustainability of skilled workforce and hence, the appeal of human capital development as a long-term investment for organizations. Beyond this, another problem found is that most studies on SHCD have focused on its effect with motivation and staff performance while aspects such as change readiness which is inevitable in today's environment as well as service delivery have been neglected.

The benefits of adopting SHCD have been found to include clarity in goals and direction; defining of policies and strategies to achieve them; designing the necessary implementation plans which would lead to providing the commensurate resources; recruiting the best-fit employees for the jobs; having career development plans for the employees; training, coaching, mentoring, and motivating staff so as to enable them operate at optimal capacity and encourage retention; adopting suitable performance management measures to check and ensure effectiveness, efficiency, accountability, and customer satisfaction; as well as using results to review and revise methods appropriately.

Literature Review

Strategic Management is a combination of science and arts which increases an organization's chances of success as it involves detailed planning of each and every variable of the organization that can help in the achievement of organizational goals and objectives (Afsar, 2011). In today's modern world, the original pure rational strategic management is no longer adaptable because of the complexity of the ever-changing environment. Thus, there is a plethora of irrationality creeping into the strategic management theory that is positively shaping the concept (Liu & Tan, 2008). In line with the above, a framework for understanding strategic management has been put forward to consist of three elements, namely; formulation of the organization's future mission in the light of changing external factors, development of a competitive strategy to achieve the mission created, and an organizational structure capable of deploying resources to successfully carry out its competitive strategy. Therefore, strategic management is seen as adaptive and capable of keeping an organization relevant irrespective of the environmental circumstance (Child & McGrath, 2001).

Drawing from the above is the strategic human capital development that places the people (human capital) as the fulcrum of the attainment of whatever objectives set for the organization. Even the setting of the objectives and the understanding of the processes of accomplishing them revolves around the human capital potentials of the organization, thus the place of training otherwise referred to as human capital development (Awodun & Edu, 2018). This concept of human capital development has been viewed differently by different scholars, and these views are worth considering for better understanding (Robins, 2004; Sila, 2014; and Zhao, 2008).

While some scholars have viewed training or human capital development as a process of providing employees with specific skills required to correct observed deficiencies in their job execution capacities, (Vasudevan, 2014), others have viewed it as human resource management intervention that alters employee behaviors in a direction that

enables organizations to achieve their goals and objectives (Dabale et al., 2014). Whichever of the above views that we may hold, both have become acceptable to the extent that organizations have pursued growth through training for skills and capacity building, and ultimately organizational performance improvement (Awodun, 2018).

The SIRS under study therefore took these views into consideration by providing its employees with adequate continuous training under its strategic human capital development that was targeted towards creating capacities and developing the employees to perform to the utmost expectations of the organization in the drive to achieve the revenue mobilization targets. This is so because of the established fact that training plays a key role in the growth and development of organizations, as it is about the people. SHCD has been said to have direct or indirect effect on employee commitment in organizations as posited by Allen and Meyer (1991). Based on the importance of human capital development in organizations, Humphrey et al. (2013) argued that the current expansion of the global economy, and the fast-changing technology and innovation necessitate organizations to constantly train their employees. The above view is supported by an earlier study conducted by Awodun & Edu (2018) on the effects of continuous training on employee commitment, retention and employee performance in the State Internal Revenue Service where it was found that training impacts positively and significantly on employee commitment. In other words, training and employee commitment are positively related, as demonstrated by Muma, Iravo and Omondi (2014); Pasaoglu (2015); and Ijigu (2015). Previous studies have established that human capital development builds employee commitment. Some of such studies are Benson, (2006); and Jehanzeb et al., (2013). The above therefore form the basis of the strategic human capital development adopted by the Kwara State Internal Revenue Service and the basis of this paper.

The Kwara State Internal Revenue Service (KW-IRS) was established by the Kwara State Revenue Administration Law No.6 of 22nd June 2015 as an autonomous agency for domestic revenue mobilization in the State. KW-IRS commenced operations in January 2016 as a fully autonomous State Government Agency that reports directly to the Executive Governor of the State unlike the old arrangement where the Board of Internal Revenue was a department in the State Ministry of Finance.

The mandates of the Service included maintaining the integrity of tax laws in the revenue processes, eliminating instances of multiple taxation, ensuring convenient payment methods are available, ensuring efficiency of processes and quality service delivery to all customers, and improving the Internally Generated Revenue so as to assist the State Government attain specific economic and social policies for the strategic development of the State.

Faced with the need for a transformation, the Service adopted a reform model of change in people, process and technology (PPT Model). For a start-up organization as the case was for KW-IRS, the strategy employed for human capital development – the people, was through corporate training at various levels, right from entry level. Like other organizations KW-IRS embarked on developing human capital to ensure the capacity of employees are built so that they are able to carry out their functions effectively and efficiently, attain customer satisfaction and retention and ultimately, achieve the goals of the organization.

The SHCD adopted by KW-IRS focuses on various aspects including organization-specific, functional general management and leadership development training programmes. It is noteworthy that employee and career development at the Service have been entrenched in the human resource policies and thereby sourced from there as well as the situation and challenges of the organization.

- **Entry Training Programme**

This represents the orientation training programme given to new employees for a duration of 3 weeks. This SHCD training level is designed to provide customized training to new employees to introduce them to the corporate vision, mission, values, strategic direction, and organizational culture of the Service, while addressing the specific needs, challenges and solutions as specific for the organization and the environment in which it operates.

The entry training consists of one week each of Vision-Sharing to introduce the new staff to the organizational vision, mission, core values and corporate culture; Professional Training to educate them on tax laws and tax administration processes; and Field Training where employees go out to interact with taxpayers and/or are posted to directorates/departments within the Service for practical experience.

- **Monthly Field Feedback and Training**

This is a mandatory monthly session where all KW-IRS staff, regardless of duty station, in-State or out-of-State attend. This level is designed as a platform where all the members can bond as a team, provide feedback on experience from the field and bring information from taxpayers in line with the mandate of the Service, as well as receive training on general skills and information required by all staff e.g. communication skills, customer service skills, policy awareness, etc.

This SHCD level is also an opportunity for management to recognise and encourage performance, brainstorm, be honest and transparent with the whole team; while providing employees an opportunity to contribute through airing their views, making suggestions and having a sense of belonging.

- **Directorates' Regular Technical Training**

At KW-IRS, training is also carried out at Directorate/Departmental level, facilitated by in-house or external people depending on the topic and expertise required. This level allows the acquisition of professional, specific, in-depth knowledge and capacities as it relates to the functions of each directorate/department and the promotion of organization learning. This training is also a platform to breakdown strategic direction from Top Management into actionable results to be carried out by lower management staff. It is also an opportunity for team members to contribute ideas which can be escalated to Management where necessary.

- **Professional Training**

This training represents specific training where professional skills are acquired. This training exposes staff to global best practice including learning the use of advanced tools

where appropriate. This includes in-house and external training and is usually very specific to the job function of employees. This is where staff are sent for a wide variety of training including and beyond tax administration to accounting, law, logistics, human resource, IT, etc. professional courses.

- **Leadership and Management Training (Local and International)**

In recent times, organizations have also realized that beyond the need to build capacities for the activities of the organization, there is also the need to develop leadership capacity within the organization for improved service delivery. More so, the Service has adopted this as part of its succession and business continuity management plans. This level training allows the organization to build capacity such that responsibility could be delegated without losing authority.

At KW-IRS, leadership and management training usually occurs in two phases, first with top-management and other selected staff where policy and strategies are defined at the end of the training. After this, the training is stepped-down for the entire staff as the second phase. This presents opportunity to give rewards to top performers to benefit from the first phase of the training and a sense of ownership to all staff who are able to be trained and contribute to the implementation plan.

Methodology

Having emphasized on the demand for change at the conception and start-up of KW-IRS, the effects of the SHCD adopted by KW-IRS is therefore subjected to a study to examine the performance of the Service and measure the perception of the employees on their level of change readiness and its impact on the organization's attainment of Service Excellence. The study adopted survey method through questionnaire administered to KW-IRS staff during a Field Feedback/Training session in May 2018 i.e. over 2 years of implementing the SHCD plan adopted by the Service. Responses were received from 642 staff in attendance. The Questionnaire featured questions on attainment of service excellence by the organization and the level of change readiness of the employees. The staff were requested to rate themselves on a scale of 1 to 5 with 5 being the highest state of agreement and 1 being the lowest. Responses 1 and 2 were coded as negative while 3, 4 and 5 were taken as positive in the measure of change readiness.

Results and Discussion

The results of the study as shown in Figure 1 below indicates that 87% of respondents perceived themselves as ready for change for service excellence; 80% indicated that they were thinking change for service excellence; 74% stated that they were not resistant to the desired state of excellence of the organization, 73% specified that they were not resistant to going through the change process; and 77% indicated that they were not resistant to leaving the current state for desired state of excellence of the organization.

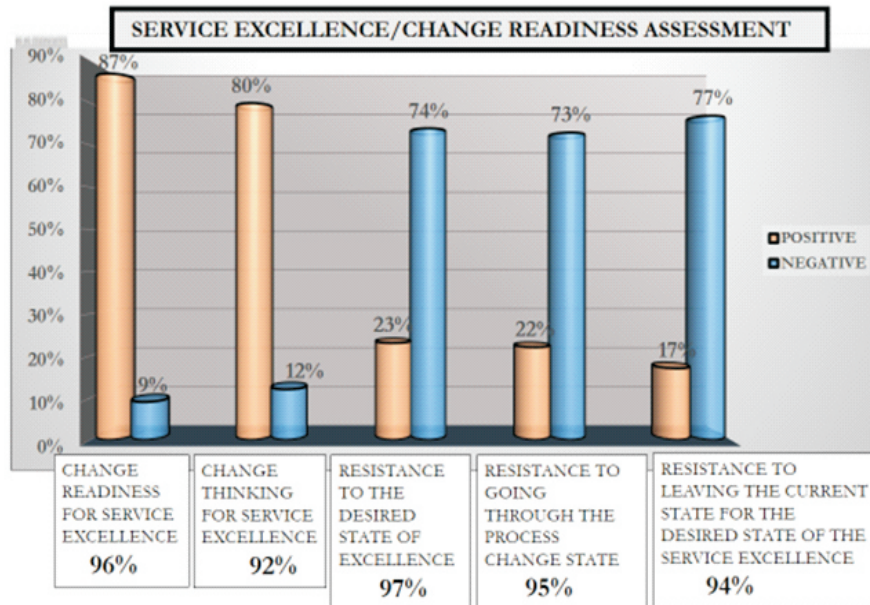
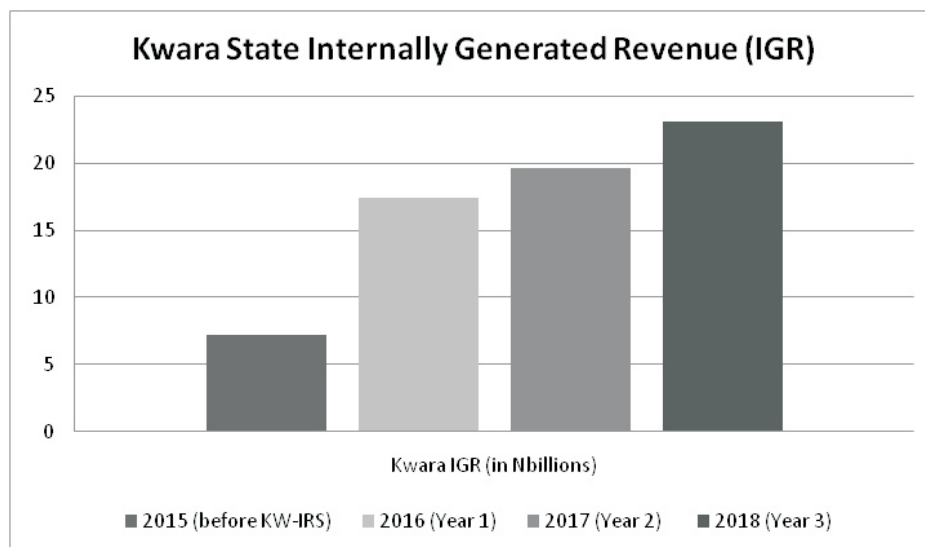


Figure 1

Source: Authors' Fieldwork Computation

From the findings, it is evident that the Strategic Human Capital Development (SHCD) adopted by the Service has successfully prepared the employees for change towards delivery of excellent service which are in line with the mandates of the Service as entrenched in the Law.

As shown in figure 2 below, it is evident that the Service has been able to increase the Internally Generated Revenue from the N7.2 billion annual total collection in 2015 to N17.4 billion in 2016 (the first full year after the implementation of the change), N19.6 billion in 2017 (the second full year of operations after the change), and N23.1 billion in 2018 (the third year of operations after the change).



The fact that a significant percentage of the staff of the organization were change ready and not resisting the change made the implementation of the strategic human capital development model very impactful to bring about the service excellence attained not only in IGR but improved taxpayer service delivery.

It could also be argued that the SHCD employed in this case beyond training and employee development incorporated other variables such as motivation. This is given that training, inclusiveness, recognition and reward, as well as benefits such as travel which is obtainable at the various levels of the SHCD adopted are a source of motivation for performance of staff.

The SHCD adopted by the Service has also been the basis for studies including the Impact Assessment conducted by the Centre for African Entrepreneurship and Leadership (CAEL), University of Wolverhampton, UK, and several awards by various bodies in academia and the industry including awards from professional bodies such as the award for the Most Improved IRS by the Chartered Institute of Taxation of Nigeria (CITN) and from taxpayers such as the Service Innovation Award presented by the Kwara Chamber of Commerce, Industry, Mines and Agriculture (KWACCIMA).

Conclusion

Ultimately, SHCD is recommended for any organization for excellent service delivery through its strategic human capital development. It is evident that despite process improvements, technology advancement and other trends such as the growth of social media, all these emanate from ideas from the people who make up the organization. In the end, knowledge, experience, creativity and innovation which are all key ingredients for the success of an organization lie within employees and as such, conscious efforts must be made to train, develop and retain the best performing employees.

It is obvious that the development of human capital has to be a strategically organized and delivered as a methodology for attaining the set objectives of any organization. The systematic process of accomplishing or raising the required manpower for attaining the level of success of any organization is dependent on the human capital development strategy of the organization.

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