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Strategic Planning in Public Organization: The Case of a Tax Administration in a Developing Country

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Abstract
Strategic planning is the most important and fundamental step in moving organizations to become more performance-oriented. An effective strategic planning system requires the strategic planning process to be linked with other management processes in an organization. This study investigates the strategic planning process to see how it is linked to other critical decision-making processes in a tax administration. Such study, specifically for tax administrations in developing countries is lacking in the literature. Data for this study was collected through interviews with tax officials of the Royal Malaysian Customs (RMC) which administers the indirect taxes. On the overall, the results reveal that the practices of the strategic planning system at RMC are similar to those of the international revenue bodies. However, some elements in the strategic planning process are inconsistent with the international practices and needed improvements. These are the areas related to stakeholders' involvement in the strategic planning process, evaluation process of the strategic plan, resources issues, and performance measurement activities. Reflecting on the problems faced by RMC in achieving its strategic goals and objectives, the main issues are related to the lack of resources and lack of commitment from the tax employees.

Key words: Strategic planning, tax administration, developing country.

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INTRODUCTION

In the 1960s, there was a strong trend towards centrally planned and measured approaches to government. In some countries this took the form of very detailed multi-year national planning systems. Such systems ultimately failed as they were too rigid to take account of uncertainty and unpredictability, and did not recognize the limitations of formal systems in influencing peoples' behavior (OECD, 2009). Public sector performance-oriented reform has had a revival over the past two decades. Learning from the failure of central planning, the approaches adopted within government ministries in a number of OECD member countries have been: a) strategic planning – focusing on goals but not trying to be precise on how to get there; b) strategic management – hope to adapt to new circumstances while still remaining focused on the main goals; c) mission and vision articulation – a process aimed at aligning the 'hearts and minds' of staff with organizational goals; and more recently d) leadership – enhancement of the capacity of certain individuals to touch the internal motivation of staff in support of organizational purposes. Within the public service agencies, the use of strategic planning as a means to strengthen performance is now of well proven validity, and it remains the most important and fundamental step in moving organizations to become more performance-oriented.

Research also shows that the use of strategic planning is beneficial to organizations (see Sarason and Tegarden (2003) for a comprehensive review of this issue). In their study, it was indicated that there is a positive relationship between strategic planning and performance of an organization. Notwithstanding the importance of strategic planning, there has been limited research on such topic concerning public organizations in developing countries, specifically in the tax administration context. Tax administrations have been claiming that they have strategic planning systems in place. According to a study by OECD (2009) on OECD and selected non-OECD countries, the practice of preparing a multi-year business plan

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appears to be almost universal (38 out of 43 revenue bodies surveyed). However, a significantly fewer number of revenue bodies make such plans publicly available (27 surveyed bodies). Despite these figures, the actual implementations of the strategic planning systems specifically in tax administrations in developing countries have not been studied. Hence, there is a need to fill this gap in the literature.

LITERATURE REVIEW

An understanding of why it is important for an organization to engage in holistic strategic planning begins with an understanding of what strategy means (Plant, 2009). The business literature is unequivocal about strategy – it is the essence of competitive success. Porter (1966) defined strategy as the creation of a unique position involving a different set of activities. Stewart (2004) stated that strategy underpins organizational survival by anticipating and dealing with challenges from competitors. However, Stewart added that in the public sector, the claims for the benefits of strategy are more low-key. Hughes (2003) acknowledges that there are more problems and constraints in the public sector as compared to the private sector, yet he is of the view that public organizations could conceivably benefit from a strategic approach. Every organization faces two levels of strategic issues i.e. the corporate strategy and business strategy (Wyman, 2003). For government organizations, "corporate strategy" reflects a combination of the legislative mandate which defines the public policy objectives of the organization. The business strategy is a set of decisions about how to configure the organization's resources in response to the demands, threats, opportunities, and constraints of the environment within the context of the organization's history. When the strategic and operational levels of an organization are integrated in a common approach, a holistic strategic planning model is created (Plant, 2009). Strategic planning has been defined as a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it (Bryson, 1995). It provides a systematic process for gathering information about the big picture and using it to establish a long-term direction and then translate that direction into specific goals, objectives, and actions (Poister and Streib, 2005). It blends futuristic thinking, objective analysis, and subjective evaluation of goals and priorities to chart a future course of action that will ensure the organization's vitality and effectiveness in the long run. "At best...it permeates the culture of an organization, creating an almost intuitive sense of where it is going and what is important" (Osborne and Gaebler, 1992, p. 234). A holistic strategic planning system is based on the assumption that all of the system elements are interrelated and interdependent.

However, strategic planning system alone is not adequate as putting plans into action is more significant. Strategic planning was introduced into the public sector 20 years ago, with much of the early literature focusing on local government applications (Dodge and Eadie, 1982; Eadie, 1983; Sorkin, Ferris and Hudak, 1984; Denhardt, 1985). Strategic planning is an action-oriented type of planning that is useful only if it is carefully linked to implementation – and this is often where the process breaks down (Poister and Streib, 2005). Public managers may fail to link their strategic planning efforts to other critical decision-making processes. Mintzberg (1994) is one of the most vocal critics of strategic planning precisely because organization's planning activities are too often completely divorced from performance measurement and resource allocation. Consequently, the Government Performance and Results Act of 1993 (for the United States of America) requires federal agencies to develop strategic plans and tie them to budgets and performance measures (Poister and Streib, 2005). As a result, many states have imposed similar results-oriented requirements through legislation or execution mandates (Broom, 1995; Melkers and Willoughby, 1998; Aristigueta, 1999). Even though many public managers have embraced strategic planning, it is unlikely to produce benefits they anticipate unless they drive it through budgeting, measurement, and performance management processes (Poister and Streib, 2005).

Based on the literature, having a strategic planning system in place is not a guarantee that an organization will achieve its strategic goals and objectives. It is important to evaluate the strategic planning process involved and how it is linked to other management processes in an organization. The following section discusses how this study was carried out to investigate the strategic planning process in a tax administration in a developing country.

RESEARCH METHODOLOGY

Strategic planning system involve a systematic structure of measures, methods of analysis and process of evaluation that form the core of sustained planning and control practice which are specific to an organization. The organization, or the context, therefore plays a central role. Given the fact that contextual issues were highly relevant to this study, a case study as a research strategy was appropriate for evaluating the strategic planning process of a tax administration. According to Yin (2003, p. 13), a case study is an empirical inquiry that:

- Investigates a contemporary phenomenon within its real-life context, especially when
- The boundaries between phenomenon and context are not clearly evident.

This study was performed on the Royal Malaysian Customs (RMC) i.e., the government agency which manages the indirect taxes in Malaysia. The aspects which are regarded as important in the strategic planning process as proposed by Poister and Streib (2005) are evaluated in this study. These aspects are: (1) stakeholders involvement; (2) strategic planning elements; (3) strategic management practices; (4) allocation of resources; (5) performance management activities, and (6) performance measurement activities. In order to gather the data, interviews with tax officials were utilized. This study incorporated the multiple stakeholders' analysis by conducting interviews with the tax officials from different departments who are involved in the strategic planning process as well as the performance management and measurement activities of the RMC.

Face-to-face interviews were held with ten tax officials who are members of the Strategic Planning Unit of the RMC. The unit consists of a leader who sees the overall implementation and achievement of the strategic plan for RMC and other nine members who represented the different departments at RMC. The discussions with all the ten tax officials were held at different times with no interaction among each other. The interviews were held in the year 2010.

RESULTS OF THE STUDY

The following sections present the results from the interviews with the tax officials of RMC.

Stakeholders' Involvement in Strategic Planning

The participants of the interviews were asked about stakeholders' involvement in the strategic planning process of RMC. The result of the interviews concerning various stakeholders' involvement is shown in Table 1.

Insert table 1 here

Table 1 shows that three out of twelve aspects concerning stakeholders' involvement were not undertaken by RMC. First, RMC did not involve the public and other external stakeholders in the development of its strategic plan. Second, lower level employees of RMC did not participate in the development of its strategic plan. Third, there was no reporting on a regular basis made to the external stakeholders (except for the related ministries) on the achievement of the strategic plan of RMC.

Strategic Planning Elements

The Director General of the RMC together with the Deputy Directors had a meeting to discuss all the strategic planning elements before including them in the strategic and action plan of the department. The strategic planning process of RMC emerged as being mission-driven and focusing on the future, setting goals, and initiating plans for implementation. Table 2 shows the strategic planning elements included in the strategic and action plan of RMC.

Insert table 2 here

Strategic Management Practices

Information on the extent to which RMC tied its strategic plan to strategic management practices to monitor the accomplishment of the strategic goals and objectives was also sought during the interviews. Table 3 lists the items of strategic management practices and their applicability to RMC. Table 3 shows that item 7 was not applicable to RMC. There was no timely feedback or evaluation from the RMC Head Office to improve the results/achievements of the strategic plan. The results were supposed to be monitored every six months by the head office.

Insert table 3 here

Allocation of Resources

The interviews on the strategic planning process involved six questions regarding specific connections between the budget of RMC and its strategic plan. Table 4 shows that the annual budget strongly supported its strategic goals and objectives, that its capital budget reflected these goals, and that the strategic plan had a strong influence on the budget requests submitted by the department heads. Table 4 also reveals that the performance data tied to the strategic goals and objectives played an important role in determining the allocation of resources. As for the 'new money' in the budget (Item 4) which was targeted particularly for achieving strategic goals and objectives, the interviewees responded that it was not applicable in the case of RMC. There was no new budget allocated specifically for the purpose of achieving the strategic goals or objectives which have not been accomplished, other than the annual budget.

Insert table 4 here

Performance Management Activities

The interviews also involved investigating the specific links between the strategic planning process at RMC and its performance management activities. Table 5 shows that individual department heads were responsible for implementing specific initiatives and projects emanating from their strategic plans, and the objectives established for department heads were derived from the overall strategic plan. Annual evaluations of department heads at RMC were based largely on their accomplishment of the strategic goals and objectives. The interviews revealed that RMC held the chief administrator responsible for implementing its strategic plan, and the evaluation of the chief administrator was based on his accomplishment of the strategic goals and objectives. It was also indicated that the chief administrator keeps RMC focused on the strategic goals and objectives. However, annual salary adjustments for the employees were not based on individual contributions to advancing the overall strategic plan of the department (Item 4).

Insert table 5 here

Performance Measurement Activities

The interviews on RMC also involved assessing the specific links between the strategic plan of RMC and its performance measurement activities. Table 6 indicates that the department used performance measures to track the implementation of projects or activities under the strategic plan, to evaluate the accomplishment of goals and objectives contained in the strategic plan, and to examine the outcome conditions targeted by the strategic plan. In terms of reports on performance measurements of the department, it was discovered that the department reported performance measurements associated with the strategic plan only to the related ministry on a regular basis but did not report on the same measures to the public. RMC did not target programs for more intensive evaluation based on the goals and objectives of the strategic plan that it had developed. The department also did not benchmark performance measurements against other jurisdictions to determine the effectiveness of its strategic initiatives. However, RMC did track its own performance data over time to determine whether performance in strategic results areas has improved over previous levels.

Insert table 6 here

Outcomes of the Strategic Plan

This section discusses the result on the outcomes of the strategic plan, which was obtained from the interviews with the members of the Strategic Planning Unit. The participants were asked about the estimated percentage of accomplishment for the strategic plan according to each department that they represented, and to what extent they were satisfied with the implementation and achievement of their strategic plan. They were also asked about the problems that they faced in implementing and achieving the plan that were set out under the strategic planning system.

Based on the findings in Table 7, it was discovered that almost all of the representatives of various departments at RMC were of the opinion that they have accomplished about 85 percent of the strategic plan of the department for the year 2010. The exception is for the Human Resource Training Department. The department only achieved about 60 percent of the plan targeted for the year.

Table 8 reveals the satisfaction level of the participants with the implementation and achievement of the strategic plan for the year 2010. It shows that all the departments were satisfied with their achievements.

Insert table 7 & 8 here

It can be seen that, even though the estimated accomplishment for the Department of Human Resource Training was only 60 percent for the year 2010 (see Table 7); the level of satisfaction for the department is classified as 'satisfied' (see Table 8). This is because the target of achievement for the department was low. The reason was due to the lack of commitment from the tax employees in attending training or courses organized by the department. The participants in the interviews stated that certain training and courses were not tailored towards providing the skills needed for their tasks, hence discouraging them from attending the courses.

During the interview, the problems faced by RMC in implementing/achieving its strategic plan for the year 2010 were also explored. The summary of the responses is provided in Table 9.

Inset table 9 here

The responses from the interviews revealed two main issues which contributed to the problems of unattainable goals in the strategic plan of RMC. The first issue is lack of resources, while the second issue is lack of commitment for strategic planning activities from the tax employees. The issue of resources concerning RMC was related to lack of staff, lack of staff with specialized skills, logistic problems, insufficient budget allocation for information technology development and training purposes. The issue of lack of commitment from the tax employees concerned the unwillingness to formally report on the activities related to or the achievement of the strategic goals and objectives under the strategic plan to the management of RMC. The tax employees perceived that the activities of preparing relevant reports on the achievement of the strategic plan of the department as extra workload that had no direct relation to their routine tasks.

DISCUSSION OF RESULTS FOR STRATEGIC PLANNING PROCESS

Overall, RMC has been utilizing a strategic planning system similar to other international revenue authorities. Looking at international scenarios on strategic planning systems, a study by the OECD (2009) on revenue bodies in 43 countries (30 OECD and 13 non-OECD countries) revealed that the practice of preparing a multi-year strategic plan appears to be almost universal. It was reported that 42 out of 43 revenue bodies set up such plans. However, a significantly lower number of revenue bodies made such plans publicly available (27 surveyed bodies). The use of strategic planning systems is a good practice due to the positive performance implications of the system as have been reported by researchers over the past three decades (Glaister et al., 2008). Previous research shows that the practice of strategic planning is beneficial for organizations (Sarason and Tegarden, 2003), and, over time, the use of strategic tools will enhance the effectiveness of the planning system itself (Ramanujam et al., 1986). The strategic management literature implies that there is a positive association between strategic planning and organizational performance, with directional causality from strategic planning to performance (Greenley, 1994). Strategic planning is effective as a process of management, regardless of the performance achieved (Glaister et al., 2008). In this regard, RMC is on the right track. The department also prepares a multi-year strategic plan and makes the plan publicly available.

Strategic planning is an action-oriented type of planning that is useful only if it is carefully linked to implementation – and this is often where the process breaks down (Poister and Streib, 2005). Mintzberg (1994) is one of the most vocal critics of strategic planning systems precisely because organizations' planning activities are too often completely divorced from other critical decision-making processes such as stakeholders' involvement, strategic management practices, allocation of resources, and performance measurement and management activities. Even though tax administrations around the world have embraced strategic planning, it is unlikely to produce the anticipated benefits unless they relate their strategic planning process to other critical decision-making processes in a tax administration. The following discussion focuses on the five critical aspects that were not addressed in the strategic planning process at RMC, based on the results of the interviews.

1. *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 organization addresses stakeholder perceptions. 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 the 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.

2. *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.

3. *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 organization 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 the 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 realize 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.

4. *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 Poister and Streib's (2005) study, 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 organizations, 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.

5. *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 percent 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 organization's budget and organizational plans and allow employee performance and contributions to be more closely measured against organizational objectives (Joinson, 2001). Tying employees' performance to the achievement of the organization's strategic plan is an important factor to increase motivation and performance of employees.

CONCLUSION AND LIMITATION

The results suggest that, on the overall, the practice of strategic planning at RMC is similar to those of the international revenue bodies around the world. However, there are a few strategic planning and management practices at RMC which are inconsistent with the international practices and need to be improved. These are the areas related to stakeholders' involvement in the strategic planning process, evaluation process of the strategic plan, resources issues, and performance measurement activities.

In viewing the results of this study, a researcher should also be aware of its limitations. The major limitation of this study is that it was conducted using a single case study. The limitation regarding generalisability is particularly prominent with respect to single case studies; where multiple case studies are considered immensely more generalisable than single case studies. However, a single case selected for this study was driven by the researcher's desire for depth in the study. Another limitation is that the results that were reported in this study were based on a snapshot of time using cross-sectional study. The use of the cross-sectional data may pose some limitations on the generalisability of the research. This is because it tends to ignore the time-frame to achieve the strategic goals and objectives in a tax administration's strategic plan. 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). Despite the limitations of this study, the findings from the Royal Malaysian Customs are believed to shed some lights on the strategic planning process of a tax administration in a developing country.

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Table 1: Stakeholders' Involvement in Strategic Planning

No.	Items	Applicability
1.	The Ministry of Finance has been involved in the development of the strategic plan	Yes
2.	The Director General of the Royal Malaysian Customs has been involved in the development of the strategic plan	Yes
3.	The Deputy Director Generals have been involved in the development of the strategic plan	Yes
4.	The Directors at the Head Office have been involved in the development of the strategic plan	Yes
5.	The Directors at the state level have been involved in the development of the strategic plan	Yes
6.	The Head Departments at the state level have been involved in the development of the strategic plan	Yes
7.	The Senior Managers at the state level have been involved in the development of the strategic plan	Yes
8.	Citizens and other external stakeholders have been involved in the development of the strategic plan	No
9.	Lower level employees have been involved in the development of the strategic plan	No
10.	Internal reporting to the internal stakeholders is made on a regular basis	Yes
11.	External reporting to the external stakeholders is made on a regular basis	No
12.	The strategic plan has been communicated to all employees	Yes

Source: Face-to-face interview

Table 2: Strategic Planning Elements

No.	Items	Applicability
1.	Review of Royal Malaysian Customs mission	Yes
2.	Identification of stakeholders' needs and concerns	Partly
3.	Clarification of organizational mandates	Yes
4.	Evaluation of internal strengths and weaknesses	Yes
5.	Assessment of external threats and opportunities	Yes
6.	Development of a vision for the future	Yes
7.	Development of goals and objectives	Yes
8.	Development of a strategic agenda	Yes
9.	Feasibility assessment of proposed strategies	Yes
10.	Development of action plans	Yes

Source: Face-to-face interview

Table 3: Strategic Management Practices

No.	Items	Applicability
1.	Strategic management exists	Yes
2.	Strategic planning completed or underway	Yes
3.	Strategic plan document produced	Yes
4.	Budget tied to strategic priorities	Yes
5.	Resource allocation to support the accomplishment of strategies	Yes
6.	Performance measures used to track strategic goals and objectives	Yes
7.	Changes in control and evaluation processes to provide feedback on the implementation of strategic plan	No

Source: Face-to-face interview

Table 4: Allocation of Resources

No.	Items	Applicability
1.	The annual budget prepared strongly supports the goals, objectives, and priorities established in the strategic plan	Yes
2.	The Customs Department considers strategic goals and objectives when reviewing the annual budget	Yes

3.	The capital budget sharply reflects the goals, objectives, and priorities established in the strategic plan	Yes
4.	New money in the budget is targeted to achieving the strategic goals and objectives	No
5.	The strategic plan has a strong influence on the budget requests submitted by department heads	Yes
6.	Performance data tied to strategic goals and objectives play an important role in determining resource allocations	Yes

Source: Face-to-face interview

Table 5: Performance Management Activities

No.	Items	Applicability
1.	Individual department heads are responsible for implementing specific initiatives and projects that are part of the strategic plan	Yes
2.	Objectives established for department heads come from the overall strategic plan	Yes
3.	Annual evaluations of department heads are based largely on their accomplishment of strategic goals and objectives	Yes
4.	Annual salary adjustments are based on contributions to advancing the strategic plan	No
5.	The Royal Malaysian Customs holds the chief administrator responsible for implementing the strategic plan	Yes
6.	The evaluation of the chief administrator is based on accomplishment of the strategic goals and objectives	Yes
7.	The chief administrator tries to keep the Royal Malaysian Customs focused on the strategic goals and objectives	Yes

Source: Face-to-face interview

Table 6: Performance Measurement Activities

No.	Items	Applicability
1.	The department uses performance measures to track the implementation of projects or other activities under the strategic plan	Yes
2.	The department uses performance measures to track the accomplishment of goals and objectives contained in the strategic plan	Yes
3.	The department uses performance measures to track outcome conditions targeted by the strategic plan	Yes
4.	The department reports performance measures associated with the strategic plan to the related ministry on a regular basis	Yes

5.	The department targets programs for more intensive evaluation based on the goals and objectives of the strategic plan	No
6.	The department reports performance measures associated with the strategic plan to the public on a regular basis	No
7.	The department benchmarks performance measures against other jurisdictions to gauge the effectiveness of strategic initiatives	No
8.	The department tracks performance data over time to determine whether performance in strategic results areas has improved over previous levels	Yes

Source: Face-to-face interview

Table 7: Estimated Accomplishment of the Strategic Plan for the Year 2010

No.	Department	Estimated Percentage (%)
1.	Overall RMC-WPKL	85
2.	Companies Audit	85
3.	General Exemption	85
4.	Preventive	85
5.	License Enforcement	85
6.	Warehouse	85
7.	Information Technology	85
8.	Audit for Post-Import	85
9.	Licensed Manufacturing Warehouse	85
10.	Human Resource Training	60

Source: Face-to-face interview

Table 8: Level of Respondents' Satisfaction with the Implementation and Achievement of Strategic Plan for the Year 2010

No.	Department	Satisfaction
1.	Overall RMC-WPKL	Satisfied
2.	Companies Audit	Satisfied
3.	General Exemption	Satisfied
4.	Preventive	Satisfied
5.	License Enforcement	Satisfied
6.	Warehouse	Satisfied
7.	Information Technology	Satisfied
8.	Audit for Post-Import	Satisfied
9.	Licensed Manufacturing Warehouse	Satisfied
10.	Human Resource Training	Satisfied

Source: Face-to-face interview

Table 9: Tax Officials'Responses on the Implementation/Achievement of the Strategic Plan of RMC

No.	Department	Summary of Responses
1.	Overall RMC	• Problems of fully accomplishing the strategic goals and objectives were mainly due to the heads of the departments/employees not submitting formal reports on activities that have been conducted related to the strategic plan. • The heads of the departments/employees were more focused

		on routine tasks and were not fully committed to monitoring the tasks associated with the strategic plan.
2.	Companies Audit	• Difficulties in getting feedback from staff on the implementation of the strategic plan in the form of formal reports on which tasks have or have not been executed. • Unsynchronised reports between tasks that were performed and reported to be performed due to low commitment from staff to report on the accomplishment of the strategic plan.
3.	General Exemption	• Did not achieve strategies involving other departments/units, especially training for staff under human resource development. • Lacked specific training related to tasks for staff. • Lack of staff available to do monitoring tasks. • Difficulties in getting direct information or direct access to certain information relating to tasks from the "Customs Information System".
4.	Preventive	• Logistics problems for operational tasks as staff from the Preventive Department of RMC have been called to perform tasks for the Head Office whenever needed due to its proximity. Therefore, some of the items under the strategic plan for the state level could not be achieved due to these additional tasks for the Head Office. • Lack of staff – total post: 95; post filled: 76; vacant post: 19.
5.	License Enforcement	• Problems in determining the type of taxes for certain types of services due to the 'grey area' in the Act. • Some cases have to be sent to the Head Office for decision, depending on a case-to-case basis.
6.	Warehouse	• Frequent staff changes. • Lack of participation in training/courses for staff developmental purposes.
7.	Information Technology	• Insufficient budget allocation to implement special projects in the plan for the state level for example, to install wireless internet access for staff at the Customs quarters. • The 'Customs Information System', which is the main system used by the Customs Department, is controlled by the Head Office and there are no changes or updates that could be done at the state level to improve the system which is quite outdated. • Lack of appropriately qualified staff with information technology knowledge and skill. • Problems in acquiring any new computers/systems in a timely manner due to systems and controls for approval (must go through the Head Office). • Some of the elements in the strategic goals and objectives focused on items that were perceived as not necessary for the Department of Information Technology.
8.	Audit for Post-Import	• Staff lacking in experience in conducting audit due to frequent staff changes among the departments within and outside the state level. • Some staffs have the experience but are without the appropriate educational background while others have the appropriate educational background but not the necessary

		audit experience, especially in the Customs operation. • The lack of appropriate and qualified staff can delay the audit process.
9.	Licensed Manufacturing Warehouse	• With the economic downturn, the number of active licensees has decreased from 142 in 2009 to 125 in 2010. • The amount of sales tax collected for this department decreased from RM18,054,372.68 in 2009 to RM1,446,659.28 in 2010.
10.	Human Resource Training	• There has always been ad-hoc training for staff required by the Head Office, therefore the original strategic plan for training at the state level is hard to achieve completely. • Certain training required outside parties as trainers and this creates problems when the trainers could not commit to the task at the last minute and no replacement could be found, hence the strategic plan for the year could not be achieved. • Staff involvement for the training/courses organised by the department is low where only about 60 percent of the targeted group of staff attended any training/courses provided. • Financial constraint is also the main problem to organise sufficient training/courses for the staff.

Source: Face-to-face interview