



**UNIVERSITY OF WITSWATERSRAND,  
JOHANNESBURG**

*GRADUATE SCHOOL OF PUBLIC AND  
DEVELOPMENT MANAGEMENT*

Research Report

**TRANSFORMATION AS A CATALYST FOR DEVELOPMENT  
THE SARS CASE**

A research report submitted to the Faculty of Commerce, Law and Management,  
University of Witswatersrand, in partial fulfilment of the requirements for the  
degree of Master of Management in the field of Public and Development  
Management

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## DECLARATION

I declare that this report is my own, unaided and original work achieved through research and observation. It is submitted in partial fulfilment of the requirements of the degree of Master of Management in the field of Public and Development Management in the University of Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in any other university for academic credit. The sources of information have been duly acknowledged as required.

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Adeola Adesanya

22<sup>nd</sup> June 2009

## **DEDICATION**

This work is dedicated first to Almighty God whose faithfulness I experience daily,

To my two boys who have been through it all with me, who understand when I am frustrated and who have together taught me to let go and move on,

To the memory of my father who always told me that the only thing he owes me is an education. He made sure that I received it,

To my mother, who taught me to be independent, and finally,

To my many friends, who believe in me, inspire me, and therefore encourage me and who keep me on the straight and narrow path of life

Each one continues to contribute to all that makes me who I am today.

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## LIST OF ABBREVIATIONS

<b>ANC</b>	African National Congress
<b>BEE</b>	Black Economic Empowerment
<b>BSC</b>	Balanced Scorecard
<b>CBD</b>	Central Business District
<b>CoJ</b>	City of Johannesburg
<b>CGT</b>	Capital Gains Tax
<b>EHTE</b>	East Highlands Tea Estates
<b>HR</b>	Human Resources
<b>HSRC</b>	Human Science Research Council
<b>JHB</b>	Johannesburg
<b>KZN</b>	Kwazulu Natal
<b>MBO</b>	Management by objectives
<b>PAYE</b>	Pay as you earn
<b>RDP</b>	Reconstruction and development programme
<b>RAU</b>	Rand Afrikaanse University
<b>SA</b>	South Africa
<b>SARS</b>	South African Revenue Service
<b>UP</b>	University of Pretoria
<b>VAT</b>	Value added Tax

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<sup>1</sup> National Treasury, Budget at a glance  
<http://www.treasury.gov.za/documents/budget/2008>

## **ABSTRACT**

Pre-1994, the politics of exclusion manifested itself as apartheid and permeated South Africa (SA) both organisationally at micro-level and nationally at macro-level. Post 1994, several attempts have been made at correcting this inequality and injustice and this precipitated the adoption of a new agenda of transformation, at both organisational and national levels. Transformational change was necessary in order to vigorously address the exclusionary legacy of apartheid.

The purpose of this study was to determine if transformational change is developmental. Its focus is the South African Revenue Services (SARS). SARS was chosen as a case study because the process has matured a great deal and SARS has recorded success in exceeding targets set by the Finance Minister. The transformational process at SARS happened in phases with a series of small steps of success rather than leaps and bounds.

One of the key findings of the study is that transformational change results in development but also that the process of transformational change is in itself developmental. In the case of SARS, there was an effort to develop required competencies of staff that remained after transformation.

It was also established that despite the developmental nature of transformation, staff retention is a challenge at the end of the process because people are quite dynamic and therefore fluid in nature. To that end the study recommends that any process of transformation should pay attention to staff and their needs, in order to retain them after the process. If staff members are multi-skilled in the process, their newly acquired skills should be maximised by providing the necessary enabling environment in every manner (physical et al) that constantly challenges the staff members for growth.

## CHAPTER 1, INTRODUCTION

### 1 Background

In business activity within organisations globally, the approach of business process re-engineering has been applied in order to improve efficiencies and effectiveness of organisations by looking at such organisations from a “*clean slate*” perspective, to ensure greater impact of such organisations. Management thinkers such as Peter Drucker, McKinsey and Co., Richard Pascale, Kaplan and Norton, etc. all developed several strategies for re-engineering organisations. These strategies have been applied to transform different organisations globally and have yielded successful results in some cases and probably unsuccessful results in others. I daresay that the application of these re-engineering strategies (though not simply literally) to several states of the world apart from organisations, have resulted in transformation of governance.

The present day concept of globalisation has resulted in the integration of international economies through trade and capital flows. The need for South Africa to be a part of the global economy having transformed political governance resulted in the necessity for organisational transformation of several corporate entities. Although globalisation is neo-liberal/new age thinking, it is rooted in Westernisation. Prior to globalisation, there was colonisation of African states by different Western nations.

The perpetrators of colonialism imported and imposed religious and western practices including management practices, on African states. These practices came into conflict either directly or otherwise -- with the Africans’ indigenous practices and gave rise to many complexities of management. Colonisation of several African states in Sub-Saharan Africa left them largely undeveloped and unable to participate effectively in the globalisation concept of development despite the apparent conceptual aspirations of African development such as “Ujamaa” in Tanzania, Pan Africanism in Ghana, and so on. Economic and

infrastructure underdevelopment, along with poverty and its associated factors, are the collective bane of African states. Westernisation permeated the fabric of African states including their governance and the management structures of their organisations.

By observing information available in the public domain, it appears that the greatest challenge facing African states is the fact that colonisation systematically disempowered the indigenous ethnic people on the continent of Africa and excluded an appreciable percentage from active participation in their economies. The problems of poverty, the alarming percentage of illiteracy and lack of education, wars, disease and epidemics have ravaged the continent. South Africa is no exception. Exclusion of an appreciable percentage of the indigenous population led to apartheid in South Africa, for several decades. Then South Africa achieved its independence as a sovereign state in 1994 and a new democratic government was elected into power, thus heralding high expectations from the citizens of SA and high aspirations of correcting inequities that resulted from the politics of exclusion. This independence posed new challenges.

Although a new constitution based on rights and dignity of people was developed, the West positioned itself to influence the agenda of the government and their policies, through their salient offers of assistance and foreign aid. The stage was therefore set for the development discourse which paved the way for the SA economic policy in order to address its unique position. In, came the principles of Reconstruction and Development (RDP) economic programme, which had a socialist thrust to it, to replace the economic thrust based on imperialist/oppressive principles of exclusion. The RDP outlines its principles as the following:

- Sound and enabling fiscal balances facilitating the creation of employment and development of infrastructure to provide basic needs
- Income distribution and re-distribution
- Enlarging the market and making it more competitive thus building the economy through the active involvement of all sectors of the civil society

- Completely de-racialising business ownership and control through focussed policies such as Affirmative action, Black economic empowerment (BEE), etc.<sup>2</sup>

I would say that the RDP ensured the transformation of apartheid and colonialism to development.

The contextual definition of development necessitates its being located within the parameter of growth; therefore it has no singular definition. However, the general acceptable norm is that development can be an event or a process resulting in growth and expansion. Therefore at organisational level, I would say development has occurred when an organisation has achieved growth and expansion on the following:

- The improvement of skills
- Economic empowerment of staff members
- Creating enabling policies and procedures in the organisation
- Use of enabling systems and technology to assist work processes and promote shorter turn-around times

In my opinion, for SA to undergo development, the organisations within it had to undergo re-engineering in the form of transformation. It was no longer business as usual but the new SA needed to have transformed organisations to address the challenges it faced as a democratic state. The unique position of SA lies in the inequalities faced by its people which needed to be addressed. All the state departments, parastatals including private organisations had to undergo transformation in response.

The trend for transformation of organisations is observable in many ways. It is driven at one level by the need to adapt in order to meet the changing requirements of environments, of globalisation, and of the pressure to address

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<sup>2</sup> The Reconstruction and Development Programme: A Policy Framework

inequalities of the past amongst other reasons. I surmise that in this scenario various organisations feel the need to carry out the process of transformational change.

Generally, organisations are micro-organisms of the larger macro – the state and therefore they play a role in shaping or being shaped by the state. Organisations need to be seen or identified as communities of people who are from diverse cultures, tribes with similarities in essence but with different heritage. The key component of any organisation is the people who make up the organisation. Simply speaking, since people are not static but dynamic either in their nature or in their ideas, change will happen in the life of an organisation, either as change interventions or transformative change. The secret of “eternal” life of any organisation is in its ability to orchestrate transformation, successfully.

While the purpose for existence of some organisations is to make profit, for others, their purpose is regulatory and for others still, it is to deliver a service. Whichever their purpose, organisations are of necessity evolving either for survival or for relevance, driven by internal or external forces or even both. The survival (or evolution) of any organisation depends, to a large extent, on the collective input and effort made by employees of such organisations. The collective input of employees who are well resourced to achieve or exceed their objectives contributes greatly to the success of the organisation. Maintaining this success necessitates constant interventions of incremental change and, at best, transformation. It is important to make a distinction between change and transformation because change is not interchangeable with transformation. This is elaborated further on in the text and sets out a framework within which this research is contextualised. Ideally, both change interventions and transformation contribute to survival or the continued relevance of organisations. Whilst change is regarded as interventions such as change in leadership, re-assessment of the organisation’s product line, or balancing of equity figures, transformation, as it occurs in several South African organisations is a metamorphic process of

change, and is radical in its entire character. It hinges on drivers identified as determinants for change. Change is a necessary element of and for transformation but transformation is not necessary for change to occur in any organisation.

As with several organisations, the South African Revenue Service (SARS) was not excluded from transformation with the onset of the new government. Prior to democracy which occurred in 1994, SARS faced declining revenue generation directly attributable to SA's narrow tax base. The democratic government of 1994 inherited this liability from the previous government. In addition to this was a dispersion of functions in the organisation, and a radical change in the thrust of the economy, which rendered the 'revenue collection' organisational model unsustainable. The need for re-engineering in the form of transformation was therefore inevitable. Following this, SARS recorded substantial growth as evidenced by a significantly improved fiscus of approximately R282.2billion<sup>3</sup> in 2002/2003 from revenue collection of approximately R184billion<sup>4</sup> in 1998/1999. This is attributable to the benefits of institutional transformation as alluded to by the Commissioner Mr Pravin Gordhan<sup>5</sup>. This phenomenal growth in revenue may attest to a relationship between development and transformation.

This study begins with some observations, which is that transformation is deeper than a change intervention. Even though disruptive in any organisation, institutional transformation may be progressive, therefore developmental. The study will strive for the progressive and developmental aspect of transformation and will try to trace the trajectory through which transformation could be developmental.

### **1.1 Problem Statement**

Several public entities in South Africa have undergone transformation and these include the City of Johannesburg (CoJ), Telkom, Human Sciences Research

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<sup>3</sup> SARS Annual Report, 2003

<sup>4</sup> SARS Annual Report, 1999

<sup>5</sup> SARS Annual Report, 2003

Council (HSRC), the South African Revenue Service (SARS) and they all recorded varied degrees of success in terms of survival, continued relevance or significantly improved profits/bottom line, efficiency or revenue base. Some transformation processes have been progressive and infused with a 'positive spirit' while others have achieved insignificant improvement in their outcome. In any organisation that has undergone an overhaul or transformation, there is the resultant 'new' organisation, with a residual problem. This residual problem arises from the impact of such institutional overhaul on development or the extent to which that process is comparable to development and this study seeks to demonstrate that an overhaul or transformation of any organisation is progressive and therefore developmental. In the case of SARS, the challenges which led to transformational change include the following:

- Lack of sustainability of the 'revenue collection' organisational model contained in two different entities i.e. Customs and Excise in one and Inland Revenue on the other hand
- declining revenue generation directly attributable to SA's narrow tax base which could not support development in the newly democratic SA
- In addition to this was a dispersion of functions in the organisation, and
- a radical change in the thrust of the economy from imperialist to one with a socialist thrust

## **1.2 Purpose Statement**

The purpose of this research study was to explore and interrogate the research questions below and to understand whether the process of transformation is developmental using SARS as a case study. SARS has recorded a qualitative improvement of the organisation in terms of skills, racial composition, business processes (efficiencies), organisational culture (ambience/attitude, perceptions, approach to doing things) and increased revenue and has therefore, grown phenomenally. SARS has been identified as the single most performing public entity and this is attributable to transformation of the organisation.

Further in the text, I shall draw the distinction between change intervention and transformation. Literature suggests the availability of substantial information on organisational strategy highlighting several models of change interventions as distinct from transformation models. Kotter's model or even applied tools such as Mckinsey's 7-S model or the more widely used Balanced Scorecard for managing change are but a couple. All these models however, are practical change management guidelines, which when applied to organisations result in a targeted approach to organisational performance. Surprisingly, there are very few models for transformation, the closest of which is Peter Drucker's management practice.

There is little literature that identifies the key factors responsible for successful transformation at micro level and demonstrates linkages or relationships, if any, with developmental strategies at macro levels. While in this study I acknowledge the extensive material on management practices, I intend to focus on areas of successful transformation processes, and explore linkages, relationships and commonalities with development strategies, if they exist.

I will also provide any inferences that can be deduced from this framework of successful transformation, applicable to development theories.

Subsequently, I will briefly outline a framework for transformation to ensure a common understanding of the process and thus differentiate between transformation and change interventions, briefly alluded to, in the background above. This is necessary in order to establish a common platform for the study.

### **1.3 Research Objectives**

This research study will focus on a South African organisation and that is the South African Revenue Service (SARS). This is because SARS has been through a mature, coherent and more successful process since its existence as an autonomous body.

The research study will explore the process experienced by SARS' employees and will examine questions such as:

- Is there any relationship between the factors contributing to transformation and the factors leading to development?
- Is transformation progressive and therefore a vehicle for development?

### **1.4 Significance of study**

It is hoped that this study will demonstrate that the process of transformation is not in itself negative as may be perceived by some stakeholders and therefore will draw some parallels with existing theories and application in processes of transformation.

It is also hoped that this study will complement other studies undertaken on transformation and innovative management practices and that it will, in addition, add another perspective or dimension to the theory and to the body of knowledge. There is a great need for innovative thinking in organisations in order to strategically manage transformational change.

This study should offer business solutions to current and future business leaders to understand the organisational dynamics related to transformation and to enhance development processes at macro-level.

### **1.5 Limitations of Research Study**

The study gave cognisance to written and unwritten ethical research principles such as:

- The notion of human dignity
- The benefit to the participant
- The right to anonymity and therefore absence of harm to the research participant, and

- Confidentiality of information provided by participant

In light of the above considerations, the right of the participants was respected. Revealing identities was deemed optional to ensure that identities of participants are protected.

Participation was strictly voluntary especially because SARS has a media policy around granting of interviews. Despite following all procedure with proof of identification and letters from the school, several proposed participants expressed their concern at having structured interviews. Therefore, some of the interviews were really semi-structured interviews to accommodate those participants.

This study focuses on relating the key success factors in the revolutionary change of transformation aimed at maintaining relevance in evolving environments, to development. Despite recognising that in-depth study tests existing theories, the potential problems associated with making generalisations from an in-depth study have been carefully addressed. The findings of this study are more useful than carrying out studies with plural contexts.

The test sample comprised of a limited sample of staff members including the leadership of the organisation involved in driving and participating in the transformation at the SARS. Thus, I did not make generalisations across all levels of the organisation. However, the rationale for the testing of perceptions is that those being questioned have an intimate knowledge and strategic perspective of the process. I simply tested their personal perceptions and interpretations of the process. The ordinary taxpayer on the street who submits his tax returns and receives a response within six weeks, together with the improved revenue base as reported annually by the Finance Minister all testify to the improvement of service delivered by SARS.

The South African financial year runs from April of the year to March of the following year. The tax cycle peaks during the second quarter of the financial year i.e. July, when tax returns are submitted by all citizens. Collection of data during this time was affected due to the pressure experienced by staff members of SARS. During this time, they were not accommodating enough to grant interviews. Therefore I avoided interviews during this time.

In addition to this, there were limitations in the collection of data in that it became evident that those being interviewed had benefited from transformation and therefore shared very little negative sentiments about transformation. The study sample could have been expanded to include categories of staff members who lost their positions due to the transformation process and in addition the tax consultants whose client base have been eroded due to the efficiencies of the resultant organisation.

This research does not focus on change interventions, but rather on transformation as highlighted in the literature review.

## CHAPTER 2, LITERATURE REVIEW

### 2 The Literature Review

#### 2.1 *Change vs. Transformation*

In the life-cycle of South African organisations, the words 'change' and 'transformation' are often used interchangeably which makes it appear that transformation is occurring in every organisation where simple cosmetic organisational improvements have occurred. In some cases, these simple cosmetic changes, for various reasons have been classified as unsuccessful transformation processes. Every organisation is being punted as undergoing transformation. Various organs of government have transformation departments or units within them, despite their singular inability to articulate the purpose for their existence.

In SA, the government has used transformation as a tool to address inequalities due to racial imbalances in the system and to ensure equal access to all the resources of the state regardless of race or colour. In doing this South African organisations have used transformation to balance their equity numbers as a way of infusing diversity and new energy into such organisations to trigger a change in culture of such organisations.

In making a distinction between 'change' and transformation, it is my contention that 'change' refers to small change, characterised by interventionist shifts and improvements or alterations; while 'transformation' refers to large scale radical change resulting in a complete overhaul of the organisation.

Any shifts and improvements that may occur within an organisation are merely change interventions and cannot be classified as transformation. On the other

hand, I am suggesting that transformation, (even though, colloquially, it is change) goes deeper than that. While recognising that change is a reality, Pascale (1982) makes a distinction between change and transformation. In his book, *The Art of Japanese Management*, Pascale makes a practical distinction between change and transformation by referring to change as an incremental improvement. This would include change interventions such as business process re-engineering on its own, etc. On the other hand, he refers to transformation in organisations as a shift in capability resulting in the evolution of a different form. This distinction is crucial in South African organisations especially because the ideology of transformation is being used as a tool for correcting the consequences of apartheid.

There are four processes involved in transformation namely reframing, restructuring revitalisation, renewal although within the South African context a fifth one is added; the infusion of new values and ideology into an organisation.

In Gouillart et al (1995), the processes of transformation are aptly described. Reframing is described as the shifting of the organisation's conception of what it is and what it can achieve. It involves infusing a different but holistic direction for the organisation – strategic vision or policy generation. It is my opinion that in public sector organisations transformation involves generating new policy direction.

Restructuring is getting the organisation to achieve a competitive level of performance. It involves re-engineering the processes within the organisation to align with the new direction, resulting in a structural change of the organisation.

Revitalising is about optimising relationships within the organisation. It involves the fluid infusion of new energy and promoting innovation into the organisation. Revitalisation is about bringing new life/ideas into the organisation; developing existing relationships and inventing new ones. It is about nurturing new

relationships between people and how the organisation relates to its environment. Renewal deals with the “people” side of transformation by infusing skills and purpose, on one hand to allow the organisation to regenerate itself.

Somewhat embedded in but distinct from the above 4 processes is the 5<sup>th</sup> process of transformation, which is encompassed by the infusion of new values and ideology. It involves addressing equity targets and achieving a balance of the diverse workforce. It is about changing the culture of the organisation and the ability to get a large number of people to behave in a mutually supportive fashion. This fifth dimension of transformation can be embedded in any of the above processes; however, it is significant enough to be a fifth dimension.

When any of the processes described above is applied as a process on its own, it is a change intervention. When all 5 dimensions occur to the same organisation, at almost the same time, then the organisation would have evidently transformed. Perhaps, the resultant heightened positivism after transformation, can be a reflection of a progressive developmental process.

## ***2.2 Models of Transformation / Change***

Conventional management theories, techniques, and systems applied in any South African organisation have limitations due to complexities in the diversity of backgrounds and culture of people constituting these organisations. Furthermore, limitations exist due to unintended consequences of change, be it transformation or any change intervention.

There are several thoughts, models and tools of change, such as Kaplan and Norton’s balanced scorecard, Mintzberg’s theory of management and organisational configuration framework; Richard Pascale’s concept of change and reinvention using McKinsey’s 7-S model as a tool; Greiner’s pattern for

successful organisational change and Kotter's model, amongst others. However, in this study, I will limit myself to a brief discussion of Pascale's 7S-model, Kaplan and Norton's Balanced Scorecard and in addition, will examine Drucker's change model and management practices. These change theories, particularly Drucker's theories go beyond change intervention management and are more aligned towards the writer's framework of transformation, as large scale radical change. His simple but common-sense approach to management practices within organisations makes his concept of transformation applicable to every type of organisation and is the closest to the process of transformation as described further in this text.

### ***2.2.1 Richard Pascale and the 7-S model***

Richard Pascale was an impassioned critic of management theories and advocates that organisations, at some point in their life-cycle, commit themselves to tedious actions of self-questioning and reinvention. Together with his colleagues, Pascale developed a value based change management model, used holistically and effectively to ensure the alignment of organisations with defined important categories and should result in making organisations more efficient. These categories are strategy, structure, systems, style, shared values, skills and staff and this tool is called McKinsey's 7-S framework. This change management model is limited in its application for transformation as it portrays change as a mechanistic process and a series of steps ignoring the depth and the fluid nature of transformation, thus limiting innovation, which is necessary in managing diversity and promoting the fifth process of transformation described in item 2.1 above. McKinsey's 7-S model confirms the nature of any change intervention as distinct from transformation.

### ***2.2.2 Peter Drucker***

With six decades of management practices and a fertile source of inspiration for business leaders globally, Peter Drucker has been referred

to as the father of modern management. Despite this, he has maintained an objective distance from organisations. His management practices have evolved from a scientific management concept in order to improve organisational performance and manual productivity, (which attests to a practice called management by objectives) to the emergence of the knowledge society and knowledge workers and more recently the view which focuses on three member partnerships between the private, government and social sectors, all interconnected through networks, standards and leadership. His practice of management by objectives involves aligning goals and objectives throughout the organisation by defining objectives for each employee and then comparing, directing and monitoring their performance against such objectives. It ensures that objectives for each employee are derived from the vision and strategy of the organisation and cascaded down to every employee to ensure permeability and furthermore, such objectives are measured by the various team leaders.

The focus of this concept is on-going tracking and feedback and emphasises the art of management.

### **2.2.3 The Balanced Scorecard (BSC)**

In 1990, the research arm of KPMG was commissioned to carry out a one year study on “Measuring Performance in Organisations”. The team was led by David Norton (CEO Nolan Norton Institute) and Robert Kaplan, academic consultant.

The findings of the study birthed the balanced scorecard in 1992. The balanced scorecard itself is a management tool for measuring the performance of organisations from four different perspectives – financial, customer, internal business processes and learning & growth perspectives (See Figure 1- The Balanced Scorecard).

The BSC has been used as a kind of diagnostic tool to measure organisational performance by setting measurable and achievable

objectives to meet the strategy of the organisation from the four different perspectives. It has been used to translate organisational strategy into operational activities that can be implemented. By cascading these objectives to all levels within the organisation, all staff members understand and therefore, buy-into the strategy of the organisation.

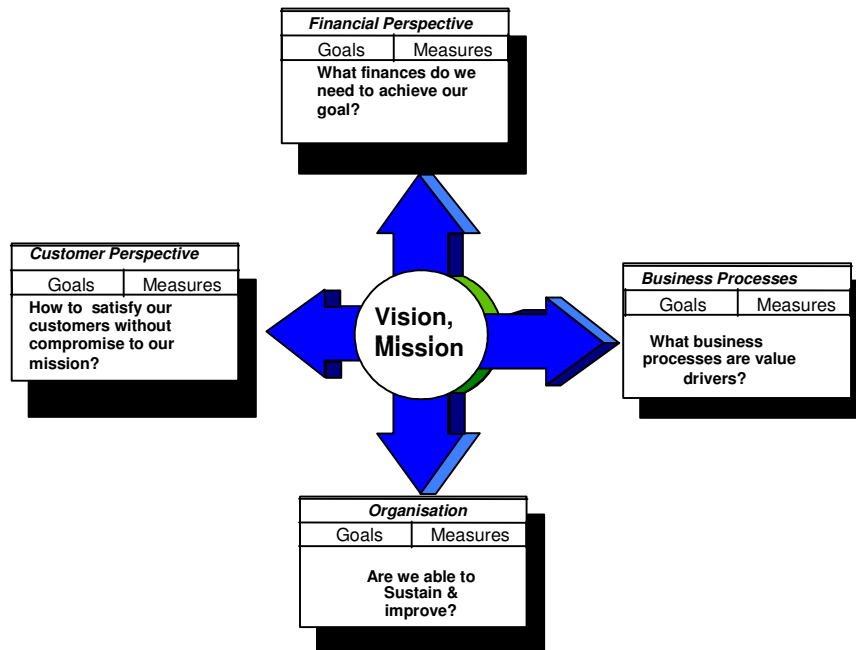


Figure 1: The balanced scorecard (Traditional)

The financial perspective of the BSC identifies financial performance drivers to enhance profitability of the organisation's future vision. Objectives and measures are set against these drivers and these are periodically monitored. Usually in for-profit organisations, the financial perspective has been the most important of the BSC. The customer perspective translates the organisation's vision and mission into specific objectives and value propositions to the delight and aspirations of their identified customers. Scrutinizing the organisation's internal business processes encourages its management to focus on improving its critical internal processes so as to achieve and deliver on its future mission and

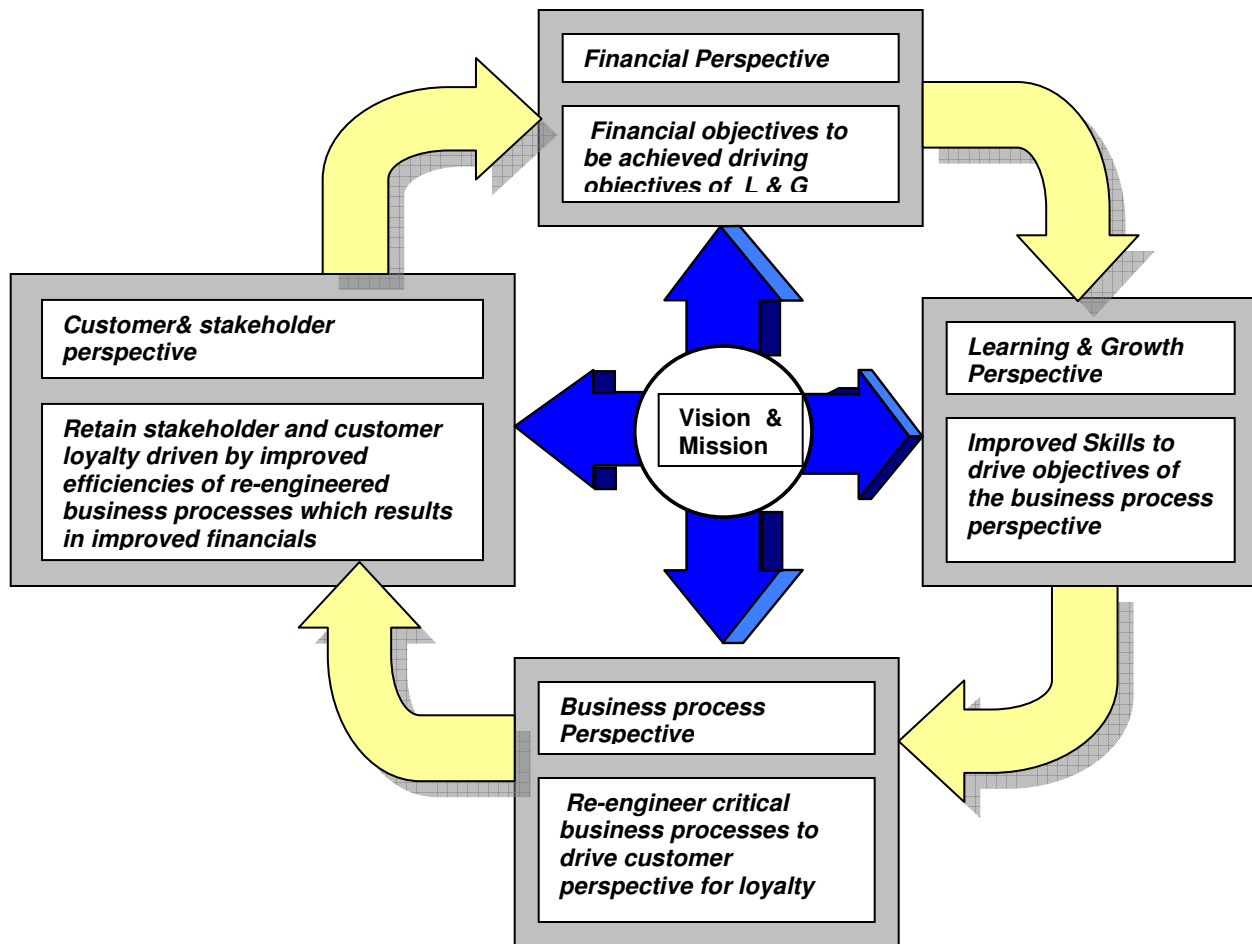
vision. It works on the premise that improving and re-engineering business processes can drive local improvements in the organisation to the satisfaction of identified customers. Under learning and growth, management identifies its weaknesses in its pool of skills, infrastructure, equipment etc. and develops initiatives to address them, so that its future vision and mission can be achieved. This has implications on expenditure because investments have to be made and geared at improving people, systems and equipment capabilities.

The BSC has since evolved from an improved performance management tool into a strategic management system. Originally the traditional BSC placed emphasis on the financial perspective as the most important measure for any organisation's performance but several applications of it in different organisations including public sector world wide, resulted in the BSC evolving into a strategic management framework for monitoring key areas of the organisation. The experience gained from the applications of the BSC has made its proponents realise that there are linkages and consequences between the four perspectives of the traditional BSC. These linkages have 'cause and effect' relationships which assist management to identify the implications of their objectives and goals in other areas of the organisation hence such goals can be modified if found to have negative implications. (See Figure 2 – Strategy Map)

Typically when applying the traditional BSC as a management tool interrogates the four perspectives in relation to the vision and mission in order to set targets and achievable objectives against them. This is then monitored and reported periodically.

As a management tool, I believe that the BSC has recorded worldwide successes in its applications. However, the BSC has its limitations. It will succeed in as much as there is a strategy which can be cascaded. It does not develop strategy but will translate it into implementable goals for the

organisation. The implication of this is that the BSC cannot be used as an independent tool for change.



*Figure 2 Strategy Map showing the BSC with linkages*

In addition, there is a great deal of management reporting on the different objectives of the BSC because management has to constantly and periodically gauge the climate of the organisation to ensure that the organisation is aligned to its strategy.

Furthermore, without defining the 'cause and effect' relationship, the BSC is not a management tool that links long-term projections with immediate achievable goals.

I dare say all these management theories described above have been applied in South African organisations either in their purest forms or partial or indigenised form. When management theories and practices are applied in their purest forms, there are limitations which may lead to negative unintended consequences such as failure of the intervention. This is because they do not give adequate consideration for specific environmental factors that impact any indigenous South African organisation. It is my understanding that the BSC as a strategic framework is quite close in application to Peter Drucker's management practice in that if properly applied, it radically changes any organisation.

#### ***2.2.4 Harnessing other theories***

In introducing the success of Japanese management, Binedell (1993) indicates that the success of Japanese organisations is largely as a consequence of their being able to leverage foreign ideas into Japanese culture and context to full effect. If we are to believe Binedell's argument that the Japanese miracle of success was built upon an amalgamation of Eastern spirit with Western techniques of management, we can therefore assume that the combination of the Southern spirit with Western techniques of management can produce a miracle of successful South African organisations. In accordance to Western paradigms, East Asian states were underdeveloped in the 19<sup>th</sup> century. It is therefore safe to assume that they were in similar circumstances to those that Africa finds itself in today. To avoid the colonisation paradigm of development (to which all African states fell victim), Japan's rulers sent their intellectuals to the industrialised countries of Europe to understudy and shadow Western principles and applications of modernisation. Japan cleverly copied the Western techniques that were most useful but rejected the Western culture and therefore developed practices and paradigms peculiar to them.

Since the Japanese were able to distinguish between techniques of modernisation, culture and identity, the Japanese therefore succeeded in:

*“harnessing other people’s ideas and technology to help them build the kind of society that they wanted.”<sup>6</sup> (Guest, 2004, p. 24)*

Christie, Lessem et al (1993) alluded that the success of Japanese management ideas and practices is hinged on them acknowledging and fully understanding their origin and then working through the successes of entrepreneurial, systems based management practices to evolve a management approach akin to project-based practices.

I wish to draw inferences and iterate that generally, African states (at the macro-level) and African organisations (at the micro-level) have harnessed Western management ideas and practices, without making the distinctions that the Japanese did in the management of their organisations and state. It is necessary for African organisations to contend with the principles and the dynamics of indigenous practices peculiar to them in the management of their organisations. It is essential that principles/dynamics of indigenous practices and identity be accorded due consideration in any management process such as large scale change for organisational performance and sustainability; especially since the demographics of such organisations are largely African in nature therefore affecting organisational culture. In this study I intend to attest to the logic of hybridisation between Western management practices and African indigenous management practices. My position is that the logic of hybridisation should imbue management practices in organisations in South Africa with a deeper meaning and clearer identity. The progressive and developmental aspect of this process is that it promotes innovation.

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<sup>6</sup> Robert Guest, *“The shackled continent”*, 2004

### **2.3 Key success factors for Transformation**

Lovemore Mbigi's experience described in the book "African Management: Philosophies, concepts and applications of the transformation process" at the Eastern Highlands Tea Estates (EHTE) seems to attest to the earlier alluded conclusions from Binedell. Mbigi highlights the challenges he faced at EHTE and indicates his dependence on his tribal education of instinctive and indigenous African wisdom together with leadership techniques such as entrepreneurship, communal spirit and shared vision and values (perhaps to dissipate resistance). He was thus able to apply these principles and thoughts because he recognised the organisation as a:

*"..... thriving enterprising organic community rather than a mechanistic bureaucratic entity"<sup>7</sup>. (Christie et al, 1993 p. 89)*

My candid opinion is that the organisation required management techniques which differed from Western methods of management. It is fairly obvious that transformation is an organic evolution and not a cosmetic imitation of Western ideological concepts. Perhaps Mbigi made strides at EHTE because he was within his comfort zone – he is originally from the eastern highlands area hence did not have the added issues related to the indigenous Shona culture, which is the context within which Mbigi thrived. Mbigi himself is Shona. Similar to the Japanese management practices, Mbigi understood his foundation and worked through influences of entrepreneurship, communal spirit and shared vision and values to achieve success at EHTE - progressive and therefore developmental approach.

Despite the limitations of the various Western management theories and concepts, several factors impact on transformation and amongst these are two pertinent factors. They are visionary leadership and systematic planning.

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<sup>7</sup> Christie and others, "African Management", Knowledge Resources, 1993

*“Transformation is the result of an enduring, organisation wide motivation and commitment to achieve a set of goals”<sup>8</sup>. (Gouillart and Kelly, 1995, p. 25)*

The above quote suggests that transformation is driven by leadership, albeit visionary leadership.

According to the Kotter model for change, visionary leadership has been identified as an inevitable driver for successful transformation for organisational performance. In any underdeveloped community, visionary leadership has been identified as necessary for development. However, visionary leadership without the necessary community participation, (which is complicated by the complexities of existing community indigenous systems) may not result in successful transformation and therefore little development occurs. Similarly, in an organisation, visionary leadership without the necessary employee participation may not result in successful transformation.

Niccolo Machiavelli was a great political leader in Europe. He is mentioned here for the strategy he employed in conquering and dominating states, which he called principalities. Conquering and dominating states, is in itself, a process of change and Machiavelli alluded that there are several strategies to be employed in doing so, depending on the specific context. He added that only the experienced and knowledgeable are able to recognize and seize leadership opportunities, when such opportunities presented themselves. In addition, Machiavelli prescribed rules and conduct of good behaviour in effective rulership. He taught his readers to adapt to changing situations by thinking their way through different political situations and their requirements.

During the 15<sup>th</sup> century, in describing the challenge for change, while talking about leadership by prowess in his book “The Prince”, Niccolo Machiavelli said,

*“there is nothing more difficult to arrange, more doubtful of success and more dangerous to carry through than initiating changes in a state’s constitution. The innovator makes enemies of all those who prospered*

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<sup>8</sup> Gouillart and Kelly, “*Transforming the organisation*”, McGraw-Hill, 1995

*under the old order and only lukewarm support is forthcoming from those who would prosper under the new<sup>9</sup>” (Machiavelli, 1999, p. 24)*

Machiavelli taught that the ideal “Prince” must always foresee and be prepared for change. He must use peaceful times productively to gain an edge and reap profit in times of adversity.

More recent is the thought that,

*“The most desirable management skill needed for this decade will be to manage radical change. This sort of change is as much an attitude as it is a specific skill. There is unlikely to be any business or institution that will escape radical change in the nineties and the choices before us are to manage it ourselves or to have change forced upon us<sup>10</sup>”. (Harvey-Jones, 1993, p. 21)*

The above quote bears testimony to the fact that change is inevitable: either forced upon us or occurring by chance, driven by various forces, whether tangible or intangible. Societies are constantly changing and we therefore have to change the organisations within, in order to perhaps change society.

Transformation is evolutionary and radical change. It may catalyse development either by the process itself or as a result and consequence of transformation. On the other hand, the concept of development in itself cannot be easily defined. However, it implies growth and expansion either in its process or outcome.

The writer takes the position that visionary leadership should therefore promote effective organisational strategy and efficient implementation. It should be concerned with the articulation of a new direction; with the alignment of people within the functions of the organisation; with the strategic execution of the new direction and with the articulation of the new emerging form. Leaders are organisational architects and, just as architects need detailed plans for building a

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<sup>9</sup> Machiavelli, Niccolo, “The Prince”, Penguin Books

<sup>10</sup> Harvey Jones, J, “Managing to survive”, Heinemann, London, 1993

house, leaders need blueprints for managing successful organisations. The generation of a vision, mission and objectives for the organisation will comprise part of the blueprint of any organisation undergoing transformation. Needless to say visionary leadership ensures sustained organisation-wide motivation which is essential to ensure commitment to the transformation process.

In managing large scale change such as transformation, the planning function should not be underestimated. The emphasis on systematic planning to ensure sustained motivation and successful transformation must not be trivialised. It is absolutely critical to plan the process so as to develop the required blueprints. Planning ensures that sufficient attention is assigned to details of available resources, time frames, activities and identification of dependencies. During the planning stage, participants set objectives for implementation; allocate responsibility for themselves; set realistic budget considerations; define transitional arrangements, develop strategies for implementing the blueprint etc. Kotter's model for change intervention details steps consisting of a sequence of activities, which cannot happen in a knee-jerk manner. The writer articulates the need to plan a strategy for execution of transformation once the visionary leadership has been able to develop the diagnosis-based blueprint for transformation. Details – such as resources for the different parts of the process – need to be properly articulated. Though not compulsory, it is important to ensure buy-in by the executive management team of the organisation undergoing transformation, as this is a possible panacea for the tedious planning process.

Time is a success factor in avoiding an endless journey of designing and redesigning the process. Defining and apportioning sufficient time and realistic time schedules allow for the management of objectives and outcomes that were developed during planning -- otherwise there is a risk of carrying on endlessly, with the process.

The success factors identified above do not attest to any specific Western models of transformation or even to the applicability of such transformation models to South African organisations. Therefore, it is uncertain whether successful transformation processes should be entirely attributed to any particular model in its purest form, to the methods of application of such models, or to a combination of both.

The writer firmly believes that the tool that is best utilised for transformation in SA organisations is the balanced scorecard but with the additional infusion of new values and ideology into an organisation with the purpose of addressing inequities within the organisation. This is the unique characteristic of transformation performed by SA organisations.

## **2.4 Development theories**

Whilst attempting to define development, it is to be noted that the subject of development is both broad and diverse. Much like transformation, development is another concept that defies a single coherent definition or answer. Depending on the perspective or context, development is about providing choices for the recipient of it; it is a process of change in terms of quality and quantity in an environment.

Similar to transformation, development assumes a change in status and it occurs within economic, human, physical dimensions. The industrialised nations of the West have jointly become a reference point in the development discourse.

Jonathan Crush (1995) suggests futile intellectualism in all attempts for a precise definition of development and talks about development as the power of transformation i.e. transforming old works into new.

Whatever the definition, development can be viewed from the perspective of the economy, social, physical, infrastructure, or even human development.

Economic development can be defined as the ethos or agenda for achieving economic efficiencies through sustainability of cities and towns by managing its productive forces to ensure continuous production, growth and the fair distribution of benefits arising from production.

Physical or Infrastructure development is the co-ordination and spatial organisation of towns and cities to the general advantage of health and well being, convenience and aesthetics.

Human development on the other hand is the process of enhancing the individual in a manner that is sustainable and empowering such that such individuals have access to power.

In any dimension development is a way of thinking that emphasises rapid change or progress in a specified period just like transformation is radical though not necessarily rapid.

In a paper titled *“Redefining development as humane and sustainable”*, Debra Strausfogel defines a complete picture of development as a process involving enormously complex systems composed of many interconnected aspects and structured across temporal and spatial scales.

Several paradigms exist for development such as Modernisation, Reformist theory, Sustainable development, Post-Structuralist etc.

#### **2.4.1 Modernisation as a development paradigm**

Colonisation saw the rise of towns and cities within countries of the developing world. These towns and cities grew in size and population as people migrated from the rural areas to those supposedly modern towns and cities. Migration led to infrastructure development and expansion

within such towns and cities though needless to say infrastructure development is not happening at the same pace as migration. However, it soon became apparent that migration posed consequences on any nation's rural areas which began to lose their native, indigenous lifestyle and cultural identity.

### **2.4.2 *The Reformist paradigm of development***

The reformist paradigm did not have a clear planning paradigm but is simply a refurbishment of the modernisation paradigm where the state was responsible for planning.

### **2.4.3 *Sustainable development***

The concept of sustainable development is closely associated in the use of natural resources for industrialisation of states and consequently growth. Since cost can be attached to natural resources, it behoves us to note the need to ensure sustainability of the environment by effectively managing these natural resources for economic growth. The environment provides the base upon which our livelihood depends. Therefore it is crucial to ensure re-organisation of responsibilities of all organs of state at national, provincial and local levels so as to ensure the best division of labour and service delivery.

### **2.4.4 *Alternative development***

The chief proponent of this theory of development, Arturo Escobar advocates building upon the practices of social movements essentially to create alternative visions of democracy, economy and society. He advocates that the development discourse is a "*function of power of an immense productivity*". His argument is that the West has prescribed ways of understanding and behaving through institutionalising and professionalizing development. People should exercise their rights to live differently and be liberated enough to be independent in management of state or organisations.

Over the last few years, South Africa has positioned itself as a developmental state by responding to policy imperatives that advance growth and expansion while translating such policies to internal processes that address its domestic problems of inequality, poverty and job creation. SA realises the enormous pressure of implementing all of these ideological policies on revenue, either internally generated or externally from the West. Clearly, development requires funding for implementation. South Africa has been able to apply funding generated both internally from within its economic activity and externally from the West. Such funds have been applied to various parts of the economy to address its domestic problems and generate a reasonable level of growth and expansion of its economy. In the sense of growth and expansion, SA is undergoing transformation; a new constitution has been implemented, the policies of the state have been reviewed and are being implemented, new values and ideology are being infused to state organisations, business and the citizenry are being empowered, successes have been made in the area of job creation, infrastructure is receiving attention etc.

## CHAPTER 3, METHODOLOGY

### 3 Methodology

#### 3.1 *Research Method*

This research involves deriving the meaning of and drawing parallels with theories and models of change. For this to happen, the methodology has to be well articulated. The key component of methodology is ensuring a complete understanding of transformation and then drawing inferences without making generalisations on its relationship with development.

The study has therefore adopted the qualitative research technique (described below) because the writer believes this technique is best suited to being able to achieve meaning as stated.

#### 3.2 *Qualitative Research methodology and rationale*

Qualitative research methods use descriptive and narrative methods in the presentation of data or simply the adoption of a non-numeric approach thus permitting exploratory and analytical representations. Qualitative research is described as a method:

*“.....typically used to answer questions about the complex nature of phenomena, often with the purpose of describing and understanding the phenomena from the participants’ point of view.”<sup>11</sup> (Leedy and Ormond, 2001, p. 101)*

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<sup>11</sup> Leedy and Ormond, “ *Practical research:Planning and Design*”, Pearson educational International & prentice Hall, 2001

In agreement with Leedy and Ormond (2001), historical accounts of events were captured from oral explanations of the events. Descriptions deduced from such oral accounts have assisted our understanding today of previous observations, events and experiences. Leedy et al (1993) argue that the qualitative research method gives a good understanding of analysing experiences and structure, so that the reader of a research report using the qualitative method of research will avoid common errors of understanding.

Furthermore,

*“..when a variable is unknown, a theory base is inadequate or missing, a qualitative study can help define what is important i.e. what needs to be studied”<sup>12</sup> (Leedy and Ormond, 2001, p.148)*

In my opinion, qualitative research is predicated on two things such as:

- real-life phenomenon which occurs in its natural setting and
- studying the phenomenon in its multi-faceted form

This research study lends itself naturally to the qualitative design paradigm. This study captures and analyses the individual experience of various staff members during the process of transformation. It is a study about the developmental nature of the process of transformational change.

On its own, change is a simple yet dynamic process; however, the simultaneous occurrence of several change interventions could become a complex one.

Transformation is large-scale, radical and complex, as it involves the simultaneous occurrence of several change interventions within an organisation in a certain period of time.

The nature of this study is such that numerical applications and formulae cannot provide answers to the propositions, therefore limiting quantitative methods of research. Quantitative methods of research may effectively assess that change has occurred over time but cannot assess the processes involved in the change

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<sup>12</sup> Leedy and Ormond, “ *Practical research:Planning and Design*”, Pearson educational International & Prentice Hall, 2001

or even why change has occurred (in terms of circumstances and stakeholders). However, qualitative methods of research are sensitive to these kinds of issues since such techniques are apt in the interpretation of the complexities/ diversities of the social world.

In studying the nature of transformation that occurred at SARS, the writer explored the varied dimensions of the process by visiting the organisation in its natural setting and conducting interviews with several employees including members of management. Though a questionnaire was prepared, I found out that it made respondents a little uncomfortable and therefore the questionnaire was used as a guide for the interview. Furthermore, the writer observes that at the different interviews, the questionnaire on its own did not capture the detailed experience of staff members who went through the process. In some cases the questionnaires were filled while in other cases the questionnaire was a guide. All the interviews were semi-structured while interviews conducted with each of the 5 members of management were 3-hour long interviews. Each staff member interviewed gave details of the process and their different accounts corroborated the collective accounts of the process. The nature of this study is such that numerical applications and formulae cannot provide answers to the propositions, therefore limiting quantitative methods of research. Quantitative methods of research may effectively assess that change has occurred over time but cannot assess the processes involved in the change or even why change has occurred (in terms of circumstances and stakeholders). However, qualitative methods of research are sensitive to these kinds of issues since such techniques are apt in the interpretation of the complexities/ diversities of the social world.

The responses from in-depth interviews with various employees of SARS (who participated in the process) were noted and recorded. These responses provided data for analysis. Other sources of data used were copies of annual reports, newsletters etc over about 5 years pre and post transformation. I was referred to the SARS website for copies of their annual reports for the last 10 years of SARS. All available data was examined, scrutinised and analysed for trends,

patterns and themes. The writer has produced an in-depth description and interpretation of the occurrence/ phenomenon.

### **3.2.2 Assumptions of this methodology**

Several assumptions were made in using this methodology. It is assumed that:

- there will be several employees of SARS who were present pre-transformation and were part of the process
- such staff members will recollect events, occurrences prior to transformation
- the interview responses are plausible accounts representing facts or true pictures of the process through which SARS went.

### **3.3 Research Design – Case Study**

The qualitative research technique using a case study has been chosen as the preferred strategy since the writer has little control over events that focus on a real life phenomenon within a real-life context. The study permits a deeper understanding of the concept of transformation from the perspective of role players by exploring their experiences. Traditionally, Africans have always passed down information of historical events/ accounts from generation to generation by story-telling and this has helped others understand experiences. The in-depth interviews permitted the participant to reminisce about SARS pre and post transformation within the context of the organisation's culture and environment.

Feagin, Orum and Sjoberg (1991) stated that a case study is an ideal methodology when a holistic in-depth investigation is needed. In agreement, Case studies are multi-perspective analysis considering and capturing various

perspectives of different groups in the study. They are characterised by behavioural analysis within a real-life context.

This report presents a single case study of the South African Revenue Service (SARS) focussing on the issue of transformation. The fact that I present a single case study does not mean a single respondent to the problem rather it is the descriptive analysis of several respondents within a single organisation.

One criticism of case study research is that it is unscientific in nature especially since its results are not generated from empirical formulas but rather from observations, and historical accounts. With the awareness of acceptability of case study research results, the writer's choice of SARS is dictated by the following:

- the yearning to highlight the learning from their process since it presents a variety of themes subject to interpretation therefore presenting links in real-life development interventions
- a challenge for the researcher and contributing to the body of knowledge
- the fascination with fact that the CEO who initiated the process is still managing SARS after  $\pm$  8years
- it's process has matured and the results are in the public domain
- it presents details of the process as perceived by the participants in the process

A case study of the SARS leadership and its impact on transformation was carried out by the Wits Business School team led by Prof. Patrick Fitzgerald et al<sup>13</sup>. The report produced by the study by the Wits Business School provides the necessary context and details of any information about factors that may impact on this research. Contextualisation provides the framework in which any set of concerns deduced from the information may be freely discussed.

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<sup>13</sup> Wits Business School and Eskom, "*The Leadership in Africa Case Series*", Johannesburg: Wits Business School, 2004

### **3.3.1 Case Site**

SARS is the state agency responsible for the collection of revenue in the form of taxes. Pre-1997, SARS was not an autonomous organisation; it was called the Department of Inland Revenue and reported to Finance Department. It was a highly bureaucratic organisation, which was rapidly failing both internally and in its achievements and was no longer effective to the state. Reality dawned that it needed to be changed from what it was to remain relevant to the state and to enable the state carry out its political mandate to the electorate. The challenge was that of a changing organisation in a changing society. SARS operates from over 100 offices nationwide. Due diligence revealed that it did not need a cosmetic change intervention but a transformation for various reasons especially because it had been merged with the Customs department which was responsible for border control. SARS needed large scale process engineering, structural change, improved public compliance through providing good service and through ensuring effective enforcement.

The drivers of change were as follows:

- the realisation that SA is no longer an isolated country. SA became new players on the international stage which therefore impacted on its tax and customs
- new trade agreements
- double taxation treaties
- transfer pricing
- e-commerce
- social factors such as poverty levels, extent to which it is dysfunctional, lack of physical infrastructure, impact of HIV/AIDS etc.

Having gone through five successful years of transformation -- and with its complexities due to diversities and other issues -- the transformation process in SARS is nonetheless still far from over, but it provides mature

grounds for discourse. In addition, this case study provides ample opportunity to explore the nature of the process and draw developmental inferences.

Under the visionary leadership of Mr Pravin Gordhan, SARS was taken through transformation resulting in increased revenue collection by over 150% in 3-years from 1999. This has led to the state having a robust, growing economy and the successful delivery of the political mandate of the ruling party.

Through sheer determination and focussed persistence Pravin Gordhan developed strategic perspectives/ tactics, applied the necessary resources in order to engage in this specific process<sup>14</sup>.

The outcome of transformation has produced development; however, having recorded its widely attested growth, what remains unclear is the nature of process.

### **3.4 Data Collection**

At inception, the study sought to discern insights into the nature of transformation and therefore collected data which attends to the hypothesis.

There are 6 primary sources of evidence for case study research and they are documentation, archival records, interviews, direct observations, participant observations and physical artefacts. (Yin, 1994) It appears that all sources of data have equal advantage.

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<sup>14</sup> Wits Business School and Eskom, *"The Leadership in Africa Case Series"*, Johannesburg: Wits Business School, 2004

In this study, the writer relied on data collection instruments such as available documentation, archival records, in-depth interviews and observations for data collection.

Available documentation and archival records such as annual reports provided the basis for stable, unobtrusive review of the status of the organisation at different times. Whilst this source of data provides context, it was with relative ease that the necessary documents were retrieved and accessed. Management of SARS assisted with the provision of such documentation.

Additional methods for data collection were in-depth interviews and interactions with various members of the organisation, who participated either actively or passively in the process. This method of data collection was insightful and focussed; it relied on recollection of historical facts which was not difficult since the process is still on-going. Data was generated using questionnaires as guidelines for interviews of workers at different management levels. Both the transient nature of data together with the risk of imperfect and incomplete recollections are both limiting factors of this method of data collection. Hence the study validated data collection not only by obtaining information from several employees of SARS at different levels of employment but in addition by corroborating this data with information gleaned from the annual reports. In-depth interviews took the form of about ten 30-minute sessions with participants who are drawn from a small sample in order to uncover their views while maintaining the integrity of their responses. In addition, the writer had in depth interviews with about five members of management who were participants in the process of transformation. All the interviews were interactive and open-ended using questionnaires (See Appendix attached) as a framework for capturing information. More often than not, the writer encouraged participants to reflect on the past history -- perhaps in the form of a story line; the present improvements as SARS evolved and future plans and strategies or challenges of the organisation; perhaps as perceived by them. The participant's responses gave an

indication of milestones achieved and their perception of key factors responsible for the achievement of these milestones.

Interview transcripts, field notes, journals, project diary and other official records are all the tools that were used to substantiate and illustrate the research presentation.

All information is being holistically analysed and conclusions drawn based on the text.

### ***3.4.1 Validity and Reliability***

Ultimately, there was a need to validate and ensure reliability of the research data collected. This is necessary to ensure that relevant conclusions are drawn from the data received i.e. internal validity. In addition to this any observations made should be relevant to generalisations beyond this specific situation at SARS i.e. external validity. While recognising the limitations of the research design i.e. single-case study, internal validity was established by triangulation method, because there are multiple sources of information.

### ***3.4.2 Triangulation Method for Internal Validity***

The writer attests that all information collected from multiple sources of in-depth interviews all point to a similar idea. Whilst visiting the organisation to conduct interviews, the writer engaged in informal observations of staff dealings with the public and the observations made inform commonalities and therefore ensured that data collected is valid for analysis.

### ***3.4.3 External Validity***

The only way of determining that the study has contributed to the body of knowledge is by external validity of research claims. This is assured by taking precautions as follows:

- Ensuring that a representative sample is used for the study. Data collection was by in-depth interviews. By ensuring that the sample of interviewees was not restricted to any particular management level but cuts across management levels implies that the sample is representative from which we can draw conclusions. These conclusions may be specific to the situation at SARS but may however be applicable for further research of a similar study in a different context.
- A conclusive test of external validity can be reached if replication of this study in a different context produces similar conclusions. This is because the study demonstrates its applicability across diverse contexts

### ***3.5 Data Analysis and Interpretation***

The writer has accurately recorded and scrutinised (for usefulness) all information and data obtained during every interview.

Patterns and themes have been identified from all responses and these patterns were compiled. This has thus resulted in the production of this in-depth descriptive report.

## CHAPTER 4, INFORMATION AND DATA

### 4 Information and Data

#### 4.1 Findings

Interviews conducted at the SARS head office in Pretoria outlined the process of transformation that was followed to enable SARS arrive at its position today. This information was corroborated by staff members of three other SARS offices namely at Johannesburg CBD, Woodmead and in Randburg.

Prior to take-over by the ruling party, when it became evident that democracy was inevitable, members of the department of Inland Revenue, which was under the Department of Finance at the time visited members of the executive of the ANC to understand the thrust of the government policy. They believed that this will enable them position themselves to assist the government achieve its objectives. Members of the ANC executive were exiled in Lesotho and Zimbabwe, amongst other countries at the time. This formed the basis of the first intervention from the Department of Finance. The understanding received was that the challenges that the government faced post-1994 were both of an internal nature i.e. domestic and of an external nature. The democratically elected government had inherited debts from the previous National government and the outlook was bleak. The key challenges for the new ruling party included the following:

- Developing and sustaining a growing economy to enable it meet its key objectives as defined by the freedom charter. In addition the state faced the realisation that the economy was dualised – sophisticated sector and informal sector. The tax base, from which the state derives its revenue, was narrow perhaps due to the skewed income distribution and low tax

compliance and in addition due to the systematic narrowing of the tax base by the previous national government

- The pressures of globalisation such as trade and financial liberalisation, impacted on the strategy employed by the state to ensure balance and address its deficits. In 1994, due to the massive inherited debt from the previous government, it became obvious that objectives of the freedom charter could not be met in its form at the time.
- Poverty and rural development and the efficient service delivery of social grants to rural beneficiaries
- Addressing HIV/AIDS problem and other emerging diseases
- Skills development and matching skills to the requirements of the economy

Clearly, to meet the increasing demand for infrastructure and housing, two independent but related organisations were crucial to the process for internal revenue generation purposes. The success of the new government in achieving its set of goals and objectives were dependent on the ability of both the Revenue department and the Customs department to generate the required funds. The Revenue department was responsible for Income taxes while the Customs department was responsible for all possible duties and levies that accrue from the activities of imports and exports together with border control. Naturally, the democratically elected government required focused revenue generation therefore both previously independent departments were merged into one entity under the Finance department for the purpose of revenue generation. Both independent bodies had infrastructure footprints nationally therefore there were several branch offices that were refurbished in the process.

The body that emerged from the amalgamation was named the South African Revenue Service (SARS) and is responsible for revenue generated from government imposed taxes such as Pay as You Earn (PAYE), SITE, Income tax and excise duties. At the time, SARS inherited ± 11,000 employees nationwide<sup>15</sup>,

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<sup>15</sup> "Annual report", 2000

[http://www.sars.gov.za/media/annual\\_reports](http://www.sars.gov.za/media/annual_reports)

ageing technology and infrastructure and a highly bureaucratic organisation with several levels of grading system.

SARS was established by Act of Parliament, *South African Revenue Service Act 34 of 1997*. The Act gives it the mandate to perform the following tasks:

- *collect all revenues that are due;*
- *ensure maximum compliance with the legislation; and*
- *provide a customs service that will maximise revenue collection, protect our borders and facilitate trade*<sup>16</sup>

## **4.2 Presentation of data - General findings**

At least 5 respondents each were interviewed at Johannesburg, Woodmead and Randburg. In addition to this, I interviewed about five senior managers in the Pretoria office, one of whom (in their transformation department) had been at SARS in various capacities, for over 21 years. Initially, the questionnaire was directed at staff members who had been working at SARS prior to 1997. Unfortunately there were very few available at the time of interviewing. The process of interviewing was quite cumbersome and I had to settle for staff members in some cases who worked at SARS over for 5 years. Although the questionnaire was not directed at the general public, a few members of the public were interviewed at all three offices, to establish the extent of improvement in their internal business processes.

The questionnaire requested for comparison of the experience of respondents between what existed pre-transformation and the current situation and focused on 5 areas namely:

- Skills
- HR Policies

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<sup>16</sup> "Annual report, 1998"  
[http://www.sars.gov.za/media/annual\\_reports](http://www.sars.gov.za/media/annual_reports)

- Enabling work environment
- Systems
- Personal perspectives

A copy of the questionnaire used is attached to this report as Appendix 1. The responses have been captured and presented in Tables as shown.

#### **4.2.1 Skills**

All except one respondent indicated that they have acquired new skills. From the explanation given by one of the respondents at Randburg, after SARS became an autonomous body, various staff members took the option of a retrenchment package and left the organisation rather than remain. Those who remained in the new SARS were trained and re-skilled. This development process involved the setting up of a training academy where various courses were offered. In addition to this, SARS formed relationships with academic institutions which offered related courses either in-house or on their campuses. It would seem that most of my respondents saw this initiative as an opportunity not to be missed hence their positive response. My respondents felt empowered by the training they received because it implied that they were better skilled to enable them take on additional tasks to what their original tasks.

<b>SECTION 1: SKILLS</b>		
	<b>Questions</b>	<b>Response</b>
1.1	Have you acquired new skills in the last 6 years?	Most of the respondents answered this in the affirmative
1.2	Please indicate the new skill you have acquired.	Skills ranged from processing PAYE returns, tax law, business management degrees
1.3	Did you benefit from learning this new skill?	All answered in the affirmative
1.4	In what way did you benefit from acquiring this skill?	They answered in the affirmative because they are now more versatile and this has made their jobs more interesting
1.5	How was the skill acquired?	Through training
1.6	Are you using those skills presently?	All answered in the affirmative
1.7	To what extent are they adding value to your present job?	Improved processes

*Table 1: Responses to Section 1 (Skills) of the questionnaire used*

#### **4.2.2 HR Policies**

All the respondents interviewed indicated that the HR policies changed and were improved. The reason for this was attributable to the establishment of SARS as an autonomous body and therefore could no longer continue with old policies. In addition they understood that since SARS went through a transformation process, then everything including policies could not remain the same. As opposed to what they previously had, they now have incentives linked to their performance based salaries.

<b>SECTION 2: HR POLICIES</b>		
	<b>Questions</b>	<b>Response</b>
2.1	Do you have the following HR policies? Performance Management, Training/Skills development, Remuneration, Bonus/Incentive Scheme	All answered yes
2.2	Please indicate whether there has been any improvement in this area in the last 6 years?	All answered yes
2.3	What factors contributed to the improvement of any of these policies?	Some said they now have incentives for doing their jobs. Others indicated that they now have incentivised bonuses were given

*Table 2: Responses to Section 2 (HR Policies) of the questionnaire used*

### **4.2.3 Enabling work environment**

All my respondents indicated that their work area and general office environment changed.

They refurbished areas was newly refurbished with a combination of open plan areas and cellular offices. They have several shared meeting rooms in different sizes which where visitors are met. This is opposed to what previously existed where they all had offices along corridors.

<b>SECTION 3: WORK ENVIRONMENT</b>		
	<b>Questions</b>	<b>Response</b>
3.1	What is the most important thing to you in the workplace?	Some spoke about the fact that they are able to under-go training and spoke about their workspace, some spoke about their laptops
3.2	Do you have it now?	All answered yes
3.3	Have you always had it?	All answered no
3.4	What has changed and why?	All indicated that they have relatively new work environments
3.5	What kind of work area do you have? Open plan, cellular office? Since when?	Some sit in open plan offices and some in cellular offices.
3.6	Do you like it?	Some of those who sit in open plan offices do not like their workspace even though new because others do not have consideration for them while trying to concentrate on their work
3.7	Do you get to get to work easily?	Most had no complaints about access to work.
3.8	What facilities do you have on your premises?	It varies. In Woodmead they have a training centre and small spazza shop in addition to regular offices, meeting rooms, catering facilities while Pretoria and Randburg do not have
3.9	Do these facilities contribute to your satisfaction at work?	The respondents in Woodmead indicate that they have everything that they may require within their premises and therefore find it convenient.

*Table 3: Responses to Section 3 on Work Environment of the questionnaire used*

#### 4.2.4 Systems

Most respondents indicated that they had better tools to work with and therefore are more efficient in their work. All the respondents indicated that they enjoyed the fact that they can now attend to several things in their value chain rather than have to refer people to a different desk because previously, they had no access to a central database.

<b>SECTION 4: SYSTEMS</b>		
	<b>Questions</b>	<b>Response</b>
4.1	What systems/technology do you use to work?	All of them had computers allocated to them except members of management who had laptops and therefore are able to take work home.
4.2	Do you need any of the following to do your work? Systems, databases, computer software programme	All said yes
4.3	If your answer to 4.2 above is yes, please indicate whether they are available to you now.	All answered yes
4.4	Does IT contribute to your satisfaction at work or make your job easier?	Quite a few did not respond to the question. Those that responded indicated that they are satisfied with the fact that they could access databases

*Table 4: Responses to Section 4 on Systems of the questionnaire used*

#### 4.2.5 Personal perspectives

Of the 15 respondents, only about 2 respondents indicated that they did not like the transformation process but they stayed through it because they

could felt it was tedious looking for another job having spent a long time at SARS. They were the ones who were content with the previous system and did not buy into the transformation. They insist that the process was not a good one because a lot of people with skills left the organisation which made them rather uncomfortable. Management accounts of the process indicate that all parties were consulted and given a choice either to participate or to exercise their option to take a voluntary retrenchment package. In addition some who took retrenchment packages came back to SARS as external consultants at different levels, attached to the business units.

<b>SECTION 5: PERSONAL PERSPECTIVES</b>		
	<b>Questions</b>	<b>Response</b>
5.1	What is the biggest impact of transformation in this organisation?	All believe that the impact is that SARS is doing well every year
5.2	In your opinion, what is the largest weakness of transformation in this organisation?	The fact that things had to change because there was uncertainty
5.3	What would you do differently?	

*Table 5: Responses to Section 5 on personal perspectives of the questionnaire used*

### **4.3 Presentation of data - Management account**

From the different accounts received through interviews conducted at the SARS main office in Pretoria, it appears that the process of transformation began as change interventions.

Naturally, after the 1997 merger, both previously independent entities could not continue “business as usual” in the new democratic environment for various reasons:

- policy direction of the new government
- after the merger, there was duplication of some roles therefore the need for structural adjustments of the merged entity
- common mandate for the merged entity which informed the strategy and business model for SARS
- issues of demographics within the organisation

SARS, the merged entity was created as an autonomous body under the Department of Finance. A summary of their achievements is documented in Table 6. The writer has captured the details of what happened summarily under headings which categorise the different periods of change as follows:

#### ***4.3.1 From 1997 – 2000 The building blocks and Transformation awareness***

In October 1997, this entity received autonomy from the Department of Finance and became a public entity outside the public service but within the realm of public administration, accountable to the Department of Finance. Separate legislation was enacted by parliament to provide for the SARS mandate and establish an Advisory Board, which members were appointed by the Minister of Finance. This autonomy granted SARS the status of its separate Legal persona, structures and personnel systems, accountability mechanisms and resources. This therefore created the platform for transformation of SARS. Its mandate was clear and it needed to report on this mandate annually.

The first change intervention necessitated by the merger was to resolve the business model for SARS. To this end, the management of SARS consulted globally, and critically examined the appropriateness of several tax models in different parts of the world. SARS appointed consultants

form different parts of the world and eventually, SARS developed a new business model which aligned with its mandate and a new tax system which ushered in the collection of Value Added Tax, (VAT) was developed and implemented. The new business model implied streamlined business processes, a flatter business structure and the establishment of ethics, corporate values and branding of the new entity. The newly adopted business model dictated four areas of work regardless of tax type. The four areas include

- Assessment and Processing
- Enforcement and Compliance
- Taxpayer services and
- Customs services

Management realised that this was radically different to what obtained previously and therefore approached implementation cautiously, in an incremental manner – province by province.

Following the resolution of the business strategy, was the HR intervention to immediately resolve issues emanating from the amalgamation of the entities. The foundation of this was laid between 1997 and 2000, by the first human resource intervention of change. The grading system and structures were streamlined and the bureaucratic structure and grading system of public administration were reduced from 24 to the 'HAY' grading system of 10. Together with the National Bargaining Forum, formed from the unions of the previous bodies, the 'HAY' grading system was developed where the grades were determined in terms of their job descriptions and specifications. Roles were clarified and accompanied by the development of a career ladder and bonus system. Staff members were remunerated accordingly.

The entity that emerged following the amalgamation:

- was highly bureaucratic
- had independent tax systems in the different provinces

- had manual procedure driven business processes
- had non-representative staff numbers who had experience carrying out single view tax processing

Management had to be careful in the implementing ideals because this newly amalgamated organisation had to meet revenue targets set by the Finance minister whilst this change was taking place.

Transformation booklets, banners and posters were published to project the message of transformation. Above this, the organisation organised a Live Video Broadcast from the SABC Studios in Johannesburg to approximately 7000 staff members at 30 venues across the country. This all ensured buy-in from the majority if not all staff members of SARS.

The management thus has defined a commitment to a participatory style of implementing change.

### ***4.3.2 From 2000 – 2005 Formalisation of Transformation and Business Process Review SIYAKHA***

Together with the bargaining forum formed, the management of SARS retained the consultants and formalised SIYAKHA 1 which was the 1<sup>st</sup> formal transformation process and this commenced in Kwazulu Natal province in 2001 after the year 2000 appointment of new leadership – Mr Pravin Gordhan. The process was named SIYAKHA (which means *we are building*). *The intention then was that SIYAKHA program of transformation would change the way that SARS conducted its business, improving both efficiency and the service provided to taxpayers. It would enable SARS to achieve its strategic intent of contributing to the social and economic growth of South Africa*<sup>17</sup>.

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<sup>17</sup> Pierre Mathee during our interviews

An organisation-wide diagnosis revealed the reality of the problems with business processes of SARS prompted by or rather in the face of the following:

- improving tax compliance culture thus achieving high tax revenues
- closing the tax gaps
- business process innovation from previously large paper based processes
- focussed enforcement
- lack of skills and management cadre

SARS defined a clear direction and developed performance driven processes to establish its business architecture and improve tax compliance culture. New residence based forms of Tax and Capital Gains Tax were introduced to address enforcement.

IT enabled business processes were formed where SARS leveraged on global best practices

A massive training program both internally and externally to improve the skills situation.

The change management processes were decentralised into small groups within the SARS offices.

After 12 months of planning, in October 2001, SARS implemented a pilot SIYAKHA in Kwazulu Natal province where it re-organised the offices into 4 functional centres – Tax payer service, Processing, Compliance and Customs. Activities of SARS were streamlined into teams within these four centres and its policies and procedures were standardised. As done previously, all jobs were re-graded and SARS appointed new team leaders and centre managers within the boundaries of representivity. There were certainly staff members who lost their jobs in the process, either voluntarily or otherwise. Staff members who left SARS voluntarily received handsome packages with which they set up in other environments. The achievements

were documented as 90% tax returns were processed within 21 days, 95% customer queries were addressed, substantial improvements in collections and audit improvements. The learning from the pilot change implementation ensured success throughout the entire organisation. The major shortcoming of the process was that it was externally driven (by the appointed consultants) with very little or no buy-in from staff members in KZN. Till today, the KZN province is still addressing the challenges of the change implementation that occurred there. Other shortcomings included the need to empower staff for maximum frontline resolution of queries, fragmentation across centres, limitations in business systems which gave rise to the need for technology driven solutions of SIYAKHA 2 and the need for dedicated change management. It was back to planning to address these shortcomings before the national roll-out of transformation.

In 2002, transformation – SIYAKHA was implemented in the Western Cape. By this time short-comings of the implementation in KZN were addressed. The implementation was carried out by internal staff members and there was buy-in from the SARS members.

Three years into the implementation of SIYAKHA, produced a process modelled, team based organisation with a flatter more empowered structure which was more efficient in its output. The SIYAKHA model produced four functions – Assessment and processing centres, Enforcement centres to manage direct control, outreach and investigations, integrated branch offices which dealt with everything related to tax and call centres which attended to customer service queries. The strategy for business model was a cross-functional taxpayer driven process to support an integrated view, entrenching a service culture that ensures maximum frontline resolution, undertaking targeted education and outreach programmes that improve the tax literacy level, leveraging organisational resources by pursuing tax and customs synergies,

proactively reducing the tax gaps, empowering staff through appropriate delegations of authority, implementing a tax compliance strategy that provides a consistent response driven by the taxpayer behaviour

The benefits that accrued from this process include the following:

- substantial improvement in the efficiency of SARS revenue collections and customs control arising from efficient business processes
- flatter more empowered organisational structure
- dedicated taxpayer service function
- better trained and motivated staff
- integrated customs and revenue service
- dramatically improved enforcement
- improved trade facilitation

The spin off is the benefit to the employee, the state, the trader and to the average taxpayer including:

- a more improved professional service and efficient service
- increased and more accurate processing speeds
- increased turnaround times
- standardisation of SARS processes
- interaction with multi-skilled and highly motivated revenue staff
- pleasant and conducive work environments
- the public experienced an improved culture within the SARS organisation

Of course as SARS sought improvement, SIYAKHA gave rise to SIYAKHA 2 named REMMOGO.

### **4.3.3 From 2006 – Future, REMMOGO The Entrenchment of Transformation i.e. Process Refinement, Technology Enablement and Market Focus**

The challenges going forward were still obvious as it seemed that SARS will not relent until all taxpayers were compliant and full border control in terms of levies and duties was maintained. SARS figured that if the process was easy, then more taxpayers will be compliant. Therefore the onus on SARS was how to make taxpayers file and pay easily, examine and inspect declarations of taxpayers, investigate where SARS suspects non-compliance and communicate with taxpayers to inform them of their obligations. This translated to process refinement using a risk based approach that is linked to segmentation. Massive investments were made into technology to gain efficiencies and further reduce processing times. The revenue collection cycle is being smoothed out, service and enforcement is tailored to market segment needs and SARS is being geared in its ability to absorb other government enforcement and collection roles.

The SARS transformation does not end there. The process has evolved into what is known as Re-Mmogo from which its key business process is being refined to a fully automated system of administration for compliance. The latest is a re-engineering of the organisation's internal business process whereby taxpayers now file returns using an easy 1-page document henceforth. The true test of this is yet to be seen as it is only being implemented this year.

## CHAPTER 5, INTERPRETATION AND ANALYSIS

### 5 Analysis

Driven by the needs of the state to generate revenue to meet its development goals, the SARS continued refined and improved its transformation process. Every year since transformation began, the Minister sets targets for SARS and every year since 1999, SARS has exceeded the targets.

Using the BSC, the writer is able to interpret the successes of transformation at SARS under the components of the BSC. It is my candid opinion that the management principles were not applied in their purest form but rather the process gave due consideration to the fifth dimension of transformation as postulated in the literature review and infused new values into the organisation. Today, SARS has become more efficient at collecting taxes and thus increased revenue. The skills base of employees has broadened in the process due to re-skilling of the employees that remained after the re-structuring process arising from the mergers.

#### ***5.1 Application of management principles***

It is my opinion that the BSC as a strategic framework played a critical role in the transformation process of SARS following the formal appointment of Mr Pravin Gordhan as the SARS Commissioner in November 1999, reporting through an advisory board to the Minister of Finance. Prior to this time, Mr Gordhan was appointed Deputy Commissioner, reporting to the then Commissioner Mr T. van Heerden. Mr T van Heerden was largely instrumental to the establishment of SARS as an autonomous body in 1997. Mr van Heerden left SARS in August 1999 and Mr P Gordhan took over as SARS Commissioner.

With Pravin Gordhan's appointment firmly in place, the formal transformation of SARS began. Looking at the achievements since this process began I am suggesting that a combination of management principles were applied in achieving successful transformation. All the processes of transformation as discussed in the literature review occurred in SARS. There was reframing, restructuring, renewal and Infusion of new values and ideology. In my view, SARS management applied a combination of Peter Drucker's MBO and Kaplan and Norton's BSC to manage these five processes.

From the interviews, the writer gathered that neither Mr Gordhan nor executive management owned the strategy but rather, the strategy was owned by the entire organisation. The awareness of change was created after Inland Revenue was merged with Customs and staff members were consulted in the process.

Objectives for this change were developed and these objectives cascaded down to the different levels. It may have been done consciously or even unconsciously but elements of both are evident especially from the SARS' 2001 Annual report.

	1997 to 1999	2000 to 2003	2004 to 2006	2007 to date
Financial	<ul style="list-style-type: none"> <li>Improvement in revenue collection</li> <li>From cash to accrual method of accounting</li> </ul>	<ul style="list-style-type: none"> <li>Improved revenue collection</li> <li>Implementation of PFMA framework</li> </ul>	<ul style="list-style-type: none"> <li>Improved revenue collection</li> </ul>	<ul style="list-style-type: none"> <li>Improved revenue collection</li> </ul>
Customer Perspective	<ul style="list-style-type: none"> <li>Broaden tax base</li> <li>Creating public awareness of tax morality (voluntary compliance)</li> </ul>	<ul style="list-style-type: none"> <li>Narrow tax gap</li> <li>Improved voluntary tax compliance</li> <li>Development of tax relations</li> <li>Implementation of streamlined business units and processes (centralize, standardize, automate)</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of enterprise-wide solutions to business processes (e-filing)</li> <li>Entrenching responsive service culture</li> </ul>	
Operational excellence	<ul style="list-style-type: none"> <li>Re-organisation of infrastructure, systems</li> <li>Review of internal processes</li> <li>Leadership change</li> </ul>	<ul style="list-style-type: none"> <li>Focused enforcement</li> <li>Eliminating inefficiencies</li> <li>Physical Infrastructure and technology change</li> </ul>	<ul style="list-style-type: none"> <li>Proactively measuring and reducing the tax gap</li> <li>feasible, cost effective technology</li> <li>Maximizing voluntary compliance (Dispute resolution)</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of 1-page tax filing</li> </ul>
Learning & growth	<ul style="list-style-type: none"> <li>Review of old and implementation of new HR policies</li> <li>Implementation of new grading and remuneration system</li> <li>Implementation of performance management system</li> <li>Race and gender representivity to address imbalances</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of team based approach to work</li> <li>Implementation of new, flatter, process driven organizational structure</li> </ul>	<ul style="list-style-type: none"> <li>Increasing compliance and enforcement capability</li> <li>empowering our staff</li> </ul>	

*Table 6 showing a summary of SARS achievements since 1997*

I submit that the BSC played a critical role in the transformation process. Until 2001, SARS reported on objectives it set for itself at the beginning of the year, thus suggesting that principles of Peter Drucker's MBO were applied in this instance. It would seem that the set objectives were initially driven by the revenue targets set by the Finance Minister. Every year in its annual report, SARS reports on goals for the year under review as well as set new goals for the next year. It therefore always monitored itself against these goals. The objectives developed in all the different perspectives of the BSC became the drivers for achieving change and excellence of the organisation. However, up until 2001, SARS did not have measures or indicators for these objectives other than the revenue target set by the Finance Minister. SARS made investments in infrastructure, its

people (Staff), systems and equipment in order to deliver on its mandate. SARS invested in the process in order to improve

- its employees skills, capabilities and capacity,
- systems capabilities to achieve efficiencies

In addition, there are elements of Peter Drucker's management practice evident in this process of transformation. From the literature review in Chapter 2, with six decades of management experience, Peter Drucker's model is based on management by objectives. In the BSC, management sets objectives in the four perspectives of the BSC within the strategic framework it has defined. The setting of objectives is the similarity of both applications. The major difference is in the level of detail of the application. Using the BSC, management sets measures against its objectives while in MBO, no measures are set. In this specific case, SARS did not initially set measures at the beginning of the process. It was certainly not due to an oversight but rather that it proceeded to establish transformation quickly and achieve the revenue targets set by the Finance Minister. Using the BSC without setting measures or performance indicators is simply MBO, even if the objectives are collated under the four BSC perspectives. The mandate of SARS was clearly defined by the Act when SARS was established as an autonomous body as follows:

- *collect all revenues that are due;*
- *ensure maximum compliance with the legislation; and*
- *provide a customs service that will maximise revenue collection, protect our borders and facilitate trade.*<sup>18</sup>

Using the BSC to analyse the transformation of SARS, the writer analyses the components below.

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<sup>18</sup> "Annual report, 1998"  
[http://www.sars.gov.za/media/annual\\_reports](http://www.sars.gov.za/media/annual_reports)

### **5.1.1 Customer**

At the start of transformation, SARS recognised the taxpayer as the customer and set objectives and goals to meet the needs of the tax payer. Therefore SARS re-engineered its business processes in order to address the needs of the taxpayer. Every year since it started transformation, SARS has set new goals to keep this perspective in focus. SARS recognised that in order to realise and deliver on its vision of ensuring optimum collection of revenue, it has to improve on tax morality, which puts pressure on its customers to be voluntary taxpayers. This of course implies making the process of tax collection as painless as possible thus demonstrating the value of interrogating “cause and effect” relationships of the BSC.

In the 1997/1998 financial year, SARS objectives focused on the building blocks which were:

- Optimising the yield of whatever structure of taxes
- Providing high standards of service to all stakeholders
- Making sure that the movement of goods is within defined economic policies
- Being user friendly
- Being a promoter of voluntary compliance

The focus was on seeing the taxpayer as the customer while trying to manage its business processes in its interactions with the customer by making his experience a pleasant one, SARS broadened its tax base therefore superseded its revenue targets each year.

### **5.1.2 Financial**

The Finance Minister sets revenue targets for SARS annually. Since 1998, SARS has exceeded their revenue targets every year. (See Table 7 below)

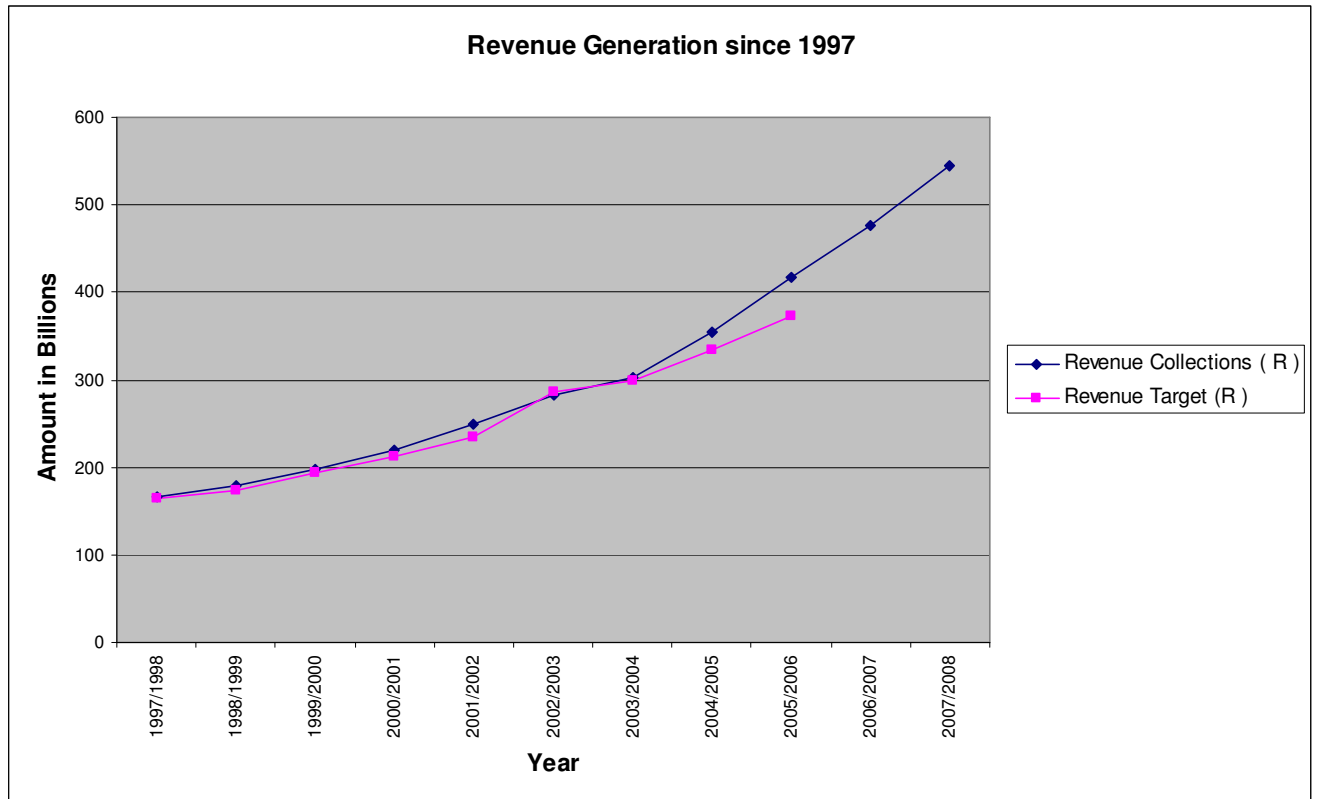
Financial Year	97/98	98/99	99/00	00/01	01/02	02/03	03/04	04/05	05/06	06/07
Revenue Collections ( R )	165.3	178.8	198.2	219.6	249.2	282	302.5	354.98	417.33	475.8
Revenue Target ( R )	164	173.6	193	212.2	234	286.5	299.4	333.69	372.8	
Amount in Excess of Target ( R )	1.3	5.2	5.2	7.4	15.2	-4.5	3.1	21.29	44.53	475.8

*Table 7 showing revenue targets against actual revenue generated  
(Information available on the website [www.sars.gov.za/annual-reports](http://www.sars.gov.za/annual-reports))*

Referring and applying Kaplan and Norton's BSC as a strategic framework, it would appear that SARS has been able to establish and articulately define its cause and effect relationships between revenue generated and efficiencies of the system.

In order to deliver on its mandate, the leadership of SARS outlined its challenges in consultation with staff.

Each year since being established as an autonomous body, the organisation identified objectives which it focused on for the following year. At first, SARS saw the taxpayer as their customer and made their experience a pleasant one which enabled the organisation broaden its tax base therefore increased its revenue to the point where it exceeded its targets every year. As time went on SARS developed objectives such as control and managing its risk as ways of reaching set targets by the Minister of Finance. Each year SARS exceeded its targets.



*Figure 3 showing the consistent rise in tax compliance*

### **5.1.3 Internal business process**

The writer opines that administrative autonomy offered SARS the opportunity to transform its business processes in order to improve turnaround times and reduce admin costs.

After the merger, it was inevitable that SARS could no longer carry on with its business processes as they were. A duplication of roles following the merger of both the Inland Revenue and Customs entities created a dire need for the integration of administration of both customs and revenue operations together with technology. Following the definition of its vision and mission as informed by their new mandate, its structure and processes had to be streamlined. The structure SARS inherited was bureaucratic with many layers of government (24 in all) and narrow spans

of control. The mode and culture of the organisation was determined by function rather than process and characterised by a lack of uniformity across its branch offices nationwide. There were several manual based processes in the organisation that were cumbersome bureaucratic processes. A focus on this perspective encouraged management to focus on identifying and improving its critical business processes in order to achieve and deliver on its mandate. It is my belief that SARS worked on the premise of the relationship that re- engineering and improving its processes with improved efficiencies can drive local improvements in the organisation to the satisfaction of its identified customers.

Following democracy, SARS inherited tax administrations of the homelands with their different tax rate structures. Its processes were therefore not integrated. Its manual processes caused inefficiencies in the organisation and resulted in poor revenues. Several tax collection processes, were introduced such as VAT and CGT.

Furthermore, SARS proceeded to curb customs malpractices including smuggling and fraud at all SA border posts; implement a new income tax system; introduce a uniform and revised corporate tax system; introduce e-commerce etc. In addition, SARS automated its processes where possible thus shortening such processes such as in the clearing of import goods at ports.

In curbing customs malpractices

- 88 employees of SARS were dismissed in 2000/2001 for corruption and fraud<sup>19</sup>
- Automated goods manifest system which enable SARS to electronically process import and export documentation thus resulting in faster processing and reduced paper-based administration.
- Automated regulation of goods in-transit

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<sup>19</sup> "Annual report, 2000/2001"  
[http://www.sars.gov.za/media/annual\\_reports](http://www.sars.gov.za/media/annual_reports)

- Automating the refund of duties which eradicates the risk of duplicate claims to SARS
- Implementation of Warehouse inventory system and reduced inspections by SARS staff thus allowing them to focus more on enforcement
- Uniform Corporate tax system
- Income tax system i.e. filing of import and export documentation, income tax, VAT and pay as you earn
- Interaction with taxpayers
- Taxation of business transactions

SARS established centralised processing, compliance and service centres to deal with its different taxes which ensured:

- Standardisation of its processes
- Automated assessment of taxpayer returns, registration of new taxpayers, maintenance of taxpayer files
- Audits and risk management

#### ***5.1.4 Learning and Growth***

SARS examined and identified weaknesses in its demography and pool of skills within the organisation. It is my belief that SARS set objectives along a 2-pronged approach external and internal to its learning and growth perspective of the BSC. Externally it aimed to improve on tax morality and thus improve revenue by educating the public and creating an awareness of tax morality thus encouraging the public to pay their taxes. Positive response from the public resulted in increased revenue. This established and demonstrated a linkage between this and its staff who execute its business processes. Therefore by reorganising and training its staff to make them multi-skilled, SARS was able to position staff into the areas where it was publicly relevant i.e. to improve and deliver on revenue collection. When SARS set up its assessment centres et al, it implemented a pilot

in KZN. Unfortunately, the pilot failed because implementation was carried out by consultants appointed locally and internationally rather than by internal staff.

SARS learnt from that experience and set up a transformation unit which proceeded to implement in the Western Cape. This was a more successful pilot which was then rolled out nationally.

Externally, SARS launched a programme of educating its customers and creating awareness of tax obligations. This linkage resulted in broadening of the tax base and consequently in increasing revenue.

Internally, SARS:

- organised its multi-skilled workforce into work teams headed by team leaders who focussed on enforcement rather than administrative control. This necessitated a change in organisational structure. Team members were offered training in the carrying out of different processes in their service centres thus developing the individual and strengthening performance capacity. As workers became multi-skilled and they became more relevant in the organisation. Appointments made into positions were based on proven competency
- implemented incentive-based performance management
- implemented the “HAY” grading structure which has lesser grading levels. The initial structure is shown in Figure 4
- implemented a training program include setting up a SARS training Academy, forming partnerships with the then RAU and UP in offering various courses to its staff in an effort to multi-skill staff

SARS addressed its demographics by balancing the inequalities of racial mix.

SARS improved on its appointment of competent previously disadvantaged individuals and aggressively trained them in various processes within the organisation.

8.2 SARS STRUCTURES (as at 1 April 1998)

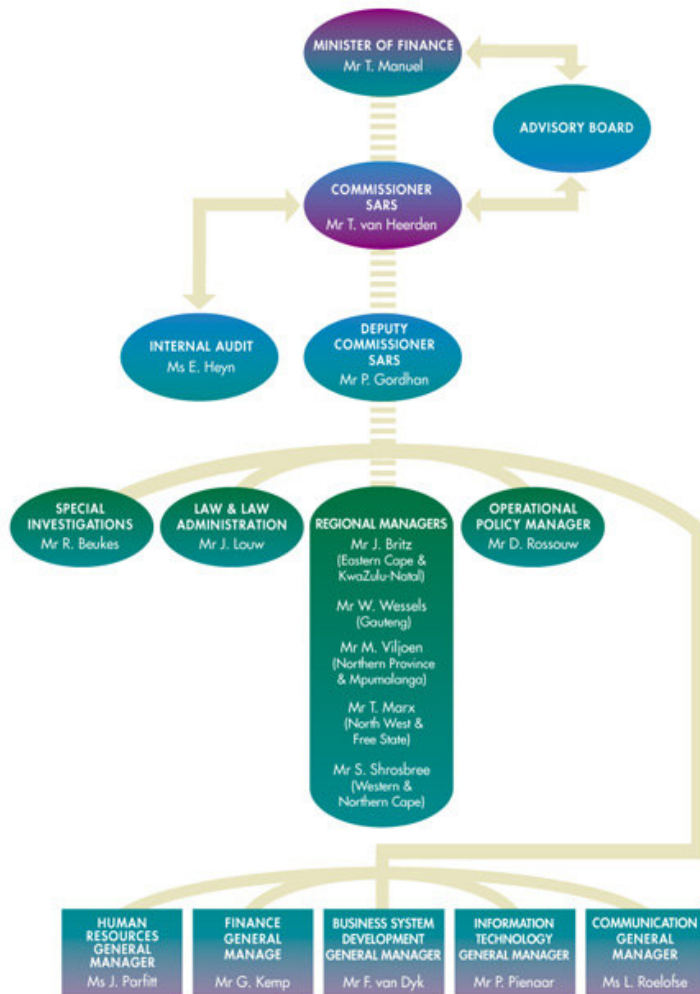


Figure 4: HAY grading system<sup>20</sup>

In 2002, SARS further refined this structure as shown in Appendix 2 to reflect its process based approach after having implemented SIYAKHA nationally.

<sup>20</sup> "Annual report, 2000/2001"  
[http://www.sars.gov.za/media/annual\\_reports](http://www.sars.gov.za/media/annual_reports)

In 2002, SARS developed a strategic management system using the BSC, with objectives and measures set against the objectives. Since then it has reported on these objectives annually.

Despite the successes of SARS, reflected in by increased revenue, there remain challenges in a few areas. One area where organisations have great challenges is in the retention of staff. SARS is no exception. This potential area of improvement remains as much a problem as it was prior to transformation – SIYAKHA 1. Staff members who have acquired better skills in SARS come into a realisation that they are more marketable and can thus command greater remuneration in the workplace. This therefore becomes the major factor for lack of staff retention. SARS has suffered loss of institutional memory in that regard. Loss of institutional memory leads to a lack of continuity and impacts on service delivery and the experience of the customer – the public. Retention of staff therefore is a potential area of improvement.

## CHAPTER 6, CONCLUSION

### 6 Conclusion

On commencement of the transformation process, SARS addressed the lack of sustainability of the existing organisational model at the time by amalgamating the two different entities which posed the challenge of overlapping layers of management. The structure of SARS was revised as its business processes were revised.

SARS broadened the tax base and this resulted in increased revenue, in order to support development which in itself was a change in the thrust of the economy. The infusion of Africans in an attempt to address inequities did not compromise the organizational culture of SARS rather; it presented challenges of diversity, which were managed internally. Teams were created around processes and they ensured an appreciation for every staff member especially because the teams were created around processes.

The success of SARS as an organisation is ultimately measured by:

- Revenue collected to meet government needs and policies
- Increasing levels of compliance by tax payers
- Improving the quality of our service and the ease of taxpayers in meeting their obligations

The revenue generated has steadily increased over the last 10 years and this is directly attributable to transformation. It was possible to implement several singular change interventions within SARS. Had this been the case, it would not have been possible to make the phenomenal growth in revenue achieved by SARS as demonstrated in Table 7 above.

Success would not have been possible without a basis for reform – overall fiscal policy; political support from the Minister of Finance; administrative autonomy and above all passionate and active leadership with revolutionary thinking which systematically implemented transformation; staff loyalty, resilience and

adaptability; pursuance of organizational coherence; platform for innovation and adequate re-sourcing of the organization.

Transformation has occurred over a period and it continues to evolve due to visionary leadership in the organisation. The challenge for SARS at this stage is the sustainability of its performance, the expansion of the tax base and the consolidation of efficiency gains. Since 1997, SARS has put more money in the fiscus for economic growth, created a pool of generally happy employees, developed voluntary tax compliance, and broadened its tax base. A copy of the Revenue Estimates in the National Revenue Fund is attached as Appendix 4. However, I can only imagine that revenue generated may no longer be as enormous as previously recorded because SARS has succeeded in creating tax morality so the public willingly complies.

The annual budget of SA reflects revenue mainly generated from tax. The 2008/2009 budget of about R635b has been allocated to various sectors as indicated in Table 8 below.

	2007/08 Revised Estimate	2008/09 Medium-term estimates	2009/10	2010/11	Average Annual growth 2007/08 – 2010/11
<b>R million</b>					
Education	105 746	121 087	134 139	146 680	11.5%
Health	68 169	75 492	83 853	92 228	10.6%
Welfare and other social security	92 224	105 309	116 255	125 384	10.8%
Housing and community development	45 540	52 555	60 225	68 142	14.4%
Police, prisons and courts	58 413	64 885	72 434	80 093	11.1%
Defence and intelligence	28 579	30 440	32 016	34 496	6.5%
Economic services	143 213	165 213	178 592	187 136	9.3%
General administration	34 876	40 302	44 426	46 937	10.4%
<b>Allocated expenditure</b>	<b>576 760</b>	<b>655 283</b>	<b>721 940</b>	<b>781 097</b>	<b>10.6%</b>
Interest	55 772	54 960	55 385	55 657	-0.1%
Contingency reserve	–	6 000	12 000	20 000	
<b>Total expenditure</b>	<b>632 532</b>	<b>716 243</b>	<b>789 325</b>	<b>856 753</b>	<b>10.6%</b>

*Table 8, Showing consolidated government Expenditure by function, 2007/08 – 2010/11<sup>21</sup>*

<sup>21</sup> National Treasury, Budget at a glance  
<http://www.treasury.gov.za/documents/budget/2008>

From this table, the writer observes that the largest budget allocation is made towards education, which demonstrates the commitment of the state to address skills shortage. The government has repeatedly declared that *education is central to its objective of broadening opportunity and fighting poverty*.<sup>22</sup> The second biggest allocation is towards welfare and other social security to provide for the grant beneficiaries of 12.4m people amongst other services such as water, electricity sanitation et al. This is so because it is a central to the government's anti-poverty strategy. Minister Trevor Manuel in his 2008 budget speech stated that

*".....to fight poverty in a holistic manner a developmental state must balance growth in social assistance with progress on other fronts. The budget proposal reflects a balance amongst spending measures and progressive implementation of reforms."*<sup>23</sup>

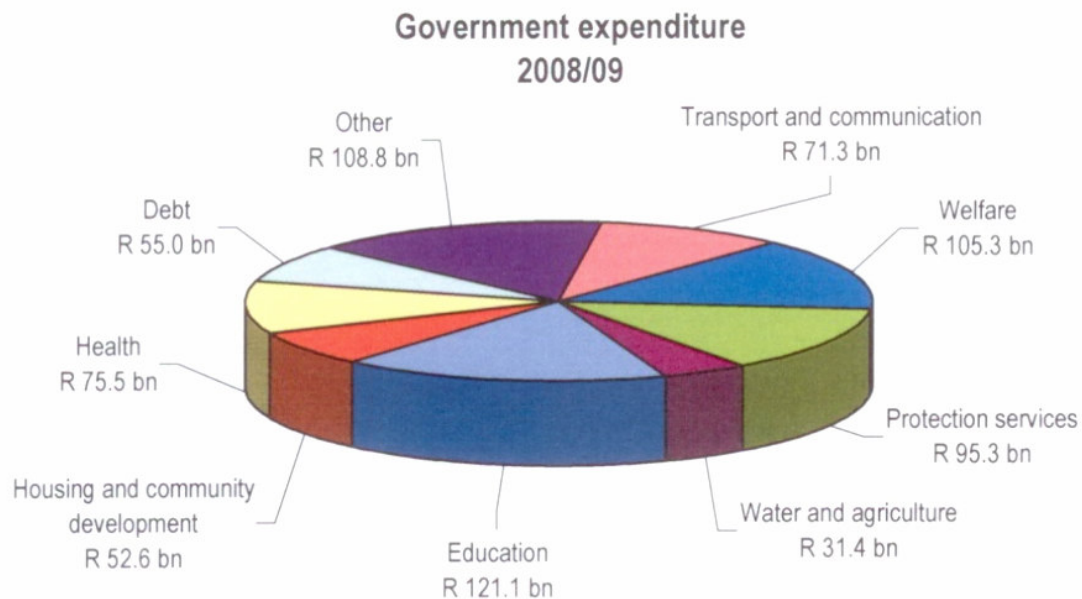


Figure 5 showing Government allocation to focus areas of state<sup>24</sup>

<sup>22</sup> Manuel, Trevor, "Budget Speech", 2008 delivered on 20<sup>th</sup> February 2008

<sup>23</sup> Manuel, Trevor, "Budget Speech", 2008 delivered on 20<sup>th</sup> February 2008

<sup>24</sup> National Treasury, Budget at a glance

The writer therefore submits that the developmental state concept is no longer a dream but a reality SA. A key feature of the developmental state is the socialist thrust of the economy and this is reflected in the state.

As more revenue is generated, there is greater allocation made available to address different aspects thus resulting in economic growth which puts SA in a better position to address social issues plaguing the state.

One can therefore scrutinize all the processes of change within SARS and determine that transformation is developmental. It has occurred not with the big-bang approach but rather as incremental change. It started by putting building blocks in place and then expanding on the gains made by monitoring and developing new objectives to provide the added change. The entire process carried its people along and listened to their concerns. Implementing incentivised remuneration immediately, ensured that most staff members were retained to a large extent through the initial stage of transformation. Keeping retrenched staff as consultants to the organisation was an attempt to minimise the effect of the loss of institutional memory therefore ensure continuity in the process of transformation. However, the inability of SARS to retain staff will become increasingly evident. In order to be the organisation of choice, SARS paid attention to its retention of staff through the introduction of incentives. Its incentivised performance is inadequate especially when the organisation reaches a peak in revenue collection. If not, SARS run the risk of loss of institutional memory.

Globally, a growing economy makes the state attractive to investors with positive spin-offs for job creation opportunities and tourism. The SA economy is regarded globally as an emerging market and it has made successes in enforcing international trade agreements with several countries notably Asian countries et al and these have been beneficial to the economy. Increased international trade

entails greater co-ordination and administration as it implies heightened financial flows.

Although the fact that I was unable to travel to other provinces to conduct interviews, presented a limitation in itself, my general observation is that there is a general 'hype' and excitement when one visits any of the SARS offices to file returns.

The processes for filing tax returns have been simplified and made easy to follow. In certain instances, SARS officials visit big corporate bodies to assist their staff members to file their tax returns thus making compliance painless.

I conclude by attesting to the saying by the Commissioner Mr Pravin Gordhan that

*".....like the society we serve, SARS is in a perpetual state of transformation."*<sup>25</sup>

This transformation process has most definitely been developmental.

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<sup>25</sup> "Annual Report", 2004  
[http://www.sars.gov.za/media/annual\\_reports](http://www.sars.gov.za/media/annual_reports)

## CHAPTER 7, REFERENCES

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### **Informants**

Name	Location
Aidan Keenlie	SARS Pretoria
Goodnews Cadogan	SARS Pretoria
Terry	SARS Pretoria
Pierre Mathee	SARS Pretoria
Logan	SARS Pretoria
Undisclosed	SARS Randburg
Undisclosed	SARS Randburg
Undisclosed	SARS Woodmead
Undisclosed	SARS Woodmead
Undisclosed	SARS Randburg
Undisclosed	SARS Randburg
Undisclosed	SARS Randburg
Undisclosed	SARS Carlton Centre

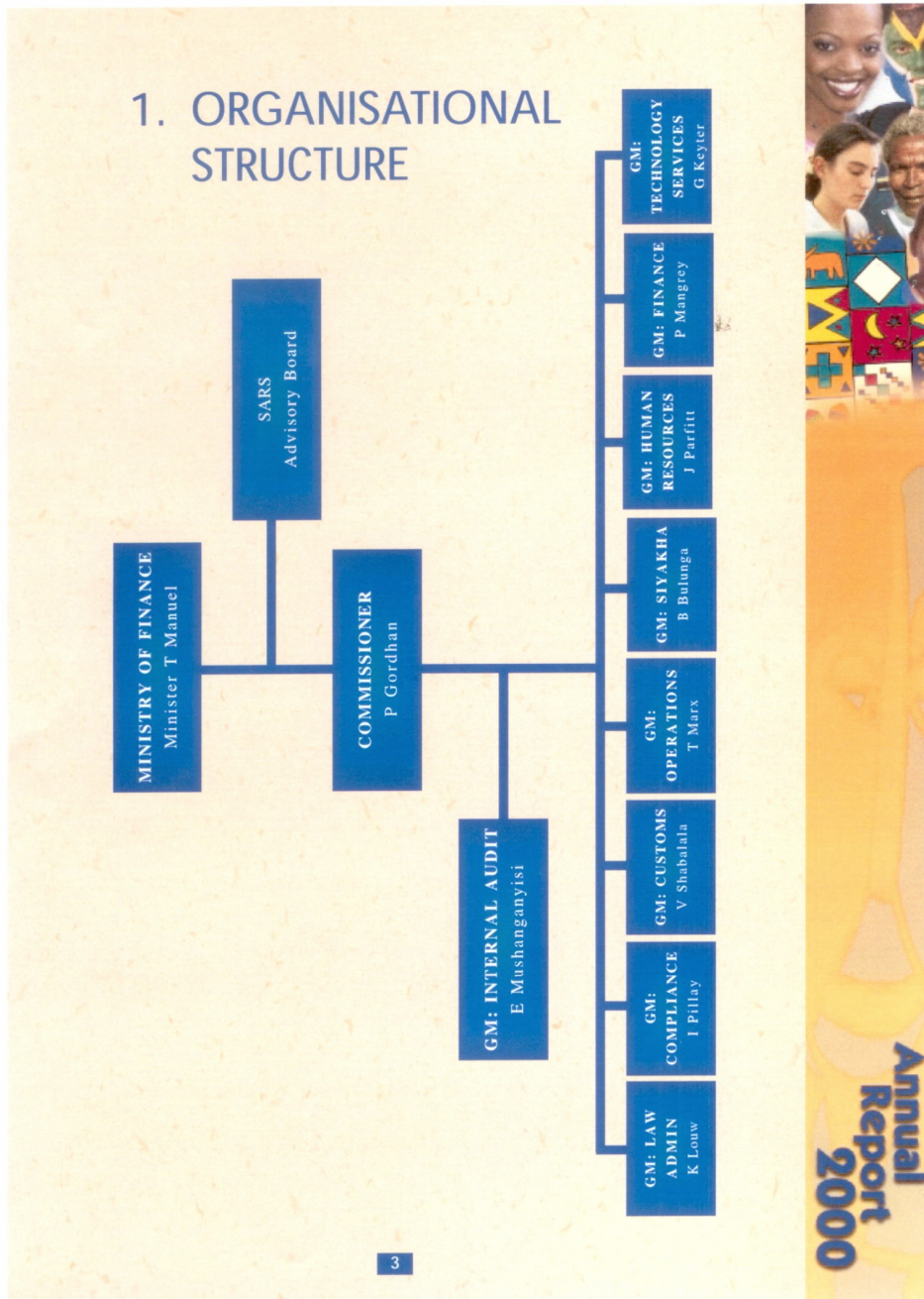
And many others not mentioned here.

APPENDIX 1

Survey Questionnaire with which the study was conducted

APPENDIX 2

Revised Organisational Structure in 1999 reflecting a matrix structure<sup>26</sup>



<sup>26</sup> "Annual Report", 2000  
[http://www.sars.gov.za/media/annual\\_reports](http://www.sars.gov.za/media/annual_reports)

## ADDENDUM

### APPENDIX 3

#### Summary of Consolidated National Budget (Manuel, 2008, Budget Speech)

R million	2007/08		2008/09	2009/10	2010/11
	Budget Estimate	Revised Estimate	Budget Estimate	Medium term estimates	
<b>MAIN BUDGET REVENUE</b>					
Estimate of revenue before tax proposals			635 853		
<i>Tax proposals:</i>					
<b>Taxes on individuals and companies</b>					
<b>Personal income tax</b>			-7 700		
Adjust personal income tax rate structure			-7 200		
Adjustment in monetary thresholds (medical scheme contributions and savings)			-500		
<b>Business taxes</b>			-7 400		
Reduction in corporate income tax rate			-5 000		
Presumptive tax structure for very small businesses			-200		
Industrial policy			-1 000		
Adjustment in monetary thresholds (VAT, etc.)			-500		
Other tax incentives			-700		
<b>Indirect Taxes</b>			4 600		
Increase in General Fuel Levy			1 250		
Increase in excise duties on tobacco products and alcoholic beverages			1 350		
Electricity levy			2 000		
<b>Estimate of revenue after tax proposals</b>	<b>544 602</b>	<b>557 962</b>	<b>625 353</b>	<b>692 888</b>	<b>758 956</b>
Percentage change from previous year			12.1%	10.8%	9.5%
<b>EXPENDITURE</b>					
<b>Direct charges against the National Revenue Fund</b>	<b>231 696</b>	<b>234 000</b>	<b>259 788</b>	<b>286 625</b>	<b>308 447</b>
Cost of servicing state debt	52 916	52 829	51 236	51 125	51 156
Provincial equitable share	171 271	172 862	199 377	225 466	246 306
Skills development levy	6 000	6 800	7 530	8 245	9 045
Other (Consists of salaries of MPs, judges and magistrates)	1 508	1 509	1 646	1 789	1 940
<b>Appropriated by vote</b>	<b>299 178</b>	<b>308 117</b>	<b>345 308</b>	<b>382 981</b>	<b>416 223</b>
Current payments	88 427	88 456	99 826	110 625	120 468
Transfers and subsidies	204 104	212 616	238 011	263 204	285 981
Payments for capital assets	6 647	7 045	7 471	9 152	9 774
<b>Plus:</b>					
Contingency reserve	3 000	-	6 000	12 000	20 000
<b>Estimate of national expenditure</b>	<b>533 873</b>	<b>542 117</b>	<b>611 096</b>	<b>681 606</b>	<b>744 670</b>
Percentage change from previous year			12.7%	11.5%	9.3%
<b>2007 Budget estimate of expenditure</b>		<b>533 873</b>	<b>594 198</b>	<b>650 301</b>	
Increase / decrease (-)		8 243	16 898	31 305	
<b>SOCIAL SECURITY FUNDS</b>					
<b>Revenue</b>	<b>21 107</b>	<b>22 465</b>	<b>24 683</b>	<b>27 257</b>	<b>30 035</b>
Unemployment Insurance Fund	9 606	10 087	10 965	11 914	12 959
Compensation funds	3 491	4 543	4 827	5 109	5 412
Road Accident Fund	8 009	7 835	8 890	10 234	11 665
<b>Expenditure</b>	<b>15 377</b>	<b>17 979</b>	<b>20 454</b>	<b>22 521</b>	<b>23 795</b>
Unemployment Insurance Fund	5 017	6 258	7 334	8 141	7 839
Compensation funds	1 644	2 926	3 328	3 496	3 698
Road Accident Fund	8 715	8 796	9 792	10 883	12 258
<b>CONSOLIDATED NATIONAL BUDGET (Flows are netted out)</b>					
<b>Revenue</b>	<b>565 699</b>	<b>580 417</b>	<b>650 026</b>	<b>720 134</b>	<b>788 980</b>
Percentage of GDP	29.2%	28.4%	28.4%	28.7%	28.6%
<b>Expenditure</b>	<b>549 240</b>	<b>560 086</b>	<b>631 540</b>	<b>704 116</b>	<b>768 454</b>
Percentage of GDP	28.3%	27.4%	27.6%	28.1%	27.9%
<b>BUDGET BALANCE</b>	<b>16 459</b>	<b>20 331</b>	<b>18 486</b>	<b>16 018</b>	<b>20 526</b>
Gross domestic product	1 938 934	2 045 533	2 286 906	2 506 870	2 758 552

APPENDIX 4

Summary of Main Budget Revenue to be collected in the Revenue Fund, 2006/07  
– 2008/09<sup>27</sup>

<i>2008 Estimates of National Revenue</i>					
Table 1: Summary of Main Budget Revenue to be collected in the National Revenue Fund, 2006/07 – 2008/09					
R million	2006/07	2007/08		2008/09	
	Actual collection	Budget estimate	Revised estimate	Before tax proposals	After
<b>Tax revenue</b>	495 515.1	556 562.0	571 063.0	652 768.5	642 268.6
<b>Non-tax revenue<sup>1</sup></b>	10 880.5	11 092.6	11 611.9	12 005.0	12 005.0
<b>Less: SACU payments<sup>2</sup></b>	-25 194.9	-23 053.0	-24 712.6	-28 920.6	-28 920.6
<b>TOTAL BUDGET REVENUE</b>	<b>481 200.7</b>	<b>544 601.6</b>	<b>557 962.3</b>	<b>635 852.9</b>	<b>625 353.0</b>
Includes revenue pre-assigned by statute <sup>3</sup>					
Skills development levy	5 597.4	6 500.0	6 800.0	7 529.6	7 529.6
Universal Service Fund	152.1	230.0	230.0	240.0	240.0
<sup>1</sup> Includes departmental revenue, sales of assets, recoveries of loans and advances and Unemployment Insurance Fund (UIF) contributions collected by SARS. <sup>2</sup> Payments in terms of Customs Union agreements imposed in terms of Section 51(2) of the Customs and Excise Act (1964). Includes Skills development levy collected in terms of Section 3 of the Skills Development Levies Act (1999) and the Universal Service Fund collected in terms of Section 58 of the Telecommunications Act (1996). <sup>3</sup>					

<sup>27</sup> National Treasury, Estimates of National Revenue  
<http://www.treasury.gov.za/documents/budget/2008>

ADDENDUM

APPENDIX 5

Detailed Estimates of Main Budget Revenue to be collected in the Revenue Fund, 2006/07 – 2008/09<sup>28</sup>

R thousands	2006/07	2007/08		2008/09	
	Actual collection	Budget estimate	Revised estimate	Before tax proposals	After
<b>TOTAL TAX REVENUE (gross)</b>	495 515 111	556 562 000	571 063 000	652 768 500	642 268 600
<b>Less: SACU payments</b> Payments in terms of Customs Union agreements (sec. 51(2) of Act 91 of 1964)	-25 194 939 -25 194 939	-23 053 000 -23 053 000	-24 712 567 -24 712 567	-28 920 625 -28 920 625	-28 920 625 -28 920 625
<b>TOTAL TAX REVENUE (net of SACU payments)</b>	470 320 172	533 509 000	546 350 433	623 847 875	613 347 975
<b>Sales of goods and services other than capital assets</b> Sales of goods and services produced by departments	<b>2 654 047</b>	<b>2 425 348</b>	<b>3 104 266</b>	<b>3 448 085</b>	<b>3 448 085</b>
Administrative fees	2 150 350	1 935 642	2 419 001	2 753 096	2 753 096
Other sales	439 106	404 072	488 435	670 256	670 256
Sales of scrap, waste, arms and other used current goods	64 591	85 634	196 830	24 733	24 733
<b>Transfers received</b>	<b>548</b>	<b>206</b>	<b>2 816</b>	<b>200</b>	<b>200</b>
<b>Fines, penalties and forfeits</b>	<b>417 121</b>	<b>450 860</b>	<b>380 057</b>	<b>437 019</b>	<b>437 019</b>
<b>Interest, dividends and rent on land</b>	<b>6 026 531</b>	<b>6 308 809</b>	<b>7 091 107</b>	<b>7 256 067</b>	<b>7 256 067</b>
Interest					
Cash and cash equivalents	93 350	210 400	158 934	203 178	203 178
Corporation for Public Deposits	40 674	–	39 085	41 500	41 500
Exchequer investments	2 512 000	1 636 000	1 684 000	1 371 000	1 371 000
Sterilisation deposits	1 710 713	2 776 000	3 388 000	3 731 000	3 731 000
Dividends					
Airports Company South Africa (ACSA)	231 257	242 628	242 823	254 964	254 964
Industrial Development Corporation (IDC)	70 007	75 000	75 000	80 000	80 000
Operating surpluses of accounts and enterprises	123 339	–	140 000	140 000	140 000
SA Reserve Bank (SARB)	16 299	84 688	84 688	88 923	88 923
Telkom	1 035 238	1 086 999	1 086 950	1 141 297	1 141 297
Other	688	–	1	–	–
Rent on land	192 966	197 094	191 626	204 205	204 205
<b>TOTAL DEPARTMENTAL REVENUE</b>	<b>9 098 247</b>	<b>9 185 223</b>	<b>10 578 246</b>	<b>11 141 371</b>	<b>11 141 371</b>
<b>TOTAL CURRENT REVENUE</b>	<b>479 418 419</b>	<b>542 694 223</b>	<b>556 928 679</b>	<b>634 989 246</b>	<b>624 489 346</b>
<b>Sales of capital assets Transactions in assets and liabilities</b> (Recoveries of loans and advances)	<b>38 785</b> 1 743 501	<b>11 818</b> 1 895 597	<b>109 858</b> 923 755	<b>148 832</b> 714 797	<b>148 832</b> 714 797
<b>TOTAL BUDGET REVENUE</b>	<b>481 200 705</b>	<b>544 601 638</b>	<b>557 962 292</b>	<b>635 852 875</b>	<b>625 352 975</b>
<i>Receipts not regarded as revenue</i>	<i>3 438 017</i>	<i>1 250 000</i>	<i>1 927 000</i>	<i>850 000</i>	<i>850 000</i>

<sup>28</sup> National Treasury, Estimates of National Revenue  
<http://www.treasury.gov.za/documents/budget/2008>

