VITARA
Virtual Training
to Advance Revenue
Administration

REFERENCE GUIDE

STRATEGIC MANAGEMENT

Inter-American Center of Tax Administrations
International Monetary Fund
Intra-European Organisation of Tax Administrations
Organisation for Economic Co-operation and Development

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Preamble

A series of Virtual Training to Advance Revenue Administration (VITARA) reference guides have been developed based on the content of the VITARA online modules. Readers are encouraged to enroll in the online modules. For more information on the schedule to register for the VITARA courses, scan the QR code below.

This reference guide focuses on how a tax administration can benefit from the application of strategic management: the process of setting long-term objectives, implementing initiatives to achieve them, and measuring their success.

Strategic management is a critical planning, communication, and management discipline.
A strategically managed tax administration is forward looking and is equipped to respond to challenges arising from a continually changing external environment.

This guide is divided into five chapters highlighting key concepts, processes, and good practices relating to the strategic management of a tax administration.

CHAPTER 1.

Introduction

This chapter introduces the concept of strategic management and its benefits for tax administrations. It also explains how successful strategic management provides the framework for a tax administration to operate more efficiently by being proactive and innovative, being less resistant to change, and having the capability to identify and address risks more effectively.

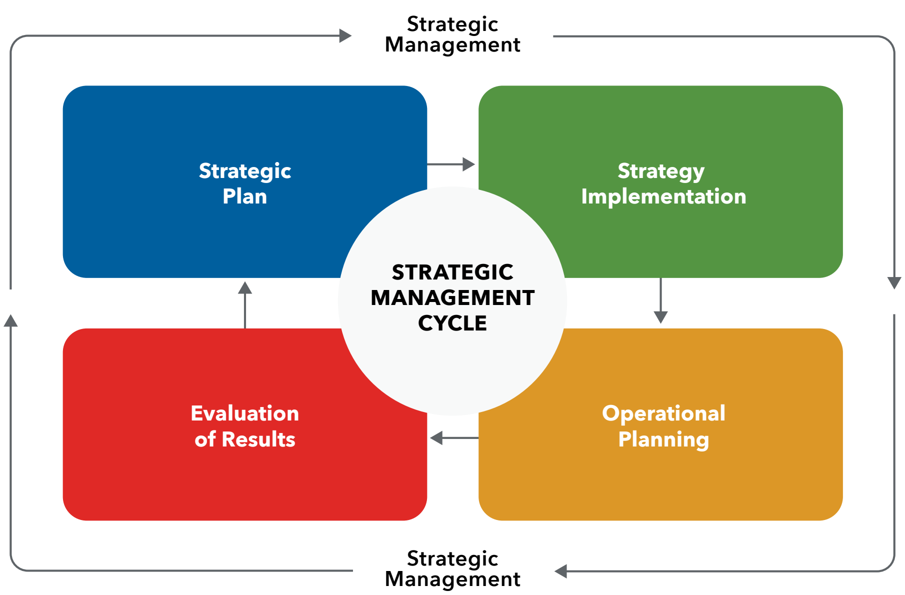
What Is Strategic Management?

Strategic management is a cyclical, end-to-end process of managing an organization, in this case a tax administration, to achieve planned outcomes. It has three key components:

- Setting objectives based on an analysis of the external environment and the internal organization
- Developing and implementing strategies to meet these objectives
- Implementing performance measures to do the following:
    - Evaluate past results
    - Guide necessary adjustment of strategies to improve future results

The strategic management cycle is set out in Figure 1.1.

Figure 1.1: Strategic Management Cycle



Governments typically establish long-term objectives to support their national plan, with each portfolio/department developing plans to support broader government goals. These plans generally contain explicit social and economic goals, and collecting revenue by the tax administration is critical to funding the delivery of those goals. While governments rely on several sources of funding, the majority is usually collected through the country's tax system. For this reason, a tax administration's strategy is one part of a broader government strategy. The tax administration's medium-term strategic goals and objectives must be aligned with the overarching government strategy and timelines.

Figure 1.2 illustrates the hierarchical nature of strategic plans from the government level to the tax administration level. Each tier of this plan hierarchy is discussed in more detail in Chapter 2.

Figure 1.2: Plan Hierarchy

While some developing countries may have fewer planning tiers than shown in Figure 1.2, at a minimum they should contain the tax administration strategic plan supported by annual and local operational plans.

The development of a strategic plan is the beginning, not the end, of the process. The strategy must inform day-to-day operations. There is no benefit to be derived from a strategy if it does not drive the administration's operations and contribute to government revenue objectives. Strategic management involves overseeing the development and implementation of all plans outlined in the strategic management cycle.

Finally, it is important to note that managing and facilitating the strategic planning cycle demands significant attention and care. Administrations should allocate staff to undertake this critical role on a full-time basis.

> Strategic management helps a tax administration to build a strong foundation for its future by providing clear objectives and a road map to reach them.

Benefits of Strategic Management

Crisis situations are an unavoidable component of administering a nation's tax system. Unfortunately, many tax administrations do not take a strategic management approach and find that they have to operate in a reactionary mode when such crises occur. This becomes a drain on resources and rarely produces optimal results. More commonly, management and staff are distracted from their primary roles, as daily tasks are put on hold to manage the crisis.

For tax administrations that have articulated a clear vision and strategy, a crisis can present an opportunity to accelerate developments that were already in planning stages. For example, the COVID-19 pandemic allowed some administrations to achieve a significant shift to the online mode for taxpayer interactions. They were able to enhance online service offerings to accommodate electronic filing and payment for all tax types, minimizing the need for face-to-face interaction at service counters. Beyond limiting in-person interactions, moving taxpayers to a digital platform also presented efficiency gains for these administrations, as staff were no longer needed to manually process transactions.

Strategic management compels a tax administration to think ahead. This forward view includes predicting potential changes in the business environment and the impact of those changes on the tax administration. This strategic thinking allows management to plan deliberately and act proactively.

There is no "one-size-fits-all" approach to strategic management. Tax administrations operate in diverse environments, face different challenges, and have different visions of their future state. Nevertheless, the benefits for tax administrations using the strategic management discipline are similar. These benefits are set out in Box 1.1.

BOX 1.1: Benefits of Strategic Management

1. **A sense of direction**
   Strategic management is instrumental in establishing clear and realistic organizational goals aligned with the vision and chartered mission of the organization. A strategic plan is a solid foundation from which the organization can grow, measure progress, and establish a framework for efficient decision-making.
2. **A proactive approach**
   The process of strategic management allows organizations to anticipate future scenarios and prepare accordingly. Through strategic planning, organizations can foresee adverse situations and take necessary precautions to avoid them.
3. **Increased operational efficiency**
   Strategic planning provides leaders with a road map to critically analyze and align the organization's functional activities to achieve goals. With a clear plan in place, resources can be channeled and monitored more effectively.
4. **Consensus on key issues and future direction**
   A good strategic plan offers guidance to management when tough decisions must be made. It provides an opportunity to develop consensus-based solutions to long-term issues and/or challenges that affect the organization.
5. **Strengthened teamwork**
   By working together in planning their future, organizations experience an enhanced sense of teamwork. This not only increases commitment to objectives but also spurs innovation in the implementation of strategies.
6. **Improved communication**
   Managers entrusted with strategic planning must inform the entire organization of objectives, strategic changes, plans, and corporate priorities. This dissemination of information helps identify resistance to change so necessary action can be taken with key stakeholders and staff.
7. **A focused and transparent administration**
   Transparency plays a key role in the strategic planning process. Through transparent workflows, the administration can work on its strategy as a whole rather than as disjointed groups with conflicting interests. Transparency of the administration's objectives is also important for the government, more broadly, stakeholders, and the private sector.
   For example, a published strategic plan could provide information to the community on how a tax administration will implement new tax laws or digitalize taxpayer services.
8. **Commitment to results**
   The outcomes developed during the planning phase become benchmarks or metrics for judging organizational and staff performance. When the team is encouraged to participate in a significant task such as strategic planning, increased levels of trust, morale, and productivity are achieved.

9. **Carefully planned and justified resources**
   Resources, people, and assets will be required to implement strategies. The strategic plan enables stakeholders to understand what resources are available or need to be acquired to achieve the objectives. This analysis of costs and resource needs places the tax administration in a better position to advocate for additional resources from government and/or development partners.
10. **Sustainable revenue mobilization**
    Strategic planning shifts senior management's focus from short-term issues such as daily revenue collections to applicable medium- and long-term methods, tasks, and actions required to achieve goals and objectives.

Successful administrations plan for the future. The strategic management discipline provides the framework to assist tax administration leaders in answering key questions that shape the future of their organization. A few of these questions are set out in Box 1.2.

BOX 1.2: Strategic Management Key Questions

- What opportunities and threats could arise from technological developments?
- What is happening in the global economy that could impact management of the administration or how it protects its tax base?
- What are the current and future compliance risks, and how should they be managed?
- What is the right balance between service and enforcement?
- How can resources be tracked to determine whether they are allocated efficiently and achieving the tax administration objectives?
- How much is spent on each tax administration activity, and what is the return on that investment for the administration and broader society?
- How can the administration continue to generate revenue results with an ever-decreasing budget?

CHAPTER 2.

Strategic Plans

This chapter focuses on the plans a government and tax administration should develop for their strategic, tactical, and operational purposes. It explains the concept of strategic alignment, highlighting the links between the ways in which the plans break down large-scale, organization-wide strategic objectives into small, actionable goals for a tax administration's operational units.

Strategic Alignment

The process of creating linkages between the goals of the government, the Ministry of Finance,[1] and the tax administration at the strategic, tactical, and operational levels is called **strategic alignment**.

Strategic alignment enables the breakdown of high-level goals into more specific objectives and strategic initiatives, and their assignment to leaders and teams at the next level. Leaders and teams then break down these objectives and initiatives into plans and tactics, and into concrete activities. This way, high-level goals and objectives permeate across the entire administration and direct all its activities.

Hierarchy of Plans

Each tier of the hierarchy of plans in Figure 1.2 is explained in more detail in the following sections.

Government Plan

Strategic alignment begins with the government's overarching plan that sets out their social and economic goals. To generate tax revenue to fund the delivery of those goals, tax revenue strategies must be developed and implemented. An internationally emerging practice is the development of a country-owned medium-term revenue strategy (MTRS),[2] which takes an all-encompassing approach to reforming a country's tax system. It is a high-level road map of a tax system reform that covers revenue policy settings, the tax legal framework, and the tax and customs administrations.

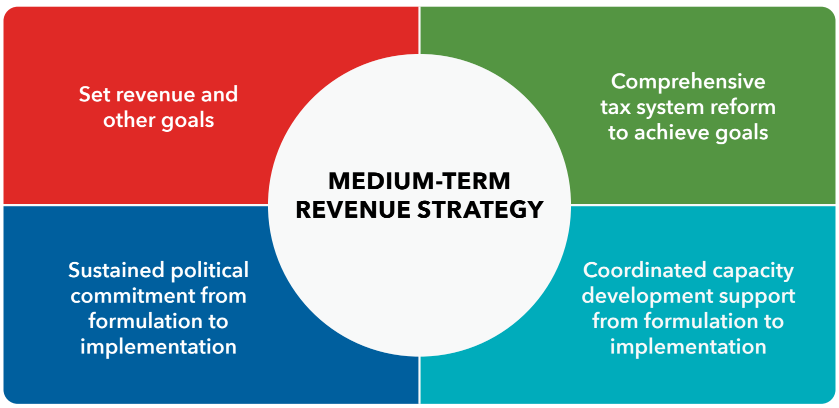
[1] This is a generic title and is the equivalent of the Ministry of Economy, Ministry of Economy and Finance, Treasury, or other similar titles, depending on the country.

[2] MTRSs are promoted by the Group of Twenty (G20) and international organizations—see the report of February 2016 titled "Enhancing the Effectiveness of External Support in Building Tax Capacity in Developing Countries," prepared for submission to G20 finance ministers by the IMF, Organisation for Economic Co-operation and Development (OECD), United Nations (UN), and World Bank Group (WBG).

This MTRS process has been designed to achieve tax system reform, typically over a four-to-six-year period, within a comprehensive framework of the following four interdependent components (see Figure 2.1):

1. **Revenue and other goals:** building broad-based consensus in the country for medium-term revenue goals to finance needed public expenditures
2. **Comprehensive tax system reform:** designing a comprehensive tax system reform covering policy, administration, and the tax legal framework to achieve these goals
3. **Sustained political commitment:** sustained medium-term government commitment to reform—from a whole-of-government perspective that goes beyond the tax administration and the Ministry of Finance
4. **Coordinated capacity development support:** securing adequate resourcing—domestically and from capacity development partners and donors—to support implementation of the MTRS

Figure 2.1: The Core Elements of a Medium-Term Revenue Strategy



The MTRS approach frames the tax system reform through a multiyear commitment, which includes a mandate and monitoring mechanism. This ensures effective implementation at the highest levels of government and increases the likelihood of achieving and sustaining effective reform governance.

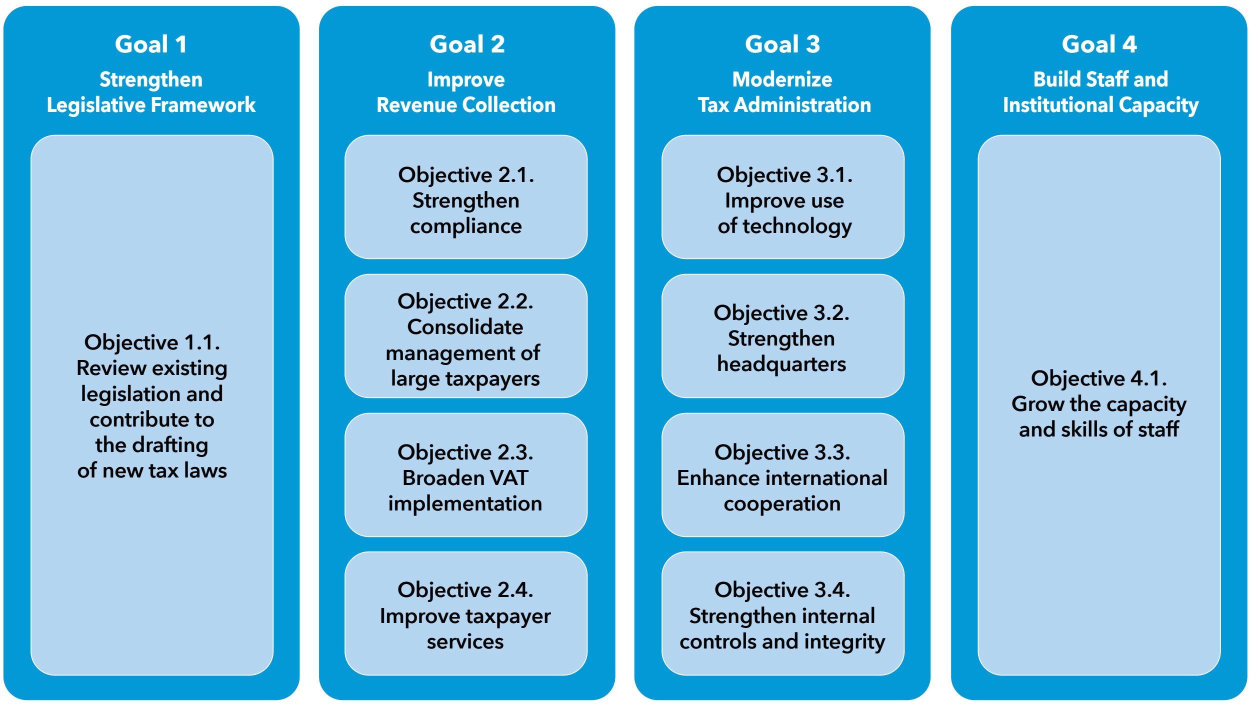
Ministry of Finance's Strategic Plan

The Ministry of Finance's strategic plan sets out its goals to the tax administration and the actions needed to achieve those goals. The goals and objectives include the coordination and implementation of the government's economic and fiscal policies and programs. It should include the allocation of financial resources to provide appropriate public services and contribute to the overall development of the country. In most countries, the tax administration falls under the Ministry of Finance portfolio. Where this is the case, the tax administration's strategic plan must align with the Ministry's strategic plan.

Tax Administration's Strategic Plan

The tax administration's strategic plan outlines the desired future state of the organization and translates this vision into broadly defined goals or objectives and the sequence of steps to achieve them. The strategic plan covers all aspects of a tax administration's activities and must be revisited regularly, as the operating environment is always evolving. As projects and plans progress, the tax administration needs to measure progress and achievements against the objectives in the plan. An example of a tax administration's strategic goals and objectives is shown in Figure 2.2.

Figure 2.2: Example of Strategic Goals and Objectives of a Tax Administration



Note: VAT = value-added tax.

In this example, the tax administration's objective of strengthening compliance (Objective 2.1) is aligned with, and contributes to, the government's goal of maximizing revenue collection in an effective way.

For each objective, specific initiatives will be developed to support the achievement of the objective. For example, in the case of Objective 2.1 in Figure 2.2, the initiatives are numbered 2.1.1, 2.1.2, and so on. Figure 2.3 includes the time period during which the activities would be undertaken.

Figure 2.3: Example of Initiatives to Meet Objective 2.1: Strengthen Compliance

Initiative	Year 1	Year 2	Year 3
2.1.1 Strengthen filing and payment compliance of large and medium taxpayers; redeploy staff from lower-priority work to apply the enforcement measures outlined in the law and various operating manuals.	→	→	→
2.1.2 Explore the process and requirements to develop formal instruments to access additional third-party data at the government level and with financial institutions, domestically and internationally.	→	→	→
2.1.3 Utilize third-party data to verify the accuracy of information provided in returns filed by taxpayers.	→	→	→
2.1.4 Review and revise the audit program and the audit manual consistent with relevant international practice (based on risk) to strengthen audit coverage.	→	→	

Tax Administration's Multiyear Focused Plans

Based on their medium-term strategic plan, many tax administrations formulate and design multiyear plans for specific areas, which require longer than a yearly planning and implementation cycle. Common multiyear focused plans typically include the reform program or plan, as well as plans for support areas such as information technology (IT), human resources (HR; workforce allocations and capability), and compliance risk management and communication.

It should be emphasized that there is no one-size-fits-all approach to this model. Developing multiyear focused plans is country specific and should reflect the tax administration's size, institutional arrangements, governance model, and corporate dynamics. In some situations, multiyear focused plans are not used.

Tax Administration's Annual Plans

A tax administration's annual plan—with goals, indicators, and targets—is developed by functional units (departments/divisions/units) for their respective area of competence, along with a budget and detailed work plans to meet the objectives of the strategic plan (and the multiyear focused plan if one has been developed).

Annual plans specify productivity, service levels and enforcement initiatives, staffing levels, and expenditure/budget requirements. They also include quantity, quality, and timeliness productivity performance indicators. Table 2.1 shows an example of a component of an annual operational plan with performance metrics for three typical tax administration functions.

Table 2.1: A Subset of a Tax Administration's Annual Plan: Performance Metrics

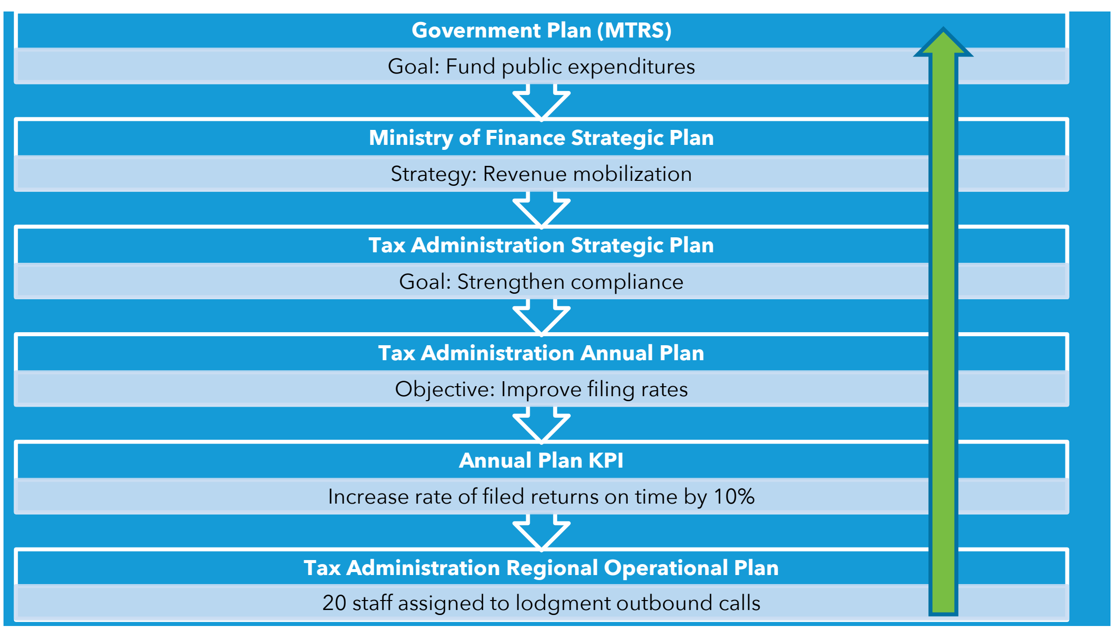
	Region A	Region B	Region C	Region D
Registration				
Number of nonregistrants identified and registered	1,000	2,000	2,500	1,200
Filing				
Number of late-filed returns obtained	750	1,000	1,300	500
Audit				
Number of comprehensive audits completed	1,000	1,500	2,000	750
Amount of additional tax assessed (local currency)	10,000	17,000	23,000	7,000

Local Operational Plans

Local operational plans are developed by an administration's operational regional or field office. They outline what activities the organizational unit (such as a team) will focus on, on a monthly, weekly, or even daily basis. These plans include specific procedures and tasks that occur at the operational levels of the tax administration. Field office managers/supervisors must plan the routine actions of the department using specific detail that sets out expected outcomes at the individual level.

Figure 2.4 highlights the cascading nature of strategic planning. The plans are aligned from the highest level of government through to operational plans of the tax administration. This line of sight (the **green** arrow in Figure 2.4) allows staff to clearly see how the work they do contributes to the overall strategic goals and key outcomes for government and the community.

Figure 2.4: Alignment of Plans



Note: Highest-level strategic focus to tactical/operational team plans. The green arrow illustrates the staff line of sight on how individual performance contributes to the achievement of government plans. KPI = key performance indicator.

CHAPTER 3.

Developing a Strategic Plan

This chapter describes the components of a tax administration strategic plan, the process to develop a plan, determining timelines and identifying and engaging key stakeholders.

Components of a Strategic Plan

It is important to keep the strategic plan short and focused. A well-designed plan should include the following:

- Strategic assessment
- Foundation statements (vision, mission, core values)
- Goals and objectives
- Initiatives
- Resourcing requirements
- Performance measures

Strategic Assessment

Before developing a strategic plan, a strategic assessment should be undertaken. This assessment includes the following:

- The expected operational environment over the next five to fifteen years
- Current performance measures
- The pressures that the organization will likely confront in the future, including government and community expectations

The assessment provides the baseline performance data for the organization and provides the basis for answering the following questions:

- *Where is the tax administration now?*
- *Where does the tax administration want to be?*
- *How does the tax administration get there?*

Two commonly used tools to assist with an environmental scan and an internal assessment of a tax administration are the political, economic, social, technological, legal, and environmental (**PESTLE**) analysis and the strengths, weaknesses, opportunities, and threats (**SWOT**) analysis.

PESTLE is a strategic management tool that helps senior management of a tax administration understand the external environment around their organization in a comprehensive and systematic way. Some issues are outside the mandate of the tax administration, but still important for leaders to understand how these issues could impact the organization. The PESTLE analysis also helps management make optimal operational and policy decisions.

PESTLE Analysis

The PESTLE analysis considers the following factors (Table 3.1).

Table 3.1: Factors Considered in the PESTLE Analysis

Political	Possible change of government priorities, new policies impacting tax administration
Economic	Performance of the economy; global economic trends; shift to greater global regulation; growth of the informal economy
Social	Shifts in trends and attitudes; reactions to global economic downturns; attitudes to tax compliance and government in general; aging population; aging workforce
Technology	Increased speed and mobility of communication systems; increased demand for e-services; impact on the nature of jobs/work
Legal	Pressure for greater exchange of information between tax administrations; stronger financial disclosure rules
Environment	Impact of climate change; future of energy

Figure 3.1 provides an example of a completed PESTLE analysis.

Figure 3.1: PESTLE Analysis

Political

1. High-revenue expectations but limited budget support
2. Changes in some legislation impacts negatively on the achievement of our goals
3. Delays in passing legislation and lack of support for initiatives
4. Conflict between personal and national interest among politicians when dealing with tax-related legislation

Economic

1. High levels of unemployment
2. Growth of informal sector, which is not part of the tax net
3. High-revenue collection expectation compared to GDP growth
4. Low expansion of tax base due to low direct investment
5. Reliability of available economic data
6. Volatile world economy and stagnant economic growth
7. Lack of competitive pricing structures, which increases the cost of doing business

Social

1. High literacy rate and a large pool of skills to draw from
2. Increased compliance drive
3. Brain drain and loss of skills, leading, to increased remittances to support families
4. Non-entrepreneurial and non-vocational educational system, which leads to unemployment and low tax base
5. Migration to major cities, which results in pressure on the job market
6. High cost of living and introduction of VAT, leading to cost pressures

Technological

1. Social media and smartphone opportunities for tax education, awareness, and buy-in
2. Inadequate broadband costing structures to drive technological advancement
3. High costs of technology and ever-changing exchange rate, leading to an increase in costs
4. Poor uptake of online services in the country (e.g., e-tax and cloud computing)
5. Little or no Internet connectivity for most residents

Legal

1. Legislation is not simple and easy to understand
2. Delayed approval process of legislation
3. Outdated laws
4. Inability to litigate own cases and non-prioritization of tax-related cases in the country's courts
5. Inconsistent enforcement of the law
6. Implications of international treaties and conventions that affect operations
7. Lack of common understanding of laws
8. Capacity of the judiciary to address tax issues

Environmental

1. Restrictions on the expansion of the tax base due to environmental compliance of potential taxpayers
2. Large industries affected by climate change
3. Compliance requirements that could affect the rate of deployment cost
4. Movement of hazardous materials, which requires investment in staff and equipment
5. Lack of compliance with environmental laws

SWOT Analysis

A SWOT analysis is a strategic management tool that helps a tax administration to

a. identify positive characteristics of the organization (strengths) that could help utilize opportunities in the external environment, and

b. recognize and address negative characteristics of the organization (weaknesses) that could expose the organization to external risks (threats).

Knowing the strengths and weaknesses of the tax administration ahead of establishing goals allows the tax administration to implement measures to improve weaknesses and capitalize on strengths. A review should be conducted through a range of lenses: HR, IT, business processes, governance framework, tax policy, and operational procedures. Figure 3.2 shows a tax administration's typical internal strengths and weaknesses identified by a SWOT analysis.

Figure 3.2. SWOT: Strengths and Weaknesses

Strengths	Weaknesses
1. Strong performance culture	1. Limited legal authorities for collection and audit powers
2. Business processes established and implemented	2. Limited legal representation in litigation cases
3. Good relationship between staff and management	3. Limited resources
4. Proper governance structures and practices implemented	4. The website contains minimal assistance, and publications are dated
5. Existing succession plan	5. The IT systems (software) are old and do not provide enough and reliable information
6. Appetite for growth	6. Lack of a structured method to disseminate information internally
7. Professional, youthful, and educated staff	7. Data integrity issues with the computerized revenue system
8. Increased regional and international awareness	8. Laws are complicated and change frequently
9. Visionary and open-minded leadership	9. Lack of training for new staff
10. Knowledgeable older staff	10. Insufficient fully trained IT staff
11. Good public image	11. Management and staff resistance to change
12. Well-defined organizational structure	
13. Modern Tax Returns Processing Center	
14. A unique TIN used for all taxes and all transactions with government	

Note: TIN = taxpayer identification number.

Figure 3.3 shows examples of opportunities and threats identified during a SWOT analysis. The analysis shows opportunities and threats that exist in the **external environment**.

Figure 3.3: SWOT: Opportunities and Threats

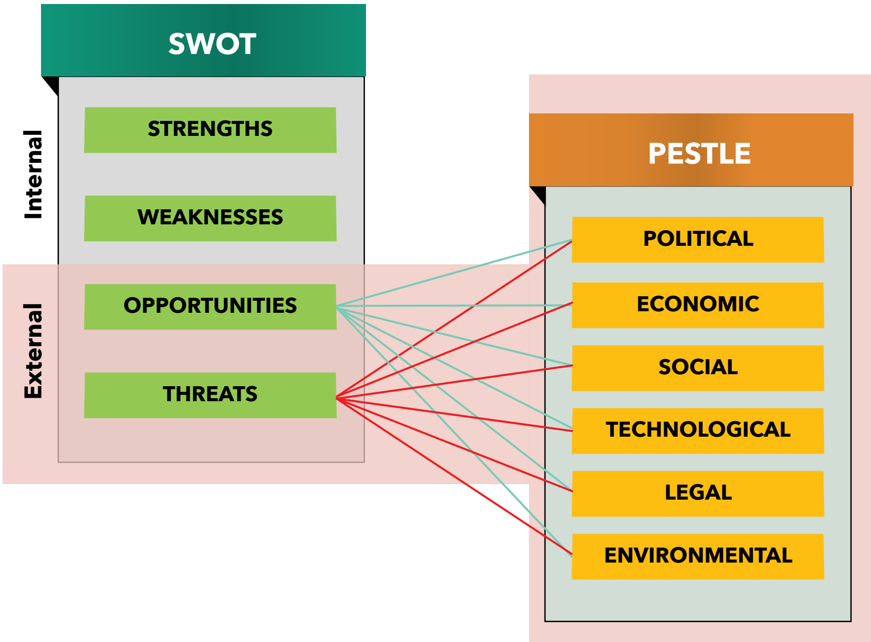
Opportunities	Threats
1. All new staff are university graduates	1. Substantial underground economy
2. Ensuring updated tax information will encourage taxpayer compliance	2. Political interference/intervention in tax administration
3. Outreach programs to educate taxpayers and obtain feedback that will help improve tax administration	3. HR capacity is weak and cannot respond to staffing requests and other HR issues
4. Potential synergies with the pension system and other government agencies	4. Natural disasters and poor national infrastructure
5. Other countries' successes can be used to assist in moving forward	5. Advanced technology and globalization of business/clients' operations
6. Networking with other tax administrations—regional and international	6. Use of advanced technology to avoid taxation (e.g., fraudulent documents)
7. Access to international training programs (WCO, IOTA, OECD, IMF)	7. Budgetary constraints
8. Advanced technology and globalization of business/clients' operations	8. Poor relationship with central government and other government agencies
	9. Increased tax exemption and concessions by central government

Note: IOTA = Intra-European Organisation of Tax Administrations; WCO = World Customs Organization.

The PESTLE analysis is externally focused, whereas a SWOT starts with the analysis of the internal environment. The SWOT will highlight the opportunities and threats in the external environment (including the political, economic, social, technological, legal, and environmental circumstances around the organization) as identified during the PESTLE analysis (see Figure 3.4).

It is also useful to understand how the country's tax system is operating at a systemic level. Very few staff or external stakeholders are able to view the entire tax system in operation and are often unable to lift their focus above the functional or operational level. Administrations may choose to conduct a more systemic "top-down" review of key areas of interest as an input into the strategic assessment process.

Figure 3.4: Relationship between SWOT and PESTLE



Foundation Statements

Every tax administration should have a suite of foundation statements comprising a mission statement, the vision, and the core values that underpin the strategic plan.

The **mission statement** defines the core purpose of the tax administration and highlights the contribution to the government's economic and social objectives. The mission typically highlights the following:

- Key tax administration functions
- Responsibilities to key stakeholders in the tax system
- Important principles that guide the work of the tax administration

While the socioeconomic status of the countries may differ, tax administration mission statements tend to reflect themes such as managing revenue collection effectively and assisting voluntary compliance.

The **vision statement** describes the desired future state of the tax administration and should be bold and challenging to inspire improvement and innovation. The vision statement is a response to the question, Where does the tax administration want to be over the next three to five years?

The vision statement identifies the areas where the tax administration seeks to excel, for example,

- providing higher levels of service to taxpayers,
- enhancing administrative efficiency by adopting modern technology and seeking to minimize compliance burden for taxpayers, and
- becoming a trusted employer by investing in staff.

The vision statement describes what the administration wants to become in the future.

The **core values** represent the principles that the tax administration seeks to put into practice. The core values signal how tax officers are expected to perform in administering the tax system and how taxpayers can expect to be treated. Typical common core values include integrity, honesty, fairness, and respect.

Examples of tax administration mission, vision, and core values are provided in Appendix 1.

> The mission and vision statements together with the core values set the direction for a tax administration and ensure that the organization knows where it is going, why it is going there, and how it will get there.

Defining the key aspects of the mission/vision/core values will require discussions among senior leaders to define the path forward for the administration. It is important to engage a broader group of midlevel managers early in the discussion process. These managers should also be engaged to provide input into the process and lay the groundwork for communicating the strategic plan to staff. This builds a sense of ownership of the mission/vision/core values statements as well as ensures that objectives are fully understood.

Goals and Objectives

As an outcome of the SWOT and PESTLE analyses, several observations will emerge, which can be separated into key themes.

Some typical strategic themes across tax administrations include the following:

- **Service improvement:** making service contemporary and meeting community needs; typically covers online services, such as a secure web-based online account for each taxpayer, using individual data from previously reported tax returns to prefill forms, and delivery of correspondence electronically
- **Compliance challenges:** responding to globalization of business and international tax challenges, utilizing data and automation to identify noncompliance, dealing with the challenges of the informal economy,[3] and ensuring participation in the tax system through a strong registration program
- **Reducing red tape for small business:** easing the reporting burden and compliance costs for small entities
- **Transforming the organization:** improving agility and responsiveness of IT systems, IT systems integration, moving to contemporary IT system platforms that support digital service delivery, changing business processes and organizational culture

[3] The main challenges of taxing the informal economy are the high compliance and administrative burden (i.e., collection costs), the fear of making the tax system complex, and the significant use of resources of the administration for potentially low tax revenue. To tackle the informal economy, tax administrations may consider developing new compliance-management strategies, increasing existing compliance and enforcement activities, and creating new administrative capacities, for example, establishing units dedicated to the informal economy. They could also develop incentive and education programs to encourage voluntary compliance.

- **Reducing costs:** in response to budget pressures of governments; reducing accommodation costs and increasing staff productivity

From these themes, or others that the administration has identified, decisions will need to be made about what the most important are and how they should be included in the administration's goals and objectives.

Goals and objectives are the outcomes the administration intends to achieve and are documented in the strategic plan. Goals are high-level outcomes that translate the general aims from the mission and vision statements into more concrete (and measurable) results.

EXAMPLE: A strategic assessment has identified that "revenue collection has declined compared with previous years" and "on-time payment rates are low." In response to this assessment, a strategic goal could be to "improve taxpayer on-time payment rates (improving the overall levels of voluntary compliance)."

In deciding the suite of strategic goals, it is good practice to establish no more than four to five goals, with each goal supported by one to four objectives. They should be challenging but achievable.

Initiatives

Once the goals and objectives have been established, well-defined and targeted initiatives need to be developed. These strategies and initiatives describe how the goals and objectives are to be achieved. Examples of tax administration initiatives include (1) implementing a large taxpayer office, (2) improving methods for detecting noncompliance, and (3) expanding the use of electronic filing by taxpayers.

Resourcing Requirements

Providing sufficient funding for the strategic management process and the ongoing reform effort is critical. Resourcing needs include HR (workforce), equipment, facilities, and other expenses such as communication costs. Typically, funding is required at two levels:

- A dedicated project team is necessary to undertake the strategic assessment and development of the strategic and operational plans.
- Funding is needed to support the implementation of the reform effort; however, some of the implementation work could be distributed across operational areas.

While the dedicated project team may monitor the overall implementation progress, the operational areas will each play a role in implementing the initiatives that relate to their functional units. Staff within these functional units will be responsible for implementing the actions related to their workload. Based on the action plan and initiatives, estimates of the time needed and required number of staff should be made.

Performance Measures

After the foundation statements have been established and the strategic goals, objectives, and initiatives defined, performance indicators (or key performance indicators [KPIs]) should be developed to measure progress toward each strategic plan objective. KPIs assess progress toward the organization's goals at the objective, initiative, and activity levels. Typically, the performance metrics start with evaluating progress of operational activities, enabling the administration to evaluate the initiative and, in turn, the objective.

Activity-level KPIs, often called operational KPIs, measure the degree of success in meeting operational workload expectations. A couple of examples of operational KPIs for service standards follow:

- Responding to taxpayer calls through call center within two minutes
- Achieving an on-time filing rate of 90 percent for VAT taxpayers within a specific timeframe

Targets and Thresholds

A KPI is only meaningful when it can be compared to something. This comparison could be a **target** based on previous performance (past period results) or a desired future performance or a benchmark when there is no basis to start from. Each measure should have the following characteristics:

- **Include characteristics of quantity, quality, and timeliness**
- **Be measurable:** a target that cannot be measured has no purpose and is likely to detract from the credibility of any performance measurement initiative
- **Be verifiable:** the reported results for any performance measure must be open to scrutiny to ensure any misreporting of results can be detected and corrected

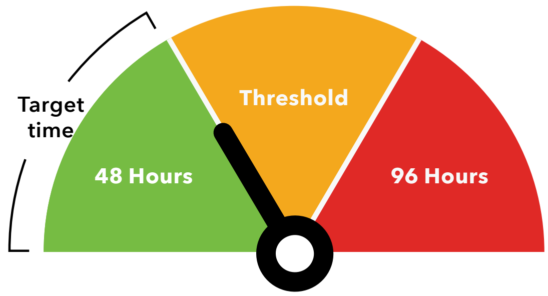
For a KPI to be useful, it needs to clearly state both an acceptable and unacceptable result. These are known as **thresholds**. KPI results can be presented in a diagrammatic format using "traffic light" colors, making it easier for the reader to interpret the outcomes using the following ratings:

- **Green** indicates an acceptable result, indicating that the result is on target.
- **Yellow** indicates that there may be a problem, which requires further assessment to determine whether additional action is required.
- **Red** indicates an unacceptable result, indicating that there is a problem that needs prompt correction.

Figure 3.5 illustrates a common KPI on "Average time to respond to written taxpayer requests," using the following threshold examples:

- **Green:** requests responded to in 48 hours or less
- **Yellow:** requests responded to between 48 and 96 hours
- **Red:** requests responded to in 96 hours or more

Figure 3.5: KPI: Average Time to Respond to Written Taxpayer Requests



KPIs should be specific and timebound. They should be measured regularly, typically monthly, to help management identify issues quickly if the activities are not advancing as planned. It may also be appropriate to establish phased deadlines, particularly for activities that span a long period. An example of a typical KPI measure is given in Table 3.2.

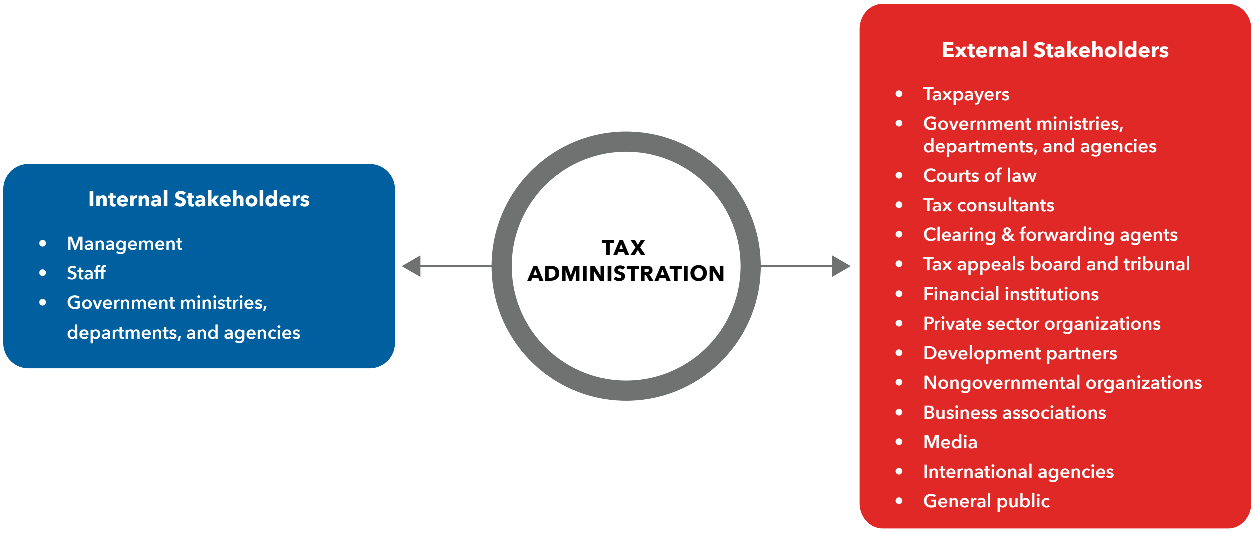
Table 3.2: Example of a KPI for the Establishment of a Large Taxpayer Office (LTO)

Initiatives	Key Activities	Key Performance Indicator
Establish a Large Taxpayer Office	• Determine the criteria for the large taxpayer base • Develop and implement organizational arrangements, processes and procedures for LTO • Determine staffing numbers and impact of change to existing departments and field offices • Introduce mandatory e-filing and e-payment for all large taxpayers	• Complete analysis of taxpayer population and segment based on approximately 70% of revenues in large segment by xx/xx/xx • Develop and propose to management an organizational structure by xx/xx/xx • Analyze large taxpayer workload based on segmentation recommendations and develop a case for staff resources to manage compliance by xx/xx/xx • Develop an action plan to introduce mandatory e-filling and e-payment for large taxpayers by xx/xx/xx

Engaging Stakeholders in the Strategic Planning Process

A strategic plan must articulate a vision that is based on stakeholder consultation and shared views. As part of the strategic planning process, it is necessary to identify the tax administration's key stakeholders. Conceptually, a stakeholder is a person, group, or organization that has an interest in the value the tax administration creates, can influence it, or is affected by what the tax administration does. There are both internal and external stakeholders. They include employees of the tax administration, government ministries and agencies, taxpayers, private sector institutions, and nongovernmental agencies (Figure 3.6).

Figure 3.6: Internal and External Stakeholders



Internal stakeholders have an interest in the success of the tax administration and know how the administration functions. They are critical to the strategic planning process. They often understand the impediments to success and have firsthand institutional knowledge of the tax administration environment. Internal stakeholders include staff within the tax administration and government ministries, departments, and agencies (e.g., customs administration).

External stakeholder opinions are important in the early stages of planning to bring insight to understanding the operating environment. Examples of external stakeholders include the Chamber of Commerce, industry associations, accounting bodies, and banks.

Engaging stakeholders throughout the strategic planning process is considered one of the critical factors for effective strategic management. Engaging stakeholders provides a clear sign that the organization is interested in the effects that its actions might have on the community. This transparent, consultative process fosters closer relationships with these stakeholder organizations and individuals and provides valuable information for evaluating the tax administration (see Figure 3.7).

When identifying stakeholders, consider the impact the strategy or initiative will have on them. Identify the individuals who best represent the identified stakeholder groups. Design a system to obtain their feedback and incorporate their feedback in the planning processes, specifically acknowledging the results of their participation in follow-up communication.

The next step is to define when stakeholders need to be engaged. Internal stakeholders should be engaged early and throughout the process. External stakeholders who play a key role in the tax system or are closely linked may be engaged once the strategic objectives are designed, and again at the final stage of the plan. For each instance where communication with a stakeholder is required, document what information will be shared during the engagement and the expected outcomes.

Figure 3.7: Stakeholder Engagement as Part of the Strategic Planning Process

Identify

Identify stakeholders from the beginning
- Who is impacted by your strategy?
- What are their interests?
- Who are your obvious key stakeholders?

Incorporate

Incorporate their feedback into the process
- Scrutinize their suggestions and complaints
- Use feedback to create/enrich strategies

Invite

Invite their feedback
- Who are the individuals that best represent your stakeholder groups?
- Where are they?
- How to contact them?

Communicate

Report back to your stakeholders
- Include your feedback as part of the strategy communication plan
- Do not forget they can have a great impact on your results
- Be transparent and show the results of their participation

Systemize

Design a system to seek their feedback
- Create a clear outreach calendar
- Design multiple channels of communication

Workshops, formal meetings, surveys, and emails are all examples of ways that a tax administration can engage with its stakeholders. A key element to effective engagement is to know your audience and ensure that what you communicate is relevant to them. This will result in better feedback.

The Road Map to Create and Cascade the Strategic Plan

The next phase requires the tax administration to create a strategic plan and cascade the objectives through to the lower-level organizational plans. This can be achieved by undertaking the following tasks:

a. **Assessment**
- Gather information (e.g., conduct interviews with senior leaders and other internal and external stakeholders).
- Revisit existing strategic plans, studies, and reports.
- Analyze results.
- Conduct SWOT and PESTLE analyses.
- Create/review mission, vision, and values.

b. **Design**
- Conduct a technical workshop with senior leaders and business unit managers.
- Execute scenario planning.
- Develop a business model.
- Determine strategic themes and expected results.
- Identify key areas that create value for the administration and help in achieving the strategic objectives.

c. **Creation of strategic themes, goals, objectives, initiatives, and projects**
   - Brainstorm, design, describe, and prioritize strategic goals and objectives, and determine initiatives and projects.
   - Define the strategic project portfolio.
   - Assign owners/managers to projects.
   - Roll out project management methodology.

d. **Establishment of indicators and targets**
   - Establish KPIs.
   - Complete KPI identification and monitoring tables.
   - Describe thresholds and targets.
   - Assign KPI owners.
   - Develop spreadsheets for data collection.
   - Establish a reporting calendar and procedures with deadlines and standard reporting templates. This should be done in consultation with KPI owners.

e. **Development of ancillary multiyear focused plans**
   - Draft multiyear plans if required.

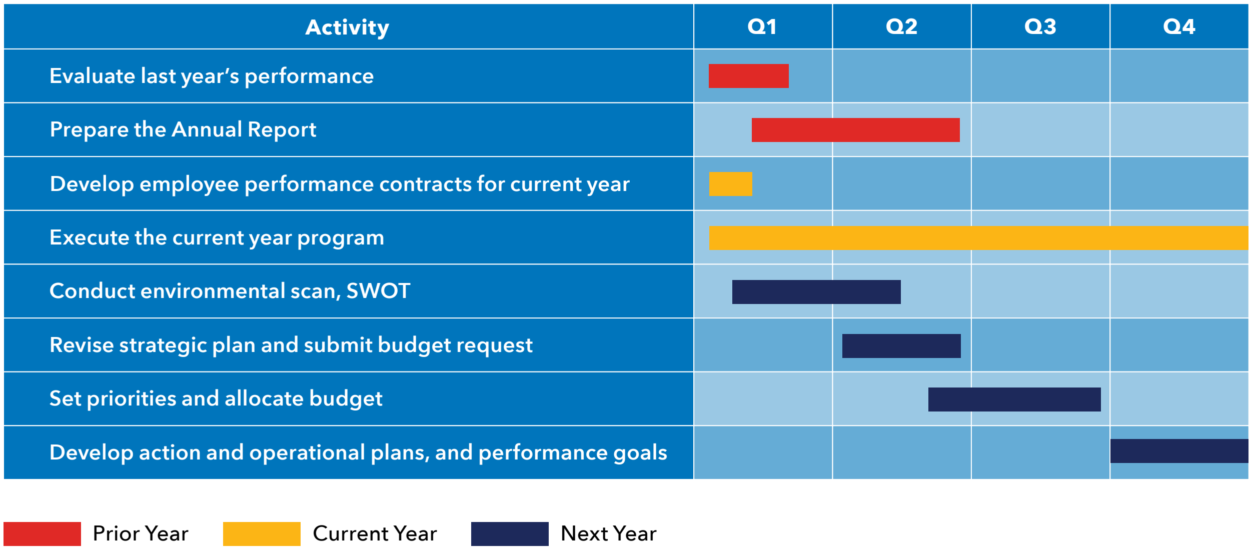
f. **Preparation of annual and local tactical and operational plans**
   - Conduct individual technical workshops with all business units and the project team.
   - Generate the tactical and operational plans.
   - Design performance indicators.
   - Assign, whenever applicable, team and individual tasks and targets.

An example of how a goal in a government's national plan cascades through the hierarchy of plans to an action at a tax administration's regional operations level (including a measure of success indicator [KPI]) can be found in Figure 2.4.

Planning Calendar

The strategic management cycle has a calendar of planned events. While the programs for the current fiscal year are being executed, the strategic assessment and priority setting are taking place for the upcoming three-to-five-year period. A typical quarterly scheduling of planning activities is presented in Figure 3.8. In this example, the activities in relation to the previous year's performance, the current year's program, and preparation for the next year are separately highlighted.

Figure 3.8: Annual Planning Calendar



Risks to the Strategic Plan

Placing the administration on a reform pathway will inherently involve taking risks. But to not evolve with the changing environment or plan for the future is a much larger risk. A comprehensive strategic plan incorporates an assessment of various risks and sets out mitigation strategies to help manage those risks.

Common reasons for a strategic plan not achieving its objectives include the following:

- **Unrealistic goals:** If the objectives are impractical considering the environment in which the administration is operating, the plan may fail due to lack of staff support and inability to progress at the pace outlined in the strategy. Change management takes time, and improvements are incremental.
- **Overly complex plans:** If the administration is developing its first strategic plan, it is advisable to keep the number of objectives manageable. Start small and build on your success. For any administration, the more complex the objectives are, the greater the risk that the deliverables will not be understood by those expected to implement them or that insufficient resources are assigned to the activity, making achievement more difficult.

> Ideally, the strategic plan should have no more than four or five strategic goals and three or four strategic objectives for each goal.

- **Plans based on insufficient data:** A data-driven approach is critical to making good decisions. However, the best objectives may not be determined if a tax administration has insufficient or weak data to identify their current levels of efficiency, strengths, and weaknesses.

- **Undefined team roles and responsibilities:** Clear expectations and accountability for timebound actions are necessary ingredients for success. Without them, results will suffer.
- **Insufficient resources:** This risk can be mitigated by estimating the resources needed and regularly checking in on staff workload demands and success in meeting established deadlines. Adjustments to the resource allocation based on these check-ins will ensure that the reform effort has the support needed to succeed.

Administrations should plan for unexpected events and consider, in advance, what actions they might take if the unexpected occurs. Remaining flexible and open to adjusting the plan will also mitigate risk. Leaders should remain open to feedback from staff as the strategic plan is being implemented. They should also leverage their knowledge to find creative, efficient, and innovative ways to implement the initiatives to achieve better results within the administration.

CHAPTER 4.

From Strategic Plan to Strategic Management

This chapter highlights the role of executives in strategic management, the four core elements of strategic management, and organizational and management good practices that should be followed to achieve the administration's strategic goals.

The Role of the Executive Team in Strategic Management

Senior management have a crucial role in managing the administration's progress toward achieving its strategic goals. The high-level direction **must** come from the leader of the organization, with the strong support of other senior leaders. The strategic management process (setting objectives, developing and implementing a plan, evaluating the results, and adjusting the plan if needed) is a major **change** process; it may be seen as a threat by some and may generate resistance, which needs to be addressed by the leadership. Senior leaders are responsible for ensuring that the staff, community, and stakeholders are prepared for the changes and reforms. Specific roles for the head of the tax administration and the second level of management are set out in Table 4.1.

Table 4.1: Strategic Management Roles

Position	Role on Strategic Management
Head of the tax administration (commissioner, director general, commissioner general)	• Articulating the vision and providing clear direction • Communicating and committing to the direction of the strategic plan through concrete actions, including resourcing the development, monitoring, and implementation of the plan • Ensuring accountability—each senior leader will be delivering on assigned parts of the plan • Setting up governance arrangements • Implementing change management principles • Monitoring progress in achieving strategic goals • Adjusting the plan when necessary • Leading the Strategic Management Committee (SMC)[1]
Second-level executives (deputy commissioner, deputy director general, deputy commissioner general)	• Communicating and committing to the directions of the strategic plan • Monitoring progress in achieving strategic goals • Leading the implementation of initiatives under the assigned senior-level executive functional responsibility • Participating in the SMC meetings to resolve cross-functional issues

[1] An SMC is the forum that the head of the tax administration uses to discuss and make decisions on the strategic plan and management of the implementation. The SMC reports to the head of the tax administration, and its members should include, at a minimum, the director of the Office of Strategic Management (OSM) as well as the directors of the Planning, Program Design, and Reform, Regional and District Operations, and the director of the Support Functions. The OSM is explained later in this chapter.

Strategic Management Framework

The strategic management framework is composed of the organizational and management practices that should be in place to achieve the administration's goals. These practices bring the strategic plan to fruition through **implementation**. The framework ensures the alignment of the administration's structure, business processes, culture, HR, and IT.

The framework consists of four elements:

1. **Organizational support.** A dedicated unit should be established to manage the development and implementation of the strategy.
2. **A strong governance framework** should be in place, focusing on how decisions are made in relation to the development and implementation of the strategic plan.
3. **Active change management.** To provide the necessary processes and actions to ensure staff, community, and stakeholders are prepared for the changes and reform as outlined in the strategic plan.
4. **Effective communication.** Internal and external communication is required to build consensus and allow opportunities for staff and stakeholder input to the strategic plan.

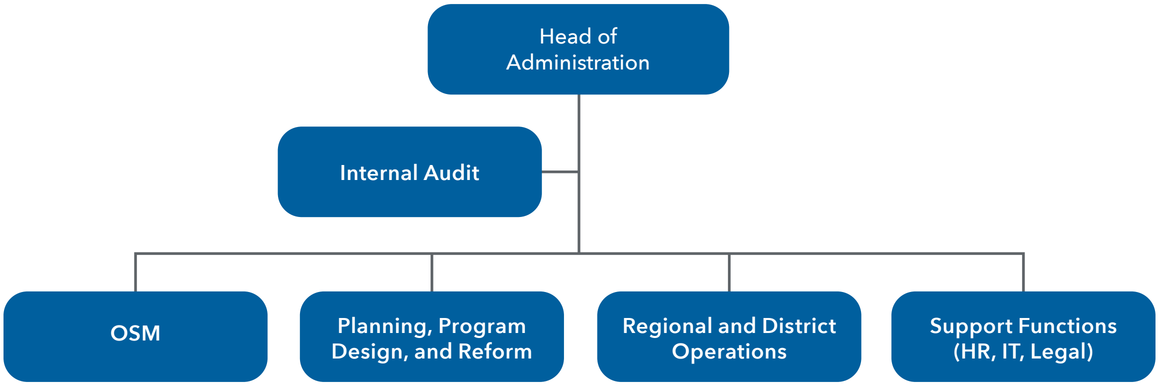
Organizational Support

Developing and implementing a strategic plan demands full-time attention. Staff cannot be expected to complete their day-to-day job responsibilities and develop and implement the strategic plan at the same time. For this reason, **a dedicated organizational unit** should be established.

Best results have been achieved when the administration establishes and fully staffs a separate organizational unit whose responsibility is to manage the development and implementation of the strategic plan. This headquarters-based unit is often called the Office of Strategic Management (OSM). In smaller administrations, the role of the OSM may be incorporated in the Planning, Program Design, and Reform department.

To recognize the important role that this unit would play, the OSM should report directly to the head of the tax administration but work horizontally with colleagues to help facilitate and monitor implementation of individual operational plans. An example of an organization chart with an OSM as a separate organizational unit is set out in Figure 4.1.

Figure 4.1: An OSM in the Hierarchy of a Tax Administration



Staffing for the OSM will depend on the administration's size and expertise in undertaking strategic management. Key activities of the OSM unit include the following:

Assessment

- Undertake environmental analysis.
- Analyze past operational results.
- Review and document institutional and compliance risks.
- Evaluate strategic plans of peer tax administrations.
- Incorporate feedback from capability development agencies (donors).
- Provide recommendations for the senior management team based on the above analyses.

Design

- Organize and host regular meetings during strategic plan development for management to discuss mission/vision/core values and strategic themes/objectives.
- With the agreed mission/vision/core values and strategic objectives, organize and host meetings with the senior management team to identify the proposed activities to support the strategic objectives and develop KPIs for each activity.
- Prepare documentation to present to the Strategic Management Committee (SMC) for review and approval.
- Once the activities are approved, document a formal strategic plan.
- Incorporate comments from senior management.
- Present the strategic plan to the SMC for formal approval. The SMC should also decide whether the plan will be published externally.

Transitioning from strategy to action

- Develop a timebound implementation plan.
- Develop an internal/external communication plan, and deliver according to established timelines.
- Develop the processes and procedures to implement the activities in the strategic plan in coordination with operational areas.
- Liaise with operational areas and IT to identify systems changes that may be required.

Monitoring and linking to other plans

- Set up a monitoring program and processes to evaluate progress in achieving established targets.
- Identify, monitor, and report on risks to implementation.
- Set up regular meetings with the SMC to report on implementation progress.
- Ensure the activities identified in the strategic plan are incorporated in the annual business plans with targets established.
- Evaluate progress on objectives, and begin an environmental scan prior to the next annual planning cycle.

Existing staff who have demonstrated strategic-level capabilities are typically assigned to the OSM unit. Depending on the size of the administration, it may not be feasible to establish a separate organizational unit to carry out the functions expected from the OSM. This is a decision that each administration makes based on their circumstances. The key elements to consider include the following:

- Full-time staff dedicated to this work is critical. In small organizations, it might be one or two people, while in large administrations, perhaps five or six. The unit should be relative in size to other areas in the administration, with the size taking account of the activities to be managed.
- The management of the strategic plan implementation and updates is a year-round process and requires adequate monitoring along with periodic reporting to the SMC. This allows management to react if one area of the implementation is offtrack. An "early warning system," deployed and enforced through regular SMC meetings, will ensure timely responses.

Governance Framework

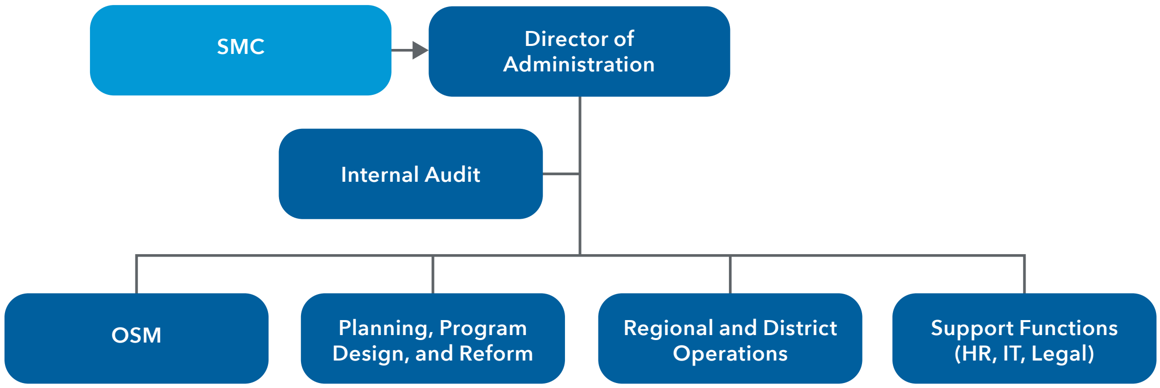
A tax administration must have sustainable governance processes in place that clearly sets out authority and accountability to ensure sound decision-making. The head of the administration must establish, and communicate, principles and guidelines related to decision-making, and specify what types of decisions can be made by each level of management (delegation of authority) and which decisions are reserved for the head of the administration.

Strategic Management Committee

An SMC is recommended to ensure that the administration's strategy and operations are aligned. This committee acts as the vehicle that the head of the administration uses to discuss and make decisions on the strategic plan and to guide management of its implementation. The SMC reports to the head of the administration. Its members should include the director of the OSM as well as the directors of Planning, Program Design and Reform, Regional and District Operations, and the Support Functions (see Figure 4.2).

Notice that the SMC is in a different type of box, which means that it is not a structural unit of the organization but rather a special-purpose decision-making body related to strategic management.

Figure 4.2: The SMC in the Hierarchy of a Tax Administration



The SMC should meet regularly—possibly weekly during the phase in which the strategy is being developed and monthly during the rest of the year as the strategy is being monitored. The OSM is responsible for developing the agendas for the SMC and providing secretariat functions for the meetings, including scheduling, developing the agenda, recording decisions, and monitoring action items resulting from the SMC meetings.

Change Management

Change management is an element of strategic management that is often overlooked or underemphasized, to the detriment of the organization, and is often identified as the number one contributor to the reform agenda success.

The focus of change management is to help staff impacted by the reforms to adapt to the changes rather than risk alienating them with unexplained shifts. It is about the processes, activities, and sustained commitment of leadership to prepare staff, citizens, and stakeholders for the changes that will be delivered through strategic management.

It is imperative for senior leaders in the administration to take a leading role in managing change. They must ensure that the organization understands the vision for the future as outlined in the strategic plan and why it is important that the organization move in this direction. If staff feel they are part of the vision, they will help the organization achieve its objectives. Lack of information, poor communication, and staff making assumptions about the objectives in the absence of direct communication can present real challenges for the successful implementation of the strategic plan.

Key elements of change management that leaders will need to consider include the following:

- Change starts at the top. An organization's leaders must be the visionaries, champions, and role models for change.
- Change is inherently unsettling for people; therefore, change management should be considered at the early stages of the strategic management process.
- Leaders and managers throughout the organization should be expected to actively consider the impact of change and support and communicate the benefits of change to their peers and staff.

- It is people who make change happen—nothing moves forward without engaged and motivated staff. To effectively achieve buy-in or ownership, staff and stakeholders need to be engaged, understand the reasons for change, and help develop the solutions.
- Even if the change is nonnegotiable, cooperation and collaboration to achieve the change is more likely if staff are involved and kept informed.

Communication

Communication is a key part of managing change and requires a deliberate approach by management. The earlier a leader engages staff in communicating change as part of the broader strategic plan, the earlier staff will come on board and help implement the change. Early communication also allows employees to provide input and offer suggestions on how best to implement the change. Allowing this feedback process and incorporating suggestions into the plan will increase staff ownership of the vision.

Resistance to change is most often the result of uncertainty. Staff will often react negatively if they do not understand the change, why it is needed, how it will affect them personally, and the timeframe for change. If this occurs, productivity will suffer. It is important to get information to staff quickly when changes are on the horizon to allow management to address concerns and reduce the level of fear and resistance.

There will be staff who do not agree with the change, regardless of how well it is explained and how it may benefit the administration. The key is to continue communicating in different ways. Over time most will accept the change even if they do not become advocates or champions of the change.

It is not only tax administration staff that need to be engaged. Stakeholders within the organization that the tax administration reports to, and other government agencies, will need to be advised of the strategy and, in some cases, be part of the strategic planning process. Stakeholders within the community, such as businesses, tax professionals, taxpayers, civil society, and media, will also need to be engaged.

Different stakeholders have different communication needs. Generally, stakeholders can be classified into three categories:

- **Those who are partners in the reform:** includes stakeholders who are responsible for implementing some part of the reform agenda, for example, staff
- **Those with whom the government needs to consult:** includes stakeholders who may have information necessary to support the reform plan, but they themselves are not implementing the changes, for example, Chambers of Commerce and industry associations
- **Those who need to be informed of the changes:** includes taxpayers

The different categories will help decide what type of messaging is best for each group. The level of detail will typically be high for partners in the reform process to facilitate their input on the impacts of the strategy and advice on implementation. For stakeholders who only need to be informed, the details will typically be directed toward impacts and what taxpayers need to do to conform to the changes. The messaging for taxpayers could involve specific messaging for each type of change.

It is also necessary to consider the delivery method and medium/channel of the messaging. Delivery methods include in-person or electronic, and the medium could include workshops, conferences, or written material. A template is provided in Appendix 2, which sets out a format that could be used to document the communication strategy.

To optimize the level of engagement with staff and other stakeholders:

- **Leaders must communicate in person to staff.** This shows commitment and increases the level of importance that participants place on the message—if the leader takes the time to personally deliver the message, it will be taken more seriously.
- **All levels of management have a role to play in communicating the changes to staff.** While the head of the administration will communicate the vision and high-level details of the strategy, management at each level below the head of the administration will provide increasingly more specific information that is important to their staff. At the first level of supervision, the manager will communicate what impact the change has on each staff person's job. Many administrations recognize that staff view their direct supervisor as the best person to communicate changes as they are a trusted colleague.
- **Multiple channels should be used to communicate the change message to accommodate visual and auditory preferences.** Where possible, using both is best as it serves to reinforce messages.
- **It is critical to provide the opportunity for stakeholders to have input.** People impacted by the changes want to feel heard. Taking the time to listen to concerns and suggestions increases the buy-in by stakeholders.
- **Repeat change messages often.** Telling stakeholders once what the changes are going to be is insufficient. As the reform progresses, more details should be shared, and further opportunities allowed for questions and comments.
- **Obtain feedback.** This is important to ensure messaging has been clear and to help develop additional/future communication.

Considerations and Mistakes to Avoid

Key considerations and mistakes to avoid in undertaking the strategic management process follow:

- **Understanding resource adequacy:** The scope and pace of strategic shifts in direction need to be matched with adequate resources to implement the reform program. Strategic plans may require changes in legislation, regulations, procedures, and staff capabilities, and these require time and effort to accomplish. If there are insufficient staff that can be assigned to this work, a business case for additional resources may be needed, or the pace of reform may need to be scaled back.
- **Keeping a positive mindset:** A good rule of thumb is to recognize small wins, reward the people involved, and reinforce positive results.
- **Confusing a plan with management:** The strategic plan is not the end goal. Having a strategic plan is only the beginning—implementation brings the strategy to fruition. Recognize that implementation can be challenging, but the benefits are worthwhile. Eventually the strategic management process will become embedded into routine tax administration processes.

- **Ignoring culture:** The culture of the organization must facilitate engagement and transparency; otherwise, implementing the strategy will be difficult. Receiving timely feedback is crucial. It is important to ensure that the plan has been discussed with staff and time taken to address any perceived cultural conflicts that may affect implementation.
- **Overcomplicating strategy:** For administrations developing their first strategic plan, do not strive for perfection. Choose two or three strategic objectives, and use the experience to learn. This will serve you well for the second strategic plan, which can build on this success. The key is to **start**.
- **Paying attention to people:** Never underestimate the importance of staff in strategic change. The leader must be the catalyst of change, but it is the people of the organization who need to embrace the vision and turn it into reality.
- **Having too many measures:** Choose one or two measures per objective that are actionable and realistic. Think about measures that will indicate whether the objective has been reached. Keep in mind that "what gets measured, gets done." An imprecise measure may be successful; however, it may not achieve the expected outcome.
- **Fearing failure:** Good project performance measures will identify areas that are falling short of the objective, and plans can be adjusted accordingly. The failure is to not monitor and adjust the strategy when necessary.
- **Having honest assessments:** Leaders must solicit honest assessments even if they are not positive. This is not a reason to feel discouraged, rather it is how to determine what change is needed. It is vitally important to create an environment in which staff see measurement as a mechanism for improvement and not for blame.
- **Underestimating the importance of communication:** The leaders of the tax administration should communicate personally with staff and communicate regularly. In addition to messages from the head of the administration, cascading messaging by all levels of management will build consensus and commitment to the change program.
- **Failing to share:** Leaders who keep discussions of strategy to themselves miss the opportunity for cross-functional dialogue that brings ideas, insights, and feedback that may otherwise not be heard. Successful organizations welcome unusual opinions and inputs instead of disregarding them.
- **Ensuring long-term engagement for success:** Structural reforms require that tax administrations in developing countries and their partners (development partners and local government) engage for the long term. Building stronger tax systems with effective tax administrations should be understood as an investment that will take several years.

CHAPTER 5.

Summary

Strategic management helps tax administrations build a strong foundation for their future by providing clear objectives and a road map to reach them. It is a cyclical, end-to-end process comprising three key components:

- Setting the administration's objectives based on analysis of the environment and the internal organization
- Developing and implementing strategies to help the organization meet these objectives
- Implementing performance measures to:
  - Evaluate past results
  - Guide necessary adjustment of strategies to improve future results

Strategic management provides the **framework** to assist in answering key questions for tax administration leaders, including the following:

- What opportunities and threats could arise from technological developments?
- What is happening in the global economy that could impact management of the administration or how it protects its tax base?
- What are the current and future compliance risks, and how should they be managed?
- What is the right balance between service and enforcement?
- How can we track whether resources are allocated efficiently and are achieving the tax administration objectives?
- How much is spent on each tax administration activity, and what is the return on that investment for the administration and broader society?
- How can the administration continue to generate revenue results with an ever-decreasing budget?

The **key benefits** for tax administrations are that a strategic management approach achieves the following outcomes:

- Shifts thinking to beyond a short-term revenue focus
- Improves day-to-day operations
- Identifies future risks
- Prepares the administration for emerging developments that could negatively impact processes, procedures, and resources
- Assists in having a proactive approach to address risks and developments
- Facilitates increased efficiency
- Fosters innovation and reduces resistance to change

There should be strong linkages (line of sight) between the goals of the government, the Ministry of Finance, and the tax administration at the strategic, tactical, and operational levels (**strategic alignment**). The strategic plan of a tax administration should be aligned to the overall government strategy and typically includes (1) the strategic assessment; (2) foundation statements (mission, vision, core values); (3) themes, objectives, goals, and initiatives; (4) resourcing requirements; and (5) performance measures.

The critical elements needed to successfully implement a strategic plan in a tax administration are the following:

- **Appropriate organizational support is essential,** including a dedicated unit to manage the development and implementation of the strategy.
- **A strong governance framework should be in place** to determine how decisions are made in the development, approval, and implementation of the strategic plan.
- **Active change management is required** to ensure that the necessary processes are in place and that actions are taken to prepare staff, community, and stakeholders for the changes and reforms.
- **Effective communication (internal and external)** is essential to build consensus and allow staff and stakeholders to provide input to the strategic plan.

APPENDICES

Appendix 1. Examples of Tax Administrations' Foundation Statements

Mission Statements

Canada Revenue Agency

Mission
Administer tax, benefits, and related programs, and ensure compliance on behalf of governments across Canada, thereby contributing to the ongoing economic and social well-being.

Turkey Revenue Authority

Mission
Our mission is to increase voluntary compliance by protecting taxpayer rights and to collect taxes and other revenues by providing high-quality service.

Rwanda Revenue Authority

Mission
Mobilise revenue for economic development through efficient and equitable services that promote business growth.

General Directorate of Taxes-Albania

Mission
Central Tax Administration administers the collection of tax revenues and social contributions, encouraging voluntary compliance and asking all to appreciate and respect the legal obligations.

South African Revenue Service

Mission
To optimize revenue yield, facilitate trade, and enlist new tax contributors by promoting awareness of the obligation to comply with South African Tax and Customs Laws and to provide quality and responsive service to the public.

Vision Statements

Canada Revenue Agency

Vision
Trusted, fair, and helpful by putting people first.

Turkey Revenue Authority

Vision
Our vision is to be an exemplary model as an administration that promotes formal economy by embracing economic activities, that provides voluntary compliance by protecting taxpayer rights and collects taxes and other revenues by offering quality service.

Rwanda Revenue Authority

Vision
To become a world-class efficient and modern revenue agency, fully financing national needs.

General Directorate of Taxes–Albania

Vision
A modern and efficient tax administration in the service of society, to ensure a high level of transparency and improvement of services, becoming a key source of revenue for the Albanian state.

South African Revenue Service

Vision
To administer our Tax, Customs, and Excise duties in a manner that encourages fiscal citizenship and increased revenue for the State.

Core Values

Canada Revenue Agency

Values
- Integrity
- Professionalism
- Respect
- Collaboration

Turkey Revenue Authority

Values
- Justice
- Solution-oriented
- Flexibility
- Effectiveness
- Reliability
- Participation
- Transparency
- Responsibility
- Continuous Development
- Impartiality
- Efficiency
- Competency

Rwanda Revenue Authority

Values
- Customer-focused
- Integrity
- Accountability
- Teamwork
- Professionalism

General Directorate of Taxes–Albania

Values
- Service quality
- Honesty and trust
- Motivation and development of human potential
- Teamwork and cooperative spirit

South African Revenue Service

Values
- Fairness
- Accountability
- Integrity
- Respect
- Transparancy
- Trust
- Honesty

Appendix 2. Communications Strategy Template

Audience	Main Message	Delivery Method/ Medium	Timing of Message	Type of Engagement (Inform, Consult, Partner)
Internal				
Tax administration staff	Tax administration continues to modernize its operations. Central data-driven case selection will help focus on high-risk cases	Proactive engagement of audit staff, message from commissioner, team meetings	Early and continuous	Inform/consult
Other government departments such as budget department, treasury	This reform will not negatively impact revenues and, over time, will improve results	Meeting	Early	Inform
External				
Taxpayers	Tax administration continues to modernize its operations; audit case selection will have a stronger focus on high-risk taxpayers	Press releases, interviews, website	Ahead of implementation	Inform
Chambers of Commerce/ industry associations	Tax administration continues to modernize its operations; audit case selection will have a stronger focus on high-risk taxpayers	Meetings, periodic information bulletins	Early and continuous	Inform/consult

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