

INFORMATION MANAGEMENT IN THE MALAYSIAN INLAND REVENUE
DEPARTMENT: ISSUES AND PLANS FOR IMPROVEMENT.

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by

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ABSTRACT.

The aims of this thesis are (i) to identify problems in the area of information management that affect the Malaysian Inland Revenue Department (MIRD), and (ii) to propose a way forward for dealing with them.

The problem-identification part of the project triangulates data obtained from documentary analysis, observation in the MIRD, and interviews with three groups of stakeholders: management, employees and the public. The MIRD's activities are found to be characterised by conflicting views over government-bureaucratic, management-cultural and legal issues, and by coercion in the form of racism. In addition, a substantial section of the Muslim population disagrees with the whole concept of the secular concept of tax-paying, preferring to pay a religious levy. These problems are adversely affecting public perception of the MIRD, resulting in loss of cooperation. However, hope for improvement is provided by senior management's commitment to change, an ongoing project to upgrade information management, and the existence of mechanisms for communication which can be developed.

As a result of the analysis of problems, the researcher has devised a new Information Management Model, the *Participative Information Management Model* (PIM) which, it is argued, could help improve the situation. The model draws heavily on Ackoff's methodology of Interactive Planning, but the approach is modified by the inclusion of measures for addressing, prior to enactment, the problems of coercion which would frustrate participation. By improving communication and participation within the MIRD, and

between the MIRD and the public and the Federal government, it is hoped that a situation can be created in which most of the issues currently confronting the MIRD will be capable of solution by the stakeholders themselves.

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List of Abbreviations.

AO: Assessment Officer
AAO: Assistant Assessment Officer
DG: Director General
FC: Filing Clerk
FGM: Federal Government of Malaysia
GI: General Issue
GO: General Order
IM: Information Management
ITA 1967: Income Tax Act 1967
MbPT: Management by Partial Trust
MIT: Mara Institute of Technology
MIRD: Malaysian Inland Revenue Department
MO: Machine Operator
N/A: Notice of Assessment
NCC: National Consultative Council
NPC: National Productivity Centre
TA: Tax Assistant
TKP: Timbalan Ketua Pengarah (Deputy Director General)

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CHAPTER ONE

INTRODUCTION

1.1 Introduction to the Research.

Malaysia, like many other countries, relies on income tax as a main source of the revenue needed to finance its public service provision and development plans: responsibility for collecting that tax lies with the Malaysian Inland Revenue Department (MIRD), a government organisation funded by the Federal Treasury. In recent years, incentives provided by the Malaysian government have stimulated the establishment of a growing number of local and foreign companies (Tsuruoka, 1992), resulting in an increased number of actual and potential taxpayers. However, during the same period, there has also been an increase in the failure rate of the MIRD to collect the appropriate amount of tax revenue on time (MIRD Annual Report, 1993). The researcher, himself a member of the MIRD staff, has for some time been conscious that the MIRD is facing difficulties in dealing efficiently with clients and fulfilling its mission to collect the revenue required by the federal government. This thesis describes and reflects on a project undertaken within the MIRD, which explores perceptions of the issues facing the Department and their impact on its activities.

Communication, and hence information, is at the heart of the MIRD's activities: The Department receives

and processes information from the public in order to assess tax liability and follow up payment; it reports to, and receives instructions from the federal government; and of course, as a large, multi-unit organisation, it relies on communication as a day-to-day administrative tool. Information Management (IM) is therefore a key issue to the MIRD.

Information Management models developed in western countries may not necessarily be suitable for application in non-western countries (Banbury, 1987). For example, a country's political environment, culture, social fabric, economy and law are likely to affect the way information management for tax purposes is designed, implemented and perceived.

Accordingly, the aims of this project are two fold:

- 1) to explore and detail the information management problems faced by a tax system in a developing country;
- 2) to develop a new IM model applicable to the MIRD.

1.2 Structure of Thesis

This introductory chapter has outlined the rationale underlying this project. The remainder of the thesis is organised as follows:

Chapter Two introduces the organisation which is

the focus of this project, the MIRD. The organisation's history, purposes and structure are discussed and the centrality of communication to the MIRD's activities is highlighted.

A review of literature on information management and related topics is presented in Chapter Three, to contextualize the activities of the MIRD.

Chapter Four explains the project methodology. The approach to surfacing issues is described, with particular focus on the selection of informants and conduct of interviews.

The key issues raised by this exercise are highlighted individually in Chapter Five. Some are issues of work practice and management; others are legal and cultural, and concern the MIRD's relationships with its "owner" and "clients". Central to this chapter is the observation that there are important differences of opinion between stakeholders on the extent to which some of the issues are really problematic. In seeking to improve IM in MIRD, it will be necessary to focus on addressing these differences. Also, it will be important to deal with issues of coercion that may prevent differences of opinion from being effectively discussed.

There follows, in Chapter Six, a brief consideration of the positive factors which make improvement possible: senior management commitment to change; the PUSH project,

the corporate plan that the MIRD is presently following; and the existence of structures for communication.

Chapter Seven explains the process of diagnosing the organisation and identifying an appropriate approach to the generation of improvements. The nature, weaknesses and usefulness of the System of Systems Methodologies as a guiding framework are reviewed and the issues to be addressed are summarised. After an analysis of the problem context, the researcher's approach to designing a model that can address the issues facing the MIRD is explained. The focus is on the need for participative information management, to deal with the differences of opinion, together with action to address aspects of coercion which may frustrate participation.

Recommendations for change are presented in Chapter Eight. The chapter begins by highlighting the PUSH project as the context for a new Participative Model of information management which is then described in detail. Particular reference is made to measures to be enacted before participation, in order to address problems of racism and religious resistance which might frustrate the working of the model. A protocol for testing the recommendations in a future action research project is also presented.

Finally, Chapter Nine provides a brief summary of the project findings and recommendations, and its

contribution to knowledge is highlighted.

CHAPTER TWO

THE MALAYSIAN INLAND REVENUE DEPARTMENT

2.1 Introduction.

This chapter introduces the organisation which is the focus of the present project. It begins by discussing the development of taxation in Malaysia, with the emphasis on the Malaysian Inland Revenue Department (MIRD) as the government agency directly responsible for the process of taxation. The objectives of the MIRD and its relationship with the Government of Malaysia (GM) are then discussed. There follows an explanation of the MIRD's organisational structure, the functions of its officials and its budget. Finally, the centrality of communication to the MIRD's activities is highlighted and the role of information in the organisation is discussed.

2.2 Development of Taxation in Malaysia.

2.2.1 History.

As long ago as the sixteenth century, in the Malay Sultanate of Malacca, the *sultan* (provincial king) imposed a small amount of tax on the people of Malacca as well as the traders trading in the state (Tan, 1975). Taxes have been levied intermittently from then to the present day. However, taxation was not a permanent or regular feature of the Malaysian economy and culture.

In the early twentieth century, the nation's need

to develop its infrastructure, such as railways, road and port facilities, led to the introduction of formal taxation in 1910. During World War I (1914-1918), the administration of the Straits Settlement introduced a tax on income (in 1917) as a temporary measure of contribution to the imperial defence expenditure. This tax measure was later repealed in 1922. As a consequence of the outbreak of World War II (1939-1945), the tax on income and profit was reinstated in the Straits Settlement states in 1941. This act was then renewed each year. The tax revenue collected was spent solely on imperial defence. In 1945, the war tax legislation lapsed (Malaysian Institute of Economic Research Tax Reform Group (MIER), 1989).

In 1946, with the establishment of the Malayan Union Government, R.B.Heasman (an expatriate from the UK) was assigned to study and recommend a tax system for Malaya. In contrast to the two temporary tax systems which collected revenue to finance the 'informal development' of the country's expenditure between 1910 and 1941, the new system was to be a permanent, formal system intended to generate revenue for the newly formed government. The tax burden in this new tax system was supposed to be equitably distributed among the people of Malaya (MIER, 1989).

In 1957, Malaya gained independence from the British Government, and became known as Malaysia. After independence, Malaysia still maintained the British-based

Income Tax System that had been practised by the country from 1948 to 1957. This can be seen from the statutory legislation of the Income Tax Act (1967) (ITA 67) and also from the number of British tax cases cited as precedents by the Malaysian Income Tax authorities. Since then, there has been a series of modifications to the ITA 67 to suit the country's economic policy. However, despite these modifications, the current tax system can still be considered as 'British'.

The SGATAR report (MIRD, XV SGATAR, 1986) described the enactment of the ITA 67 as having resulted from the rapid development of the field of taxation in Malaysia. It provides a legislative framework for the activities of the MIRD. The act stipulates that MIRD can be the only government agency to collect direct tax revenue. Overall, for the year 1991, revenue collected represented more than 38.9% of the total government revenue of 34 billion *ringgit* (MIRD Annual Report, 1991); 39% of the total government revenue of 39 billion *ringgit* for 1992; and 43% of the total government revenue of 41 billion *ringgit* for 1993 (MIRD Annual Report, 1993). The rest of the revenue to government is collected by other government agencies including the Royal Customs and Excise and the Treasury Department.

2.2.2 The Philosophy and Objectives of Taxation.

The philosophy and rationale for the collection of tax in Malaysia is similar to that operating in Britain (Milne, 1967). When the Governor General of the Straits Settlement of the Malay states first mooted the idea of establishing a 'modern' taxation system in the then British Colony Malaya, it was with the feeling that it was the moral obligation of the colonial government to develop the country into an advanced civilised region.

In this respect the Income Tax system has always been seen as a means to generate income for the purpose of government spending to meet the cost of development, e.g. expenditure on education, health, roads, transport, etc. (MIRD, XIV SGATAR, 1984).

According to MIER (1989) the Income Tax system in Malaysia is also based on the philosophy of the distribution of wealth, whereby a portion of people's income is made available to the government through the collection of taxes from the public. The revenue collected is then distributed amongst the public in ways such as providing support to pensioners, the unemployed, the sick and other welfare beneficiaries. In fact, the practice is intended to reduce the inequalities of income between income earners while at the same time not victimising any group of the public (MIER, 1989).

The objectives of the tax system in Malaysia, in

the words of MIER (1989) are to:

- 1) raise revenue for the government;
- 2) promote economic growth and balance the nation's public income/expenditure;
- 3) ensure the tax system introduced is fair and neutral;
- 4) ensure that the income tax procedure introduced is practical and operational.

In the past fifteen years the government has made efforts to improve the country's tax structure in order to develop future revenue collection. The efforts made by the government have included spending for the following purposes (MIER, 1989):

- 1) promoting investment and stimulating the development of industries in the country;
- 2) promoting national savings and improving the 'freedom' of goods leaving the country through the lowering of tax rates;
- 3) promoting the equal distribution of wealth amongst the people by introducing a more realistic tax structure, which includes the improvement of rates of Income Tax and Real Property Gains Tax;
- 4) reducing the effect of inflation, especially on the lower income groups, through the reduction of some indirect taxes, such as reducing VAT on certain consumer items.

Some of the factors above illustrate that the government is making efforts to improve its achievement in non-revenue economic objectives. This indicates that the government also uses the tax system as a basis to develop its non-revenue policy (MIER, 1989).

2.2.3 The Relationship Between the Federal Government and the Malaysian Inland Revenue Department.

It has been suggested that there is a 'master-servant' relationship (Public Accounts Reports, 1991) between the federal government of Malaysia and the MIRD, which under the present government structure is located within the Ministry of Finance of Malaysia.

The MIRD maintains a formal relationship with various government agencies such as the Treasury Department, the Road and Transport Department, the National Registration Department, the Ministry of Trade, the Registrar of Business, and the Registrar of Companies.

The administration of the MIRD is scrutinised by the *Jabatan Perkhidmatan Awam* (Public Service Department, PSD) and the *Perbendaharaan Malaysia* (National Treasury). Tan Sri Ahmad Sarji, the Secretary of State of Malaysia (quoted in MIRD, Buletin Hasil, 1990), has emphasised the strong relationship between government and the MIRD, pointing out that the government is the Department's owner and, as such, entitled to see that the MIRD operates in accordance with government plans.

Regular meetings are held between the Director General of the Inland Revenue (DGIR) and the Treasury Minister to exchange feedback on MIRD's progress. Annual reports are submitted to the Minister on the MIRD's performance for the whole year. Most of the programmes drawn up by the MIRD are approved by the Minister. However, sometimes the Minister has indicated his displeasure when a report produced by the MIRD did not support Ministerial claims which had been published in the newspaper; the view is taken that as a government agency, the MIRD should support the government's claims.

2.3 The MIRD.

2.3.1 Organisational Structure.

There are fifteen divisions within the MIRD, each with specialized duties (MIRD Annual Report, 1993). Each division has its own administration, with a Senior Assistant Director (SAD) appointed to head the division. All these divisions have their own officers and support staff. The divisions in the MIRD are as follows:

2.3.1.1 The Headquarters.

The Headquarters (HQ) or Head Office of the MIRD is in Kuala Lumpur, the nation's capital. The Director General (DG), his deputies and assistants are stationed at the HQ. The responsibilities of the DG and his deputies

and assistants are to plan and oversee the total operation of the organisation and to advise the Federal Government on tax matters during policy making sessions (MIRD, XIV SGATAR, 1984). The Headquarters is also advised by the Operations Division on the implementation of the tax assessment programme, which is the main activity of the MIRD, with regard to the following matters:

- 1) issue of tax return forms;
- 2) the total submission of completed returns;
- 3) procedures for extension of time to file returns;
- 4) the quantum of penalties for late submission (MIRD, XIV SGATAR, 1984);

2.3.1.2 Branch Offices.

There are 26 branch offices throughout the country. Each branch office is headed by a Senior Assistant Director who is directly responsible to HQ. Branch offices are generally independent of each other and operate with minimal interference from Headquarters. Branch Offices are responsible for carrying out annual assessing programmes as determined by HQ. Investigation centres at branch level are directly responsible to the Investigation Division of the HQ, the function of which is mainly to combat tax evasion and fraud (MIRD, XIV SGATAR, 1984).

2.3.1.3 The Collection Branch.

The MIRD has only three collection centres - one in Kuala Lumpur, one in Kota Kinabalu and one in Kuching. The main function of the collection division is to enforce the collection of tax and to ensure that taxes are paid on time (MIRD, XIV SGATAR, 1984). There are penal provisions for late payment. Since the introduction of computerisation in early 1985, the MIRD has been able to operate more quickly in attending to cases and, as a result, has been able to reduce tax arrears (MIRD Annual Report, 1993). Table 2.1 shows the improvement in tax collection.

TABLE 2.1
INCOME TAX ARREARS
1989-1993: Compared to Gross Tax

Year	Gross tax (in RM million)	Percentage of tax in arrears
1989	8,369	29%
1990	11,370	20%
1991	10,895	20%
1992	15,857	16%
1993	16,882	18%

(Source: MIRD Annual Report, 1993)

2.3.1.4 The Technical Branch.

This branch is located at the HQ in Kuala Lumpur, and it is headed by a Senior Assistant Director. Its function is to interpret tax laws in cases of conflict, and also to give guidelines to other branches regarding tax issues raised in appeal cases (Employees' Interview,

March 1995).

2.3.1.5 The International Branch.

This branch is also located at the Headquarters, and is headed by a Senior Assistant Director. Its function is to undertake tax cases that involve international tax agreements, such as double taxation agreements (Employees' Interview, March 1995).

2.3.1.6 The Research and Development Division.

The main task of this division is to carry out research for the department on tax issues that affect the direct tax system in Malaysia. Amongst the issues currently being researched by this centre are Leasing and Incentives for Pioneer Status Industries. In addition to its research work, the other activity of this division is to organise seminars, conferences and meetings for the public. The purpose of having these talks is to create awareness amongst the public of the development of tax policy and practice. The division is expected to obtain feedback from the public and make recommendations to Headquarters (MIRD, XIV SGATAR, 1984). So far, however, this division has not been made fully operational because of the limited budget granted by the department (Top Management Interview, April 1995).

2.3.1.7 The Petroleum Division.

The main task of this division is to conduct tax assessments on the oil companies. This division is headed by a Senior Assistant Director and is located in Kuala Lumpur. Since Petroleum is an industry that contributes a substantial amount of tax revenue to the MIRD, this division is considered as one of the most important (Employees' Interview, March 1995).

2.3.1.8 The Legal Division.

The legal division of the MIRD is an in-house service unit staffed by a team of legal officers from the Attorney General's chambers, headed by senior Federal Counsel. They represent the MIRD in any legal disputes between the MIRD and the public. This division works closely with other divisions of the MIRD such as the Assessment and Collection divisions. Unlike the other officers in the MIRD, however, officers from this section are transferable to other government agencies (Employees' Interview, March 1995). The performance of this division from 1989-1993 is reflected in Table 2.2, overleaf.

According to the MIRD Annual Report (1993) this division has been very effective in recovering tax owed by the public.

TABLE 2.2
NUMBER OF CIVIL CASES, TAX AND PENALTIES RECOVERED
1989-1993

	1989	1990	1991	1992	1993
Total civil suit cases	45,819	41,966	41,737	45,973	36,388
Total tax and penalties (rounded to nearest RM Million)	999	955	880	1,048	989

(Source: MIRD Annual Report 1989-1993)

2.3.1.9 The Investigation Division.

This division is headed by a Senior Assistant Director, and its head office is located at the HQ in Kuala Lumpur. Other branches are located at every state office throughout Malaysia. The main function of this division is to investigate taxpayers who are suspected of evading taxes and presenting the MIRD with false information. This division acts upon information received from other branches and also from members of the public (MIRD, XIV SGATAR, 1984).

2.3.1.10 The Stamp Duty Office.

The role of the Stamp Office is to collect duties that are payable on instruments such as agreements and contracts. The collection of these duties is governed by the Stamp Duty Act (MIRD Annual Report, 1993).

2.3.1.11 The Training Division.

The function of this division is to conduct training for all tax officers in the MIRD, which is essentially about guiding both new and established staff in the interpretation of tax legislation and understanding of basic principles, as well as the examination and analysis of accounts. Courses conducted by this division include: Basic Course, Second Departmental Course, Assistant Assessment Officers' Course, Preliminary Course and Advanced Course (MIRD, XIV SGATAR, 1984).

2.3.1.12 Administration Division

This division, headed by a senior officer from the administration scheme, is located at the HQ of the MIRD in Kuala Lumpur. All the officers in the Administration division, being non-technical staff belonging to the general administration scheme, are transferable to other departments. The tasks of this division include keeping personnel records in the MIRD; preparing annual budgets for the MIRD and other general administration (MIRD Annual Report, 1993).

2.3.1.13 Public Relations Unit.

This unit is located at the HQ of the MIRD and is headed by a Senior Assessment Officer. Its main duty is to provide general information to the public through media

such as television, radio, etc. This unit will also try to answer *general* questions about taxation and to handle complaints made by the public about the MIRD by generating newspaper articles and T.V. programmes. For a detailed answer on a specific matter, the enquirer would be referred to the appropriate individual division. Basically, this unit was established to promote the MIRD. All the personnel in the Public Relations Department are technical officers with considerable experience in assessment and they are conversant with the ITA 67. In general, this unit acts as a liaison unit between the public and the MIRD (Employees' Interview, March 1995).

2.3.1.14 Operation Division.

This division is also located at the HQ, and is headed by a Senior Assistant Director. The main task of this division is to monitor, by means of visits and reports, all the operations of the divisions within the MIRD. On the basis of reports obtained from all divisions, it produces a consolidated final report on their overall performance. This division also makes suggestions on ways of improving the operations in the MIRD (Employees' Interview, March 1995).

2.3.1.15 Quality Control Division (QCD).

This division is located in Kuala Lumpur, and is

headed by a Senior Assistant Director. The officers working in this division are basically tax officers who have vast experience in assessment work, and are knowledgeable about the Malaysian tax law. The main duty of this division is to inspect the quality of assessment work performed by the technical officers in all divisions and branches in the MIRD (MIRD, XIV SGATAR, 1984). The QCD officers will make comments on any assessment that contradicts the guidelines set by the MIRD. These comments are then reported to appropriate management (MIRD Annual Report, 1993).

2.3.1.16 Information Technology Division.

This division is located at the HQ and is headed by a Senior Systems Analyst. The staff of this division are mainly Computer Programmers and Systems Analysts. The main function of this branch is to store information on computer and to find ways to computerise other work activities in the MIRD (MIRD, XIV SGATAR, 1984).

2.3.1.17 Estate Duty Division.

This division, located in Kuala Lumpur, is headed by a Senior Assistant Director known as the Collector of Estate Duty. It is staffed largely by technical officers, including Assessment officers and Tax Assistants. Under the Estate Duty Act 1941 (EDA 41) duty is payable on the

value of all property which passes (i.e. changes hands) or is deemed to pass on death. The function of this division is to enforce the EDA 41 as follows:

- 1) to obtain information regarding the properties of the deceased;
- 2) to ascertain the value of the estate and impose the appropriate estate duty;
- 3) to collect estate duty;
- 4) to follow-up with actions such as charge on landed properties, court actions and auctions, if the administrator/executor fails to pay the estate duty (MIRD Annual Report, 1993).

2.3.2 Functions of MIRD officials.

At present, there are four main categories of officials in the MIRD. These are as follows:

2.3.2.1 Assessment Officer (AO).

Basically the functions of the AO include the issue of tax returns, examination of completed returns, preparation and issue of assessments based on completed returns, and the issue of estimated assessments where no return is received or the AO disagrees with the information contained therein. Where the taxpayer appeals against the estimated assessment, the AO attempts to settle the appeal informally by agreement. If this is not

possible, the AO lists the appeal for hearing by the Commissioners and appears before them to put the MIRD's case (MIRD, XIV SGATAR, 1984).

2.3.2.2 Assistant Assessment Officer (AAO).

Assistant Assessment Officers perform various functions depending on the office to which they are posted. In the Assessment Branch, an AAO deals with the tax affairs of employees whose salaries are in the higher tax bracket, their employers and the self-employed. Often, they will deal directly with accountants and solicitors acting on behalf of their clients. An AAO also performs management duties, having a group of Tax Assistants working under him/her (Employees' Interview, March 1995).

In the Collection Branch, the AAO manages a group of staff dealing with the collection of tax. He/she also inspects taxpayers' records and may have to represent the MIRD in county court if a taxpayer fails to pay the tax due (Employees' Interview, March 1995).

2.3.2.3 Tax Assistant (TA).

This post is available in both the Assessment and Collection branches. In the Assessment branch, the duties of a Tax Assistant include calculation of taxes and advising the public on their tax affairs. Basically, a TA in the MIRD deals with the tax cases of self-employed

people and property owners (MIRD, XIV SGATAR, 1984).

In the Collection Branch, the job of a TA is to collect taxes from employers who operate a PAYE scheme. He/she normally makes contacts with the public inside the office, at taxpayers' homes or at their places of business. Other duties of a TA include keeping taxpayers' records, sorting and filing taxpayers' correspondence, simple calculations and operating the visual display unit. A TA will be the first person to talk to the public when they telephone or visit the office (Employees' Interview; March 1995).

2.3.2.4 Machine Operator (MO).

The duty of an MO in the MIRD is to key-in information such as tax computations, etc., that have been processed by the above officers. Basically, the function of the MO is to operate the computer terminals in the MIRD division (Employees' Interview, March 1995).

2.3.2.5 Filing Clerks (FC).

The duty of filing clerks is to manage the filing operations in the MIRD. Filing clerks are responsible for keeping, arranging and searching for taxpayers' files. They are also responsible for collecting taxpayers' files from the officers' offices after processing, and taking them to the MO or the filing rooms (Employees' Interview,

March 1995).

2.4 The Budget Allocated to the MIRD by the FGM.

Since the MIRD is one of the eight government agencies under the Ministry of Finance, the budget allocation for the MIRD is provided by the Federal Government of Malaysia (FGM) (Public Accounts Report, 1991). The MIRD's budget allocation for each period is based on its actual expenditure in the previous period. For example the budget for the MIRD in the *Rancangan Malaysia ke-Enam* (Sixth Malaysia Plan) is based on its expenditure under the *Rancangan Malaysia ke-Lima* (Fifth Malaysia Plan).

Out of the total allocation to the MIRD, about one half is later allocated to financing the computer system in the MIRD, a larger allocation than that to any other aspect of administration.

2.5 The Role of Information in the MIRD.

It can be seen from the above outline of the MIRD's activities and the roles of its personnel, that a central focus is on communication: with the federal government, with members of the public, and between levels and divisions of the MIRD itself. Central to the MIRD's activities, therefore, is a need for accurate, relevant and timely information. The importance of information to

the MIRD is evident from the following sections of the ITA 67;

Section 77.

ss.1

The Director General may for any year of assessment require any person by notice in writing to furnish him within a time specified in the notice (not being less than thirty days from the date of service of the notice) within a return in the prescribed form containing such particulars as may be required for the purpose of ascertaining the chargeable income (if any) of that person for that year.

Section 81

The Director General may require any person to give orally or may by notice under his hand require any person to give in writing within a time specified in the notice all such information or particulars as may be demanded of him by the Director General for the purpose of this Act and which may be in the possession of that person.

Information obtained from the public is used by the MIRD for the following purposes:

1) Revenue Collection.

The majority of information received by the MIRD is income-related information, such as the company's income statement, annual income statement from the employer and others. Since the policy of the MIRD is to collect tax revenue in a fair manner, information received from the public forms the basis for the MIRD to calculate the amount of tax payable by an individual or a company. Based on this information the MIRD is able to estimate the



yearly amount of total tax revenue to be collected for the nation.

2) Organisational Planning.

Information is also vital in the process of organisational planning in the MIRD. Amongst the planning activities performed are: Human Resource Planning, which uses information for the purpose of productively reallocating human resources; Budgeting, which uses information for the purpose of allocating and spending the MIRD's financial resources effectively; and Policy-Making, which uses information as a basis for drafting new tax policies for the nation. Besides the above uses, information is used more generally by top management to make decisions on issues in the MIRD.

3) Government Reports.

Another role of information in the MIRD is to compile statistics for the annual reports which the MIRD has to present to the Treasury. These reports show the effort and performance of the MIRD during the year in achieving the government objective, which is mainly to collect the appropriate amount of tax revenue. As for the Treasury Department, it will use the MIRD's Annual report as a basis for the formulation of new tax policies in the future. The importance of information is reflected in a

number of factors: the involvement of senior management in managing the flow of information; the amount of the MIRD's total budget allocation which is devoted to Information Technology; and the huge number of staff (approximately 6,214) whose function is mainly to manage information.

2.6 How Information is Managed in the MIRD.

Information Management in the MIRD can be viewed as an input-transformation-output (ITO) process (Ross, 1970). The ITO concept is derived from manufacturing industry where inputs of money, manpower, machinery and materials are "transformed" by the manufacturing process, to produce "outputs" of finished products (whether for direct sale to the customer, or as inputs to another process). ITO is a useful way of conceptualising current practices of information processing in the MIRD.

The inputs to the IM system include information, capital cost and staff time. The source of these inputs is the wider environment of, for example, Federal Government policy, the ITA 67, and the public. The fluctuations of the environment will affect the quality and quantity of inputs to the IM system. For example, the state of the economy may influence government policy on staffing levels at the MIRD. This will obviously affect the inputs of capital cost and staff time.

The information input comes from various sources: the

registrar of companies, responses to enquiries sent out by the MIRD, voluntary registrations by members of the public, etc.

The activities of the MIRD transform these inputs. The process involved includes assessment of individuals' tax liability in the light of the ITA provisions and information submitted by the public; checking compliance with tax regulations, storage of files, and entering data for future reference. At every stage, from provisional registration, through permanent registration and issue of annual returns for assessment, information is checked before being accepted. Failure to provide information required by the MIRD, or provision of information suspected of being incomplete or inaccurate, will result in follow up and, if necessary, legal action.

The main results of the transformation process (outputs) take the form of tax codes assigned to individuals or corporations. Another kind of output is tax guidelines. Still another is the report to the Treasury on tax collected.

2.7 Conclusion.

This chapter has given a picture of the Malaysian tax system and its administration. It was shown that there is a strong relationship between the MIRD and the federal government. Not only does the MIRD depend on the federal

government for its budget, but there is considerable government influence, either directly or through the coordinating body, the Public Service Department, in appointment of MIRD personnel.

It has been shown that communication, both within the MIRD and with external stakeholders, is central to the MIRD's activities. Good communication relies on the quality of information. For this reason, information management will be the main focus of this thesis. Accordingly, the following Chapter will review literature on communication and information.

CHAPTER THREE

INFORMATION MANAGEMENT

3.1 Introduction.

The purpose of this chapter is to review relevant literature to provide the theoretical background to this study, clarifying key concepts relevant to an understanding of the nature of the organisation with which this project is concerned, and to the theme of information management which is its particular focus.

It can be seen from the outline in Chapter Two that the MIRD is essentially a bureaucratic organisation in the positive sense of the term implied by Weber (1946). The first part of this chapter, therefore, reviews the bureaucracy literature in order to conceptualise the MIRD activities.

The second part of the chapter is concerned with communication within and between organisations. This issue, as we have already seen, is central to the MIRD's activities. MIRD is an organisation of many departments, the activities of which need to be coordinated. It interacts with the general public to assess and collect tax, and also liases with the Federal government, of which it is an agency. Without good quality communication, both internally and externally, the MIRD's achievement of objectives will be seriously impeded.

Communication, of course, depends on the

availability of information. Information, therefore, provides the focus for the remainder of the chapter. After a review of the nature of information, a discussion will be presented of the importance of managing information for the benefit of the organisation.

3.2 Bureaucracy in Organisation.

Weber (1946) considered organisation to be characterised by an ordering of social relationships in which the spheres of competence and responsibilities of employees are determined and distinct, and where merit alone determines who will be promoted or what other reward may be given. These, in theory, are the characteristics of the ideal bureaucratic organisation. This ideal blueprint is considered to reflect and promote rationality and efficiency. According to Symons (1991), the classic design for Management Information Systems (MIS) conforms closely to this model of the administrative order. It is intended as a single, integrated system, with emphasis on routine transactions and data processing with top-down, centralised control. Functions are differentiated and must be precise, accurate, and reliable. In an ideal MIS, as in the Weberian bureaucracy, there is a close relationship between command and rules.

Symons also stresses that this powerful set of ideas will work well when:

- 1) tasks are well defined;
- 2) the environment is stable enough to ensure that the products are the appropriate ones;
- 3) precision, reliability, and repeated production of an identical product are important;
- 4) the human 'machine' parts are compliant and behave according to design.

These conditions are onerous, however, and rarely hold simultaneously. When they do not, the approach is often dysfunctional (Trist and Bamforth, 1951; March and Simon, 1958; Merton, 1940; Selznick, 1949 and Gouldner, 1954). An example of such dysfunction is the inability to model changing circumstances (Symons, 1991).

The bureaucratic model assumes consensus among employees and a unitary set of goals. However, this assumption is not necessarily valid for modern organisations, since departments and units often have their own objectives and motivations; nor can it safely be said that the individual will subordinate their interest to that of the organisation or system as a whole. Unintended adverse consequences may result from the model's emphasis on precision and reliability, as there is a danger that rules will come to be seen as ends in themselves, rather than as ways of facilitating the attainment of other goals. In this respect, the model may be self defeating.

Another criticism raised by Symons (1991) is that work may be de-humanised by the bureaucratic approach as it neglects the role of informal group processes in maintaining morale and productivity. Studies by Mayo (1948) and Herzberg (1987) seeking to investigate the relation between working conditions and employees' fatigue and boredom have shown how important such processes can be.

Albrow (1979) criticises Weber's concept of administrative rationality, which he challenges on the grounds of factors omitted from it, and also of what he sees as its internal inconsistency. Albrow argues that organisations exist in a dynamic environment and must adapt to external change by modifying rules and procedures. He further contends that efficient administration depends on officials being allowed to identify with the purposes of the organisation as a whole and to adapt their behaviour to their perception of changing circumstances. Regarding the issue of internal inconsistency, this arises through neglect of the interpretation of rules. It is interesting that "work-to-rule" is considered an effective sanction in labour disputes, reflecting the fact that smooth running relationships and operations in organisations often depend less on the existence of formal rules, but on flexibility and discretion; "work-to-rule" reflects a common human

attitude that formal rules are obstructive, rather than enabling.

Another criticism of the bureaucratic model raised by Symons (1991) is that the clear delimitation of spheres of responsibility can equally be seen as designating what is outside each employee's sphere of competence, and that this may result in narrowness of outlook, with sub-units vying with each other, rather than cooperating. Symons (1991) suggests that the model may have the effect of institutionalising passivity and dependency.

3.3 Communications Within and Between organisation.

Bocchino (1972) and Lucey (1991) discuss the need for information within the organisation to be transmitted by means of communication, which is basically concerned with the process of exchanges of facts, thoughts, value judgements and opinions. Both writers point out that this process may take a variety of forms: face to face conversations, telephone calls, informal and formal meetings, conferences, memoranda, letters, reports, VDU, electronic mail, etc. In choosing the channel of communication, consideration should be given to: the nature and purpose of the information, the speed required, and above all, the requirements of the user. Whatever the process, for good communication to occur, the sender and receiver must be in agreement over the meaning of a

particular message. Although this sounds like a modest objective, it is proving to be, in Peter Drucker's words 'as elusive as the Unicorn' (cited in Lucey, 1991). According to Habermas (1976, 1984 a, b), not only does communication using language assume a prerequisite of intelligibility, but there are also inherent in it three types of validity claim: to truth, legitimacy and sincerity. Habermas's theory is conveniently summarised in the words of Giddens (1985):

"When I say something to someone else, I implicitly make the following claims: that what I say is intelligible; that its propositional content is true; that I am justified in saying it; and that I speak sincerely, without intent to deceive."
(Giddens, 1985, pp.99).

Any or all of these claims may be challenged by the receiver of the communication - at least in theory. However, it is often the case that actors have hidden agendas when participating in the communication act, which therefore becomes distorted. For full, open communication to be possible, according to Habermas, it is necessary to set up what he calls the "ideal speech situation" - one in which all participants are free to argue without being constrained by power relations.

However, this view has been criticised as Utopian by Ulrich (1983), who asserts that, in practice, it is simply not possible to involve everybody in dialogue. Also, when planning decisions are to be made, critique

must be limited so practical action can ensue. Therefore it is necessary to define boundaries for participation.

Nanus (1972) emphasises the importance of communication in any organisation as a tool to ensure that all parties that are involved work together to ensure their objectives are achieved. Bocchino (1972) goes so far as to say that communication is vital to the survival and growth of the organisation.

Balcome (1994) draws attention to the importance of organisations being able to communicate intelligently to their audience through well presented information and highlights the need for information to be communicated effectively in a manner to avoid misunderstanding. Thus, those involved in handling information require good communication skills. As Balcome (1994) points out, effective communication entails consideration of the purpose for which the information is being relayed, and who will receive it. Different forms of communication may be suitable in different circumstances, and some managers have preferences for one form or another. For example some like to use statistics and graphs, while others like to explain things orally or informally. When we add the possibility that communications may be intentionally or unintentionally distorted (Habermas, 1984 a, b) this highlights the need for organisations to treat seriously the role of communications both internally and externally.

Whatever the different perspectives of the authors cited above, a common theme in their work is that communication is basically about conveying relevant and reliable information. In the next section, therefore, we consider the meaning of the concept of information.

3.4 Information

Ayto (1991), in the *Bloomsbury Dictionary* defines *information* through the primary notion of 'shaping' via 'forming an idea of something' and 'describing it' to 'telling or instructing people to do something'. The terms "information" and "data" are frequently used interchangeably by people in organisations. However, Martin and Powell (1992) make a clear distinction between the two. They define data as the raw material of organisational life, comprised of numbers, words, symbols and syllables relating to events and processes of business. The distinction between data and information, is that they define the latter as a collection of data put together in a way which is meaningful to the user. In consequence, the user can use information as a basis for decision-making.

Lucey (1991) makes a similar distinction between data and information, pointing out that the raw sources which constitute data are often the records of the day to day transactions of the organisation or individual, and

giving as examples the date, payroll details of tax, etc. According to Lucey, data is something less meaningful to the user than information. Like Martin and Powell (1992), Lucey defines information as processed data which is meaningful and useful to the recipient, and goes on to argue that information provides knowledge and understanding, as a result of which the user is helped to reduce uncertainty; information has surprise value. Information can also be defined as 'explicit knowledge' (Ayto, 1991) that enables people to make decisions. We should bear in mind the view expressed by Midgley, Kadiri and Vahl (1996) that information is a function of the interaction between the sender and the receiver, and is dependent on the framework of interpretation of the receiver.

The literature reveals a difference between those who see information as an organisational resource, and those who consider it among the non-resource elements in an organisation. Both of these schools of thought will be considered below.

The first school of thought considers information as a resource, for various reasons. One is that information is seen as having existence independent of its receiver. Simon (1977) advocates this view, taking as an analogy the mechanics of energy. He suggests that energy is a resource which people need to perform their

activities, and also argues that it is vital for people to know when to use this energy. He asserts that the same is true of information. Simon views information, similarly, as an independent element, which can be used whenever it is required. He accepts that users may differ in their interpretations of information, but does not see this as invalidating the notion of its independent existence. Rather, he sees differing interpretations as a temporary situation which could be eliminated with the proper training, so that consistency in interpretation will then be achieved.

The consistency of information is safeguarded by the specific framework within which it is generated and used. Information is produced by departments according to the needs of those departments, not of individuals. The formal departmental framework by which the perception of the information is bounded allows it to be accessible to all workers. This scenario excludes the role of the receiver, which is not to argue that information is not subject to perception by individuals. Anderson and Bower (1973) assert the importance of information reception in determining the individual's behaviour. Nonetheless, it is implied that information can be available to any receiver who chooses the right logbook, in the same manner as the radio listener picks a channel. And like radio waves, information is omnipresent, only needing correct tuning.

Such argumentation allows information to satisfy the criteria of continuity and consistency which a resource should possess (Harrington, 1991).

This perspective is supported by the claim that information does not legitimately change during transmission. Although it can be transformed from data or other information sets before transmission, the central ideas remain unchanged. It is the transmitting functions which are considered to be the main determinants of the resource. The information receiving function is designed to link into the operational needs of the transmitter function. Each function, however, can be both the transmitter and receiver of information, and together with other functions will form part of the integrated network. The functions are tied by their simultaneous roles as information receivers and transmitters, thereby preventing them as much as possible from deviancy in their information usage.

Harrington (1991) claims that this has created a situation where business organisations are driven by those functions which transmit information, and the importance of the transmitter function increases with the value ascribed to the information. For example, the finance department can both transmit and receive information. It can receive information from other sections and process it and then transmit it to other divisions (Harrington,

1991).

However, there are those who perceive information as among an organisation's non-resource elements. According to this school of thought, individuals and groups own their information. What belongs to organisations are data sets, facts and figures which are specific to certain functions. For instance, data on how an organisation is performing in tax collection belongs to that organisation. How well that data is used depends on the individual's competence in interpreting it. It is asserted that although management can influence this situation indirectly through training, they cannot directly control the cognitive processes through which data is changed into information. Once again, there is a collection of claims or ideas about information which formulate a general approach, suggesting that information cannot be validly regarded as a resource of the organisation.

Levitan (1982) argues that information is not a resource of the organisation because of its tendency to be obsolete. He claims that a resource is something that will always have economic value, such as fixed assets etc., and that information does not have this quality. In Levitan's view, the more appropriate items to be called resources are data and facts because their shape can be transformed to a meaningful form whenever required.

In the context of the MIRD, however, information can be regarded as a resource, in whatever form it comes, since any information received by the MIRD has current value, or potential future value. The question of obsolescence does not arise, because a tax file is an on going, cumulative record, any part of which may be needed at any time. In any event, whether information is seen as a resource or as a function, there can be no doubt that it is vital to the MIRD's activities, and even its very existence. The organisation's purpose is to collect revenue in accordance with applicable laws and regulations and that task cannot be achieved, except by the receipt, collation, interpretation, evaluation and transmission of information.

3.5 Information Management.

It was stated earlier that information is distinguished from data, in that information arranges and presents data in a form that is meaningful and useful as a basis for decision-making and action. The provision of useful information, as and when it is needed, involves a number of activities, collectively described as Information Management (Lucey, 1991). This section considers how information is managed by organisations, in the attempt to maximise the benefit they derive from it.

3.5.1 Definitions.

The word "Management" is defined in the *Oxford English Dictionary* (Allen, 1990) as 'the process of administering business concerns, public undertakings'. Information can and should be managed for the benefit of the organisation. Information Management is therefore the process of planning, organising, controlling and commanding explicit knowledge. Information management work has been presented as an art with its roots in management (Ross, 1970), although as it has developed, it has also adopted various other disciplines, such as economics, computer science, and recently human resource management. With only half a century of formal history, it is counted as a young field; however its importance has been strongly recognised by managers in organisations, and the rapid development of knowledge among organisations and the public has been reflected in the development of the practice of Information Management.

Information management is a broad area, incorporating various management functions in organisations of all types and sizes. What began as an operational function concerned with organisational records has developed into an important discipline. According to Davis and Olson (1984), during the first half of the 20th century, managers became conscious of the importance of information management in their organisations. In general,

Information Management can be described as part of the organisation's practical effort not only to achieve its objectives, but also to provide good service to its clients (Harrington, 1991).

There are those who see information management specifically in terms of computer systems that deal with the mechanical work of managing information in the organisation (Harrington, 1991). An organisation may install computer facilities and consider that this alone constitutes information management. Martin and Powell (1992) suggest that any task involving the computer processing of information in the organisation might logically be called information management. With the introduction of the concept of the Management Information System (MIS), it is becoming increasingly difficult to differentiate between MIS and information management. Most of the workers involved in this kind of system are specialists, mainly computer experts and systems analysts. There is little involvement of other workers in such a system, and these others are generally considered as support staff who are not directly involved in the process of managing information. However, in the light of the definition given at the beginning of this section, the researcher would contest the view that information management is primarily about computers. Rather, computers may be seen as a support to an activity involving core

management functions throughout the organisations. Later chapters will reveal the relevance of this distinction to the MIRD.

3.5.2 Philosophy.

Literature on Information Management argues the need for organisations to have good information management, not to act as a 'controller' of organisations' activities and transactions, but to assist them to achieve their objectives, such as making profits as well as providing good services to their customers. The holistic philosophy of management (Harrington, 1991) which emphasises the optimal achievement of output for organisations as a whole seems to be accepted, though there are differences of opinion as to implementation.

The philosophy of Information Management has been left implicit in most of the textbooks and journals in the field of Information Management. However, Eaton and Bawden (1991) specify the philosophy of Information Management as follows:

1. The value of information to the organisation is recognised;
2. All information must be treated as a functioning whole;
3. An information management system must be developed based on the organisation's

objectives.

Burk and Horton (1988) maintain that the underlying assumptions that influence information management in organisations include the following:

- . the holistic philosophy of management;
- . the philosophy of value that recognises the worth of all information to the organisation;
- . the uniqueness and complexity of information;
- . the organisation's need for an information system to process it, and the need to prevent problems.

These assumptions are in line with the general concept of value, which stresses the desirability of a thing often in respect of usefulness or exchangeability (*Collins Dictionary*, 1992). Martin and Powell (1992) remark that:

The value of information is usually dependent on the recipient's needs and abilities to act in a given situation, and so there is usually no absolute or constant value for every piece of information. This is particularly true for management information system where information may relate to decisions which in themselves are hard to quantify, or to situations which might arise in the distant future (Martin and Powell, 1992, p.15)

It is, then, the belief of the manager that the process of managing information should not depend on accidents of time and circumstance. Managers ought to be aware:

that information behaves as an active

economic resource like capital, plant, or human resources (and that information management) has focussed on how to manage information as a strategic resource (Olaisen, 1990).

Information must be viewed as a unique asset which has its own worth, and also as a guide for managers in their work. Information is 'a participant in the organisation's success' (Eaton and Bawden, 1991). It is, therefore, the function of management to help the organisation to utilise the information available, in such a way that the information will be meaningful to the organisation and other users of information in the fullest extent (Martin and Powell, 1992). Thus, information management is not only for internal use, for example as a basis for decision-making by managers, but also for external use, to extend the benefit of information to the customers of the organisation.

Earl and Hopwood (1980) reflect this broader outlook:

With the technical so explicitly linked to the organisational, no one management function can be, or should be, responsible for the whole information processing. The role of information specialist therefore will be that of a catalyst for change. The user in contrast will need to have the confidence to explicate and describe his own information environment, processing and problems. In such a context, progress in information management will depend on us, as managers and users as much as, if not more than, on them as specialists (p.12)

Murdick and Ross (1971) identify two schools of

thought regarding the means of realising the philosophy of Information Management in organisations. They are as follows:

1. The continuum of general management of administrative work and information system.
2. The dichotomy of general management of administrative work and information system.

The first (earlier) school of thought believes that both general administration and information management functions of the organisation can be carried out by the General Manager of an organisation. Organisationally, both functions should be housed under the same roof.

The second (later) school of thought believes that each function should be performed separately, and each section should specialise in its own individual activity. Indeed, specialisation is considered necessary to ensure that the management of information is efficient and effective.

Interestingly, there was a trend in the late 1970's and early 1980's towards the re-emergence of the earlier school of thought. Earl and Hopwood (1980) argued that with the growing interest in Information Management in organisations, there was a strong need for integration

of Information Management work and overall management. However, the old trend did not re-emerge in its original form, with organisations using a '*traditional management style*'. Instead, the emphasis is now more on the cooperation between managers and systems analysts for the development of information according to the objectives of the organisation.

As far as the MIRD is concerned, legally, according to the ITA 67, the DG is responsible for all activities in the organisation. In this legal sense, therefore, it would appear that the Continuum model is applied in the MIRD. In practice, however, the MIRD is made up of 15 divisions, practising varying degrees of specialisation. These include an Information Technology division, responsible for the gradual implementation of computerisation. Thus, there are senses in which the Dichotomy model, too, appears applicable to the MIRD.

3.5.3 Goal of Information Management.

Reference was made earlier to Martin and Powell's (1992) assertion that the common goal of information management is to help the organisation achieve its objectives. Similarly, Lucey (1991) claimed that the information management process is not an end in itself, but exists only as a means to manage the organisation. Hence, one of the purposes of information management is to

maintain, update and retain information in the organisation for appropriate use.

In this connection Bocchino (1972) raises a pertinent question: Who has the ultimate authority to decide what shall be the goals of the organisation and which goal deserves the strongest emphasis?

Bocchino concludes that, in making decisions for organisations, a manager considers feedback he receives from groups affected by the decisions such, as:

1. The public, including the student, the industrialist, the businessman, the taxpayer, the legislator, the employer; and
2. The experts, whose members may be limited to only the managers in organisation.

The answer provided to the question as to who should decide the direction of the organisation will determine the goals and objectives of information management. Will it be organised based on the demand made by the society at large, or those set by experts, i.e. the managers and computer analysts in the organisation? Or can both forces be combined in such a way that the needs of the public are transmitted into the organisation through its various external relations functions, and met by the experts within the organisation through innovation? Lucey (1991) argues that, unless the information management

process contributes fundamentally to the central roles of organisation - transmission and innovation - it has no place in the scheme of things.

3.5.4 Stages of Information Management in an Organisation.

According to Lucey (1991), the stages of information management in an organisation are as follows:

1) Acquisition

Before information can be obtained, planning is necessary. Decisions must be made on the following:

- a) What information is required by the organisation.
- b) How to acquire the information.
- c) When to acquire the information.
- d) Who will be responsible for this acquisition.

In the MIRD, this stage is represented by decisions on the format of tax returns and General Issue (annual involvement of all staff in sending out returns; to be discussed further in Chapter 5).

2) Development.

In the development process, the information acquired by the organisation is transformed into a form in which it is usable in the light of the organisation's objectives and activities. The MIRD, for example, transforms information about an individual's income into

information about the amount of tax for which that individual is liable. Effectiveness of transformation, as of acquisition, depends on timeliness.

During the development stage, information is analysed, assessed and stored, either manually or on computer for further usage. Today, the use of computer technology is widespread, and the organisation must therefore have sufficient personnel capable of operating the computer system used by the organisation. It will be seen in later chapters that the MIRD is currently at a transitional stage in computerisation, with most information still processed manually, although an initiative to accelerate computerisation (the PUSH project; see Chapter Six) is underway.

3) Retention.

The Retention stage is concerned with the storage and retrieval of information. As in the previous stage, these processes can be performed either manually, e.g. in files, or on computers. The widespread use of computers for information retention is attributable to the following advantages over paper filing systems:

- 1) Computers cost less than employing people and are capable of storing a large amount of information compared to the old paper filing system.

- 2) They increase the speed of business transactions in the organisation, which directly contributes to customers' satisfaction through speedy service.
- 3) They can instantly provide different kinds of information to the customers (Fazlollahi and Gordon, 1993).

It is important that the movement of information be controlled by the organisation. According to Lucey (1991), services provided in this stage include activity processing, producing control reports and managing enquiries.

It has already been indicated that the MIRD is currently using a combination of manual and computer methods for handling information. The perceptions of MIRD staff with regard to the organisation's ability to control the movement of information are among the issues surfaced in Chapter 5.

3.5.5 Factors Influencing Information Management in the Organisation.

According to Ross (1970) there are several factors that can influence information management in an organisation. Amongst these factors are:

1) Methods and Procedures.

These include both the detailed delineation of

duties and responsibilities, and instructions as to the operation of the system.

2) Organisation.

The fitness of the information management system to the organisation is important. According to Ross (1970):

The design and operation of an IM system should relate not only to the organisation of its own processes, but to the overall organisation of the total system (Company) of which it is a part (p.189).

Levels of information and subsystems should be integrated into a consistent body of information. The structure of the system should reflect the firm's organisational structure.

3) Money.

Money is the common denominator in most of the information in an organisation, as reflected in the financial plan and the accounting system. Money can also be seen as a measure of the *value of information*, although such attributes as relevance, timeliness, and accuracy are not easy to 'cost'.

4) People.

Johnson, Kast and Rosenzweig (1967) regard people as the least predictable, least controllable, yet most important of all the components which make up an

information management system. When discussing information management, we focus on the participation in design and operation of two groups, namely, (a) those who design and operate the information system - the computer technicians, and (b) the managers who use these systems.

Lack of communication between users and technicians, due to lack of understanding of each other's needs, can be a major obstacle to effective information management. Education has an important role to play in alleviating this problem. Ross (1970) emphasised the need for managers to familiarise themselves with the capabilities of computers and the benefits of computer systems for management. At the same time, the technician who learns about the management process and the needs of the manager-user, is better able to design and operate systems that fulfil these needs.

5) Information.

To be useful, information must also be relevant, timely and complete in relation to critical areas of decision making, for both short and long term.

6) Equipment.

Computers and related equipment now play an important role in management information systems and it is likely that this role will be further developed in the

future. The information should be designed to make economical use of equipment. It is also necessary to consider management involvement in systems design and the application of computers in higher-level managerial problems. The computer is often seen as the catalyst for improved information management; thus computerisation must be carefully planned.

3.6 Conclusion

This chapter has reviewed literature on the central focus of this study, Information Management. Since the organisation with which the study is concerned has many characteristics of a bureaucracy, literature on bureaucracy was first reviewed, to conceptualise its activities. It was seen that bureaucracy in the Weberian sense has positive connotations of rationality and efficiency. However, there is a danger that in practice it can lead to an insular, passive and dependent attitude.

We then turned to communication, as an activity central to the organisation on which this work is focused. Communication may take place in a number of ways, but all have in common the transmission of information. Implicit in any act of communication are a number of validity claims about the information conveyed, which can only be challenged and proved in an "ideal speech situation" free from constraints of power relations.

After considering the definition of information (which was distinguished from data by being organised to be meaningful and useful) the chapter considered why and how information is managed for the benefit of the organisation. The philosophy of Information Management was discussed, and the various stages of information management in the organisation were identified. A number of factors affecting Information Management in the organisation were then highlighted.

Information Management was seen to be more than the storage and manipulation of data by computer. It concerns the way management functions such as planning, organising, controlling, coordinating and commanding are carried out, and the way human, as well as mechanical resources are used within the organisation. It requires awareness of the needs of the recipient, and communication skills.

Thus, this chapter has established the theoretical background to the present project, which is concerned with surfacing issues affecting Information Management in the MIRD. The methodology employed for this purpose is described in the next chapter.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction.

The main concern of this study is to surface issues affecting the Information Management System in the MIRD, as perceived by various stakeholder groups. Only then will it be possible to offer suggestions for desirable and feasible change. In this chapter, the various approaches used by the researcher to surface issues in the MIRD are explained.

4.2 Research Methods.

To date, no research has been conducted to examine the information management system in the MIRD. This project therefore necessitated the uncovering of a considerable amount of basic information to provide a starting point and framework for further probing. Another concern of the researcher was the need to recognise cross-cultural differences in managing information from the various groups of people from the public. It was strongly felt that an attempt to describe Information Management in the administration of MIRD should take into account the need to understand it in its environmental context. At the same time, the project was constrained by time and resources, and by cultural and organisational factors affecting access to stakeholders (these constraints are

discussed below). Taking these issues into account, the approaches adopted to surface relevant issues were as follows:

4.2.1 Documentary analysis.

Two types of MIRD documents were analysed, namely primary documents and secondary documents. Primary documents are those produced at the time, by those involved in the events concerned (McNeill, 1991). Examples of primary documents include:

1. instructions and written commands.
2. materials that preserve not only what was said but also the way it was said, such as verbatim records of meetings and tape recordings.
3. materials prepared by experts and officials, such as business and legal papers and official statistics.

For the purposes of this research, particular attention was focused on eight important types of primary documents, namely:

1. The Malaysian Inland Revenue Department Annual Reports from 1989 -1993.
2. The *PUSH* project plan 1993-1996.
3. South Asian Group Tax Conference working papers 1984-1990.

4. National Tax conference working papers
1985-1990.
5. Minutes of Divisional level management
meetings, 1987-1993.
6. Minutes of Director's Conferences,
1987-1993.
7. Letters of Complaint from the public.
8. Taxpayers' individual files.

Secondary documents are documents written after an event, which (among other things) include impressions and/or justifications for certain actions. The reliability of secondary documents is less than that of primary documents. Among the secondary documents used are the following:

1. Official histories, which are often not
impartial.
2. Newspapers, which are often biased and may be
sensational in nature. (However, newspapers
can sometimes be classed as primary
documents) (McNeill, 1990).
3. Speeches.
4. Pamphlets.
5. Letters.
6. Reports of previous researchers in the same or
a related field.

4.2.2 Interviews.

Interviews were conducted to obtain a greater understanding of the present situation of Information Management in MIRD; for instance, to find out from MIRD employees how the information received from the public is processed, retained, etc.; by the organisation, and to find out from members of the public what level of service they consider they receive from the MIRD after providing information to them.

In this study, the researcher interviewed 115 staff from the MIRD, and 82 members of the public. The respondents from the MIRD comprised both top management and employees of the organisation. Employees were chosen by their 'bosses' to be interviewed, since the Malaysian culture restricted direct access to them. The composition of the MIRD sample was as follows:

1. Top management (Policy Makers):

The Director General of the MIRD; three Deputy Director Generals; and Branch Heads of the Divisions in the MIRD. Altogether, 21 top management officers were interviewed by the researcher.

2. Employees (Workers):

The Senior Assistant Director (SAD); Assessment Officers (AO); Assistant

Assessment Officers (AAO); Tax Assistants (TA); Filing Clerks (FC); Typists; and Machine Operators (MO). Altogether 96 employees from various divisions were interviewed by the researcher.

The sample of respondents drawn from members of the public encompassed three categories: salaried workers, self employed people, and college students. The former two categories were selected as representing current taxpayers, while students were interviewed as representing potential future taxpayers; people who will be entering the workforce in the next few years, and whose tax behaviour at that time may be influenced by what they currently know or perceive of the tax system. Thus, these three categories of members of the public, together represent the society with which MIRD is dealing at present, and with which it must deal in the near future.

The Salaried Worker group consisted of 23 employees of various government agencies, such as the MARA Institute of Technology, the National Productivity Centre and the Telecom Institute. The respondents were chosen by their employers, due to the same cultural constraints referred to above.

The Self-employed group are defined as people who generate their own income by carrying out business

transactions or offering trade, craft or professional services direct to the public. Due to the difficulty of obtaining information about such people, and access to them, this group was represented by a convenient sample of 11 people known to the researcher, who expressed willingness to participate in the study.

As for the student group, these were approached via the principals of the educational institutions concerned, who selected a total of 49 students for interview.

The above interviews were conducted by the researcher using semi-structured questionnaires (for copies of the interview schedule, please see Appendix 1). The interviews were carried out at the respondents' offices, classrooms or business premises.

According to Henerson, Morris and Fitz-Gibbon (1987) the strengths of the interview method include the following:

1. Information can be obtained from people who cannot read or write.
2. The success rate is much higher compared to survey by mail. In interview, information is obtained on the spot. If the selected respondent refuses to cooperate with the interview, the researcher can always find another

respondent as a replacement.

3. Questions can be sequenced according to the wish of the researcher, and immediate responses obtained, whereas with the questionnaire method, the respondent can read the questions in advance and change his answers to give a desired impression.
4. This method is flexible for the researcher, as he or she can always paraphrase the questions posed to the respondents to ensure that they really understand them. An interview also allows the researcher to pursue new lines of inquiry if he or she feels that it is important to do so.
5. An interview also allows the researcher to assess the attitude of the respondent. For example, in a survey questionnaire, a respondent can state his answer as 'no' in the box provided by the researcher. However, in the interview, the researcher can personally observe the attitude of the respondent towards questions that have a tremendous affect on him or her, e.g. a big sigh

and an emphatic "NO!" from the respondent.

6. An interview is an excellent way of probing complex issues.

Besides the strengths of the interview method, there are also weaknesses. In particular, it is a very artificial situation. There is no guarantee that what people say in interviews is a true account of what they actually do, whether they are intentionally lying or whether they genuinely believe what they saying. People are quite capable of saying one thing and doing another, and of being quite unaware of this.

There is also the danger that the interview schedule sets limits to what the respondent can say. The more structured the interview, the more this is the case. How can the researcher possibly know in advance what the important questions are?

It is unlikely that anyone will give full or truthful answers in an interview to questions that concern sensitive, embarrassing or possibly criminal aspects of their lives.

Fundamentally, the survey method finds out what people will say when they are being interviewed, or filling in a questionnaire. This may not be the same thing as what they actually think or do. As a result of an awareness of this problem, it is important for the

researcher to see the value of "triangulation": outputs from interviews can be checked against other interview material, documentary evidence and observation. This is obviously not infallible, but offers an improvement to interviews alone (Brewer and Hunter, 1989).

4.2.3 Observation

The last method used by the researcher was observation. In this study, the researcher observed the activities in the MIRD during office hours of the organisation, from 8.00 a.m. to 4.15 p.m., as a participant observer who had worked at the organisation for eight years (from 1987 to the present). The observation of the MIRD activities was very detailed, because the researcher observed it not only from the external view-point, but also from an internal view-point. Thus, the researcher's analysis reflects both view-points.

Henerson et al. (1987) indicate that the strength of observation is that it provides the researcher with first hand knowledge of the behaviour of the individual or group which he or she is studying. In the case of this research, all the 'knowledge' the researcher obtained from the observation, enabled him to form opinions of the organisation's behaviour, progress and culture.

Although this method has its strengths, McNeill (1990) raises the ever-present danger of the researcher

'going native'. This expression originated with anthropologists, and refers to the possibility that the researcher will become over-involved with the people being studied, and so lose the detachment that is an essential part of the participant observer's role. Pryce (1979) discusses this difficulty with great honesty. Abrams and McCulloch (1976), in their study of communes, drew a firm line: 'our idea of participant observation extended to making beds but not to making love'.

Another aspect of this problem arises when the researcher has to decide whether or not to become involved in criminal activity. Whyte (1955), for example, found himself 'personating' at an election. That is, he voted more than once, as was quite common among the people he was studying. The risk of being expected to engage in criminal activities is present for covert researchers, such as Patrick (1973) and Ditton (1977). Patrick, in fact, left his group abruptly when the violence became too much for him. Polsky (1967) argues that this is the main reason why such research should not be covert. If the people know from the start where the researcher draws the line, then the problem does not arise.

4.3 Methods of Analysis

As can be seen from the above account of the research methods used, there were six types of data to be

analysed.

1. The various MIRD documents.
2. Results of interviews with the top management of the MIRD.
3. Results of interviews with the employees of the MIRD.
4. Results of interviews with the Malaysian public.
5. The results of a six-month observation of information management in the MIRD.
6. Personal observations as an employee over an eight year period.

The documents referred to in section 4.2.2 were analysed qualitatively, in order to identify the major issues reflected in them. The documents' agendas were then classified under four major areas of concern, as follows:

1. Management issues.
2. MIRD work culture.
3. Ambiguity in the legal provisions affecting tax.
4. The public's culture.

This identification of issues reflected in documentation provided a useful framework for the more detailed surfacing and analysis of issues via interview and observation.

Comparison was made between the perceptions of top

management, employees of the Malaysian Inland Revenue Department and the Malaysian public. The findings from interviews and documentary analysis were triangulated with the personal observations of the researcher, to obtain as comprehensive an understanding as possible of the issues of concern to the MIRD's various stakeholder groups.

CHAPTER FIVE

THE KEY ISSUES AFFECTING INFORMATION MANAGEMENT IN THE MALAYSIAN INLAND REVENUE DEPARTMENT.

5.1 Introduction

This chapter analyses the key issues which emerged from the observations and interviews conducted by the researcher with three stakeholder groups: the management of the MIRD, the employees of the MIRD and the public. Three main categories of issues affecting information management in the MIRD were identified, namely, administrative issues (both those internal to the MIRD and those influenced by the Federal government), legal issues, and cultural issues. These groups of issues are discussed in turn below.

5.2 Administrative Issues.

The view was widely expressed by management and employees of the MIRD that information is an asset, and effective information management lies at the heart of the department's twin goals: to collect revenue for the government and to provide a good level of service to the public. For example, the DG said in interview:

Information management is the single most important process in the MIRD's administration. Since information is the basis for tax collection, it is therefore important that this department manage information at its best level (Top management interview, May 1995).

Another senior official, TKP Two, argued:

We want the public to receive good services from us and we must be responsible for it. The role of information management is to ensure that information from the public is processed within time. Ultimately good information management would provide an incentive to people to respond to the tax system.

(Top management interview, May 1995).

However, perceptions of the way information management was handled varied across the stakeholder groups. Disagreements will be highlighted below, and the importance of these will be followed up in Chapter 7. Many of the problems people surfaced are internal management issues, though there were also some on which the MIRD does not have autonomy, being constrained by its position vis-a-vis the Federal government (it can, however, advise the government and make requests in relation to its work). Specific issues highlighted and the perceptions and concerns of stakeholders, were as follows:

5.2.1 Decision-Making.

A Senior Assistant Director said that in his twenty years' experience working in the MIRD, almost all decisions affecting the policy of the Department were made by the Director General of the MIRD. The Senior Assistant Directors and officers only recommend, though their recommendations are generally accepted. This is the usual pattern in the MIRD.

The relationship between top management and employees overall can be interpreted as a master and

servant relationship, though with an open element in certain areas. Top management have the final say on all policy making, general administrative and technical decisions. A branch head claimed that before coming to some decisions, the top management discuss issues with subordinates and ask their opinions. In practice, however, according to employees, in technical and policy-making matters top management seldom ask opinions from subordinates because of the following:

- 1) Top management are considered as more knowledgeable and experienced in technical issues than subordinates, since top management are senior officers who have been promoted because of the high quality of their work.
- 2) Technical issues are issues that are straight-forward and can be based on previous tax cases. For example guidelines and instructions on tax matters do not require opinions from subordinates. Basically, the final decision is based on precedent.

However, in the case of administrative matters that affect work procedure, and the welfare of the officers, top management do seek opinions and advice from subordinates.

5.2.2 Problems relating to physical conditions.

5.2.2.1 Lack of computers.

One of the important administrative factors that affect information management, according to employees, is the use of computer facilities in the MIRD. Some 50% of the respondents from this group asserted that the MIRD under-utilises its computer facilities in its daily work. An Officer from the Assessment Branch commented:

We should use computers to do assessment work if we want to speed up our assessment process (Employees' interview, March 1995).

He gave as an example the fact that an officer in the Assessment Branch still has to do tax computation before arriving at the chargeable income of the taxpayer. Computer facilities in the Assessment Branch are only used to store information which has been processed. To overcome this problem, the administration of the MIRD have requested finance from the Treasury Department for the purchase of more computer terminals and software. One tax officer claimed that the MIRD does not have the full authority to purchase the computer terminals itself, but that response from the Treasury had been slow:

The administration always claimed that all the tax officers will get their own computers soon. It has been two years and up to now, there is no news about it.

(Employees' interview, March 1995)

When the officer asked the administration about this matter they said that the Treasury had not yet

approved their application for the budget. When asked, nearly half of the respondents expressed the view that computers are of key importance in MIRD's operations. An Assessment officer with the Assessment Branch commented:

The present computer facilities are insufficient to cope with the work load because of the storage problem (Employees' interview, March 1995).

He supported this view by saying that at present, only certain information can be saved by the computer, whilst other information has to be saved in files. The process of tax computation is still done manually. He also said that the time taken by the computer to retrieve information from storage is very slow. It is, on the average, at least one or two minutes before the information is shown on the screen.

The opinion of the top managers interviewed was in agreement with that of the employees. The DG, all three TKPs and several branch heads expressed the view that the government should provide them with more computer facilities (such as more computer terminals and advanced software) to assist the employees in doing their work. They argued that every officer in the MIRD should have a computer terminal, whereas at present one computer terminal is shared by at least three or four officers. However, the management disagreed with the idea that the shortage of computer facilities is due to government bureaucracy. They said that the government have been very

generous with the MIRD, and that all the requests made by the MIRD have been approved by the Treasury. They said that the restrictions imposed by the Treasury were standard procedure, applied to all government agencies for the purpose of government accounting.

5.2.2.2 Lack of office and filing space.

One officer in the company branch expressed the view that present office space is not adequate, and as a result he felt that the office environment does not provide him with a conducive atmosphere in which to do his work:

At present, there is a shortage of office space in the MIRD. In some divisions, officers have to share rooms. A room intended for two officers may be shared by three to five officers, with all the accompanying files and paperwork (Employees' interview, March 1995).

A conducive environment is an important factor in motivating officers to perform their duties well. Besides the lack of office space, another factor that affects the swift flow of the process of managing information in the MIRD, expressed by the employees' group, is the limited filing space available in the organisation. According to a filing clerk in the Assessment Branch:

The present filing room is too small to store all the taxpayers' files. We have to put some of the files on the floor because there is no more space on the racks and it's not possible for us to bring more racks into the room because the place is

too small (Employees' interview, March 1995).

However, the TKPs and branch heads felt that in general the present office space is adequate and that shortage of space is not a crucial problem that has a direct impact on the management of information in the MIRD. They claimed that most divisions in the MIRD have an adequate office environment, except for these divisions which rent buildings from private owners, and due to financial constraints, are only able to rent limited office space. These managers asserted that what they saw as slight congestion did not affect the performance of the workers concerned, judging by their production statistics. As regards the lack of space in the filing rooms, they suggested that, again, this only occurs in the divisions which occupy offices rented from private owners. In general, they felt that the problem should not occur because the files are frequently weeded out by the management. Overall, the management view was that the lack of office space is not a primary issue that can directly affect the management of information in the MIRD.

5.2.3 Management Problems.

5.2.3.1 Lack of planning.

Of the 82 employees interviewed, 57 asserted that information received by the MIRD is not well planned. When asked to estimate the percentage of information that can

actually be used immediately for the work, the average answer was 70%, whilst the other 30% of the information was not regarded as usable. An officer with the Assessment branch said that the top management of the MIRD failed to practice the functions of management accurately when acquiring, processing and retaining information. According to the same officer:

Some of the information obtained by us is not important at the present stage, and we are not sure whether it will be so in the future (Employees' interview, March 1995).

He said that the absence of proper planning and organising of what information is required and why it is required, in return forms and other forms issued by the MIRD, has resulted in MIRD acquiring a substantial percentage of information which is not useful to the department. He said that the top management should be more critical in analysing the questions that are asked so as to avoid the MIRD receiving trivial information which is not relevant and merely occupies space in the filing rooms.

In contrast, the perception of the top management group in general was that the planning efforts made by the MIRD in acquiring information from the public are adequate. The majority of top management did not see the current problems of information management in the MIRD as having to do with planning at all. Instead, they suggested

that the 'unwanted' information is extra information provided by the public, for which they had not been asked.

According to one Senior Assistant Director (SAD):

Most of the 'unwanted' information we receive does not affect the work in the MIRD. Basically the public do provide us with important information when we ask them. (Top management interview, May 1995).

Managers suggested that even though the MIRD did not receive all the information requested from the public, it was still able to process the information received. Overall, this group did not see planning problems as a major constraint on information management. They tended to blame factors like computer technology and shortage of manpower, rather than lack of planning, for any difficulties faced with regard to information management. These issues will be discussed later.

Observation made by the researcher in the MIRD tended to support the employees' view, rather than that of management. There appeared to be a lack of understanding of the management task. It was observed that the top management were in fact performing mainly technical work, rather than management work. This may be explained by the fact that all the top management officials except the Director General (DG) are former Assessment Officers, whose previous job was basically to assess taxpayers' files. The majority have little management experience. To this group, as long as the employees perform their work

and provide statistics, then they are being 'managed'. It was also observed that, generally, the top management group relied on precedent to guide them in their tasks. They had little autonomy in decision-making, yet the DG, who had the 'real' power, was little involved in planning due to pressure of meetings and appointments with ministers.

5.2.3.2 Changes in Directives.

Another factor that affects the information management in the MIRD, according to employees, is the frequent changes in directives on the assessment process. They felt that top management should be consistent in their instructions, because changes in instructions mean changes in the method of assessment. This means the officers have to re-assess the tax liability of the taxpayers, which creates delay, holding up other assessments and deferring the collection of tax revenue. An assessment officer claimed that:

the frequent changes in the methods of assessment have confused me in my work...It's funny, sometimes outsiders (such as the public accountants) know the instructions earlier than us (Employees' interview, March 1995).

31 of the 82 employees interviewed expressed confusion over the various instructions given on the same issue by the different levels of senior officers. Some top officers were criticised as being lax, allowing tax

deductions to taxpayers on certain expenses, while others, were observed to be more strict and disallow deductions on the same kind of expenses made by the taxpayer. It was claimed that this situation happens because:

- 1) Top management do not plan their instructions carefully, so the instructions given are not specific.
- 2) There is poor communication among units, even within the same division.

The top management group expressed a different opinion about this matter. They claimed that there have been no discrepancies in opinion amongst them in interpreting the instructions, because most instructions are straightforward, and where they are technical or legal in nature, management believed that they had sufficient experience to understand them. However, they admitted that they sometime 'modify' the instruction (which does change the substance) to ensure that their subordinates can understand it clearly and do the work faster.

5.2.3.3 Unfair Distribution of Workload.

The management was said to be very rigid in planning the allocation of the assessment workload to the subordinates. As a result, tax files are not assessed on time and revenue is lost. Less than a fifth of the employees interviewed were satisfied that the work load

distributed was fair, timely and properly scheduled.

According to a tax officer in the Assessment Branch:

the workload distributed by the management is sometimes not fair and distributed long after the information has been received by the department (Employees' interview, March 1995).

He gave an example whereby some of his colleagues who are active in *IROU* (the officers' union) or *PUSPANITA* (the Women's Association) are given time off during office hours and a lesser workload, in order to carry out work for their societies, while he and other officers who are not active in associations and unions are given the normal workload. He also claimed that some officers spend most of their office hours doing work unrelated to assessment, such as preparation for the celebration of the department's family day, Quality day and other special activities of this kind. It was suggested that these officers are not utilising their office hours for the purpose of 'real' work, and this situation can adversely affect the production of the division. This employee also claimed that the reward system known as *Khidmat Cemerlang* (special award to employees who assess the greatest number of tax files), introduced as an incentive, is not realistic. It was alleged that previous award winners won the award not because of their excellent work, but because they are close to the managers.

In contrast, the top management of MIRD felt that

the allocation system had proved very effective. They insisted that there was no element of discrimination in this context, but that the amount of work allocated to subordinates was fair in relation to their salaries. They saw no difficulty with the practice of giving the same number of tax files every week, claiming difficult cases are normally allocated to the more senior staff. They felt that the system enabled tax cases to be assessed in a shorter time. They were also satisfied with the incentive scheme.

5.2.3.4 Poor Internal Communication.

Another management issue raised by employees is concerned with communication problems between divisions in the department. As an important organisation in the public service, it is important for the MIRD to have good communication between branches to ensure that the information provided to the public by various divisions in the MIRD is consistent. The general perception of this group on communication in the MIRD is that it is not effective. An officer from the Collection Branch said that it is important for the Collection Branch to communicate with the Assessment Branch to ensure that notices of reduced assessment have been issued to the taxpayers. This is to avoid the department taking wrongful legal proceedings against taxpayers. Statistics from the survey

show that some 37.5% of the respondents felt that communication is only good at certain times, whilst 18.5% were totally dissatisfied with the present communication system in the MIRD. Effective communication is important to the MIRD because without it, the MIRD will not be able to justify the actual amount of tax revenue it has collected. One tax officer from the Collection Branch commented that:

the messages given to the Assessment Branches take a long time for them to reply (Employees interview, March 1995).

As an example, he claimed that it takes three to four months for a reply to a memo from a collection branch on the third floor to be received from the tenth floor of the same building.

The top management, however, expressed the view that, at present, there is good coordination of information in the MIRD, because information can be transferred from one division to another by various means (e.g. telephone, fax machines and memos). They claimed that so far, there have been no cases where the MIRD has prosecuted someone who was not liable for tax.

One reason why top management may have no difficulty in contacting other divisions is their high position in the MIRD. Since the nature of the hierarchy in the MIRD is a 'Master-servant' relationship, any request made by this group will meet with an immediate response. However,

requests made 'servant to servant' are dealt with much more slowly, because at this level the employees only use memos, which take longer than phone calls and fax machines. Telephone lines and faxes are available in the division, but the lines used by employees are not direct like the ones in the managers' offices. Fax machines are an issue too because they are situated in the managers' office, and employees may fear to intrude on the boss to use the machine.

5.2.4 Process Problems.

5.2.4.1 Lack of Recording System.

Another administrative factor expressed by this group is the deficiency in the system of recording information received from taxpayers through roneoed forms and individual letters. These two sources of information are not recorded at all in any record books. All letters are sent straight to the filing rooms to be placed in the file of the appropriate individual. Only* some 30% of information received through annual returns (like names of individuals or companies, date the return form was issued, date the return form was returned by the public, the amount of tax outstanding and the types of penalties imposed on the individuals) is stored on the computer. An Assessment officer expressed the view, which he claimed was typical also of the opinions of his colleagues, that

the MIRD should record all the information received from the public, regardless of its channel.

When asked whether there is a tendency for the letters received by the division to be misplaced because they are not recorded, the same officer explained that he sometimes received complaints from the public, claiming that they had furnished information to the MIRD but it had been misplaced by the department. He quoted an example where an officer had to ask a taxpayer to send another copy of the accounts because the MIRD had misplaced the original set. Experiences of this kind were, in fact, reported to the researcher by members of the public, who expressed a negative perception towards the MIRD in consequence.

However, top management disagreed with both the employees and the public, claiming that information like letters is not as important as the information in the return forms. It was claimed that letters are merely acknowledgements and queries from accountants. The management group felt that the officers in their unit should spend more time assessing information from the return forms than assessing information from letters. They reported that letters received by the unit were vetted weekly by the Group Leader (GL) or unit manager to identify which were important, though they admitted that these letters are not recorded. With regard to the

occasional occurrence of the misplacement of letters by the unit, the management group felt that this is a 'normal' situation occurring in any large organisation like MIRD. They pointed out that the unit always apologises to the public in cases where information is misplaced. They therefore saw no need for further action.

5.2.4.2 Poor Control of Information Movement.

Another opinion received from the employees group was that there is no proper control over the movement of information in the MIRD. They argued that since information is an asset to the MIRD, it should be kept where it can be retrieved easily when required. Some 50% of the respondents expressed the opinion that it is sometimes difficult for them to find a taxpayer's file once it leaves their room, even though they have recorded in their book where the file should be sent to.

Frequently when an officer requests a file, the filing clerk is unable to find it (Employees' interview, March 1995).

This can mean that a taxpayer may have to wait for a long time while his file is located, or in extreme cases, the officer may have to interview the taxpayer without having the file to refer to.

In this context, the management have a slightly different opinion on the present system of the movement of files. In general, they expressed a belief that the

present system of recording is adequate, and perceived the inability of the unit to trace information as minimal. Where problems occur, they suggested, it is due to errors made by filing clerks who move the information from one section to another. They claimed that since the transfer process is done manually, there is always the possibility of human error. However, the managers were not worried about this, since they knew the information was not 'lost', but only misplaced.

5.2.4.3 Time Taken to Process the Information.

Employees commented unfavourably on the length of time taken to process information and suggested that the concept of the service, *Bersih Cekap dan Amanah* (Clean, Effective and Trustworthy) promoted by the government is not achievable. Their view was related to their complaints on workload allocation. 51 employees (i.e. some 63% of those interviewed) claimed that they always received too many files to assess. According to an Assessment Officer from the Company's Division

I always have outstanding files in my room and sometimes the files have to be reallocated to my colleagues by my group leader (Employees' interview, March 1995).

He pointed out that his workload accumulates as weeks go by because of the excessive allocation he receives, which occurs because the group leader is very

concerned with the statistics of the unit. Since the MIRD practice is to evaluate work performance based on these statistics, he said that his group leader is too obsessed with how many files are processed by the officers, rather than the actual amount of tax revenue collected by the unit. This practice contradicts one of the main objectives of the MIRD, which is to collect tax revenue for the government. An officer can process many files without collecting any tax revenue. Even the top management have defined productivity based on the quantity of files processed rather than the quantity of tax revenue collected by the officer. It was asserted that the group leaders in the divisions within the MIRD compete with each other to increase their productivity statistics as a tool to impress the management.

Management did not share this perception, though the idea that processing is sometimes unacceptably slow was supported by experiences reported by some members of the public. *Indeed, one newly registered taxpayer said that she had become so frustrated at not receiving her tax reference number, even after writing three times to the MIRD, that she would not write to them again, but would only pay tax if the MIRD came looking for her.

5.2.5 Personnel Problems.

5.2.5.1 Shortage of Manpower.

Another administrative factor that affects information management in the MIRD is the shortage of manpower. As with the computer problem, the manpower shortage appears to result from government bureaucracy. Even though the MIRD is aware of the shortage of manpower, they have no ultimate power to recruit, because the recruitment of officers in the Public Service is done by the Public Service Commission (PSC). The only step that the MIRD can take is to ask the government for more workers. A senior tax officer commented:

The management told me that the PSC always provide our department with fewer staff than the number our department have asked for (Employees' interview, March 1995).

For example, when the management asked the PSC to recruit 400 Assessment officers for the MIRD, the government only provided 200 officers. This 'short supply' of manpower has resulted in the MIRD's inability to cope with the workload, especially since there has been a significant increase in the number of new taxpayers, to which the increase in the work force has not been proportionate.

Some support to the employees' position is given by the work load ratios for 1985-1992 (see table 5.1). It can be seen from the table that the number of files per

officer increased by more than 50% over the period.

TABLE 5.1
MANPOWER WORKLOAD RATIO IN THE MIRD FROM 1985 - 1992.

YEAR	1985	1986	1987	1988	1989	1990	1991	1992
NUMBER OF STAFF	5902	5984	5982	5935	5911	6689	6705	6705
NUMBER OF FILES 10	1.46	1.51	1.50	1.81	1.88	2.02	2.19	2.29

(Source: MIRD Annual Report, 1985 - 1992).

Although some managers also thought that there was a shortage of manpower, in general, the management did not think that simply increasing annual recruitment would solve the MIRD's workload problem. All thought there was a need for full computerisation. Another suggestion put forward by some branch heads was that a minimal inspection method of processing information should be introduced. At present, the processing of information is done through a full inspection, which is time consuming. The management claimed that some of the divisions in the MIRD have taken initiatives to introduce new working methods to solve the problem of manpower, resulting in an increase in productivity. Overall, the management said that, so far, the government have been very cooperative in recruiting more employees for the department.

5.2.5.2 Expertise not properly utilised.

Another administrative factor affecting information management in the MIRD, according to employees pertains to the under-utilisation of tax officers in their 'actual' work. They felt that since the duty of tax officers is to do assessment work and process the information that is received by the MIRD, they should not be involved in any other work which is not related to their main work. Some 61% of the employees interviewed claimed that tax officers are often required to do work which is time consuming and not appropriate to their role. An officer from the Assessment branch commented on the practice of "general issue" whereby, once a year, the MIRD sends out tax returns to all registered taxpayers:

The department should do something about this general issue process. They (the MIRD) should hire other parties to do the work. (Employees' interview, March 1995).

He explained that during the general issue of annual returns, all tax officers were required to put their assessment work on hold, and concentrate on sending out return forms. Folding and placing the return forms in the envelopes took two to three weeks, a significant interruption to tax officers' normal duties. This adversely affected the MIRD's performance in collecting tax revenue.

The employees felt that if the general issue work were contracted out, they would be free to do their 'real'

work. They did not feel that any breach of confidentiality would be involved, particularly as 'contract' workers would undergo screening by the MIRD.

Yet again, there was a disparity of opinion here between employees and management. The management felt that the time spent by the officers in doing other work such as the general issue was not enough to affect the total production of the MIRD. They perceived the general issue work as part of the work of the officers in the MIRD, since they held that the officers in the MIRD should carry out *all* duties related to the processing of information. A reason given for not sub-contracting such work was that the additional cost would have to be justified to the Treasury. Management were also more concerned than employees about a perceived need to protect the 'secrets' of the MIRD, given the sensitive and confidential nature of its work.

5.2.5.3 Poor training.

The next administrative factor that, in the eyes of employees, affects information management in the MIRD concerns weaknesses in the training programme provided by the organisation for its employees. The purpose of this training is ostensibly to ensure that employees are competent in their work. However, employees perceived the training provided by the MIRD training division as too

theoretical to be useful in their daily work. An officer with the Companies Branch claimed that:

Most of the cases we learn are seldom used in our daily work, and some of the answers given during the assignment practice are not concrete (Employees' interview, March 1995).

In interview, 55 employees (i.e. some 68% of the respondents in this group) claimed that the training they received was only useful at certain times, or was inadequate and irrelevant to their daily work. Some employees expressed a desire for training in management skills. However, the management argued that the training provided for the employees is adequate, and that training in management skills is irrelevant, since the duty of employees is to do work, not to manage the division. The management suggested that more management training should be given to the managers, not to the employees. They claimed that the manager can always disseminate his management skills to the division by giving instructions to employees as to how to do work. They believed that this type of practice could still give effective results in the management of information in the organisation.

5.2.6 Overview.

What stands out from the above survey of administrative problems is the extent of disagreement within MIRD. The only issue on which there was agreement

was a perceived need for accelerated implementation of full computerisation. On all other issues, the top managers as a group presented a relatively homogenous perspective, but it was a perspective which large numbers of employees did not share. The problems discussed in this section were perceived by varying numbers of employees, from 31 (38%) for confusion caused by changes in work directives to 67 (82%) for unfair workload distribution. Thus, there is what might be termed a "meta-problem" of disagreement about the issues facing the MIRD that needs to be addressed before specific administrative problems can be tackled. Or rather, these problems need to be dealt with through a process that recognises and addresses the disagreement.

5.3 Legal Issues.

Legal issues, as defined in the context of this study, are issues that arise due to the ambiguity of the Malaysian Income Tax Act 1967 (ITA 67). This is because interpretations of the words used in some of the provisions in ITA 67 are subjective. The MIRD may interpret them in accordance with the department's policy, whilst the public (taxpayer) may interpret them in accordance with their plain understanding of the words in their everyday meaning. This difference in the interpretation of the provisions has caused numerous

misunderstandings, as a result of which many cases have had to be settled in the Supreme Court. Some examples of such cases are shown in the following table 5.2:

TABLE 5.2
CASES WHERE THE COURT DECIDED THE FINAL INTERPRETATION OF THE TAX LAW DURING 1992.

Case I

National Land Finance Co-Operative Society v Director General of Inland Revenue (1993), Involving *Income Tax Ordinance 1947 s13 - ITA 67 Sch 9 para 33 - ITA (Amend) 1980*.

Case II

The Government of Malaysia v Datuk Haji Kadir Mohamed Mastan and other application 1993 involving *s 103(1) of ITA 67*.

Case III

Tai Choi Yu v The Government of Malaysia & Ors 1993 involving *Real Property Gains Tax - ITA 67*.

Case IV

Government of the Federation of Malaysia v Haji Ghani Gilong (1993) involving *ITA 67 ss 134, 146, 142(10), (2) - Interpretation Acts 1948 and 1967 s 93(2)*.

Case V

MUI Finance Bhd v Pendaftar Hakmilik (Registrar of Title deeds), Shah Alam & Anor (1993) involving *ITA 67 on Power to obtain*.

(Source: MIRD Annual Report, 1993).

Such disputes have an adverse effect on the work of the MIRD in general, because time spent in resolving these cases is time lost from other work.

The employees commented that they had problems with interpreting the provisions in the ITA 67, and that sometimes they had to refer to the guidelines in the DG's circular. However, when the provisions are amended they

are not always made aware of the changes in time, so they keep on processing the files in accordance with the old provision. Sometimes, wording is so ambiguous that officers have to use their discretion to interpret it. The employees argued that the management should provide them with details of all amendments to the ITA 67, to avoid inconsistency of practice by the various units in the same division.

The management, on the other hand, claimed that the present provisions in the ITA 67 are very straight forward, so much so that even a layman can understand them. They suggested that any discrepancies in the conduct of assessment were attributed not so much to ambiguity in the provisions of the ITA 67, but to the degree of discretion taken by officers. They claimed that the resulting differences did not constitute substantive discrepancies in the application of the law but simply reflected the fact that officers took action based on the details of the individual case, in line with instructions of the MIRD, and that decisions made by their subordinates are fair to the public. Many disputes and court cases, they suggested, were simply 'time-wasting exercises by would-be tax dodgers'.

The public, however, were more in agreement with the employees and complained of inconsistency in the action taken by the MIRD, so that the services provided by

the MIRD seem at times to be unfair. For example, one taxpayer, a businessman, claimed:

I am not allowed the expenses that I claim for my business, while my friend who operates the same kind of business as I do is allowed expenses on the same items (Public interview, April 1995).

The above example is one of many reported by the public. Several interviewees in this group also expressed the view that the MIRD tried to impose their understanding of the tax law on them, with the attitude that since they are the authority, whatever they say is right.

5.3.1 Overview.

Clearly, a number of interviewees amongst the employees and public were concerned about what they see as problems of ambiguity in the ITA 67, and inconsistency in its interpretation. Nevertheless, managers seemed to feel that guidelines are in place, and that within this framework it is reasonable to expect employees to exercise some degree of discretion in dealing with each case as circumstances require.

The MIRD does not, of course, have the power to amend the ITA 67. Nonetheless, legal dilemmas are worthy of consideration, because it does lie within the MIRD's power to advise the Federal government on problems arising from the act, provide internal guidelines on interpretation, and explain to members of the public the

rationale for its decisions. What is especially important to note here, is that, once again, it should be recognised that there is a "meta-problem" of disagreement, within MIRD and between the MIRD and its clients, which needs to be addressed.

5.4 Cultural Issues.

Cultural issues in the context of this study involve the public perception of the MIRD, religion, ethnicity, the nature of people's income (from business or employment) and the lack of tax-paying culture. Although cultural issues are in one sense "external" to the organisation, they are nevertheless important because they can directly affect the process of information management in the MIRD. Since the public are the key 'providers' of information to the MIRD, their failure to provide information will adversely affect operations.

5.4.1 Public Perception of the MIRD.

The level of co-operation from the public will depend on factors that affect people's perception of the tax system in Malaysia, including personal experience dealing with the organisation, or stories of friends' experience. Many members of the public expressed negative attitudes towards the MIRD on the basis of their perceptions of its work practice, or of the attitudes of

individual MIRD officers with whom they had dealt.

5.4.1.1 The working practice of the MIRD.

A common complaint reported in interviews with the public was that the MIRD is inconsistent in its work practice. As a result of this, people sometimes perceived the service provided by the organisation as unfair. For example, an engineer at the Telecom department made the following comment:

The MIRD is not consistent in their practice; they will penalise you for late payment of income tax, while they do not give any interest if they refund your excess payment late (Public interview, April 1995).

Many members of the public expressed the opinion that the MIRD operates a 'double standard' in their practice. They perceived that the MIRD can make mistakes with impunity, whilst if taxpayers make mistakes, they are penalised. They therefore argued that the system is unfair, benefiting only the MIRD and not the public. Public perception was also adversely affected by the delays in processing information, reported earlier. On average, it was claimed that it took the MIRD three to four months before information was processed. Again, the public felt a 'double standard' was in operation, in that when the MIRD asked them for information, they were required to provide it within two weeks from receipt of the MIRD's letter, yet the MIRD did not undertake to

process the information within a similar given amount of time.

The public also complained that the MIRD did not issue them any statements of account, informing them of the amount of tax outstanding and of the total amount paid to date. According to a taxpayer employed at the Telecom Institute:

The MIRD does not even provide me with a Statement of Accounts. So far, I have had to do my own recording as to how much I have paid the Income Tax, and I don't know what I owe them (the MIRD) (Public interview, April 1995).

Members of the public also felt that the MIRD should inform them of the total tax collected for the year and how much has been spent by the Government on public facilities. 61 members of this group (i.e. 75%) commented on their need for tax education to help them to understand the rationale for providing information and paying tax, and said that this would encourage their cooperation.

5.4.1.2 Attitude of the MIRD employees.

The next issue expressed by the public was with regard to the attitude of the employees in the MIRD. More than half the members of this group described the attitude shown by employees in negative terms; for example, not open minded, too authoritarian, or careless. Such attitudes impede communication between the MIRD and the public. Several interviewees related instances of

negligence, inconsistency, discrimination and authoritarian attitudes. Specific complaints included misplacement of documents forwarded by the taxpayer; conflicting advice from successive officers dealing with the same file; and officers who had not read the taxpayer's file before appointment, or did not have the file available. There were also complaints of undue reliance on personal discretion. For example, one businessman said,

The service provided by the MIRD to the public is very slow (Public interview, April 1995).

A new lecturer at MIT complained:

I had to call the MIRD three times and it took them 3 months before they eventually sent me my tax reference number (Public interview, April 1995).

In this regard, a partner of a legal firm who is also a tax consultant commented:

the tax officers in MIRD should be conversant with the tax law, any decision should be based on tax provisions, not on personal opinion
(Public interview, April 1995).

Some interviewees suggested that preferential treatment was given to officers' friends; for example, a taxpayer claimed that on one occasion a MIRD officer dealt with another client before him, even though he was earlier in the queue, because the other client was the officer's friend. Others suggested that MIRD officers might give preferential treatment to clients of their own race. Delay in providing a tax reference was a common

complaint.

As a result of incidents like the above, the public's perception toward the MIRD was adversely affected, and in some cases reduced their willingness to co-operate with MIRD. For example, one woman who still had not received a tax reference number, even though she had written several times over a period of a few months, said she would not bother writing again, and would not pay tax unless MIRD came looking for her.

These negative perceptions of the MIRD officers were not universal. Some 30% of the respondents made positive remarks. Taxpayers who had never experienced the above situations said that they were satisfied with the service they received from the MIRD, and found the advice given by the MIRD officers valuable.

A former tax officer with the MIRD who is now practising as a tax consultant had a high regard for the tax officers in the MIRD. He said that in his experience, when appeals were dismissed by tax officers, it was strictly in accordance with the tax provisions. He said that the tax officers only disallowed the appeal if they found that the expenses claimed had not been used for the purpose of business, and believed that problems are due to misunderstandings of tax rules on the part of some members of the public.

An accountant suggested that the problems with the

MIRD are mainly due to poor communication, and he emphasised the need for taxpayers to communicate frequently and politely with the MIRD officers. However, he admitted that since he knew most of the tax officers personally, he might have an advantage in this respect.

Thus, public perceptions of the MIRD were mixed. Some members of the public had a very high opinion of the MIRD and its staff. However, these were greatly outnumbered by those who had complaints, and it seems that incidents of the types described above occurred sufficiently frequently to adversely affect the public perception of the MIRD.

5.4.2 Religious factor.

Since the public comes from various religious backgrounds, such as Muslim, Christian and Buddhist, religion is another factor that affects the process of information management in the MIRD. Reference was made by both tax officers and members of the public, to the Muslim preference to pay *Zakat* (a "wealth" tax which Muslims have a religious obligation to pay, and which is used for charitable and social welfare purposes) rather than income tax.

The revenue from *Zakat* is collected by the *Majlis Ugama Islam Negeri* (State Religious Affairs Department) and not by the Federal Government of Malaysia (Alhabshi,

1989). This means that the revenue from *Zakat* does not go to the Treasury of Malaysia, but to a state fund which is generally used for such matters as road building and paying the salaries of state employees. However, the amount of spending by the state on such matters is very small. The overall responsibility for developing the country's infrastructure such as roads, schools and hospitals, still rests with the Federal Government, and is financed from income tax, which Muslims are still required by law to pay, even if they have paid *Zakat*. This is a source of considerable resentment.

Some Muslim taxpayers suggested that the present tax system is not Islamic and that Muslims should be given an option to pay either tax or *Zakat*. The more strict Muslims were reluctant to pay tax at all, and emphasised that they would rather pay *zakat* because they feel that it is the 'fulfilment of religious demands' which brings rewards in the hereafter, whereas the income tax system is not in accordance with *Sharia* (Islamic law).

In an effort to appease religious interests, a compromise has been reached whereby *Zakat* is considered as an "approved donation" under Section 66(4) of the ITA 67, which means that *Zakat* payments up to certain level are tax deductible. However, Muslims feel that the present allowances under the approved donation system are insufficient, and that the full amount of *zakat* payment

should be deductible against tax.

This religious factor is a significant threat to the current tax system, since 62% of the total population of 17.4 million are Malays who are Muslims by tradition (Malaysia Monthly Statistical Bulletin, 1990) and Islamic teaching is undergoing a revival.

This issue has reduced the co-operation of Muslims in providing information to the MIRD. Interviewees indicated that they provide enough information to the MIRD to avoid the potential 'punishment' they would incur if they did not provide information at all, but the MIRD may well be managing information which is inadequate or misleading.

5.4.3 Ethnic factor.

The next cultural issue is the ethnic factor. Despite the Government's efforts to integrate people of all races, racial disharmony still remains a major problem. For example, the memory of the racial riots of 1969 still has a strong influence on the public of Malaysia, and people tend to be cautious about dealing with people of another race.

Racial tension could affect information management in the MIRD because the majority of tax officers are Malay, while the majority of the business people in Malaysia are Chinese (Employees' Interview). The

refusal of Chinese business people to co-operate with Malay tax officers would result in the MIRD not having adequate information, and in the long run could adversely affect the collection of tax revenue for the Government.

Interviews with members of the public revealed that people would prefer to deal with members of their own race. In the light of racial disharmony, when MIRD officers visit business premises, if the owner is Chinese, then a Chinese tax officer has to come along as interpreter, or to encourage cooperation and so obtain more information from the owner. The situation is the same with other races.

The MIRD staff were aware of these racial tensions and claimed to be trying to eradicate them by giving education to the public. The MIRD insists that the services provided by the organisation are fair, irrespective of the races of officers carrying out the duties, or of the people receiving the services. However, members of the public are not always convinced of this view. Some of those interviewed (5 people) suggested that MIRD officials show favouritism to clients of their own race.

5.4.4 The Nature of Income.

Another cultural issue is the nature of income, i.e., whether the individual's income is derived from a

salary or from his or her own business. This is a significant factor that influences the attitude of the public towards co-operating with the MIRD. Employees working in Public Service Organisations are penalised by their employers if they become the subject of legal action for tax avoidance. The implications for their employment, if they are caught by the MIRD for not paying tax, make this group of employees much more conscious than others of tax matters, and tends to enforce compliance. In the private sector, where employees are not subject to mandatory disciplinary action by their employers if they are penalised by the MIRD, the pressure to obtain a tax reference number and pay tax promptly is much less.

As for the self-employed group, they are not bound by any official verification. Taxpayers from the salaried group suggested that the present tax system benefits the self-employed, in that the tax law gives them freedom to declare how much money they earn during the year. The only important requirement for this group is that they present the MIRD with a set of published accounts, comprising a Balance sheet, Profit and Loss and a tax computation account. At present there is no proper way of verifying the actual income of this group. It was suspected by salaried taxpayers, and by some MIRD staff, that a significant number of self-employed people take advantage of the 'laxity' of the current information management

system, for example by not providing the right information about the income they earn, or the time when they set up their businesses.

On the other hand, some self-employed interviewees claimed that they are the victims of the tax system, as they have to pay tax twice; once for their company and once as individuals.

5.4.5 Lack of a Tax paying Culture.

It was pointed out in Chapter Two of this thesis that historically, taxation has not been a regular or permanent feature of Malaysian culture. Consequently, the concept of "taxpayers' money" does not exist, and many Malaysians have little or no understanding of the working of the tax system, the reason why the tax is collected, or how they benefit from the system in terms of social welfare. The need for tax education was one on which all three groups of stakeholders agreed, although they differed in their perceptions of the effectiveness of the education activities currently carried out.

The top management reported efforts to educate the public by means of media campaigns which sought to explain the purpose of the tax system, how to fill in a tax return, and the services provided by the MIRD. However, a number of officers suggested that more could and should be done in this respect.

Some 75% of the respondents from the "public" group suggested that the MIRD should put more effort into educating the public on taxation. One student at National Productivity Center School of Hotel Catering (NPC) commented:

The MIRD should make an effort to go out to the public more often to educate them, rather than going out just once a year (Public interview, April 1995).

He said that the present efforts by the MIRD, such as advertising on the television and radio, and organising the "taxpayers week", are adequate. He commented that the advertisements on TV and radio only appear at certain times during the year, and are not shown during the peak viewing hours.

A student at the NPC, School of Hotel Management, claimed that he had heard about the MIRD through his parents because both of them were government officers and paid tax, but he did not know why and when people needed to pay their tax, where they had to go to pay it, or how to pay it. When asked whether he knew the location of the tax office in Kuala Lumpur, he said he had "no idea".

5.4.6 Overview.

It would appear from the issues raised in this section that the "service" ethic of the MIRD, to which all three TKPs, for example, alluded in their interviews (see Section 5.2) was not perceived by the majority of the

members of the public. Moreover, in the public perception, a number of issues arise in relation to the MIRD which are potentially or actually coercive. There is considerable resentment, for example, of the power the MIRD has to compel people to provide information and pay tax by strict deadlines, particularly as they feel a double standard is in operation. As one interviewee, an electrical engineer at the Telecom Training Institute, put it:

The practice by the MIRD is one-sided because the law is on their side (Public interview, April 1995).

Coercion was also perceived by Muslims, in the way they are compelled to pay income tax, which they see as un-Islamic, in addition to the *Zakat* they pay in accordance with *Sharia*. Another issue which is potentially coercive is the racism which some members of the public believed to influence certain MIRD staff and to cause discriminatory treatment of clients (though the MIRD insisted that their policy and practice is to treat all races in strict fairness and accordance with the rules).

There are also tensions between salaried and self-employed taxpayers, each fearing that it suffers disproportionately from the tax system, compared to the other. There is a real danger that such perceptions may cause members of the public to withhold cooperation from the MIRD, if they have not already done so.

5.5 Conclusion.

The process of information management in the MIRD is influenced not only by internal (management) issues, but also by environmental factors external to the MIRD itself, including government bureaucracy, legal issues, and aspects of the local culture. All these need to be taken into account if problems are to be solved and public cooperation maximised.

When these sets of issues were explored through interviews with the three stakeholder groups (top management, MIRD employees and members of the public), two "meta-problems" were revealed: namely, disagreement among stakeholders (particularly between management and employees in the MIRD) and perceptions of coercion (of Muslims who prefer to pay Zakat, and of some races by others).

Disagreement existed between managers and employees, over many issues to do with decision-making, planning, work processes and human resources, which employees felt impeded their work and contributed to difficulties in dealing with the public, but which management generally perceived as less problematic.

The need for computerisation to be completed with all possible speed was actually the only issue on which managers and employees agreed.

In the eyes of employees and members of the

public, legal problems arise because of ambiguity of some sections of the ITA 67, on which the tax system is based, resulting in differences of and hence inconsistency in work practice by the MIRD. Employees in the MIRD saw this as a source of worry and confusion, while members of the public saw it as a cause of unfairness in the treatment some individuals received from the MIRD. Top managers, on the other hand, thought that existing provisions and guidelines are clear.

It was in the area of cultural issues that perceptions of coercion were manifested. Resentment was expressed by members of the public with regard to what they saw as unhelpful and authoritarian attitudes on the part of some MIRD officers, and to the double standard which they felt operated in the MIRD.

Another coercive issue identified was the position of Muslims with regard to income tax and *Zakat*. Muslims pay *zakat* as a religious obligation and many resent being required to pay income tax as well. Although a compromise has been reached with the concept of 'approved donations', some Muslims feel that allowances under this category are insufficient, while others feel that since income tax does not form part of *Sharia*, they should not pay it at all.

Racial tension is also an obstacle to information management in the MIRD, as members of the public are often

unwilling to co-operate with MIRD officers of a different racial background. Moreover, there were allegations that some officers give preferential treatment to clients of their own race.

There were also perceptions of unfairness related to source of income. Public service employees are forced to cooperate with the tax authorities, as action taken against them for tax would also render them liable for disciplinary action by their employers. However, private sector employees and the self-employed have no such constraints, and the latter, in particular, would have considerable scope to withhold or falsify information if they chose to do so. This is resented by salaried taxpayers. On the other hand, the self-employed see themselves as victims who are taxed twice. Thus, each group sees itself as disadvantaged compared with the other.

Finally, there is a problem in that Malaysia does not have a tax-paying culture, and many of the public are largely ignorant or indifferent with respect to tax matters. A need is widely felt for improvement in tax education and outreach activities.

Evidently, the stakeholders in the tax system are far from satisfied with its operation, and have concerns spanning many issues, both internal and external to the MIRD. Of particular note are "meta-issues" of disagreement

and perceptions of coercion which may impede progress in dealing with the specific problems if not tackled in a concerted manner. The question now arises whether improvement is likely to be possible. The researcher believes that it is, and the reasons for this will be explained in the next chapter.

CHAPTER SIX

OPPORTUNITIES FOR IMPROVEMENT.

6.1 Introduction.

In the previous chapter, we have seen evidence of technical problems related to Information Management and revenue collection in the MIRD, exacerbated by conflicts, mistrust and non-cooperation among various stakeholder groups: the differing perceptions of management and employees; public resentment of inconsistent or high-handed treatment from the MIRD officials; perceptions of racism; and a feeling in a significant section of the Muslim community that the very idea of paying secular tax is coercive. Nonetheless, there are indications that beneficial change, including increased trust and cooperation, is feasible to aim for. This chapter draws attention to aspects of the present situation which appear to indicate the potential for improvement.

6.2 Senior Management Commitment to Change.

The MIRD is very conscious of its status as a PSO, and Senior management see themselves as providing a service to the public (e.g. by providing tax information and advice, aiming to process information quickly, having the goal of treating all clients fairly, etc.). This was evident in the researcher's interviews (see Chapter 5). The DG, the three TKP's and several branch heads made

clear their commitment to the provision of a satisfactory level of service to the public, though they accepted that shortcomings in the present system need to be overcome in order to achieve this; for example, the DG admitted that some areas need to be "re-engineered", as he put it.

One area in which commitment to change was particularly evident, and this was highlighted by several interviewees, was the introduction of new technology. All senior management interviewees expressed their desire to see the MIRD's use of information technology upgraded, and indicated that they thought this would be beneficial to the organisation's information management, and hence to its service to the public. Other employees also stressed the value of IT investment.

Another area in which interest was widely shown was public education and outreach. All three TKPs, for example, admitted the need for more numerous and effective campaigns to explain to the public the purpose and workings of the tax system.

Other comments made by interviewees related to the need to improve the speed of output; the need for better planning; the desirability of being more open to employees' ideas; and the possibility of changing the working method from "check before accepting information" to "accept, then check". Additionally, both TKP2 and one of the branch heads pointed out the need for the

organisation to improve its cultural awareness.

Thus, it can be seen that there is a desire for improvement and a willingness to embrace change on the part of at least some senior managers, which offers hope for the possibility of implementing any change proposals which may arise from this project.

6.3 The PUSH Project.

The researcher's investigation revealed that, in an attempt to improve the MIRD's services to the public and efficiency in collecting revenue for the government, the organisation has come up with a new master plan known as *Perancangan Strategik Pemodenan Untuk Sistem Hasil* (PUSH) (PUSH, 1993), a long term strategic plan for modernising the tax system. The PUSH project emphasises the following:

1. improving the present structure of administration and manpower;
2. improving the present methods of
• managing information;
3. improving the application of information by the organisation;
4. application of new computer software.

Improved professionalism and quality of service were reasons given to justify the PUSH plan which has been submitted by the MIRD to the Ministry of Finance (MOF) for funding. This justification is reported to have been

accepted by the MOF.

Full details of the project were not available to the researcher as the report is confidential, though interviews with senior management revealed that the plan includes the introduction of Self Assessment and increases in manpower. The main thrust of the project, however, appears to be the addition of advanced computer facilities. As the DG explained in interview:

In our effort to provide better service to the public we have allocated \$RM 140 million in upgrading our computer facilities as an effort to improve the management of information in this organisation.

(Top management interview, May 1995).

The implementation of the PUSH computerisation is expected to be completed by 1997, and the MIRD expects to receive 500 portable computers (PC's) by the end of 1996.

Extension of the MIRD's computer facilities would offer scope for improved communication between divisions of the MIRD, as top management and branch heads are fully aware. Another advantage is that computations made by the computer will be seen by the public as less biased than those issued by individual officers, since computers base their computations on facts, not feelings.

The commissioning of the PUSH project, then, is an indication of a desire for improvement, and of willingness to invest resources to bring this about. The DG expressed confidence that PUSH will be able to overcome the present deficiencies in information management in the MIRD, and

improve its general administration. This remains to be seen. It certainly presents an opportunity worth further exploration. Later, when I present recommendations for improvement (Chapter 8), I will place these in the context of PUSH, arguing that PUSH needs to take them on board.

6.4 Structures for Communication with Government and Public.

If proposals for beneficial changes are to be agreed and implemented, there must be effective communication links among the various stakeholders of the system: between the MIRD and the Federal Government; between the MIRD and the public; and (either directly, or through the MIRD as intermediary) between the Federal Government and the public. Moreover, appropriate communication channels must exist within the MIRD, so that employees' ideas and problems, reflecting day-to-day interaction with the public, can be conveyed to senior management (and if appropriate, through them to the Government); and so that Government or management decisions can be passed down to employees for consistent implementation, ensuring fairness and efficiency in dealings with the public.

Fortunately, there are signs that some structures for such communication already exist, though with varying levels of effectiveness. These are detailed below. When it comes to recommending improvements (Chapter 8) I will try,

as far as possible, to build on existing communication networks. If changes are seen as developments of what already exists rather than complete replacements, they are more likely to be accepted and implemented. This is because people who are already committed to the status quo will not have to lose face by accepting the need for change.

6.4.1 Between the Government and the MIRD.

An important link between the Government and the MIRD is the Public Service Department (PSD) as the administrative co-ordination agency. More direct contact occurs in the form of regular meetings between the DG and the Treasury Minister. Indeed, one of the roles of the DG is to advise the Government in policy-making sessions (MIRD, XIV SGATAR, 1984).

6.4.2 Between the MIRD and the Public.

Two MIRD divisions have responsibility for communicating with the public. The Research and Development (R&D) division organises seminars, meetings and conferences for the public, to create awareness of tax issues, while the Public Relations (PR) unit provides general information through the media. These activities have been limited, due in part to financial constraints, but the existence and roles of the divisions concerned

present a possible basis for development.

The other main opportunity for communication between the MIRD and the public is the annual Taxpayers' Week, when the MIRD makes a special effort to promote itself and encourage registration of new taxpayers.

6.4.3 Between the Government and the Public.

Although the text of the ITA 67 is available to the public as a government publication sold in bookshops, in general it would be true to say that communication between the Government and the public with regard to tax matters is channelled through the MIRD as intermediary.

6.4.4 Within MIRD.

In addition to the hierarchical reporting relationships, communication can take place in a number of committees and other meetings within the MIRD. Various management issues are discussed at the Management Committee, Senior Officers' Committee, Audit Committee and others, and of course at the annual Director's Conferences. At a lower level, there are regular meetings between Group Leaders and subordinates; although at present these focus largely on production statistics, they provide a forum where other issues might be aired. Limited and so far, largely unstructured opportunities for consultation currently exist in MIRD. As indicated in the

previous chapter, some managers claimed to seek the opinions of their subordinates, particularly with regard to some day-to-day administrative details and aspects of employee welfare. Such consultation appears to be confined to specific areas, and is not guaranteed or institutionalised by any specific organisational procedure. Nonetheless, it may provide a starting point from which the principle of consultation could be expanded.

6.5 Conclusion.

It can be seen that, although the MIRD faces a number of problems at present, the picture is not entirely bleak. A number of positive indications of the possibility for improvements exist. Senior managers express a strong sense of public responsibility and commitment to improve information handling. Several also showed awareness of the importance of outreach and education in enlisting public support and cooperation, as well as sensitivity to cultural issues. Some were aware of the shortcomings in certain aspects of the system, but showed an interest in improving working methods and relationships with the public. The PUSH project represents a considerable investment in a modernisation strategy focused mainly on computerisation, and this can be built upon. A number of structures also exist for communication among

stakeholders, which are not utilised to the full, but could perhaps be developed further. In view of the interest shown by stakeholders, and the existence of mechanisms (however rudimentary and inadequate as yet) whereby communication can be enhanced (such as the Directors' conference, consultation with employees, the computerisation programme, and Taxpayers' week), it seems that a foundation exists on which beneficial change can be based.

CHAPTER SEVEN

DIAGNOSING THE ORGANISATION

7.1 Introduction.

In the last two chapters we have surfaced issues currently facing Information Management in the MIRD, and have seen that, despite numerous difficulties, there are signs that improvement may be possible. The question now arises, how is it possible to move from surfacing issues to making recommendations for a new approach? As a framework for analysing the situation and considering the potential applicability of existing methodologies for intervention, the System of Systems Methodologies (SOSM) has been adopted. This chapter reviews the SOSM and explains why, despite its weaknesses, it was decided to use it in this project. A brief summary of the issues identified will then be presented, in order to illustrate the researcher's diagnosis of the kind of approach needed.

7.2 The System of System Methodologies.

7.2.1 Overview.

The SOSM was first put forward by Jackson and Keys (1984) as part of their re-examination of the nature of Operational Research (OR), seeking to broaden the definition of OR beyond its "classical" form to embrace other systems-based methodologies for problem solving. Their work developed a systematic analysis of problem-

contexts defined to include the would-be problem solver(s), the system(s) within which the problem lies, and the set of relevant decision makers. Contexts were classified along two dimensions, "systems" and "participants". The "systems" dimension classified the problem context as simple or complex (or, in their original terms, mechanical or systemic - these words were replaced by simple and complex in the work of Flood and Jackson, 1991, who were looking for a more manager-friendly terminology). The "participants" dimension was divided on the basis of the number of viewpoints regarding objectives, into two divisions: unitary (where there is agreement on objectives to be pursued) and pluralist (where multiple perspectives exist). This yielded a four-cell matrix of problem-contexts into which methodologies could be placed. They then attempted to identify the problem-solving methodologies most suitable for addressing each type of problem context, on the basis that each methodology has its own strengths and weaknesses, making them suitable for application in different circumstances. Subsequently, Jackson (1987b) expanded the original four categories into six by adding to the Participants dimension a third category, 'coercive', where suppressed disagreements are perceived between those defined as involved or affected (See Fig. 7.1)

FIGURE 7.1

THE SYSTEM OF SYSTEM METHODOLOGIES

	SIMPLE	COMPLEX
UNITARY	Perceived as simple, with no disagreements between those defined as involved or affected.	Perceived as complex with no disagreements between those defined as involved or affected.
PLURALIST	Perceived as simple, with disagreements between equals (in terms of power relations).	Perceived as complex with disagreements between equals (in terms of power relations).
COERCIVE	Perceived as simple, with disagreements that are hidden due to power relations.	Perceived as complex, with disagreements that are hidden due to power relations

(Source: Midgley, 1990)

In broad terms, the SOSM aligns "hard" (quantitative, modelling) methodologies with unitary contexts, "soft" (debating) methods with pluralist contexts, and "emancipatory" (boundary challenging) methods with coercive contexts (Midgley, 1990).

The SOSM is philosophically underpinned by Habermas's (1972) theory of knowledge constitutive interests. The theory in brief, is that human socio-cultural life is characterised by two fundamental

conditions, work and interaction. The first gives people a 'technical interest' in the prediction and control of events. The second gives them a 'practical interest' in mutual understanding between individuals and groups. Since the open and free discussion necessary for this can be frustrated by the exercise of power, people also have an 'emancipatory interest' in freeing themselves from power constraints. Flood and Jackson (1991) suggest that hard and cybernetic approaches can support the technical interest, soft approaches can support the practical interest, and critical systems heuristics can support the emancipatory interest.

Flood (1989, 1990) and Jackson (1990, 1991, 1993) argue that it is the possibility of relating different systems methodologies to the pursuit of different human interests that makes the idea of methodological pluralism credible. Different methodologies have different purposes.

7.2.2 Weaknesses of the System of Systems of Methodologies.

The SOSM has in recent years been subject to considerable criticism. First, as Gregory (1992) argues, the System of Systems Methodologies encourages people to accept only one interpretation of each methodology. Flood and Romm (1995a) have demonstrated that it is actually possible to use methods for a variety of purposes, some of which go beyond those for which they were originally

designed. It is argued that locating methodologies in the cells of a matrix discourages alternative interpretations and uses which may be quite justifiable. As evidence for this view, critics cite the fact that there has only been one change in the structure of the System of Systems Methodologies (Jackson, 1987b), and very few changes in the alignment of methodologies within the boxes, in its twelve year history, even though repeated calls have been made for further critical reviews of both individual systems methodologies and the framework itself (e.g., in Flood and Jackson, 1991b).

The System of Systems Methodologies has been accused not only of "freezing" interpretations of methodologies in an unnecessarily restrictive manner, but also of being limited in its ability to take account of the methodological developments that occur when researchers learn from other perspectives (Gregory, 1992). One example cited by Midgley (1990) is System Dynamics, which has always appeared in the System of Systems Methodologies in the "simple-unitary" box. However, more recent developments in the field have suggested that, rather than claiming that the model represents reality (the traditional view), it is more useful to focus on the modelling process as a vehicle for the development of learning and social co-ordination (see, for example, de Geus, 1994). The consequent changes in System Dynamics

practitioners' understanding of "system", to a view much closer to soft systems thinking, may well make it applicable not only to unitary but also to pluralist contexts.

The System of Systems Methodologies is also considered problematical in the way it confines the business of making critical boundary judgements (in the form of Ulrich's (1983) methodology of Critical Systems Heuristics) to simple-coercive contexts. This would mean that, in practice, critical reflection on, and discussion of, boundary judgements will only happen on an occasional basis. The question therefore arises, as Midgley (1996) points out, "how is the commitment to critical awareness enacted in situations where coercion is not identified?" Despite these criticisms, however, there are still good reasons for using the SOSM in this study, as argued below.

7.2.3 Why use the SOSM?

The SOSM is not a systematic tool, or a simple "rule book" (Midgley, 1990). Indeed, Jackson (1990) himself has been very critical of its use in a systematic, functionalist way by, for example, Banathy (1988) and Keys (1988). Jackson described these uses as "two steps back". Rather, the SOSM may be regarded as an ideal of research practice which may be taken as a useful framework to guide critical reflection on methodology design (Midgley, 1990).

Although research using the SOSM has in practice often reduced the research situation to a single category of context in order to apply an "off-the-shelf" approach (Midgley, 1990), the SOSM does not in itself require this. Jackson (1990) argues that, "subordinated to critical thinking...the grid could be made to perform useful work" by revealing the strengths and weaknesses of available systems methodologies and to make explicit the consequences of using any of them. If the SOSM is used critically, any problem-situation can be viewed in a variety of ways, which should assist analysts in seeking creative solutions. Midgley's (1990, 1996) Creative Design of Methods is a case in point. Thus, despite its shortcomings, the researcher takes the SOSM to be a useful framework within which to consider the MIRD's situation and to inform the design of an approach to addressing the issues surfaced in Chapter Five. These will be briefly reviewed in the next section before we proceed to consider what type(s) of approach may be appropriate.

7.3 Overview of Issues Facing MIRD.

The core issues that have been identified in the context of this study are as follows:

7.3.1 Administrative Issues.

During the course of interviews with MIRD employees

and top managers, numerous administrative issues were raised as possible constraints on the MIRD's efforts to serve the public and collect revenue for the government. In all cases, however, there was a plurality of views, with some degree of heterogeneity in the employees perspective, and considerable disparity between the management view and the dominant employee perspective. Employees, for example, questioned whether decision-making is, in practice, as consultative as some managers claim. Shortage of office and filing space was seen as a serious problem by employees, whereas managers saw it as no more than slight congestion. There was some agreement that planning needs improvement, but again this was seen as a more serious problem by employees, who felt over-burdened by superfluous information than managers. Similar disparities of views were found with regard to the impact of changes in work directives, the fairness or otherwise of workload distribution, inter-departmental communication, recording and control of information, and time taken to process information.

Some of the issues raised related to human resource management. Managers and employees agreed that there is a shortage of manpower (an issue on which MIRD cannot act directly, but has to make representations to the Federal Government), but unlike employees, managers did not see increasing recruitment as a solution in itself; some felt

a change in working methods would also be necessary. Managers and employees disagreed on issues of manpower deployment, particularly whether the annual issue of tax returns should be done by Assessment Officers or contracted out. There were also differences of view as to the effectiveness of training, which appeared to reflect a deeper disagreement between management and employees as to what is, or should be, the purpose of employee training in the MIRD. On only one issue was there general agreement, namely, the inadequacy of the present computer system to cope with the ever-increasing demands on the MIRD, and the difficulty created by delay in receipt of the new computers which had been promised. Managers were, however, less inclined than employees to complain of the attitude and actions of the Federal Government in this respect.

7.3.2 Legal Issues.

Another area of disagreement was the implications of what some people perceived as ambiguity in the provisions of the ITA 67. This issue was not only internal to the MIRD, but was also of concern to its clients; members of the public felt that too much scope was left for the exercise of individual discretion in interpreting the provisions of the Act, and feared that inconsistency and unfairness resulted. Some MIRD employees also saw this as

a problem and felt the need for clearer guidelines, though other employees were satisfied with the present position, as were managers.

7.3.3 Cultural Issues.

Cultural issues raised in the interviews pertained to public perception of the MIRD, religion, ethnicity and the nature of taxpayers' income. What was striking here was the existence of strong perceptions of coercion. Many members of the public had a very negative perception of the MIRD, resenting what they saw as authoritarian, unhelpful or discriminatory attitudes. They particularly resented what they saw as a "double standard", whereby the MIRD has the power to take action against those who are slow to provide information or pay their tax, yet the Department's delays in issuing tax codes, paying out refunds etc., are subject to no controls, rules or penalties.

Another cultural issue which potentially poses a serious threat to the tax system is the feeling of Muslims (the majority of the population) that income tax is un-Islamic and that Muslims should be required only to pay Zakat. MIRD staff recognised the Muslim perspective but had to enforce the ITA 67. Thus, many Muslims feel that they are unfairly forced into compliance with a system of which they do not approve, and which takes insufficient

account of the contribution they make to social welfare through the *Zakat* system.

Given the multi-ethnic composition of Malaysian society, another cultural issue which is potentially coercive pertains to fears or perceptions of racism. Some members of the public alleged that MIRD officers give preferential treatment to clients of their own race, while there was a general perception in the MIRD that clients are less cooperative when dealing with officials of another race.

There were also tensions and resentments between salaried and self-employed taxpayers, each group seeing itself as victimised in comparison with the other.

The general outcome of these cultural issues appears to be a reduction in public willingness to cooperate with the MIRD, a problem which is further exacerbated by Malaysia's lack of a tax-paying culture. In this respect, both MIRD staff and members of the public recognised a need for more education on tax matters to be provided to current and potential taxpayers.

7.4 Designing the Model.

Looking at the many issues raised by stakeholder groups, it can be seen, in the terms specified by the System of Systems Methodologies, that they basically centre on two "meta-problems": disagreement (pluralism)

within and between stakeholder groups, and perceptions of coercion.

Although at a very broad and general level there is agreement on the goals of the MIRD (to collect revenue for the government; to provide a "good" service to the public), pluralism with regard to specific issues is clearly evident. In terms of the SOSM, this can be characterised as complex-pluralism because there are numerous issues involved which interact. For example, the level of manpower required is affected by computerisation and working methods, which in turn affects workload distribution. This would indicate the need for a *participative* approach, but one which allows stakeholders to learn from one another and define issues as they go along (rather than one which deals with a pre-set agenda).

There is, however, a problem. The Public perceptions of coercion might well interfere with any attempt to set up a *participative* process. Co-operation cannot be assured. The aspects of coercion that are most threatening in this regard are those relating to Zakat and race. In terms of the SOSM, therefore, the problem context might be described as generally complex, but on the "participants" dimension it is most often pluralist, and in some areas coercive. What is needed is a Participative model, but one which recognises and addresses the elements

of coercion which would frustrate the possibility for open communication.

In attempting to formulate such a model, a hybrid approach has been adopted. Midgley (1990) says that most problem contexts are sufficiently complex to warrant the use of a variety of methods. Following the logic of Midgley's Creative Design of Methods (1990, 1996), the researcher has devised a Participative Model for information management in MIRD. The model draws heavily on the strengths of the "soft systems" approaches, most effectively used in complex-pluralist contexts, taking as its main inspiration Ackoff's (1981) Interactive Planning (IP). At the same time, however, the IP approach is modified by the researcher to take account of the fact that the basic aims of the tax system are "given" and non-negotiable; but also to incorporate ways of addressing coercion in order to facilitate a more genuine debate, as will be seen in Chapter Eight.

There is one final point that should be made with regard to diagnosis. In relation to complex-pluralist contexts, Flood and Jackson (1991) suggest that Soft Systems Methodology (SSM) (Checkland, 1981, Checkland and Scholes, 1990) is as equally applicable as IP. However, I have chosen IP rather than SSM because the former gives guidance on setting up a participative structure in an organisation. SSM does not do this.

7.5 Conclusion.

This chapter has addressed the issue of how to move from the surfacing of issues facing the MIRD to making recommendations. The SOSM has been reviewed, and it has been explained that, despite its weaknesses, it provides a useful aid to the critical evaluation of the problem context and the implications of methodologies. A review was presented of the issues facing the MIRD, which were seen as mainly to do with complexity and plurality of viewpoints, with the possibility of open communication frustrated by significant elements of coercion. Thus, the need was identified for a Participative Model incorporating ways of addressing those coercive issues which would otherwise prevent such a model working. A detailed account of the model is presented in the following chapter.

CHAPTER EIGHT

RECOMMENDATIONS FOR CHANGE

8.1 Introduction.

Chapter Six of this study identified aspects of the MIRD situation which offer hope for change to address the issues currently causing concern to the various stakeholders of the system. Among these was the ongoing PUSH project. The interest and investment in this project suggest that PUSH could be made the context in which improvement in the system could be bought about. However, PUSH should not be just about computers, but about Information Management more generally. It was indicated in the last chapter that IM issues in the MIRD are characterised by a plurality of views, with the possibility of open communication being frustrated in some areas by significant aspects of coercion. For this reason, the researcher has designed a Participative Model (including elements to deal with coercion), on which the PUSH Information Management project could be based. This model is discussed in detail in this chapter, and a protocol for testing it in a future action research project is presented.

8.2 Definition and Applicability of the Participative Model in the MIRD.

The word *Participate* is defined by the Collins Dictionary (1992) as "to take part, be or become actively

involved or share (in)". The Participative model presented here is a model that requires the involvement of all stakeholder groups that provide and manage information within the MIRD. It also requires the involvement of the public. According to Ackoff (1981), the rationale for the Participative principle is as follows:

...no one can plan effectively for someone else. It is better to plan for oneself, no matter how badly, than to be planned for by others, no matter how well (p.66).

Another important rationale is that, if people are planned for without being involved, and they do not like the result, then the plans, however well intentioned, may be sabotaged. People will be more likely to accept and cooperate in the implementation of plans which they helped to produce.

Participative approaches also have the advantage that by "sweeping in" stakeholders, a wider pool of experience and expertise is made available from which the organisation can benefit. In the MIRD, for example, managers may have knowledge of budgetary issues which are not known to the employees; on the other hand, employees will have their own special perspective on issues arising in the course of their day-to-day duties, and on their interactions with the public. The public, for their part, can contribute information about such matters as the understandability of tax rules and return forms, their reaction to media campaigns, the difficulties created by

uncertainty as to how much tax they owe, and so on.

Thus, in the effort of the Malaysian government to ensure that the tax system is successful, it is important for the stakeholder groups such as officers from the MIRD, the government and the public to participate in the planning process.

8.3 Operationalising the Participative Model Through a Modified Interactive Planning Method.

In designing a Participative Model to address the IM issues in MIRD, Ackoff's method of Interactive Planning (IP) has been drawn on as a basis. A Soft Systems approach in general, and Interactive Planning specifically, is considered appropriate, in the light of the diagnosis made in Chapter Seven. A soft systems method will be useful because the emphasis on debate will address the meta-problem of pluralism. Referring to SOSM, an appropriate approach might be SSM or IP, because they deal with complexity, as well as plurality. Of these two approaches, IP is more appropriate in the present case because it specifies the involvement of stakeholders on planning boards. This will be useful in MIRD because it can be demonstrated to MIRD that IP can be implemented by developing existing roles and structures to facilitate the required exchange of ideas and information. SSM has much less to say about the form participation should take, which would be likely to create difficulties in

implementation. Nevertheless, as shown below, I have suggested certain modifications to IP based on my diagnosis of the organisation; in particular, the discovery of significant aspects of coercion, which need to be addressed "up-front" before meaningful participation will be possible.

The main philosophy of IP is the need for the participation of all the people in the system (in this context the involvement of stakeholders) in the process of planning in an effort to agree and so facilitate the identification and achievement of the objectives of the system (Ackoff, 1981). This philosophy is consistent with the concept of the participative ethos which Ackoff advocates.

The IP methodology embraces several major principles: the participative principle, the continuity principle and the holistic principle. The participative principle seeks to give all those who are normally planned for an opportunity to participate in planning for themselves. Ackoff (1981) argues that the principal benefit of planning derives from engaging in it, and participation in planning is seen as enabling members and stakeholders of an organisation to develop and acquire greater understanding of the organisation.

The principle of continuity contrasts with the discontinuous planning done in most organisations, whereby

certain times of the year are designated for planning, and once the plan is approved, planning stops. IP requires planning to be an ongoing process, to take account of changes in the situation, and in the attitudes, values and aims of participants.

The holistic principle states that the more parts of a system and levels of it that plan simultaneously and interdependently, the better (Ackoff, 1981). Units at the same level should be planned for simultaneously and interdependently, because a threat or opportunity appearing in one unit may be best treated in another; the location of a problem is not always where the symptoms appear. Similarly, a policy or practice established at one level can create problems at another. The way to remove such conflicts is by integrating planning.

These principles are all seen as informing the objectives of the researcher's Participative model. The concept of participation reflected in the proposed model requires the FGM and members of the public, as well as all levels of the MIRD itself to participate in the process of managing the information of the tax system in Malaysia. This requirement encompasses also the continuity and holism principles, because the participation of all three groups of stakeholders is envisaged as being an on-going process, intended to ensure both the smooth running of all aspects of the MIRD's operations, and ultimately, provide

benefit to the society as a whole.

IP aims to bring about a *consensus among stakeholders* (Jackson, 1982), so that action can be taken. This use of the stakeholder concept will be important in designing a new model for MIRD; we identified relevant stakeholder groups and their concerns in Chapter Five of this thesis.

In IP, consensus is achieved via open debate. This aspect of the approach may be limited in practice in the context of the model (as will be indicated in the following sections). Nonetheless, open meetings, debate in the media, the incorporation of tax issues into political campaigns, and so on, could be used to operationalise the concept of debate within the model, particularly if action is taken in advance to address issues which would otherwise frustrate it. These points will be developed further in later sections.

In IP, all those affected are given an opportunity to participate in designing an "*idealised future*" for the system with which they are concerned. This will be important in operationalising the model which seeks to involve the Federal Government (Treasury), MIRD management, MIRD employees and public together in the planning process, to achieve national objectives.

Ackoff (1981), sees the 'ends planning' stage (see later in this section) as a way of eliminating petty

differences among stakeholders and of *concentrating everyone's mind on the broader long-term interests they all share in common*. In the MIRD, for example, there is a plurality of views between managers and workers, yet they both have a stake in the success of the organisation, so could well dissolve the differences with a broader focus. Members of the public, too, might find a common long-term interest in the success of the MIRD, in line with trends and initiatives already in existence in the country, e.g. the government's New Economic Policy and the Prime Minister's *Vision 2020* initiative, which emphasise a communal effort in the pursuit of certain socio-economic goals for the general welfare.

Ackoff (1981) believes that, if pursued positively, IP can lead to the interests of the different parts of the organisation, of the organisation itself and of the wider society being reconciled. Once again, this is in line with the purpose of the Participative model, which aims to reconcile the interests of management and employees with that of the government (revenue) and the long term interest of society (development and welfare).

Reference was made in Chapter Seven to the idea that the value of Soft System Thinking (SST), of which IP is a form, lies in the support it offers to the practical interest in promoting *intersubjective understanding* (Jackson, 1982). This is an essential element in the

context of this model. The Participative model requires such an approach because it is concerned to achieve better understanding, and hence co-operation, among groups with different involvement in, and perceptions of, the Malaysian tax system.

Moreover, a strength of SST is that it aims to secure and expand the possibility of mutual understanding among individuals in social systems. The Participative model will be very much concerned with a social system, rather than just the technical interest of the MIRD in terms of computers etc., because it will deal with relationships between the organisation (MIRD) and clients, and between the government and the society as a whole.

Ackoff's principle of participation is operationalised in the form of what he calls a "circular organisation", or a "democratic hierarchy" (Ackoff, 1981, p.163). Although Ackoff accepts that an organisation may need a hierarchical structure to facilitate coordination and integration of work, his concept of circular organisation challenges the assumption that in such a structure, authority can flow only in one direction. By instituting such a system of circular organisation, MIRD would not be replacing the line management responsibilities for decision-making. Rather, the process of circular organisation would complement the process of decision-making by MIRD's managers. In Ackoff's circular

organisation, democratic participation is instituted through the creation of a series of "boards" (discussed in detail in section 8.6) which serve the functions of co-ordination, integration and policy-making. Moreover, each board evaluates and approves the performance of the manager reporting to it. The design is democratic because every person in the system who has control over others is in turn subject to their collective control.

8.3.1 Methodology of Interactive Planning.

According to Ackoff (1981), there are five phases to the IP methodology, as follows:

1) Formulating the mess.

By "mess", Ackoff means a complex problem situation, typically one which involves human activity systems. In other words, this stage is one of identifying the problem situation and its components.

2) Ends planning.

This refers to the pursuit of broad consensus on an ultimate goal, an ideal future situation desired by participants.

3) Means planning.

In this stage, the aim is to determine what should be done to achieve the desired end, i.e. how to get from

where we are now, to where we want to be.

4) Resource planning.

This stage is concerned with identifying and planning the provision of all resources needed to implement the means, whether money, technology, manpower, knowledge, etc.

5) Design of implementation and control.

At this stage, agreed measures are introduced to carry out the "means" towards the desired "end". It is not, however, a final solution, in that, as the environment and circumstances change, other problems will emerge and new ends will need to be defined. Thus, IP is an ongoing process.

In the context of the Participative model proposed in this study, it is a modified form of IP that is suggested. This is so in two respects: firstly, it is suggested that specific action needs to be taken to address certain cultural issues in order to create a climate more conducive to participation. Secondly, it is recognised that, for the public, participation will be more concerned with the means planning than with ends planning, since in this case the 'end' (of obtaining sufficient tax revenue to support socio-economic development) has already been set by the government,

though in the interest of society as a whole.

The application of the modified IP methodology in this context is discussed in the following sub-sections.

8.4 Managing the Public's Culture.

This study has already contributed significantly to the first stage of IP, "formulating the mess". In the context of this study, the "mess" faced by the administration of the system has been identified as involving a complex set of cultural issues, including religious issues (Muslims' attitude to tax versus zakat) and racial issues (the status of Malaysia's various ethnic groups, their beliefs, relationships between them, etc.).

Zakat can be a potential obstacle to the success of the Participative model, since Muslims constitute approximately 62% of the country's total population of 17.4 million (Malaysia Monthly Statistic Bulletin, 1990). Not all Muslim people are unwilling to pay tax. However, based on the interviews reported in Chapter 5, the researcher feels that there is a significant percentage of Muslims who resent being forced to participate in the present 'secular' tax system. Their reluctance could significantly affect the operation of the suggested participative model. However, the researcher believes that it would be possible to reduce this risk if the government were prepared to address the Muslims' concerns prior to

IP, to demonstrate commitment to the interests of all groups in the society, and facilitate Muslims' involvement in the IP process.

It is suggested by the researcher that the concerns of the Muslims might be addressed, and their participation facilitated, by providing full exemption to people who pay zakat. The Federal Government of Malaysia (FGM) could recover the amount of tax payable to the state government through the zakat system. Thus, for Muslims, payment of taxes will become part of zakat.

In this respect, to ensure the smooth collection of revenue for the government, the MIRD would have to provide manpower and computer terminals to the offices of the *Majlis Ugama Islam offices (MUIs)* (the state religious authority authorised to collect Zakat), with links to the MIRD offices.

However, if the implementation of that option is not successful or possible, then the alternative would be for the MIRD to amend the ITA 67 to benefit Muslims by significantly raising the present 'ceiling' of the amount of Zakat allowable against tax assessment.

The next cultural issue that could be an obstacle to the effectiveness of the participative model would be the racial factor. If there is no cooperation between the races in the country, this would adversely affect cooperation between the public and the MIRD and would

therefore endanger participation in planning. This is because the majority of public servants are Malays, while the majority of business people in Malaysia are of Chinese origin.

The researcher suggests that the following changes could be made prior to engagement in participation, to address the issue of race. Enactment of these changes would make a public statement that MIRD is serious about multi-racial participation.

- 1) to make the ethnic mix of officers in the MIRD more representative of the population as a whole;
- 2) to ensure that all the officers in the MIRD communicate (both in writing and conversation) with their taxpayers in the national language, the *Bahasa Malaysia*. This is not the current practice of the MIRD officers. It has been observed by the researcher that officers of different race still communicate in their own mother tongue when communicating with people from their own race.

The reason for suggesting the first point is that changing the ethnic composition of the MIRD would provide tangible evidence that the government machinery is not biased in favour of a single race, and that it aims to act

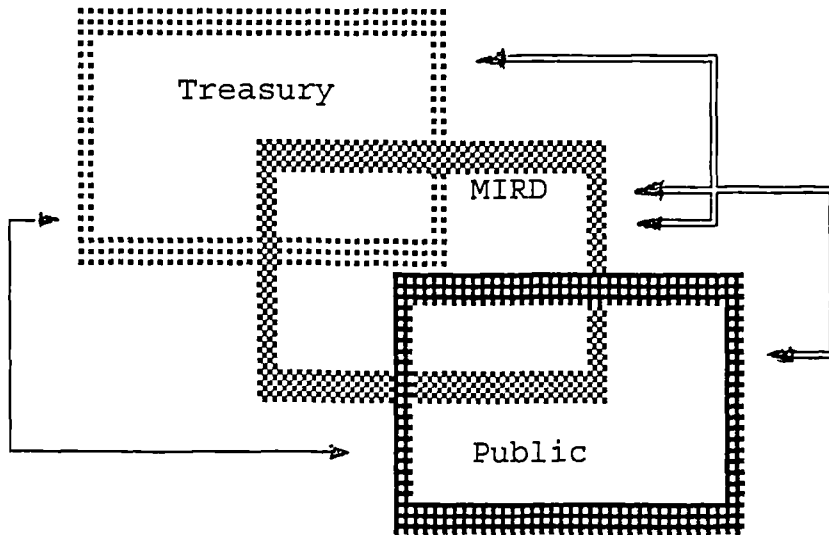
in the interest of all; this would improve the confidence of other races in dealing with it. Even though the present MIRD system does not discriminate against people of different races, the general tendency, as observed by the researcher during his field work, is for the level of trust between people of different races to be less than that between those of the same race.

The second suggestion, that of using *Bahasa Malaysia* in all transactions, is a simple and obvious way in which government authorities can demonstrate fairness. It will also help to overcome difficulties of communication when an officer has to speak to someone from a different race, and increase the transparency of tax dealings.

8.5 The Application of IP Principles in the Participative Model.

The Participative models depends on mutual involvement and cooperation between the Federal Government (represented by the Treasury), the MIRD, and the general public. The relations among these sets of stakeholders can be depicted as in figure 8.1 below.

FIGURE 8.1
 THE PARTICIPANTS OF PARTICIPATIVE MODEL OF INFORMATION
 MANAGEMENT IN THE MIRD.



(Source: Devised by the researcher based on literature review and research information).

Key to the diagram.

- ↔ Direct involvement and cooperation between organisations.
- Indirect involvement between organisation / group.

It can be seen from the figure that there are two areas of overlap, as follows:

- 1) between the MIRD and the Federal Government (Treasury);
- 2) between the MIRD and the public.

An arrow shows the existence of an indirect connection between the Treasury (representing the Federal Government) and the public; it is the MIRD which provides the link between these two groups.

8.5.1 The MIRD and the FGM.

The overlapping area between the MIRD and the Federal Government of Malaysia (FGM) highlights the need for cooperation between the FGM and MIRD to ensure that the government's tax system is successful. Amongst areas where the FGM needs to cooperate fully with the MIRD are policy making, staffing, technology, provision of office space, etc. There are a variety of reasons for the need for cooperation between the FGM and the MIRD, as follows:

1) The frontline role of the MIRD.

The MIRD is an agency that has to deal with the public in the front-line; the public's attitude to tax policy can be observed by the MIRD officials, based on their daily interactions with them.

2) The ability of the MIRD.

The capability of the MIRD to collect tax for the FGM is based on its ability to maximise its present human resources and technology.

3) The expertise of the MIRD officials.

The FGM should recognise the expertise of the MIRD officials in the field of taxation; hence, the formulation of tax policy needs to be discussed with the MIRD. This is because as 'experts' the MIRD officers would

understand better whether or not the policy benefits the public.

It must be emphasised that the MIRD has no power to compel participation by the FGM, but that it would prove advantageous to both parties. The MIRD would benefit from the opportunity personally to convince the Treasury of its financial and other needs. At the same time the Treasury would ultimately benefit from any activity which enhanced the MIRD's efficiency and effectiveness, by the availability of accurate forecasts of tax revenue, and by timely collection of that revenue, both of which would facilitate government socio-economic planning and expenditure. Because participation can be shown to be in the interest of all concerned, Senior Management of MIRD should be able to discuss participation with the FGM, with a reasonable likelihood of success.

8.5.2 The MIRD and the Public.

The second overlapping area in figure 8.1 represents the participative relationship between the MIRD and members of the public. This, too, is potentially a mutually beneficial relationship. If participation can be established, the public would be encouraged to develop a greater understanding of the purpose of the tax system, benefitting MIRD through increased compliance. Also by giving the public an opportunity to participate in

influencing policy, they will be able to voice their concerns regarding transparency and fairness in tax dealings and have these concerns dealt with. The increased confidence in the tax system which, it is hoped, would be created through such participation would be likely to enhance public cooperation with the MIRD, in the form of more prompt and accurate provision of information.

The difficulty, of course, is how participation is to be secured from such a large and heterogeneous body as "the public". Development of some of the activities of the P.R. division and the R and D division (see Chapters 2 and 6), and campaigns in the media, may help to inform members of the public about the nature and purpose of the tax system, and some of these means of communication (such as seminars and conferences) may provide an opportunity for members of the public to express their views. This would not be sufficient, however, to create meaningful participation.

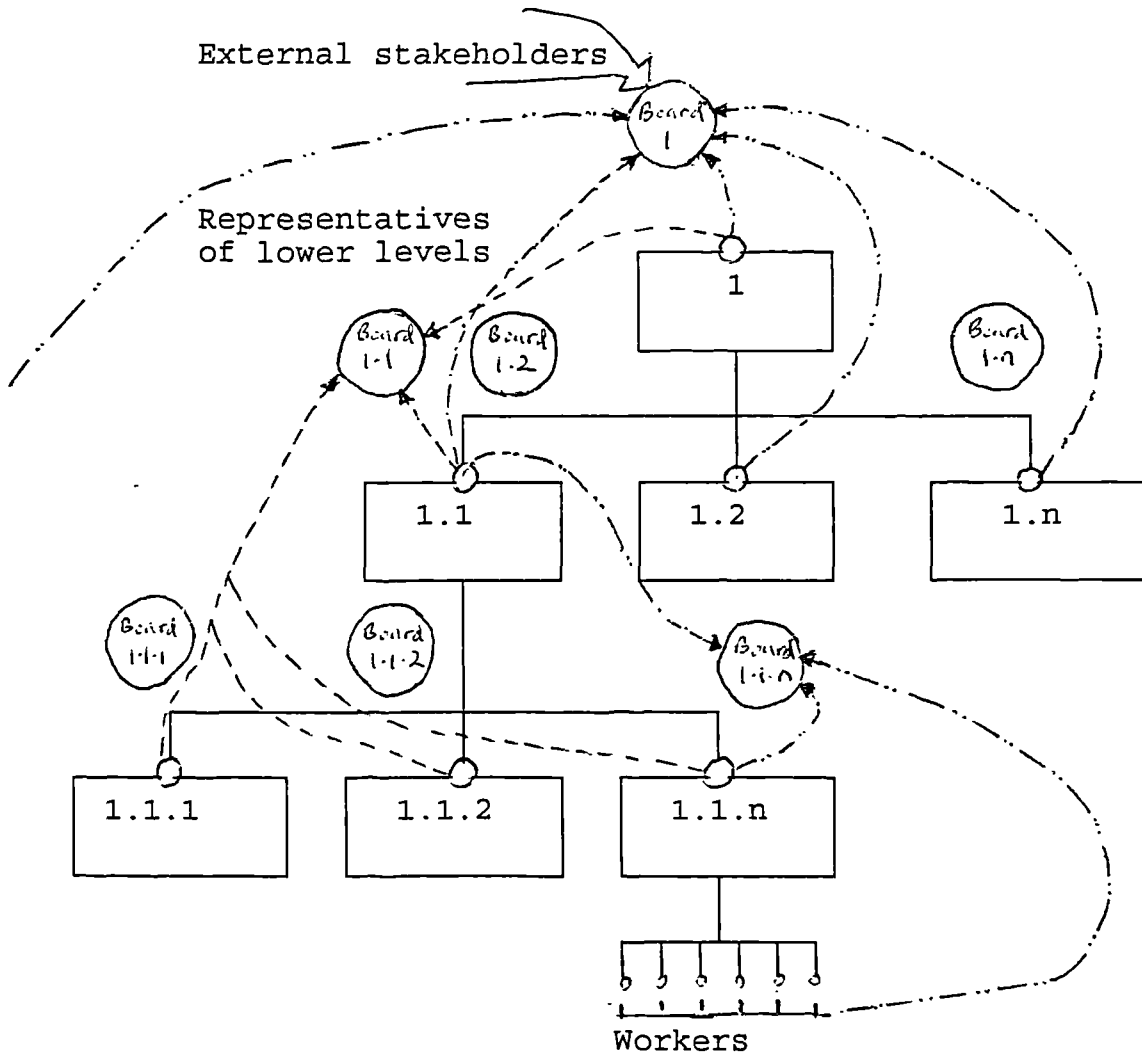
In addressing this difficult issue, the researcher believes that a useful starting point lies in an existing body, the National Consultative Council (NCC). This is a body made up of representatives of various interest groups within Malaysian society (including business interests, religious groups and others), which was established to discuss socio-economic development issues and provide feedback to the government. The organisations participate

at the invitation of the government, but representatives are elected by their organisations. Thus, there exists already a body of people, representing various sectors of society, who have the confidence of the groups they represent, who have already demonstrated willingness to give time and effort to discussion; and from whom the government is accustomed to receive feedback about problems and concerns, albeit at a very general level. If the involvement of this group in the discussion of tax issues could be secured, this would provide a good basis for the public participation needed by the researcher's proposed model. The following section will discuss in more detail a design for operationalising the principle of participation.

8.6 A Design for Participative Planning.

Figure 8.2 presents a design for participative planning, based on Ackoff, (1981). Although it represents an ideal which it may not be possible to realise exactly, nonetheless, it is likely that reasonably close approximation could be achieved. According to Ackoff, (1981) the diagram represents three levels of a conventionally structured organisation. The first level is the organisation as a whole; the second level is the divisional level, and the third level is that of individual sections.

FIGURE 8.2
THE DESIGN FOR PARTICIPATIVE PLANNING IN THE MIRD.



(Source: Adapted from Ackoff's Participative planning, 1981).

In the MIRD, the first level would be equivalent to the Headquarters, while the second level would be the divisional head, and the third level would be units headed by Group leaders (GL). Each box in the Figure represents a unit: the collection of people working at that level in a particular function. The small circle at the top of each

box represents the head of that unit. All members of a unit are given an opportunity to participate in planning for that unit.

The larger circles in the Figure represent the (planning) boards, which are the key feature of this design. Planning for each unit is led by its head, and these heads each report to a board. In the MIRD, planning heads would be the Branch heads and GLs. With the exception of the boards at the top and bottom of the diagram, which are discussed later, each board is composed as follows:

1. The head of the unit reporting to it - for example, the head of unit 1.1 is a member of board 1.1.
2. The immediate superior of the head of the unit - for example, the head of unit 1 is a member of board 1.1 (and also boards 1.2, ...1.n).
3. The immediate subordinates of the head of the unit - for example, the heads of units 1.1.1, 1.1.2...and 1.1.n are members of board 1.1.

This means that all three levels are represented on each board. With the exception of those units at the top and bottom of the hierarchy, unit heads are members of boards at three levels: their own, and those immediately above and below. For example, in the MIRD, the DG sits on

the board which is represented by the Divisional Heads and representatives from the Employees' group. In this context, all the boards members have equal rights during the discussion. In an organisation of five levels, managers in the middle would interact with all five levels: two higher in the boards of their immediate superiors, and two lower in the boards of their immediate subordinates. This extensive interaction, which Ackoff calls "circular organisation" enables the planning done by and for the various units and levels of the organisation to be effectively integrated. The need for such integration is discussed below.

At the lowest level all members of the unit are members of their unit's board. The workers at this level are thus brought into contact with two levels of management, his/her immediate superior and the immediate superior of the immediate superior. If units at this level are large, the board may be too big to operate effectively. To avoid this, it is preferable to keep the basic work units fairly small, perhaps no more than ten people. This need not mean that a large number of lowest - level managers are required. Ackoff (1981) suggests that in such situations, if the work teams are set as autonomous work groups, they can select and rotate leadership among themselves. Then no additional managers are required, and each autonomous work group can have its

own board in which all of its members participate along with the manager to whom it reports. The board of the lowest-level manager then contains the leaders of the autonomous work groups as well as the manager's immediate superior.

The board at the top (1) should include the highest authority (the head of unit 1, in MIRD's case, the DG), his immediate subordinates (e.g., 1.1, 1.2, ..., and 1.m), representatives of the external stakeholders (in MIRD's case, the FGM and public groups), and representatives elected by each level of the organisation not otherwise represented on that board (i.e. not only top management, but also members of the Employees' group, from all other branches). Thus, the board should reflect the interests of the whole system: the MIRD's containing environment, the organisation itself and individuals within it. It is likely that initially, at least, the representatives to the planning boards would be the managers from the levels/branches concerned. This is of course not ideal in Interactive Planning terms, but it is necessary in the MIRD's case, because of the nature of the roles of "bosses" and "subordinates", and the relationship between them, in Malaysian culture. Despite its shortcomings, such an approach would generate more participation and dialogue than currently exists. As Chapter Five has indicated, at present decision-making on

most issues is concentrated on top management, with policy decisions dominated by the DG. The opinions of those at lower levels in the organisation are sought only seldom, and in a limit range of issues. Moreover, no procedure currently exists for dealing with complaints. The version of IP proposed here would be an improvement in that respect.

Each unit formulates its own plans. It should have autonomy in any planning decisions which do not affect any other unit at the same or a higher level, and that do not require resources additional to those already available. In the MIRD, for example, each division should be given autonomy to plan for itself on matters which do not affect the HQ's policy or other divisions' performance. Other planning decisions should be submitted to the board at the next higher level for approval.

The major responsibilities of the board are two-fold. The first is to coordinate the plans made at the previous level. This is basically self-coordination, since (except for the top board) the majority of members are the heads of the units from the level below. The second responsibility is vertical integration between the plans made at the board's level, and those made at the levels immediately above and below. The top and bottom boards, of course, only have to integrate their plans with those of one other level.

Each board interprets the plans made at its level to the levels immediately above and below it, explaining clearly their implications.

At this point, the question may arise whether this method of planning imposes additional, excessive burdens on managers. However, Ackoff's (1981) experience of such a system in practice is that it is not impractical or unduly burdensome. The reasons for this are explained below.

The amount of a manager's time that is taken up by board meetings will obviously depend on the number of boards a manager serves. Ackoff (1981) suggests that as a general rule, a manager ought to have fewer than ten people reporting directly to him. Assuming that a board meets for no more than four hours per month, and that a manager is on a maximum of ten boards, forty hours per month, or less than 25 percent of the managers' working hours would be spent at board meetings (according to Ackoff). Managers' participation on the boards would take care of many of their main responsibilities; such as coordinating and integrating work, providing and receiving information, and motivating subordinates. Thus, the 75 percent of managers' time which is not spent in board meetings should be ample for the rest of their activities. Although these assessments by Ackoff of time spent by managers in and out of Board meetings seem intuitively

wrong, it should be possible in a pilot study to assess just what proportions of manager's time would be spent on each type of activity.

What this design does, in effect, is to organise and maximise the utility of the vast amount of planning which normally takes place in organisations, but which often fails to achieve its potential due to the informal and disorganised way in which much of it is undertaken. Time spent in extensive planning of the kind recommended here can reduce the time and energy which might otherwise be spent in worry, complaints and piecemeal, uncoordinated, and ultimately unsuccessful reform efforts. People's ideas and grievances can be expressed and attended to. The design for participative planning need not be introduced all at once, throughout the organisation, but could initially be used in a unit, department, or a division. If the approach proves successful at one level, it could gradually be spread throughout the organisation.

Whilst managers' participation in unit planning should be considered a requirement, participation of workers on the planning boards should be rotated. The reason for rotated, rather than voluntary participation, is that in the later case, managers would have the opportunity to manipulate the composition of the board (to their advantage) by coercing workers to attend or not. Rotated membership of the boards would remove this risk

and give all workers the opportunity and experience of participation at some stage.

A major advantage of this approach is that implementation of plans should meet with less resistance than normally occurs. People are more inclined to implement plans to which they have contributed, rather than those that are imposed on them.

In this respect, implementation of the model will be more likely if the planning can be developed from current structures. In fact, Chapters 2 and 6 revealed a number of committees, meetings, etc., which already exist, and which could be integrated into IP and thereby improved.

For example, as indicated in Chapter 2, there are 15 divisions in the MIRD, and each division runs its own operations. Currently, each division holds its own monthly meetings, which only the staff of that division attend. These meetings could be made the basis of the level 2 planning boards. The presence of level three representatives (e.g., group leaders) on the board would encourage participation of all groups in matters concerning the division. At the same time, representatives from all the divisions would be included in the organisation - level planning board, which would provide a forum where they could learn from each others' perspectives. That information would be taken back to the

meetings of the level 2 (divisional) planning boards. Thus, divisional meetings in the new model would be informed by enhanced awareness of what is going on at lower and higher levels, and in other divisions. This would help the division to plan in the light of wider knowledge and perspectives, and to integrate its plans with those being made in other divisions and levels.

Other current meetings and committees which could be incorporated into IP include the DG's Conference, Management Committee and Senior Officers' Committee, each of which could provide the nucleus of a planning board at its own level, and/or representatives to boards set up at other levels. Moreover, there are the meetings between groups leaders and subordinates, which could extend their focus beyond the current concern with production statistics, to deal with other issues. The point is that under IP, all these meetings would have a wider focus, and would involve representatives of other levels, so enhancing their role in the organisation. They would provide platforms for participation and debate, in a way which is likely to be acceptable to the organisation.

As indicated in Chapter Six, structures also exist for communication with the Federal Government and with the public. These, too, could be integrated into IP. Communication between the Government and the MIRD, for example, already takes place through the Public Service

Department and, more directly through meetings between the DG and the Treasury Minister. Contact with the public takes place through events organised by the R&D division, and through the PR unit. At present, these activities are limited in scope, and rather one-sided, in that their purpose is to orient the public to the MIRD's perspective. It has also been suggested that groups representing various sectors of the public could be invited to participate via the mechanism of the NCC. Either the NCC members themselves could serve on planning board 1 (see section 8.5); alternatively, the MIRD might communicate through them with the various interest groups and invite election of other representatives, specifically to serve on the planning board.

8.7 Criticisms of Interactive Planning.

Despite the flexible characteristic of IP, this method has been criticised. According to Jackson (1982), IP is highly regulative. It ignores the fact that imbalances in power and wealth may mean that irreconcilable conflicts do exist between groups. Therefore consensus might be false, as the outcome of the consensus is perhaps only achieved by political and economic pressures restraining the development of free thought among the less privileged stakeholders (in this context, the public).

The researcher recognises that there is some justification for this criticism of IP in general, and of the modified version of it suggested for implementation in this research. However, my own ideological view is that tax systems, if operated fairly, provide for the common good. Therefore, taking for granted MIRD's continued role as a tax-levying organisation as a pre-condition for IP is, in my view, acceptable. A significant regulatory element will be inevitable and even necessary. The participative model is not intended to challenge the role of the government or tax law. Indeed, "full" democratic participation may also not be feasible in the Malaysian cultural context, which is characterised by strongly paternalistic relationships between "superiors" (e.g. employers) and "subordinates". Nonetheless, the Participative model, operationalised through a modified form of IP, would represent a significant advance on the present situation, which includes neither participation nor consultation. The researcher's suggestions would create far more involvement of interest groups and transparency in decision making than has existed previously. The aim is that as many ways as possible should be created for various groups to express their views and have them responded to. Moreover, it has been proposed that attempts be made in advance of IP to address the racial and religious tensions, so as to facilitate a

more genuine participation. The researcher is proposing that the government be given an opportunity to explain and justify its decisions, and in particular to demonstrate that they are acting in the long-term interest of the society as a whole. It is accepted that in the version of IP proposed here, participation of some groups (particularly the public) could only be partial, and would be concentrated on "means planning" rather than "ends planning", as the end is more-or-less predetermined (a sufficient level of tax revenue to support socio-economic development). However, this "end" is in line with the *Vision 2020* which is already focusing Malaysian people's attention on the long-term welfare of the nation, and the goal of socio-economic development is presumably one that would meet with broad consensus if it could be clearly demonstrated that the interests of all were being actively pursued.

This study has tried to show that a form of participative model may have some strengths in the MIRD context. The point here is to give sufficient suggestions to demonstrate that the Participative model could be operationalised in practice, at least to some extent. At this stage, IP, with preliminary steps to deal with racism and zakat, would seem to be an appropriate way of doing this. However, the detailed working-out of the model will require future action research. At that stage, other

techniques and methodologies could, if necessary, be brought in, either in whole or in part, to address specific issues arising during the course of debate, planning or implementation.

8.8 The Advantages of the Participative Model over the other Information Management Models in the Literature.

There are several advantages of using the Participative model for managing information in MIRD. The diagnosis of the organisation presented in Chapter Seven suggested the desirability of all stakeholders being involved in the process of planning for information management in the MIRD. In contrast, the continuum and dichotomy models (reviewed in Chapter 3) would concern themselves only with the structure of the MIRD itself. They would make no provision for the involvement of either the government or the public. They would therefore be unable to address the issues of plurality and coercion. The following are some of the benefits which would be likely to proceed from the Participative model in relation to areas of concern raised by stakeholders (Chapter 5):

1) Administrative issues.

The first advantage of the Participative model in this context is that the management would be encouraged to practice an 'open door' policy in discussing organisational problems with employees before final

decisions are taken by the management. This practice would ensure that the decisions or plans made by the top management would reflect other perceptions of the situation of the MIRD.

Another advantage of this model is that it would encourage the employees of different divisions to work cooperatively in the process of managing information. For example, the officers in the Collection Branch could contact the officers in the Assessment Branch before collecting tax from the taxpayer, while the officers in the Assessment Branch could contact the front desk clerk to ensure that the latest information pertaining to the taxpayer is enclosed in the file before assessing the client's tax. This practice would ensure that information managed by the MIRD would be as complete and up-to-date as possible.

The Model should also assist in addressing difficulties created by the MIRD's relationship with the Treasury, in that the Treasury Department and the MIRD would, if Treasury participation is secured, work jointly in planning the budget of the MIRD. This would be part of the "resource planning" for the implementation of agreed means to meet agreed ends. Increased participation in pursuit of a common goal would increase the likelihood that the MIRD would get the 'right' budget allocation from the Treasury. This situation would hopefully reduce the

problems of shortages in manpower, computer terminals and system and office space.

Neither the continuum nor the dichotomy models would be as effective in dealing with the administrative concerns of the MIRD. The continuum model is essentially authoritarian, and would concentrate decision-making authority in the DG. Thus, there would be no mechanism for expressing the variety of perceptions held by managers and employees with regard to these issues, or for "sweeping-in" their expertise. The continuum model offers no means of dealing with the MIRD's relationships with either the government or the public. The Dichotomy model would also leave out government and public. Moreover, it could lead to a lack of coordination and integration: in an organisation of the size and complexity of the MIRD, where the activities of one level or division have repercussions for several others, discontinuity in planning would be likely to be highly detrimental to the MIRD's administration.

2) Legal issues.

The first advantage of applying this model in the context of the legal issues is that it would provide an avenue for discussion between the managers and officers involved in handling cases which are the focus of a legal dispute. Opinions from experts and officers would be

sought before a final decision is taken pertaining to the case.

Another advantage of this model in this context is that it would encourage the government, management and officers in the MIRD to achieve some agreement as to interpretation of the ITA 67. As a measure to avoid further legal implications, this model would encourage the government and MIRD to make efforts to eliminate the present ambiguity in the ITA 67.

In view of the lack of provision for involvement of the government, both the Continuum and Dichotomy models would be likely to result in continued perception of ambiguities in the ITA 67 and the risk of inconsistency in its application. Indeed, this difficulty might actually be increased using the Dichotomy model, due to the separation between functions and the likelihood of different departments having their own specialised, narrow perspectives. Lack of a holistic view would also be problematic in dealing with tax cases which are in dispute. The continuum model might provide a unified perspective on such cases, but the narrow concentration of decision-making authority might mean that such a perspective was based on incomplete knowledge. Moreover, delays in dealing with disputes would be likely, due to the excessive burden of information-handling and decision-making on the DG, who would have to review all cases

personally.

3) Cultural issues.

The advantage of using this model in the cultural context is that the managers and employees would be encouraged to make an effort to co-operate with the public in trying to understand the problems faced by them, rather than just trying to impose the tax law on them. By applying the tax law with an understanding of cultural issues, fear or hatred on the part of the public towards the MIRD should be reduced. By gaining public confidence through effective information management, the MIRD would reap the benefit of greater public responsiveness.

It has been indicated earlier (Chapter Five and Seven) that the cultural issues arising in the MIRD are to do, not only with plurality of viewpoints, but also with coercion. Thus, they could not be addressed satisfactorily by the Continuum and Dichotomy models. The concentration of authority in the DG, under the Continuum model, could increase the risk of actual or perceived bias against a particular ethnic group. It would also be likely to result in a perpetuation of the traditional organisational approach which fails to take culture into account. The Dichotomy model also is not conducive to dealing with the sort of cultural issues that face the MIRD, as there is a danger that functional specialists would see culture as

outside their sphere of concern. Even if, under either of these models, the DG or other MIRD staff showed an interest in cultural issues, they could not adequately deal with them, due to exclusion of those most concerned - the members of the public.

8.9 Disadvantage of the Model.

There is one disadvantage which could affect all the issues discussed above. It is that, since the model relies on the co-operative participation of all stakeholder groups, it will not work if for any reason such participation is not forthcoming. The researcher has, however, attempted to reduce this possibility by proposing steps that could be taken to create a more participative climate. Moreover, as highlighted earlier in this Chapter, the research study suggests that there are grounds for believing that there already exists some willingness to participate, and that in the right framework this trend could be developed. Thus, it is believed that the Participative model would be both feasible and beneficial in the MIRD context.

8.10 Protocol for a suggested action research project.

A protocol for the suggested implementation of this model in the form of an action research project is described in the following paragraphs.

Commitment required for this project.

Implementation of the Participative model in the MIRD would require the commitment of the DG and TKPs since it is they who, under the present system have decision-making authority and (in the case of the DG) some influence with the government. The first step in implementing the model would therefore be to secure the approval of these senior managers.

For materialisation of this project, it is also important for other stakeholder groups, i.e., the Treasury and representatives of the public, to be involved and cooperate fully in the planning process. Their prior commitment would therefore also need to be sought before implementation could be started. It will be necessary for the MIRD to play an active role in securing this commitment. For example, the DG of the MIRD could go to the Treasury to explain to them the impact on tax collection of shortage of budget, etc. However, as emphasised earlier, the MIRD can only *suggest* to the Treasury that they participate in this model. It cannot *force* them to be involved.

In the case of the public, a similar approach could be made by the MIRD. The MIRD could explain to the members of the NCC that their commitment, and that of their organisations, would benefit them by providing a forum where their concerns could be voiced, and for negotiating

to deal with them. They would have the opportunity to participate in designing a system which they would, it is hoped, perceive as fairer than the present one.

In effort to secure the commitment from these various stakeholder groups, the MIRD could have a temporary blue print as an initial guide to the future plan, which would be based on participation. For example, to the Treasury, the MIRD would show the effect on tax collection once the public is satisfied with the tax system, etc.

As for the public group, the temporary master plan would describe the need for their involvement in discussing issues that might otherwise adversely affect their welfare, before a tax policy is formulated. It is expected that the public would respond well to an opportunity such as this.

Setting up the planning boards.

As the organisation which is a central focus in this project, the MIRD would play a key role in setting up the 'planning boards'. Following Ackoff's (1981) design, discussed in section 8.6, all boards below board 1 would consist only of MIRD staff. These could be formed drawing on existing structures such as the Senior Management Committee, Work Group meetings, etc. Board 1, however, also needs to contain representative of external

stakeholder groups. The MIRD would invite the FGM and public organisations (initially, at least, based on the NCC) to nominate representatives to this board. As an example, its composition might be:

- 1) at least 19 representatives from the MIRD, including the DG, the 3 TKPs and a representative from each of the 15 branches.
- 2) at least 10 representatives from the Treasury;
- 3) representatives from religious organisations, Chamber of Commerce, trade unions/professional associations etc., currently represented on the NCC.

Time scale.

It is envisaged that the time taken by the MIRD to form Board 1 would be at least 12 months, in order to allow time for the stakeholder groups to select their representatives. Planning boards at other levels could probably be formed earlier, if use was made of existing structures. Ackoff (1981) claims that it is feasible for IP to be introduced gradually, beginning with one or more levels of the organisation. Early implementation at the lower levels of the MIRD would make a start in addressing the plurality of views within the Department though the full benefit of the model would not be achieved until Board 1, containing the representatives of external

stakeholders, was operational.

Evaluating the Model.

Since the model is designed to manage pluralistic viewpoints, and because it values the opinions and ideas of stakeholders, it is appropriate to evaluate it by listening to stakeholder feedback on its effectiveness. It should be possible for this evaluation to use a *formative* methodology, where on-going feedback is provided to the organisation so that it can continuously improve its planning process.

It should be pointed out that the above protocol is an ideal based on the researcher's current knowledge. It contains only suggested possibilities. Events on the ground would probably necessitate alterations as new issues are encountered.

8.11 Conclusion.

In conclusion, the participative model proposed by the researcher to the MIRD could provide a way of addressing the problems of complexity and pluralism facing the organisation. It has been suggested that IP might be used as a basis for designing this model because of its concern for participation, understanding, and pursuit of broad consensus among different stakeholder groups in social systems.

Moreover, an attempt has been made to increase the practicality of the model by indicating how the organisation can demonstrate public commitment to participation by addressing the agendas of dissidents in advance. In the case of MIRD, this would mean, for example, instituting specific measures for dealing with Zakat and racial issues prior to commencement of IP.

CHAPTER NINE

CONCLUSION

9.1 Introduction.

This study has explored issues affecting the management of information in the Malaysian Inland Revenue Department, an agency established by the Federal government to collect the tax revenue needed to fund socio-economic development objectives. Issues were surfaced by triangulating information from three sources: documentary analysis, observations carried out by the researcher (as MIRD employee) and interviews with three groups of stakeholders involved in the tax system: top management of MIRD, employees, and members of the Public (comprising both existing and potential future taxpayers). In this chapter, the findings of the project will be summarised, as will the model designed by the researcher to address the concerns of the various stakeholder groups and provide a framework in which improvement might be achieved. Finally, the contribution to knowledge made by this study will be highlighted.

9.2 Summary of Findings

This project has highlighted the significance of IM for the MIRD. The basic role for which the MIRD was established is to collect appropriate tax revenue for the government. The collection of tax revenue can only be

improved if the MIRD is able to manage a huge volume of information within the appropriate time frame.

At the same time, the MIRD sees itself as a public service organisation with a duty to provide a good service to the public, in terms of accurate advice, prompt assessment, fair treatment and so on. Efficient and effective IM is obviously central to these activities, and hence to the MIRD's ability to maintain the confidence and cooperation of the public.

As an administrative requirement, the need for effective IM is a result of bureaucratic pressure. As Salter and Tapper (1981) indicate:

The bureaucratic pressure emerges, firstly from the general need of modern society for rational modes of organising its increasingly complex system of social relationships and, secondly, from the specific bureaucratic form of state agencies, which have developed to the point where they are capable of generating and sustaining their own autonomous needs (p.7).

This pressure has become increasingly apparent with the development of the strong modern emphasis on the value on efficiency and accountability. As an agency funded by the Federal Government, the MIRD is accountable to both the government and the public for the level of service it provides.

IM also has a role in balancing the political needs of the organisation. The MIRD is very much a "politicised" organisation, used as an instrument of

government policy. In this context, IM co-ordinates the activities of legislative, executive and judicial aspects of public administration. The management of information and exercise of political power are also inextricably linked through MIRD's role in interpreting the ambiguities of the tax law, ITA 67.

Finally, IM is used in the MIRD context to uphold statutory requirements, safeguarding both individual and institutional rights.

However, at present, IM in the MIRD is perceived by some employees and members of the public to be subject to a number of weaknesses, including time lags, misplacing of information, and lack of clear planning, so that information is often either inadequate or redundant. However, these issues were perceived differently by different groups. A meta-issue facing MIRD is the extent of disagreement among employees, and between them and management, on the problems faced by the organisation. For example, employees felt there was a problem of a focus on managing information in large quantity, rather than managing it with quality. In the eyes of employees, IM was found to be impeded by frequent changes of directives, inadequate recording of information and poor control of its movement, poor co-ordination between divisions, and human resource management problems such as lack of planning, and perceived unfairness of work allocation and

reward systems which lowered staff morale. Managers, however, often perceived these issues differently and were less inclined than employees to see them as problems. They saw the key issues as being more to do with computerisation, manpower, and the lack of a tax-paying culture amongst the public.

The only issue on which there was substantial agreement between management and employees was the difficulty caused by delay in the computerisation programme, and (to a lesser extent), the perceived shortage of manpower. In these respect, the MIRD is reliant on the Federal government which provides its budget and which allocates staff via the Public Service Department (PSD). Although the MIRD has the opportunity to request the finance and manpower it believes it needs, it is often overruled on these matters, so it is in the difficult position of balancing government objectives, with what is feasible within the constraints of available manpower and facilities.

Legal variables affect the MIRD's practice through the way the Income Tax Act is interpreted to the public. Ambiguity in ITA 67, leading to inconsistencies in implementation, were perceived as problematic by both employees and members of the public, though managers felt the guidelines are clear and that tax officers can be expected to use some measure of individual judgement in

the light of the circumstances of a given case.

Finally according to MIRD managers, issues of religion, ethnicity and the nature of income present obstacles in obtaining tax from the public, and these were issues perceived as problems by members of the public themselves. Muslims resented paying the "un-Islamic" income tax in addition to *zakat*; they were suspicious that MIRD officials favour clients of their own race; and salaried employees and self-employed people each thought they were victimised by the tax system, as compared to the other. However, the public are compelled by law to pay tax, and normally have no opportunity to express their grievances with regard to the system. Thus, a second meta-issue for the MIRD is coercion.

Finally, there is a meta-issue of complexity in terms of the number of interactions among the various elements, groups and issues which make up the MIRD context.

On a more positive note, signs were found of opportunities for improvement: at least some senior management show a desire to improve the MIRD's performance and willingness to consider change; a number of communication channels exist within the organisation, and between it and its "owners" and "clients"; and some attempt at reform is already evident in the commissioning of the PUSH project. These factors provide the framework

within which the researcher was able to design a model for change.

9.3 Recommendations.

Diagnosis of the organisation suggests that lack of goal congruence and differences in perceptions among stakeholder groups is a key issue. To address the issues facing the MIRD, therefore, there is a need for a more participative model of information management, but this needs to incorporate prior approaches for dealing with the religious and racial tensions which could frustrate the possibility of open communication. To achieve this aim, the researcher has devised a Participative Model for the MIRD drawing heavily on Ackoff's (1981) Interactive Planning, though in a modified form, in the light of Midgley's (1990) Creative Design of Methods. This could be operated in the context of the ongoing PUSH project, which should be concerned with Information Management in the widest sense. Moreover, the model would make use of committees and other communication channels already in existence (such as the Directors' conference). This use and gradual development of known and familiar institutions and procedures would increase the likelihood of the model being accepted into the MIRD's work culture.

It is the researcher's belief that the Participative model offers a framework within which

stakeholders will be able to tackle the issues facing the MIRD, and so enhance its information management. It would provide a mechanism whereby clear goals could be agreed for information management in the MIRD. Discussion among stakeholders could provide ideas which could be used in drawing up information management principles, to guide the MIRD's practice and clarify the roles and responsibilities of all concerned. The model offers potential for overcoming the negative perception held by the public towards the MIRD. Improved communication between managers and subordinates would be encouraged, so that decision-making would be informed by greater awareness of the implications of any choices made. Improved communication between the MIRD and the Treasury would also be encouraged, which would be a step towards addressing issues outside the MIRD's direct control. The crux of it is the scope it offers for the stakeholders themselves to decide what should be done, and how, through ongoing participatory debate. Initially some compromises will have to be made if it is to be operationalised successfully, but it is by participants' own perceptions of success in addressing the issues that concerns them, that the model will ultimately be judged.

9.4 Contributions of this Research.

This research has identified the major issues in

the management of information in the MIRD in terms of the role of information and perceptions of the internal and external factors influencing the IM process. It has designed a model which offers an alternative to traditional IM theory, to address the MIRD's problem situation. More specifically, the contributions of this research are as follows:

1. The project represents the first ever study of the problems of Information Management facing the tax system in Malaysia. It has identified the key problems facing the MIRD as being,
 - a) Complexity
 - b) Disagreement, reflected in conflicting views between MIRD managers and employees, with regard to such subsidiary issues as planning, time lags, information recording and processing procedures, work allocation and interpretation of the ITA 67.
 - c) Coercion, reflected in the resentment expressed by members of the public towards the perceived unfairness and inconsistency of their treatment by the MIRD, and above all in racial tensions and the objections of many Muslims to the secular tax system.
2. The researcher has designed an innovative means

of addressing these problems, using the Creative Design of Methods (Midgley, 1990). The proposed solution is a Participative model of information management based on Ackoff's (1981) Interactive Planning, whereby all stakeholder groups would be encouraged to participate in discussion and debate, facilitated by prior measures to address the problem of coercion. The model could be implemented in the context of the ongoing PUSH project, and build on existing structures, thereby facilitating its implementation and increasing the likelihood of its being accepted.

To summarise, the study has provided a trail-blazing exploration of the issues facing the Inland Revenue in a multi-racial country in the Far East. In its design of a Participative model to address these issues, it offers an innovative approach to information management which contributes to its critique and development.

In line with the protocol suggested in Chapter Eight, an action research project could now be undertaken to implement the model in MIRD and thereby contribute to its further development.

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Appendix 1 - QUESTIONNAIRES.

CONFIDENTIAL

QUESTIONNAIRE USED FOR THE MALAYSIAN INLAND REVENUE
DEPARTMENT SURVEY.

A SURVEY OF INFORMATION MANAGEMENT
STRATEGY IN THE MALAYSIAN INLAND REVENUE DEPARTMENT.

MARCH 1995

A.F.ZAKARIA

INTRODUCTION.

This survey is carried out in support of a doctoral research study which investigates the scope and significance of good information management in the effective administration of Public Service Organisations.

Its aim is to identify the information management strategy of the Malaysian Inland Revenue Department (MIRD) and to evaluate the perceptions, attitudes and opinions of management and staff towards information management in the MIRD.

In order to achieve this aim, I would like your views on the various aspects of information management in the MIRD. A four part questionnaire containing a number of statements about how information is acquired, processed and used is provided in pages 3 to 7. I should be very grateful if you could spare the time to answer all the questions, but if you do not wish to comment on all aspects, please just answer those questions which interest you. Please feel free to comment on any points not directly covered. There are no right or wrong answers and this is not a test of your intelligence or ability. I am interested only in your opinions and confidentiality will be observed.

THANK YOU FOR YOUR COOPERATION.

INFORMATION MANAGEMENT.

Basically, information management refers generally to an organisation's process of planning, organising, controlling and motivating employees to acquire, process and use information effectively.

All organisations must manage information properly in order to make effective decisions. Without good decision making throughout an organisation's business will fail.

Decision making is central to every manager's role in an organisation and decisions are impossible without information, most significantly in organisations like MIRD which depends solely on the efficient acquisition and processing of information in order to carryout its main functions.

As a public service organisation, MIRD must be able to collect information, communicate it internally and process it so that managers can make decisions quickly and effectively in pursuit of organisational objectives.

QUESTIONNAIRE.

PART ONE. - PERSONAL DETAILS.

1. What is the title of your job?

2. In what section or unit do you work?

3. How long have you been with the organisation?

4. How old are you?

5. What is your educational level?

PART: TWO

The following questions will try to determine what you know about the existing information management strategy in MIRD.

- 1) What is the current information management strategy of the MIRD?
- 2) What are the types of information that the Department acquires from the public?
- 3) How is this information obtained by the Department?
- 4) What type of information is considered the most relevant for the Department?
- 5) How does the Department determine the relevance of information?
- 6) How is acquired information processed by the Department?
- 7) What is the use of this information to the Department?
- 8) What kind of output does the MIRD obtain from the current information management process?
- 9) What are the measures taken by the Department in controlling the management of information in the organisation public?
- 10) What are the measures taken by the Department in monitoring new and old information in the organisation?
- 11) What are the strengths and weaknesses of the current Information Management?

PART: THREE.

The following questions will try to determine what you feel about the existing information management strategy in Malaysian Inland Revenue Department.

- 1) How can the current information strategy in the MIRD be improved?
- 2) How relevant is the information obtained to the department?
- 3) What is your opinion about the existing information processing system?
- 4) Do you think information obtained is effectively used?
- 5) How can the use of information be improved?
- 6) How can the Department improve the current information monitoring?
- 7) How can the Department improve the current information control system?

PART: FOUR.

The following questions attempt to seek your ideas about the future role of information management in the Malaysian Inland Revenue Department.

- 1) What do you think about the current practice of managing information ? (Management by Partial Trust).
- 2) What do you think about the role of information management system in future administration of MIRD ?
- 3) How should information obtained by the department be used in the future ?
- 4) How should the department process acquired information in the future?
- 5) What measures should be used by the department in monitoring information resources in the near future?
- 6) What control measures should the Department used in the future in managing information in the organisation?
- 7) What do you think the future strategy of information management for MIRD should be?
- 8) What do you think about Information Management by Total Trust?

CONFIDENTIAL

QUESTIONNAIRE USED FOR THE MALAYSIAN PUBLIC SURVEY

A SURVEY OF INFORMATION MANAGEMENT STRATEGY IN THE
MALAYSIAN INLAND REVENUE DEPARTMENT.

MARCH 1995

A.F. ZAKARIA

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Decision making is central to every manager's role in an organisation and decisions are impossible without information, most significantly in organisations like MIRD which depends solely on the efficient acquisition and processing of information in order to carryout its main functions.

As a public service organisation, MIRD must be able to collect information, communicate it internally and process it so that managers can make decisions quickly and effectively in pursuit of organisational objectives.

QUESTIONNAIRE.

PART ONE:-
PERSONAL DETAILS.

1. How long have you been a taxpayer?
2. Sex _____
3. Marital Status _____
4. Age _____
5. What is your source of income? _____
6. How many children do you have?
7. What is your level of education?

PART TWO

The following questions will try to find information on how you feel about the existing information management strategy in Malaysian Inland Revenue Department.

1. What do you think about the services provided by the MIRD? (Strengths and Weaknesses).
2. What do you think about methods used by the MIRD to obtain information from you?
3. How can the current methods of acquiring information be improved?
4. What do you think about communication between the Assessment and Collection Divisions in the Malaysian Inland Revenue Department?
5. What do you think about the types of information provided by the MIRD to you?
6. What do you think about the filing and recording system in the MIRD?
7. What do you think about the communication between the MIRD and the public?
8. What do you think about the level of competence of the MIRD staff?

Appendix 2 - LIST OF INTERVIEWEES IN MALAYSIA.

LIST OF TOP MANAGEMENT INTERVIEWEES

1. The Present Director General of the Malaysian Inland Revenue Department (1989 - present).
2. The Present Deputy Director General I of the Malaysian Inland Revenue Department.
3. The Present Deputy Director General II of the Malaysian Inland Revenue Department.
4. The Present Deputy Director General III of the Malaysian Inland Revenue Department.
5. Divisional Head of the Operations Division of the MIRD.
6. Divisional Head of the Petroleum Division of the MIRD.
7. Divisional Head of the Assessment Branch of the MIRD.
8. Divisional Head of the Company's Branch of the MIRD.
9. Divisional Head of the Technical Division of the MIRD.
10. Divisional Head of the Non-Resident Branch of the MIRD.
11. Divisional Head of the Quality-Control Division of the MIRD.
12. Divisional Head of the Collections Division of the MIRD.
13. Divisional Head of the Investigation Branch Division of the MIRD.
14. The Collector of Stamp Duty for the MIRD, Kuala Lumpur.
15. The Collector of Estate Duty for the MIRD, Kuala Lumpur.
16. Divisional Head of the Research and Development Division of the MIRD.

17. Mr. S.K.Nathan, Senior Assistant Director, Technical Division, MIRD Kuala Lumpur.
18. Mr. Joseph Teh, Senior Assistant Director, Collections Division, MIRD Kuala Lumpur.
19. Mrs. Sharazad Yahya, Senior Assistant Director, Technical Division, MIRD Kuala Lumpur.
20. Mrs. Asmah Ahmad, Senior Assistant Director, Technical Division, MIRD Kuala Lumpur.
21. Mrs. Norjehan Ayub, Senior Assistant Director, Assessment Branch, MIRD Shah Alam.

LIST OF EMPLOYEES INTERVIEWED

ASSESSMENT BRANCH

SALARY'S SECTION

1.	Othman Mohd Yusof	-	Assessment Officer
2.	Ahmad Lotapi Nordin	-	"
3.	Khalid Zahari	-	Asst. Assessment Officer
4.	Mohd Adli Abdul Rahman	-	"
5.	Azizah Mohideen	-	Tax Assistant
6.	Zalina Abdul Razak	-	"
7.	Ahmad Idris	-	"
8.	Hamidah Abdul Rahman	-	"
9.	Wan Ahmad Alluwi Wan Hussin	-	"
10.	Zahiran Mahmood	-	"
11.	Mohd Yusof Omar	-	"
12.	Jamaliah Silin	-	"
13.	Balamuthu	-	"
14.	Arfah Saimin	-	"
15.	Ab Wahid Hj Osman	-	"
16.	Rosley Ismail	-	"
17.	Munirah Hj Endut	-	"
18.	Mahendran Vadiveloo	-	"

SALARY'S SECTION

1.	Hishamuddin Mohd	-	Assessment Officer
2.	Nik Marzan bt Mohd	-	"
3.	Ammar b. Johari	-	"
4.	Khairul Bariyah Ab. Hamid	-	"
5.	Roslina Ibrahim	-	"
6.	Lee Ah Soon	-	"
7.	Mohd Zamari Ngah	-	"
8.	Yong Tiang Wang	-	"
9.	Noraini Abdullah	-	"
10.	Mohd Zin Yaacob	-	"
11.	Mohd Badurshah Saaid Mohammad	-	"
12.	Zarina bt. Nazar	-	"
13.	Khairul Faizah bt Abu Bakar	-	"
14.	Ziad Abdullah	-	"
15.	Zulkifli Tahir	-	"

COMPANYS BRANCH

1.	Mugunan s/o Raman	-	Assessment Officer
2.	Bulvir Singh s/o Pritam Singh	-	"
3.	Lee Chiew Ing	-	"
4.	Mohd Daud Mohd Rais	-	"
5.	Ashaari Muda	-	"
6.	Quek Poh Leng	-	"
7.	Syed Hamid Syed Ahmad	-	"
8.	Zainal Abidin Rashid	-	"
9.	Mohd Sarkarno Deris	-	"

10. Sait Ahmad	-	"
11. Loke Chee Cheng	-	"
12. Rohana Montel	-	"
13. Salmah Ahmad	-	"
14. Mohd Azman Mohd Yusoff	-	"
15. Anim Hj Omar	-	"
16. Mohd Anuar Yaakub	-	"
17. Noraizah Othman	-	"
18. Salmah Bee	-	"
19. Christine Ho	-	"
20. Wan Hapsah Wan Dagang	-	"
21. Aminorddin	-	Assistant Assessment Officer
22. Zamri Idris	-	"
23. Aliasad Abu Bakar	-	"
24. Mohd Said Mohd Yusof	-	"
25. Nor Mohd Fakir Mohd	-	"
26. Zakaria Yusof	-	"
27. Nik Azmi Nik Taib	-	"
28. Ahmad b. Abu	-	"
29. Rohani Bokhri	-	Filing Clerk
30. Saadiah Ahmad	-	"
31. Mazlan Jusof	-	"
32. Hamidah Baharuddin	-	"
33. Zalina Mohd	-	"
34. Mohd Sufian b. Mohd Sani	-	"
35. Chew Gaik Lian	-	Typist
36. Tuan Maini Syed Bidin	-	Computer Operator
37. Mazni Ahmad	-	"
38. Norma Ali	-	"
39. Maimoon Mohamad	-	"

NON RESIDENT BRANCH

1. Norbaayah Ahmad	-	Assessment Officer
2. Mahendran a/l Vadiveloo	-	"
3. Subramaniam a/l kandiah	-	"
4. Ismail Mohd	-	"
5. Zaiton Mohd	-	"
6. Solehah Yahya	-	"

COLLECTION BRANCH

1. Kularaj	-	Assessment Officer
2. Muez Abdul Aziz	-	"
3. Suhaimi Mohd	-	"
4. Norazizan Adnan	-	"

SHAH ALAM'S BRANCH

1. Mohd Ramli Abdul Rahman	-	Assessment Officer
2. Tan Ah Kau	-	"

- 3. Rahimah Abdullah - "
- 4. Radziah Selamat - "
- 5. Azian Mohd - "

QUALITY CONTROL BRANCH

- 1. Nik Norehan Abdul Manap - Assessment Officer

TECHNICAL DIVISION.

- 1. Halimah Ismail - Asst. Director
- 2. Hjhh Azizah Ahmad - "
- 3. Rozina Othman Merican - "

INTERNATIONAL DIVISION.

- 1. Mansor Hassan - Assessment Officer.

MINISTRY OF FINANCE.

- 1. Puan Kamariah Abu Bakar
Deputy Secretary
Tax Division
Treasury Department of Malaysia
Kuala Lumpur

LIST OF MEMBERS OF PUBLIC INTERVIEWED.

SALARIED WORKERS.

Lecturers at MEDEC center Institut Teknologi MARA, Shah Alam.

1. Drs. Hamat Ghazali.
2. Nik Mustaffa Mohammad
3. Rahimah Sarmidi
4. Marsitah Abu.
5. Farok Zakaria.

Lecturers at Institut Teknologi MARA, Melaka Branch.

1. Osman Ismail.
2. Mohd Isa Abdul Ghafar
3. Hj Ahmad b. Wahid
4. Rashidah Ismail
5. Nor Azlina Abdul Aziz
6. Rafidah Ibrahim
7. Hj Illias Zaidi
8. Dr. Arshad Hashim
9. Kathleen Chin
10. Wee Kok Liang
11. Dr. Ibrahim Kamal Abdul Rahman

Lecturers at School of Hotel and Institutional Catering, National Productivity Center, Petaling Jaya, Selangor.

1. Mohiddin Othman
2. Shafiee Hashim
3. Ishak Salleh

Lecturers at the Pusat Latihan Telekom (Telecom Training Institute), Kuala Lumpur.

1. Mohd Kamaruzamman Hj Mohd Saad
2. Wan Aida Hayati Mahmood
3. Mary Anne
4. Abdul Aziz Rahman

SELF-EMPLOYED GROUP

1. Lee Yoke Yong, Car Mechanic, Workshop owner, Bandar Lama, Machang, Kelantan.
2. Yusof Hj Noor, Advocate and Solicitor, Partner of legal firm, Kota Bharu, Kelantan.
3. Dr. Hilmi Hj Yusuf, Veterinary Surgeon, owner of veterinary clinic, Kota Bharu, Kelantan.
4. Azidah b. Ahmad, Restaurant owner, Bandar Lama, Machang, Kelantan.
5. Mat Din bin Hj Mohammad, Owner Setia Raya Book Store, Machang, Kelantan.
6. Mohd Rom Hj Noor, Owner Construction Company, Machang, Kelantan.
7. Mohd Shamsul Khalil, Batik clothes manufacturer, Pusat KARYANEKA, Jalan Gurney, Kuala Lumpur.
8. Fakri b. Saad, Furniture-maker, Pusat KARYANEKA, Jalan Gurney, Kuala Lumpur.
9. Khairul b. Abdullah, owner of a Glass company, Pusat KARYANEKA, Kuala Lumpur.
10. Mak Yam Store, owner of a food stall, Jalan Gurney, Kuala Lumpur.
11. Dr. Arjunan Subramaniam, tax consultant, partner of Arjunan and co (tax consultants), Jalan Hang Lekiu, Kuala Lumpur.

COLLEGE STUDENTS

Institut Teknologi MARA, Shah Alam - MEDEC Center.

1. Ahmad Tamezi Din
2. Zulkipli Mohd Lazim
3. Mohd Fauzi Abdul Aziz
4. Zaimidin Abdul Rahman
5. Mairan Abdul Rahman
6. Abdul Rashid Othman
7. Sharon Johan.

National Productivity Center, Petaling Jaya - School of Hotel and Catering.

1. Phillip Chen
2. Ezlina Shukaida bt. Abdul Karim
3. Halbert Micheal
4. Mohd Fairus Joinee
5. Annan Ahmad
6. Marc Peter
7. Kirenjit Kaur Chand
8. Mohd Hanafi Abu Bakar.

Pusat Latihan Telekom, Kuala Lumpur.

1. Abd. Mubin b. Mohd Zain
2. Abu Sallehein bin Nordin
3. Arifin bin Awang
4. Atikah bt. Abdul Wahab
5. Azlan b. Abu Bakar
6. Azlan b. Mohamed Nor
7. Daud b. Jonit
8. Fauzi b. Mohd Johar
9. Gidah a/l Menon
10. Harison bt. Mohd Mokhtar
11. Hasmah bt. Mohd Derus
12. Jonah Quiban
13. Mahyuddin b. Sajuri
14. Mahyuddin b. Mohd Amin
15. Md. Nor bin Mohamad
16. Mohd Fadillah bin Mohd Nor
17. Mohd Yusri b. Mohd Yusop
18. Mohd Zuki bin Yusuf
19. Napizah bt. Alang Jaafar
20. Norhaimi Mohd Noor
21. Noridahanim bt Mohamed
22. Norlila bt Abu Bakar
23. Norashikin Haji Nawawi
24. Norzian bt. Samsudin
25. Omar bin Mokhtar
26. Rabi'ah bt Ruhan @ Idris

27. Valentino Jefferson Munjan
28. Zahari bin Ismail
29. Zahidi bin Jusoh
30. Zainal b Atan
31. Zubaidah Hanum bt Ibrahim
32. Zul b. Derasid
33. Zul b. Jaafar
34. Zuleah Darsong.

Appendix 3 -LIST OF INTERVIEWEES IN THE UNITED KINGDOM

LIST OF INTERVIEWEES AT THE UNITED KINGDOM INLAND REVENUE OFFICE.

HEAD OFFICE.

Inland Revenue Office
Organisation and Performance
Business Operation Division
Room 732
South West Wing
Bush House
London WC2B 4RD

1. Mr Matt Rannamets
Systems Control and Management Information Systems
Manager

REGIONAL OFFICE NORTH

Inland Revenue North
100 Russell Street
Middlesbrough
Cleveland, TS 1 2RZ

1. Ms Yvonne Lockwood
Communication Officer
2. Mr Dolly Young
Manager
Collectors Division
3. Mrs Win Bell
Senior Tax Executive
Assessment Division

DISTRICT OFFICE NORTH

Inland Revenue Greater Manchester
Manchester 1 District
Albert Bridge House
1 Bridge Street
Manchester M60 9BA

1. Mr G R Price
Customer Service Manager

Inland Revenue South Yorkshire
Leeds District 1
Taxpayer Service Office
Selection 8
8th Floor, Castle House
31 Lisbon Street
Leeds, LS1 4SJ.

1. Mr N D Ovenstone
Officer in Charge

Inland Revenue South Yorkshire
Doncaster 1 District
Cussins House
Wood Street
Doncaster DN1 3LR

1. Mr K C Waight
District Inspector
2. Ms Val Mullins
Tax Inspector
Assessment Division
3. Mr G Lister
Tax Inspector
Compliance Division

TAX CONSULTANT.

1. Mr John Gardner
Tax manager
Price Waterhouse Chartered Accountants
Victoria House
Guildhall Road
HULL.