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*Research paper, Short communication, and Review*

### **The Impact of Continuous Training on Maximizing Efficiency in Tax Administration: The Case of a State Internal Revenue Service (SIRS) in the North Central Region of Nigeria**

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#### **Executive Summary**

The purpose of this study is to establish the role of continuous training in maximizing efficiency in tax administration using the case of a State Internal Revenue Service (SIRS) in the North Central Region of Nigeria. The study examined the strategies adopted for continuous training by the SIRS and subsequently measured the impact of these strategies on the performance of all levels of management (low, middle and top) of the SIRS under focus.

The SIRS identified the need for training from its inception and built into its process the 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 five stage trainings have become a closely knitted continuous training strategy 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, the SWOT Analysis was adopted along with the appraisal of five set of questionnaires applied to 642 staff of the SIRS present at a particular month field feedback session.

The five set of questionnaires were designed to measure; (1) the state of change readiness of employees of the SIRS for service excellence, (2) the state of change thinking of employees of the SIRS for service excellence, (3) the state of resistance to change by the employees of the SIRS, (4) the state of resistance to going through the process of change by the employees of the SIRS, and (5) the state of resistance to leaving the current state for the desired state of excellence. All these are targeted towards measuring the state of readiness for change, through continuous training, on the employees' commitment, efficiency and performance. The above is in addition to the analysis of the individual strengths and weaknesses that culminates in the organizational strengths and weaknesses, including the environmental opportunities and threats which have a significant role to play on the organizational performance.

The findings revealed that between 73 - 87 percent of the staff of the SIRS are change ready, with positive change thinking mentality, not resistant to change, not resistant to going through the change process, and are not resistant to leaving the current state for the desired state of excellence. Ultimately, the study concludes that there is a positive relationship between continuous training, and employee commitment and job satisfaction, on the one hand, and



continuous training and performance excellence as relating to efficiency and effectiveness in tax administration, on the other hand.

This study is a pioneer one that extends the employee commitment debate to the Internal Revenue Service, using this SIRS as a case study. It provides an explanation, with empirical evidence, by demonstrating that training extends direct positive effect on employee commitment in revenue administration. The study also demonstrates that, in the revenue administration, job satisfaction helps to transmit the effect of continuous training on employee commitment and performance excellence.

**Keywords:** SWOT Analysis Tax Administration, Continuous Training, Employee Commitment, Performance Excellence

### **Introduction**

This study was conducted at a State Internal Revenue Service in the North Central Region of Nigeria that has its primary ethnic group as Yoruba, with significant Nupe, Bariba, and Fulani minorities. The population of this State, that is one of the 36 states that make up the Federation of Nigeria, was estimated at about 2.5 million, going by the statistics of the National Population Commission Census conducted in 2006, but believed to have grown to about 3.5 million, by the National Bureau of Statistics 2016 estimates.

Prior to the granting of autonomy through a revenue administration law establishing the new SIRS in 2015, the State Board of Internal Revenue (SBIR) was saddled with the same responsibilities to mobilize revenue for the State as a department under the civil service arrangement reporting to the State Ministry of Finance since 1967 when the State was created. However, with the new law that established the SIRS, the social contract became the guiding principle in this new arrangement to mobilize revenue for the strategic development of the State.

As a performance driven organization, the management and leadership of the SIRS, after a two-year stint of start-up experimentation, embarked on a sustainability and growth drive with a top management international staff training and capacity development at the Centre for African Entrepreneurship and Leadership (CAEL) of the University of Wolverhampton in 2017. This training was subsequently extended to all other levels of management (middle and low) to bring about the required performance efficiency for the desired sustainability and growth.

The SIRS operate a six-directorate structure with each directorate headed by a director, and each director is given adequate on-the-job training both locally and internationally to enable them discharge their duties effectively, and to make sure that employees under the directorate perform to expectations. All the directors meet on a bi-monthly basis to consider reports of their directorates at the top management level, while the management meets, also, on a bi-monthly basis, but on alternate weeks, to allow the middle level management the opportunity of being involved in decision making. The entire members of staff of the organization, as well, meet on a monthly basis at a monthly (regular) field feedback session. This creates the avenue for operational efficiency, effective communication, and inclusiveness in decision-making for the entire rank and file of the SIRS.

The operational structure of six directorates and eight (stand-alone) departments in the organization is as follows:

1. Corporate Organizations Directorate
2. Ministries Departments and Agencies Directorate
3. Other Revenues Directorate
4. Administration and Operations Directorate
5. Legal and Enforcement Directorate
6. Special Duties Directorate

7. Informal Sector Department
8. Property Tax Department
9. Tax Assessment Department
10. Tax Audit Department
11. Internal Audit Department
12. Corporate Affairs Department
13. Research and Data Gathering Department
14. Community Impact and Monitoring Department

### **Going into Literature on the Significance of Training in Organizations**

The concept of training has been viewed differently by different scholars, and these views are worth considering. While some scholars have viewed training as a process of providing employees with specific skills to correct deficiencies in their job execution (Vasudevan, 2014), others have viewed training 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. The SIRS under study therefore took these views into consideration by providing its employees with adequate continuous training that was targeted towards creating capacities and developing the employees to perform to the utmost expectations of the organization to meet its revenue mobilization targets.

No doubt, training plays a key role in the growth and development of organizations. Training has direct or indirect effect on employee commitment in organizations as posited by Allen and Meyer (1991). Based on the importance of training 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. This view was supported by a study conducted by Nkosi (2015) on the effects of training on employee commitment, retention and employee performance in a Local Municipality in South Africa 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 Meyer and Smith (2000).

It is therefore believed that training builds employee commitment as found in the studies of Benson, (2006); and Jehanzeb et al., (2013). Employee commitment is defined by Pool and Pool (2007) as the relative strength of an individual's identification and involvement in a particular organization. The concept of employee commitment is grounded in the theory of reciprocity (Cropanzano and Mitchell, 2005). This theory suggests that employees feel indebted to their organization if a practice such as training is provided by the employers (Brum, 2007). This theory is pertinent for training and commitment notion because training is one such practice that employees view as a gift (Brum, 2007). The result of this gift is that employees exert more effort and reciprocate in form of exhibiting loyalty to the organization (Sila, 2014). So, it is not difficult to conclude that, today, more than ever before, training of staff is inevitable in any modern organization (Boadu et al., 2014). Thus, the adoption of a continuous training strategy by the SIRS from inception in 2015.

### **The Study Method**

The State Internal Revenue Service (SIRS) under study, right from inception understands the significance of continuous training of employees as a medium for innovative performance improvement and embedded it in its business strategy. To be able to assess how far this has been achieved, a study was carried out during the special field feedback session of the month of May, 2018. The purpose of the study was to establish the role of continuous training in

maximizing efficiency in tax administration using the SIRS as a case. The study examined the strategies adopted for continuous training by the Service and subsequently measured the impact of these strategies on the performance of all levels of management (low, middle and top) of the Service.

The SIRS having identified the need for training from inception, had built into its process the entry training programme (of 3 months) for all staff, the monthly field feedback and training (of a day monthly) for all staff, directorates' regular (weekly) technical training sessions, professional trainings (as organized and available) within and outside the Service respectively, and leadership and management trainings (both local and international). These scheduled trainings have become a closely knitted continuous training that have improved the skills and capacities of the employees of the Service to create the required capacities for performance excellence.

To ascertain the extent to which the above have impacted on the employees, a set of five questionnaires was applied to a total number of 642 staff of the SIRS present at the month's field feedback session. The five sets of questionnaires were designed based on the conscious change strategy of the organization that continuously move staff around between a minimum of six months and a maximum of eighteen months, and the continuous training strategy described above. The following five problems were therefore set to be measured;

- (1) the state of change readiness of employees of the SIRS for service excellence,
- (2) the state of change thinking of employees of the SIRS for service excellence,
- (3) the state of resistance to change for service excellence by the employees of the SIRS,
- (4) the state of resistance to going through the process of change for service excellence, and
- (5) the state of resistance to leaving the current state for the desired state of excellence.

All the above were targeted towards measuring the impact of continuous training on the employees' level of efficiency. This is in addition to the analysis of the individual strengths and weaknesses of the employees as identified by each of them through a SWOT Analysis exercise conducted at the training that culminates in the organizational strengths and weaknesses, including the environmental opportunities and threats expected to have a significant role to play on organizational performance.

### **The Study Findings**

The study employed descriptive statistics and simple ratio to analyze the results obtained from the questionnaires. The age categories of the participants (staff of the SIRS) ranged between 24 and 55 years (an average of 26), with over 90 percent of them below the age of 45 years, thus leading us to conclude that this is a youthful organization ready to learn. The lowest educational qualification of the staff is Higher National Diploma (HND)/ Bachelor's Degree (BA/B.Sc./B.Agric./B.Tech), while the highest degree holder had a PhD. The various levels of mandatory continuous trainings in the organization, from entry level to exit, and the capacity to learn by the foundational qualifications of the staff, make the organization a learning organization in the proper sense.

The set of questionnaires was based on a Likert five-scale measure with 5 as highest and 1 as lowest. The results reveal that 87 percent of the staff of the SIRS are change ready based on their responses to the set of questions on the change readiness questionnaire, while 13 percent are not change ready. From the analysis of the responses to the questions on the change thinking (mentality) questionnaire, the result shows that 80 percent of the staff have positive change thinking mentality, while 20 percent have what could be termed as a negative change thinking mentality. Looking at the change resistance questionnaire, which is just another way of

measuring change readiness, the result of the responses of the staff to the set of questions reveals that 74 percent of the staff are not resistant to change, while 26 percent of the staff of the SIRS are resistant to change and would prefer to always remain at their comfort zones.

Just in the same vein, the response to the questions of the questionnaire meant to address staff readiness to go through the process of change at any time show that 73 percent of the staff are not resistant to going through the change process, while 27 percent are not ready to go through the change process. Finally, the analysis of the responses to the questions of the questionnaire that was meant to measure the readiness for change through the actual movement from the present state to another state of excellence reveal that about 78 percent of the staff of the SIRS are not resistant to leaving the current state for the desired state of excellence. This leaves only 12 percent of the entire staff at a state of non-readiness to change.

Drawing from the above findings, it is safe to conclude that about 73 – 87 percent of the staff of the SIRS are change ready, change thinking, not change resistant, not change process resistant, and ready to change for service excellence. This is indeed a significantly high percent, and a good measure of the impact of the five stages of continuous training institutionalized by the organization as a learning organization. Ultimately, the study relates this to the performance of the organization in mobilizing internally generated revenue (IGR) since its creation, by law, in 2015 that has shown over 200 percent increase in the IGR of the State in just two years of operations, and thus concludes that there is a positive relationship between training and employee commitment, as exhibited by the readiness for change findings, on the one hand, a positive relationship between continuous training and employee performance, on the other hand, as reflected by the SIRS performance since its creation and adoption of the continuous training strategy for efficiency in tax administration.

### **CAEL Training Evaluation**

The submission above resonates with the outcome of the physical impact assessment visit conducted by the team of the Centre for African Leadership and Entrepreneurship (CAEL) of the University of Wolverhampton for about a week that culminated in training of the 642 employees of the SIRS. The results of study conducted for the SIRS employees shows that most of them were happy doing their respective jobs, given the present situation and they hope the condition of service would continue to improve and support the conducive working atmosphere provided by the organization. The CAEL team discovered that majority of the employees are happy and gain new knowledge from the continuous training conducted regularly by the SIRS in their different categories. However, a few staff, as also corroborated by the study, have genuine concerns that needs the organization's urgent intervention.

On this scheduled visit, the team went as far as having interactive sessions with twelve categories of stakeholders outside the organization's staff and management which included the traditional rulers (one each from the central, southern and northern parts of the State), market women, high net-worth individuals, corporate organizations (four different major ones), members of road transport union, the state government (the executive and legislative), and the ministry of finance. It was revealed that without the co-operation of these external stakeholders as mentioned above, collection of taxes will not be as successful as it has been in the State. Thus, the ability of the SIRS to align with these various stakeholders in working together as a team from inception in 2015 has been of tremendous advantage to the organization.

The team started the exercise with an open session led by the executive chairman of the SIRS, and subsequently moved to the directorates where it had direct interactions with staff on the job, and saw the exhibition of high level of professionalism in public service, the type that is very rare in third world countries. The field reports, as seen by the team was overwhelming, no doubt, which quickly led to the submission that the outcomes of the top management training team coupled with the strategy of continuous training of the SIRS are undoubtedly yielding

positive impacts. According to many testimonies from the stakeholders, and even members of staff, the evidences on ground speak for itself that the leadership of the SIRS is doing an excellent job in collaboration with his team members.

Obviously, we are in a knowledge age, and Pineda (2010) had rightly argued that training evaluation gathers the analysis of the entirety of an organization's training programme, both in terms of social and financial considerations, to arrive at a global cost-benefit that is required to support decision-making. This is also a time of intensive knowledge flows, thus, the economic change of material-based production to information-based production requires a continuous reevaluation of the firm workers arriving at a new differentiation in labour (Child and McGrath, 2001). Learning organizations, therefore, emerge in response to permanent knowledge-based competitive moves, and since learning creates knowledge, then training fosters learning. So far, for the SIRS as a learning organization, the continuous training strategy is appropriately and effectively impacting on the drive to maximize performance efficiency in tax administration responsibilities of the SIRS.

### **Discussions and Recommendations**

With respect to these findings, we start our discussion by commenting that, the above results provide us with a strong basis to argue that training is very fundamental in building employee commitment, especially as discovered in the SIRS, as against the old system in the formal SBIR. In the old order, one could conclude that lack of productivity experienced may be linked to lack of visionary leadership and lack of training of the employees to meet the set targets. This study finds that if employees are trained and challenged by visionary leadership, it equips and updates them with the skills, knowledge and behavioral competencies that create a feeling of emotional attachment and loyalty to the organization. This will also keep the employees up-to-date with the mission and vision of the agency, so that no one is left behind.

The results also demonstrate that if employees are provided with trainings, they look at it as a form of communication to them that the employer has their interest at heart, that the employer minds about their welfare and in reciprocation, the employees feel as if they owe the organization for what it is doing to them, and they, in return, make efforts to remain committed and devoted to the organization. In tax administration, as in other organizations, technology is changing the pace of work. For example, customers prefer convenient payment methods, such as internet or phone payments. Therefore, the clients of various categories with varying needs and demands, and new employees joining organizations from time to time calls for management to uphold continuous training that will keep the employees abreast of societal changes as to serve clients efficiently and effectively and contribute to the achievement of the organizational goals and objectives.

This finding supports the works of Muma et al. (2014) and Jehanzeb et al. (2013) who found that training of employees increases willingness and capacity to adopt new technological changes and production methods, increases innovation and creativity from the employees and reduces employee turnovers which results into employee commitment. This result further supports the works of Riaz et al. (2013), Ijigu (2015), Pasaoglu (2015) and Dias and Silva (2016). The researchers found that organizations that have identified training as a strategic point have benefited from a committed workforce. In the light of these findings, it is safe to recommend that the SIRS should uphold its continuous training strategy as a tool to continuously build an army of committed workforce to enable the organization reach their potentials.

This study also provides strong support that training increases employee job satisfaction. This result demonstrates that if organizations conduct trainings, it creates a positive variation in employee job satisfaction. In view of this result, we find that training helps employees to acquire skills set, which enable them to execute their jobs easily. From the managerial perspective, the

learning point is that, the implementation of training and improvement in the ways in which training is offered boosts employee job satisfaction, which in turn enables employees to reciprocate in form of improved commitment. That is, it compels employees to stay in the organization. This result supports Ijigu's (2015) argument that training as HRM practice is a significant source of job satisfaction that leads to reduced turnover, lower absenteeism and increased employees' loyalty to the organizations. The study also shows that many employees of the SIRS and virtually all the stakeholders agree that the sustainability of the organization depends largely on the quality of its leadership. It was further suggested that the SIRS should continue to relate with the stakeholders and ensure that the government apply its resources in the interest of the society as a strategy for sustainability.

### **Concluding Remarks**

In conclusion, it is obvious that these results have outstanding managerial, policy and theoretical implications for service excellence and performance improvement. One of the achievements of the study is that it gave the entire employees of the SIRS the opportunity to participate which is part of the inclusiveness principle. By and large, this development closed the gap and differentiated the newly created SIRS from the old order in revenue administration in the State and the country in general. As for the management and managers, the results place a demand for action, as this study finds that employee training is very important in tax administration because it provides opportunity for employees to acquire skills set and update themselves in order to remain committed and relevant in their employment. It also sheds light on how to create public awareness to the stakeholders who are the primary target for tax payment.

For policymakers, they should realize that employee commitment does not come by chance, prayer or luck. Rather, something must be done about it and from this result, we see that if continuous training is implemented and sustained, a committed workforce is produced as the outcome. Therefore, policies regarding staff continuous training should be sustained without hesitation. This conclusion is supported by the works of Dardar et al. (2012) who found that organizations that provide continuous training to employees do promote employee commitment and dedication to work. The findings further conclude that job satisfaction partially mediates the relationship between training and employee commitment at the SIRS. Finally, these results are important because they provide evidence of the aggregate explanatory power of employee training and job satisfaction which prompt to efficiency and performance excellence.

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