

The balanced scorecard as a strategic management tool to improve the performance of Lesotho's customs administration

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DECLARATION

I, **KH TLHOELI**, declare that **The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho's Customs Administration** is my work and that all the sources used or quoted have been indicated and acknowledged through complete references. This dissertation has not previously been submitted by me or any other author to any other university.

KH TLHOELI

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ABSTRACT

Title: The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho's Customs Administration.

Keywords: Balanced Scorecard, Performance Measurement, Strategy Implementation, Management Accounting, LRA, Customs Administration Modernisation, Automation, ASYCUDA.

The main role of Customs Administration is to collect and safeguard import revenues and regulate and document the movement of goods in and out of a country (Lewis, 2009:4). Globalisation, the accompanying increase in international trade, and technological innovation have led to the need for online access and processing as transaction volumes keep increasing. Lesotho's Customs has been facing complex challenges related to these factors (LRA, 2014). To curb these challenges, the Lesotho Revenue Authority's (LRA's) Customs Operations have been automated by the introduction of the Automated System for Customs Data (ASYCUDA).

The main research objective was to evaluate the performance efficiency of ASYCUDA as well as the changes that were made to align the ASYCUDA activities towards a modernised Customs Administration in order to curb the challenges. This performance evaluation was done using the strategic management accounting tool, the Balanced Scorecard.

The research was a qualitative case study. Semi-structured interviews were conducted to collect data from ten participants who were selected using purposive sampling. This sampling was based on the participants' experience, knowledge and Customs expertise. The sample comprised three Customs management officials, three Customs employees and operators, and four Customs forwarding and clearing agents representing the trading community.

With regard to the post-implementation of ASYCUDA within the LRA, the study revealed that benefits have accrued to both the LRA and the trading community. Benefits included increased Customs revenue, reduced Customs processing costs, and the simplification of processes and procedures, which, in turn, has reduced red tape and resulted in shorter processing times. However, the LRA and the trading community are still experiencing some challenges such as system downtimes and the fact that not all border posts have been automated. The latter creates confusion among traders and causes loss in revenue at the unautomated points of entry (border posts).

Based on the findings, the study concluded that the system has brought benefits to the LRA and trading community, although there is room for improvement. It is therefore recommended that the LRA adopt the use of the Balanced Scorecard in monitoring and evaluating Customs

performance. This will enable the LRA to assign performance metrics to and evaluate the Balanced Scorecard's four dimensions, namely customer perspective, internal business perspective, learning and innovation, and the strategic and financial perspective. The latter perspective will give the LRA a full view of Customs performance.

OPSOMMING

Titel: Die Gebalanseerde Telkaart as 'n strategiese bestuursinstrument om die prestasie van Lesotho se doeane-administrasie te verbeter

Sleutelwoorde: Gebalanseerde Telkaart, Prestasiemeting, Strategie-implementering, Bestuursrekeningkunde, LRA, Modernisering van doeane-administrasie, Outomatisering, ASYCUDA.

Die vernaamste rol van doeane-administrasie is om invoerinkomste in te vorder en te beskerm, asook om die vervoer van goedere in en uit 'n land te reguleer en te dokumenteer (Lewis, 2009:4). Globalisasie, die gepaardgaande toename in internasionale handel en tegnologiese vernuwing het gelei tot die behoefte aan aanlyn toegang en prosessering namate transaksievolumes toeneem. Lesotho se doeane kom te staan voor problematiese uitdagings wat met hierdie faktore verband hou (LRA, 2014). Om hierdie uitdagings te bowe te kom, het Lesotho se inkomste-owerheid (LRA) die land se doeane-aktiwiteite geoutomatiseer deur die ASYCUDA-stelsel ("Automated System for Customs Data") in werking te stel.

Die hoofnavorsingsdoelwit van die studie was om die prestasiedoeltreffendheid van die nuwe doeanestelsel (ASYCUDA) te evalueer, asook die veranderinge wat gemaak is om ASYCUDA-aktiwiteite in lyn te bring met 'n gemoderniseerde doeane-administrasie ten einde bogenoemde uitdagings te oorkom. Die prestasie-evaluering is gedoen met behulp van die strategiese bestuursrekeningkundige instrument, die Gebalanseerde Telkaart ("Balanced Scorecard").

Die navorsing was 'n kwalitatiewe gevallestudie. Data is ingesamel deur middel van semi-gestruktureerde onderhoude. Tien deelnemers is met behulp van doelgerigte steekproefneming geselekteer op grond van hulle ervaring, kennis en doeanekundigheid. Die steekproef het bestaan uit drie doeane-bestuurslede, drie doeane-werknemers en -operateurs, en vier doeane-klaringsagente wat die handelsgemeenskap verteenwoordig.

Met betrekking tot die na-implementering van ASYCUDA, toon die studie dat die LRA sowel as die handelsgemeenskap hierby baatgevind het. Voordele is onder meer verhoogde doeane-inkomste, laer doeane-verwerkingskoste en vereenvoudigde prosesse en prosedures. Dit het weer gelei tot minder rompslomp en korter verwerkingstye. Die LRA en die handelsgemeenskap ondervind egter steeds uitdagings, byvoorbeeld stelselonderbrekings en die feit dat alle grensposte nie geoutomatiseer is nie. Laasgenoemde lei tot verwarring onder handelaars en veroorsaak verlies aan inkomste by die niegeoutomatiseerde grensposte.

Die studie het bevind dat die LRA sowel as die handelsgemeenskap baat vind by die stelsel, alhoewel daar ruimte vir verbetering is. Die aanbeveling word dus gemaak dat die LRA van die Gebalanseerde Telkaart gebruik maak om doeane-prestasie te monitor en te evalueer. Sodoende sal die LRA prestasiemeters aan die Gebalanseerde Telkaart se vier dimensies (naamlik klanteperspektief, interne besigheidperspektief, leer- en innovasieperspektief, en strategiese en finansiële perspektief) kan toeken en hulle evalueer. Laasgenoemde perspektief sal die LRA 'n volledige oorsig van doeane-prestasie gee.

LIST OF ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
AU	African Union
CO	Customs officer
COI	clearance officer in charge
EFT	Electronic Funds Transfer
GDP	Gross Domestic Product
ICT	Information and Communications Technology
IOC	inspection officer in charge
IT	Information Technology
LRA	Lesotho Revenue Authority
OECD	Organisation for Economic Co-operation and Development
PCA	post-clearance audit
SACU	Southern African Customs Union
SAD	single administrative document
SADC	Southern African Development Community
SARS	South African Revenue Service
UNCTAD	United Nations Conference for Trade and Development
VAT	value-added tax
WCO	World Customs Organisation
WTO	World Trade Organisation

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CHAPTER 1: INTRODUCTION

1.1 Introduction

Management accounting plays a significant role in strategic management, namely to support decision making. This role involves the integration of the distinctive elements of information gathering and analysis, the identification of opportunities, strategic choice, execution, and monitoring and evaluation (Pitcher, 2015:4-5). Monitoring and evaluation, the focus of the current study, constitutes one of the significant elements of management accounting, according to Pitcher (2015:4-5). Monitoring and evaluation through performance measurement is an important aspect of strategic analysis in management accounting, as it provides information on performance. With this information, management can make decisions, refine performance and take corrective measures. This information also indicates to stakeholders the position of the organisation in relation to its goals (Sanger, 2013:187).

At the performance evaluation stage, the Balanced Scorecard aids in identifying areas that need to improve their performance in order to create value and enhance its core competencies (Sengfeng, 2012:1-3). The four dimensions of the Balanced Scorecard provide a suitable tool for: (i) evaluating existing performance, as well as optimising and improving the initially expected efficiency of performance of the new system (by bringing together and analysing information relating to the internal and external environment of the Customs Administration Modernisation programme from the Balanced Scorecard perspective); (ii) identifying the system's strengths and weaknesses; and (iii) identifying areas where changes and improvement are necessary for the system to efficiently achieve its objectives with the current resource position (Pitcher, 2015:3).

1.1.1 Background to the Customs Administration Modernisation programme

Customs Administration is defined as a division within the Revenue authority entrusted with the enforcement of laws and regulations to collect and protect import revenues and to regulate and document the flow of goods in and out of a country (Lewis, 2009:4). In Lesotho, this division has been facing complex challenges due to globalisation, since increased internet access and use of technology have resulted in increased online transactions and international trade (LRA, 2014). In addition, Customs is exposed to risks such as terrorist networks, loss of revenue and country competitiveness due to Customs clearance complexities, which usually result from changes in logistics and supply chain models.

Widdowson (2007:32) explains that the international trading community is seeking consistent, timely and cost-effective ways of dealing with governments. This calls for Customs Administration Modernisation, which is defined as "a broad strategy and goals to improve the effectiveness,

efficiency, transparency, and predictability of an Administration's operations so that it can better meet the demands of modern times (Widdowson, 2007:32)". Needs to be incorporated into the Customs Administration (WCO, 2007).

Regional initiatives

Regionally, the primary task of the Southern African Development Community (SADC) is the automation of the relevant main Customs processes and the development of regional Customs policy, practices and guidelines to allow for simplified and consistent Customs processes. These processes should be developed and achieved based on World Customs Organisation (WCO) instruments. SADC (2011) also focuses on the comprehensive capacity building of the Customs Administration of member countries.

The Southern African Customs Union (SACU, 2012) focuses on identifying priority areas of intervention, which could be implemented at the regional level as part of the second phase of the WCO Columbus Programme on Customs Reform and Modernisation. In addition, SACU's (2012) objective is to develop predictable and harmonised Customs procedures that meet the demands of national governments, the SACU Agreement, traders and international obligations.

Local initiatives

At a national level, Customs Administrations are encouraged to align their operations with the current developments in trade. They are also encouraged by the Revised Kyoto Convention to adopt modern Business Process Re-engineering techniques to identify and eliminate non-value-adding activities (WCO, 2010b). The LRA, which administers all taxes in Lesotho, including Customs, has implemented the simplification and automation of processes through re-engineering the Customs processes and shuffling the Customs Administration structure. It has done so by introducing new roles and eliminating irrelevant roles (Tsikinyane, 2017:17).

In relation to the simplification and automation of processes, the LRA has introduced a computerised Customs management system, namely ASYCUDA. This system not only covers most foreign trade procedures, but also deals with Customs declarations, accounting procedures, and transit and suspense procedures (UNCTAD, 2004a). The ASYCUDA system aims to facilitate Customs clearance processes by computerising and simplifying procedures, thus minimising administrative costs for the business community and governments. Furthermore, the system seeks to produce reliable and timely trade and fiscal statistics, which can be used for economic planning and policy making (McMaster & Nowak, 2006).

In addition to the introduction of a computerised ASYCUDA, the LRA made changes to the Customs Administration structure. Functions such as case selection and post-clearance audit (PCA) functions were introduced to incorporate risk management into Customs. When expertly designed, the organisational structure of Customs in a revenue authority becomes a hub of opportunities. One major advantage is that Customs enables the exchange of information with the tax department, leading to higher rates of offence detection. It also enables the transfer of skills such as tax auditing and employee upward mobility in revenue support departments where the core skills of Customs may be required (Buyonge, 2008:59).

However, despite the LRA's efforts to conform to international initiatives, traders have reported that Customs operations are chaotic (Phakela, 2018). Furthermore, for the year ending March 2014 and the year ending March 2017, reports indicated that the LRA had not succeeded in meeting revenue collection targets set by the government (Sekhamane, 2017). It is to be noted that, in developing countries, Customs taxes associated with trade and Customs revenue constitute a higher proportion of total budget revenue, ranging from 25% to 70%. Therefore, Customs efficiency is vital, as it is the main source of revenue for a country (Cantens *et al.*, 2012:3-4).

1.2 The LRA's clearing processes, procedures and activities

The processes, procedures and activities of the LRA are illustrated in figure 1.1 below, after which each is briefly discussed. They have been adapted from the LRA Customs Division (2014:10-16) *Standard operating procedures in an automated environment*.

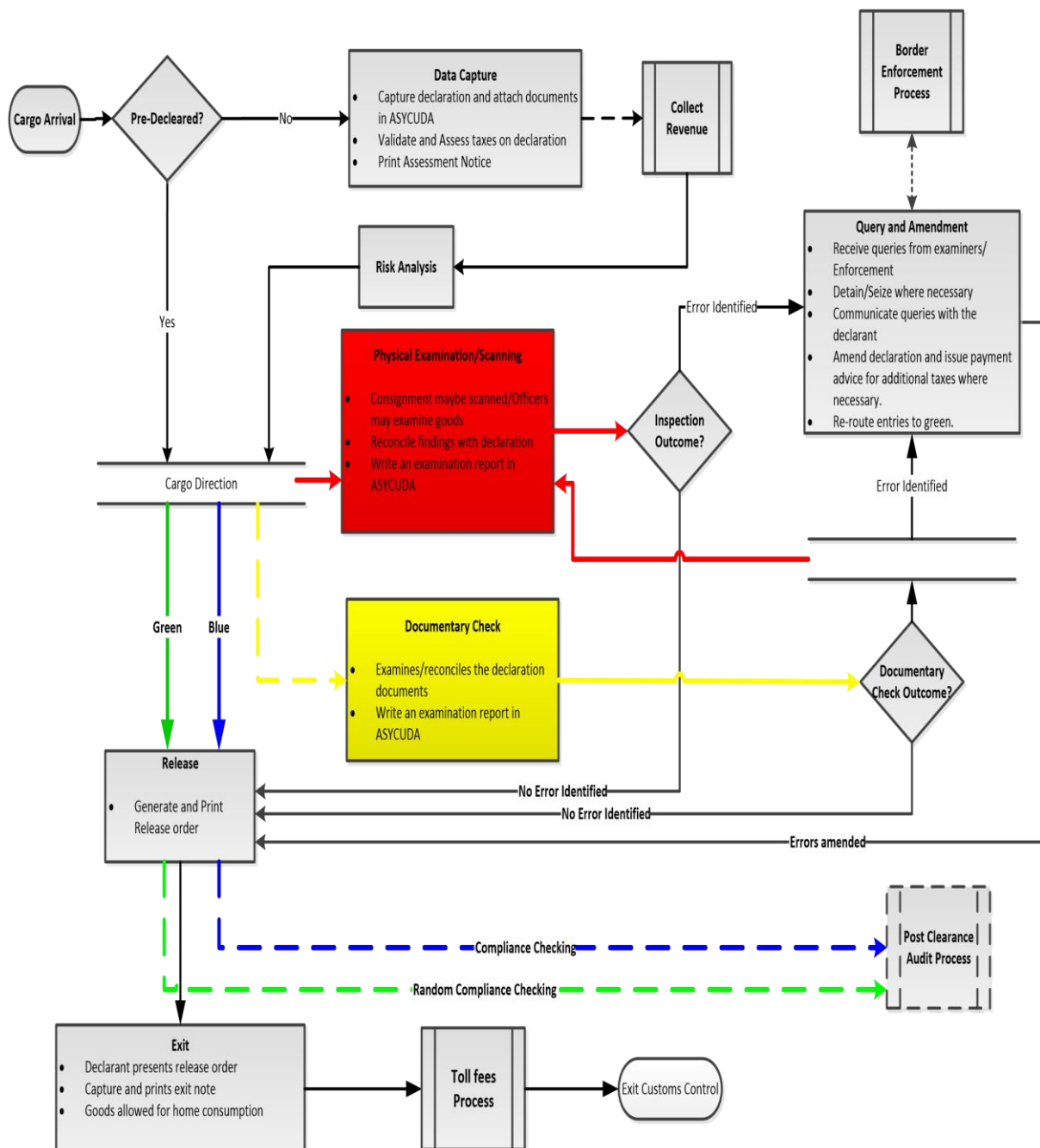


Figure 1.1: The LRA's clearing processes, procedures and activities

Source: LRA Customs Division (2014)

1.2.1 Cargo arrival

At this stage, when cargo arrives at the Customs port of entry, the declarant reports at the entrance gate to the Customs officer (CO) for confirmation of arrival details, which are recorded. The declarant will then be advised of the next course of action. When processing pre-declared and paid cargo, the CO first requests the Assessment Notice from the declarant in order to retrieve the relevant declaration from ASYCUDA. Secondly, the CO advises the declarant on whether the

cargo is ready for release or whether the cargo will be subjected to a risk management process. Thirdly, regarding goods which are deemed ready for release, the CO prints the release order, also known as the Exit Note, and proceed to issue the document to the declarant to exit Customs control. For cargos which have not been declared, the CO advises the declarant of the options to declare the goods electronically either through the data capture officer or through personal declaration at their premises. Finally, in cases of goods that are subjected to a documentary check or physical check, the CO advises the declarant on the processes they should report to and the sections to proceed on as required.

1.2.2 Clearance (acceptance desk)

At this stage, clearance officers process all electronics declarations in order of submission or the urgency of goods, regardless of whether the declaration was pre-declared or not. First, the officer retrieves the paid declaration form and its corresponding documents from ASYCUDA. Secondly, the officer confirms the attachment of all relevant documents. These documents may comprise commercial and transport documents, permits, certificates of origin, and so forth. Thirdly, the officer confirms that all compulsory boxes on the single administrative document (SAD) have been completed with valid information. Fourthly, in cases in which the officer is not satisfied with the declaration, the officer issues a query notification which requires the declarant to provide or confirm necessary information. Once resolved, the officer may amend the declaration and subject it to further processing. Finally, when satisfied with the declaration, the officer determines the risk management lane in ASYCUDA. The officer releases declarations in preparation for the declarant to exit Customs control (green and blue lane). The officer notifies the relevant officers for declarations selected for documentary check (yellow lane) and physical examination (red lane), which are explained below.

1.2.3 Documentary check (yellow lane)

All declarations that have been selected for documentary check, also referred to as the “yellow lane”, undergo a full documentary scrutiny as part of the clearance process. This stage involves the processing and examination of attached documents and declaration data, the verification and validation of the Customs declarations and other compliance requirements that relate to the declared goods. The examination of declaration depends on the instruction given by the risk management parameters set out in ASYCUDA. The officer will not only limit the examination to the instruction given by the system, but also increase focus of examination as appropriate.

In ASYCUDA, the clearance officer in charge (COI) first “activates” or “suspends” the officers under their supervision, depending on whether they are on or off duty. This is to prevent the system from assigning declarations to unavailable officers. Secondly, the COI confirms the

automatic allocation of declarations to the relevant officers or uses manual assignment if the system is not available. Finally, the COI advises their officers on the different aspects of the examination process and makes a decision on the correction of discrepancies without the need to contact the declarant.

The CO, in turn, first retrieves the declaration in ASYCUDA and checks the risk parameters. This is done to determine the reason the declaration has been selected, as well as the special requirements that need to be observed. Secondly, the CO verifies all attached documents through a process of validating their authenticity. The CO has to ensure that the documents provided by the declarant indeed relate to the actual goods that are referred to in the declaration. The validation process focuses on the verification of these four factors:

- (i) Verifying that correct values and rates of exchange are used for the purpose of declaring and reconciling declared values against the commercial and/or tax invoices;
- (ii) Verifying that correct tariff headings are used to identify the goods of the declarant;
- (iii) Verifying that the country of origin has been proven in cases where preferential duty rates exist by confirming the certificate of origin or related documents; and
- (iv) Verifying that all relief parameters have been met in cases where relief mechanisms have been used.

Thirdly, the CO writes an examination report into ASYCUDA. The report must be comprehensive to safeguard against the contestation of findings by the declarant. The findings should be defined and documented to ensure the examining officer's conclusion is supported by facts. Fourthly, the CO requests, through the COI, the expertise of a specialist from the various LRA technical departments. The CO receives and reviews feedback from the specialist services for the requested analysis and then writes the feedback into ASYCUDA.

Finally, the CO raises a query to the declarant via the amendment officer regarding any irregularities identified. If the irregularities do not impact the duties and taxes collected, the officer may consult the COI on a course of action which may not require the notification of the declarant.

1.2.4 Physical examination (red lane)

Risk profiling of goods is performed in the risk management process. When a potential risk is identified, the goods are inspected. Not only are the goods inspected, but also the documents or any other information required in verifying and validating the customs declarations or other compliance requirements relating to the declared goods. The thoroughness of the inspection is

subject to the type of enquiry and may constitute a simple inspection of the package or a more thorough examination.

At this stage, the inspection officer in charge (IOC) receives the declarations from the clearance officer if they have opted for a physical examination. Secondly, the IOC activates or suspends officers in ASYCUDA according to whether they are on or off duty. As mentioned above, this serves to deter the system from assigning declarations to officers who are on leave or absent, as this may cause delays in processing. Thirdly, the IOC either confirms the automatic allocation of selected declarations to the relevant officer or uses manual assignment in the event that the system is not available or applicable. Finally, the IOC provides advice to the inspection officers under their supervision on the different aspects of the examination process.

In turn, the Inspection Officer (IO) retrieves the declaration in ASYCUDA and checks the risk parameters to determine why the declaration was selected and whether there are any special requirements to be observed. Secondly, the IO performs documentation validation of all relevant particulars of the declaration and attached documents in preparation of matching the goods to the documents during inspection. The inspection of goods depends on the instruction given by the risk management parameters in ASYCUDA, but is not limited to this instruction and may increase its focus as appropriate. The IO then performs an inspection in relation to the verification of a specific parameter which focuses on activities that allow for the testing of that particular parameter. The IO also examines the goods and correlates the findings with the declaration by identifying markers such as invoice numbers, bill of lading, air waybill numbers, supplier references, mass, and so forth.

Thirdly, the IO seizes goods and raises an offence report if an offence has been detected. An offence report is forwarded to enforcement for further action if necessary. Fourthly, the IO notifies the declarant of a sample that will be extracted for further assessment, as well as whether the sample will be returned in the state in which it was extracted. In addition, particulars of the consignment are documented which substantiate the extraction of the sample. The IO receives and reviews feedback from the specialist who performed the requested analysis and then write the feedback of the findings into ASYCUDA. The IO seals the consignment and records the seal number where applicable in order to secure the integrity of the logistics chain. The IO writes a comprehensive report of the examination into ASYCUDA which could be used in case the declarant contests the findings of the examination.

Finally, the IO raises a query to the declarant through the CO concerning irregularities identified. In the case of irregularities that pose zero to minimum impact on the duties and taxes collected, the officer consults the COI in a way forward, which may not require notifying the declarant.

1.2.5 Query and amendment

At this stage, the clearance officer first receives queries from the examiners and communicates those queries to the declarant. When the query has been resolved, the declaration is amended and a payment advice is issued for additional taxes where necessary. The officer then re-routes declarations to the green lane and issues the release order. The officer liaises with the enforcement division where contraventions to the Customs law and other tax-related laws are detected. Finally, the officer receives feedback from enforcement, enters the information into ASYCUDA and completes the processing of the declaration before its release.

1.2.6 Enforcement

The clearance officer forwards queries to enforcement where an offence is detected and receives feedback on completion of enforcement procedures using the Query Form.

1.2.7 Release

The clearance officer generates and prints a release order for either documents and/or goods that have been inspected. The officer endorses the release order and passes it on to the declarant to allow for an exit.

1.2.8 Exit

At this stage, the Customs officer receives the release order from the declarant and confirms authenticity in ASYCUDA. Next, the officer creates and prints an Exit Note in ASYCUDA and, finally, issues the Exit Note to the declarant to allow them to proceed to the toll facility.

1.2.9 Road fund (toll fees) facility

The toll officer first receives an Exit Note from a declarant and determines how much toll fees are to be collected. Secondly, the officer receives fees from the declarant and proceeds to issue a receipt as proof of payment. Finally, the declarant is allowed to exit out of Customs control.

1.3 Reasons for Customs Administration Modernisation

According to De Wulf (2005b:4), the World Bank has indicated that, in developing countries, the trade logistics environment is not conducive to international trade, as high transaction costs and cumbersome legal documents impede the successful integration of these countries into the world economy. For example, reports from the World Bank (in Cross Border Road Transport Agency, 2016) indicate that the documentation requirements accompanying each Shoprite truck as it crosses any SADC border can be up to 1 600 documents. Similarly, Barka (2012:5) mentions that

the average lead time for a delivery to cross a border post in Africa ranges from about three minutes to three days. This is due to extensive procedures involved in Customs processing, causing delays to the cost of about US\$185 daily per consignment. This is the reason why Africa's logistics costs are higher by 17% (and increasing) of the total carriage cost of goods, while the rest of the world has driven costs to below 10%. This trend emphasises the urgency in addressing the obstacles experienced at all African ports of entry, as the current situation discourages the interregional trade participation of small businesses in smaller African states (Cross Border Road Transport Agency, 2016).

Because of the increasing volume of global international trade, Customs Administration has had to process additional transactions with the same amount of, or even fewer, resources. Scarce resources need to be directed to high-risk defiant traders. As a result, emphasis has been placed on automating Customs and incorporating risk management and intelligence to ease the movement of legitimate goods and to direct resources to high-risk areas. The need has also been identified for the ability to detect which consignments or travellers should be stopped and checked, or which should be given free passage (Gordhan, 2007:49-51).

It has become clear that Customs must evolve in order to curb the above-mentioned problems. This evolution can be categorised in three stages, as explained by Haughton and Desmeules (2001:67-68). Stage one's main purpose is to inspect goods on arrival and physically match them to the documents provided. The emphasis in stage two is on electronically exchanging information with stakeholders, such as providing information about items in transit to clearing agents and COs. Stage three is a risk management stage which involves an audit of discrepancies between the documents supplied to Customs and internal records, instead of a transaction-by-transaction audit (Haughton & Desmeules, 2001:67-68).

In support of the three above stages, Keen (2003:15-16) identifies four key aspects to be addressed: (i) the adaptation of simple modern procedures undertaken by Customs Administration; (ii) the establishment of clear trade policies and clear supporting legislation; (iii) reliance on effective risk management and post-release audits, instead of the cumbersome inspection of consignments; and (iv) the reshuffling of Customs Administration organisational structures to incorporate new roles that will enable adaptability to environmental changes.

In addition, according to the WCO, Customs regulators globally are setting policies and procedures that facilitate hassle-free international trade and alongside safeguarding barriers set on imports and exports to improve Customs-based state revenue collection. This is achieved through the introduction and utilisation of tools and information when dealing with international supply chains and logistics (WCO, 2010b). The awareness of the shortcomings in Customs has

prompted many governments to devote substantial energy and resources to modernisation and seek the support of international organisations and financial institutions to provide technical support for their Customs Modernisation initiatives (De Wulf, 2005b:4).

In developing countries, the share of Customs revenues and trade-related taxes is very high and contributes between 25% and 70% of the total fiscal budget. Therefore, the effectiveness of Customs tax collection is imperative, because revenues are typically low and contingent on trade-related taxes. Moreover, in developing countries, the proportion of the actual tax collected in gross domestic product (GDP) and the anticipated taxable capacity (tax effect) is lower than that of developed countries: below 20% of GDP, compared with 30% of GDP in developed Organisation for Economic Co-operation and Development (OECD) countries (Cantens *et al.*, 2012:3-4).

Before the modernisation of Customs Administrations, most countries depended on import tax as a source of revenue. The key objectives of modernisation incorporate the reinforcement of revenue-generating capacity, improving trade facilitation and the fight against smuggling and corruption (Duran & Sokol, 2004:106,108). According to Montagnat-Rentier and Parent (2012:43), it would be suitable to incorporate a revenue analysis function into Customs Administration to help identify revenue gaps at a strategic level and support decision making. This can be achieved by using carefully selected indicators that allow the monitoring of the modernisation progress and Customs Administration performance.

The WCO's capacity-building strategy in the Customs context is aimed at developing and strengthening processes and resources. These processes and resources are needed for the improvement of Customs' capacity to carry out its allocated functions and attain its objectives. Capacity building of Customs should concentrate on performance improvement in key areas, as stipulated in the Revised Kyoto Convention. These areas include integrity, transparency, accountability, client service, simplification, minimum intervention, continuous improvement, corporation, compliance, facilitation and control, and information and communication technology (ICT) (WCO, 2003:2-6).

According to Duran and Sokol (2004:119), one of the main outcomes of Customs Administration Modernisation might be higher revenue collection rates. This can be achieved by simplifying Customs clearance procedures, coupled with reinforcement and increased compliance. This, in turn, decreases and discourages acts such as corruption and smuggling, as these may lead to reduced revenue collection. Consequently, good Customs procedures, together with the elimination and decrease of limitations and barriers on the free exchange of goods between nations, lead to the reduction of import cost, resulting in higher imports for a specified level of

GDP. These outcomes collectively have an impact on the contribution of trade taxes to the budgeted revenue (Duran & Sokol, 2004:119).

1.4 Elements of Customs Modernisation

Customs Administration Modernisation constitutes the aim and wide-ranging plans to improve the transparency, effectiveness, efficiency and certainty of an Administration's operations in order for them to conform to those of modern times (WCO, 2007). Polner (2011:60) notes that the effective management of Customs Administration can significantly improve the use of their resources by streamlining and harmonising processes and procedures, regardless of the volume of influx of goods and people at country borders. However, the Special Report on Customs Modernisation (WCO, 2007) states that, even though Customs Administration's main role is controlling movement between country borders, they have different additional roles, resources and authority in different countries. Therefore, the Customs Administration Modernisation concept has to be tailored to meet the need of a specific country.

1.4.1 Customs automation and the Automated System for Customs Data (ASYCUDA)

Trade is a key element in strengthening economic performance, and Customs services are constituent to a country's trading profile. Hence, the international community has deliberated on and recommended the utilisation of ICT in enhancing Customs processes and improving trade facilitation (Lewis, 2009:3).

Electronic trade facilitation involves the creation of virtual trade gateways through which all the parties involved interact electronically (McMaster & Nowak, 2006). Lewis (2009:3) views the use of ICT as a means to positively influence the effectiveness of all Customs operations to ultimately improve national finances. Thus, the development of paperless Customs systems is perceived as the critical starting point for any country toward influencing its growth of e-commerce, and in so doing, improve economic performance (Lewis, 2009:3).

Customs automation is a fundamental part of Customs Administration Modernisation and includes the alignment of Customs procedures and documents with international standards. It is aimed at replacing the manual processing of Customs documentation with electronic Information Technology- (IT) assisted documentation processes. These processes affect many stakeholders in the Customs value chain, for example, Customs, government departments and public stakeholders such as importers, exporters and freight forwarders.

Customs automation reinforces Customs operational efficiency for control purposes. This can be achieved by implementing sound procedures and facilitating trade through the standardisation of

data, forms and documents, as well as the automation of Customs clearance procedures, to speed up clearance processes and provide audit trails and mechanisms (UNCTAD, 2011d:1-4).

ASYCUDA is an automated Customs Administration management system designed to ease international trade and transport operations in an up-to-date automated environment. The system was developed for Customs Administrations and the trade community to help them comply with international standards when dealing with imports and exports. Therefore, the system enables Customs processes and takes into consideration codes and standards developed by international organisations. It further allows the processing of Customs declarations, risk management, transit information, accounting, as well as the timely and correct collection of data to be used in fiscal and trade policy. The system also enables the sharing of information between all stakeholders and users, such as traders and Customs Administration, through electronic data interchange. The system aims at ensuring that: (i) all goods are declared; (ii) applicable taxes and duties are correctly calculated; and (iii) exemptions and preferences are applied transparently and consistently (McMaster & Nowak, 2006; UNCTAD, 2004).

The execution of new Customs processes and procedures necessitates knowledge and understanding of the relevant operations and conditions. This is achieved by the training of Customs teams and, if possible, the trading community, together with exporters, importers, clearing agents and other stakeholders (UNCTAD, 2011e). In this regard, Haughton and Desmeules (2001:74) highlight IT skills as being critical in supporting effective Customs practices, enabling the division to keep up to date with the advances in Customs.

Training of COs is therefore essential in updating Customs operations. This includes capacity building of COs to stay abreast of the demands of globalisation and the automation of several aspects of Customs Administration. Customs officers are required to obtain vast technical knowledge and practical expertise. They are also encouraged to take advantage of training provided by bilateral organisations and undergo annual training to keep up to date with developments in Customs Administration. These training programmes must be aligned with actual policies and operations (Aoyama, 2008:98; De Wulf, 2005a:34-35).

1.4.2 Risk management

Risk management is the process by which organisations systematically attend to the risks associated with their activities with the aim to achieve organisational objectives across all their activities (Bessis, 2015:1-2). In the Customs Administration context, the WCO defines risk management as the systematic identification and application of measures required to reduce exposure to Customs risk, which mainly involves decisions on the persons, goods, and transportation to be inspected, as well as the extent of the inspection (Biljan & Trajkov, 2012:301).

The risk management process consists of creating the risk management framework and the actual risk identification and risk analysis. Thus, it focuses first on defining potential risks, their chances of occurrence and the extent of their probable consequences. The second focus is on risk assessment, which is the evaluation and comparison of the risk level to the pre-set standards and other predetermined criteria. Lastly, the risks are addressed, using compliance measurement as a monitoring and review tool for the efficiency of the risk management system (WCO, 2010a:7-12).

Customs Administrations at a national level ought to apply risk management and carry out an ongoing assessment of potential risks. Therefore, the World Trade Organisation's (WTO) members are required to establish a wide scope and extensive content for a risk management system, to the extent to which their national resources allow. Furthermore, to ensure that risk management maintains its integrity, the risk management system should be operated in a non-discriminatory manner (WTO, 2014).

Computerised risk management systems direct the transactions for Customs control according to standards set by COs with specialities in enforcement and intelligence (UNCTAD, 2011a). The experience of COs over time may enable them to point out certain consignments which are of higher risk to Customs controls than other classes of goods. Therefore, some consignments might not be inspected, whereas certain classes of consignments from or to certain companies or countries are categorised as high risk, and may need close inspection by Customs (UNCTAD, s.a.-a). Moreover, modern and automated procedures that focus on high-risk consignments reduce the number of physical examinations, thus striking a balance between expedited Customs clearance processes and security (UNCTAD, 2011a).

The ASYCUDA selectivity module enables the allocation of designated declarations into four paths to streamline the diverse categories or levels of checks and queries that Customs have to process (UNCTAD, s.a.-b; WCO, 2010a). These paths are green, for the release of consignments without inspection; blue, for goods that will be released, but be subjected to a post-clearance audit control by Customs; yellow, for document inspection before the release of goods; or red, for physical inspection of the consignments before release (UNCTAD, s.a.-b; WTO, 2014).

1.4.3 Simplification of processes and procedures

Habib (2013:1-2) defines Business Process Re-engineering as the use of modern technology to reform processes in order to accomplish dramatic performance improvements. Business Process Re-engineering aims to achieve dramatic business transformation, not merely incremental improvement, as explained by Shin and Jemella (2002:352-353). The Revised Kyoto Convention recommends that countries reorganise their operation Customs practices, and that Customs

Administrations adopt up-to-date Business Process Re-engineering practices to detect ineffective or redundant processes and procedures for streamlining or elimination (Zake, 2011:18).

Customs Administration Modernisation is the complete reorganisation of Customs-related processes, procedures, documents and formalities, sustained by enhanced regulations and legislation. It is further supported by the utilisation of IT solutions, as well as putting into practice an enhanced human resources management policy (Ogier, 2003). The simplification of Customs-related process and procedures entails the reduction of document requirements and information needed in order to align them to international standards. This will enable a smoother change from manual to automated processes, easier, electronic-enabled document submissions, improved controls, and harmonised data elements that will allow document transmission between countries. In turn, this will remove language barriers and reduce time, resulting in overall lower transactional costs at the point of interconnection between business and government (Grainger, 2008:17).

In developing importing countries, Customs Administration inadequacies, ineffectiveness in Customs procedures, extreme control, and valuation procedures – which are key sources of uncertainty – are predominant at main entry points. Furthermore, document red tape in Customs processing has the ability to drive import costs considerably high, ranging between 7% and 10% of world trade value (Messerlin & Zarrouk, 2000:580).

To improve Customs efficiency, clear trade and tariff policies need to be adopted, suitable supporting legislation has to be created, and tax legislation and tax exemptions, as well as traders' responsibilities and requirements, need to be simplified. These improvements depend on simple, clear and well-designed regulations which should be articulated from a transparent framework (Montagnat-Rentier & Parent, 2012:17).

The United Nations Conference on Trade and Development (UNCTAD, 2011c) identifies a few staged requirements for the effective simplification of processes and procedures. First, thorough analysis is needed of existing practices, procedures, mandatory formalities, documentation, information and communications technology used in Customs. Secondly, processes, procedures and other related formalities should be simplified, and information needed for several procedures must be recognised. Thirdly, the development of the simplified processes and procedures should include a test run of at least one of the new processes and procedures. These test runs can involve users such as traders and related public agencies.

Furthermore, upon validation of the new processes, procedures and documentation requirements, all related stakeholders need to be kept informed and trained in the use thereof. UNCTAD (2011c) highlights that it would be beneficial if stakeholders such as traders, logistics

and transport operators, agents, insurers, commercial banks, and forwarders are involved throughout the whole process of simplification (UNCTAD, 2011c).

The implementation of new processes and procedures can be done by the partial and gradual improvement of services. However, justifiable progress will only be attained when the reorganisation positively affects the numerous elements of the Customs processes (De Wulf, 2005b:22). Zhang (2002:89) points out that the failure of processes and procedures to keep up with expansion and growth in trade has resulted in inadequate and cumbersome procedures and regulations – one of the largest barriers to trade. Thus, in order for governments to meet their policy goals for revenue collection, country competitiveness and protection of residents, national Customs Administrations must urgently become more responsive and efficient (Gordhan, 2007:52-54).

De Wulf (2005b:22) states that good Customs operations comprise logical and interconnecting sets of processes. For this reason, the coherence of the improvements will be weakened if critical parts of the Customs processes and procedures continue to operate under old and inefficient systems. For example, the execution of advanced automation of processes and procedures, without first having them simplified and streamlined, will lead to failure of the new system.

Customer satisfaction reviews can reveal taxpayer perception of Customs operations with regard to the ease of operations and reliability. Such perceptions may indicate a deterioration or improvement in Customs processing (De Wulf, 2005b:14). One of the key drivers of Customs Administration Modernisation, as highlighted by Zake (2011), is complaints made by the trading community about Customs Administration's ineffectiveness and the resulting costs. Moreover, the new logistics and supply chain models, and the adoption of new procedures such as just-in-time-procurement and distribution, depend on the efficient, effective and timely processing done by Customs Administration. Inefficient procedures may result in an increase in international trading cost and the erosion of country competitiveness (Gordhan, 2007:50).

In order to maintain trust and confidence in their functions, Customs Administrations need to increase their accountability. They should maintain integrity in their dealings with the trading community and all stakeholders; hence transparency is an important aspect in Customs Administration (McLinden, 2005:75). Similarly, close communication with all stakeholders is vital, as there are enormous benefits involved. For instance, Customs client relations improve through constant communication. Such communication ensures that Customs Administration Modernisation do respond to modernisation objectives (De Wulf, 2005b:21).

McLinden (2005:75) points out that the consistent application, ease of access to and public knowledge of Customs laws, regulations and procedures, as well as clear administrative

guidelines, promote certainty between Customs Administrations and prospective clients. In this regard, De Wulf (2005b:21) specifies that stakeholder satisfaction and Customs Administration operations need to be constantly surveyed to assess stakeholder satisfaction on modernisation outcomes. De Wulf (2005b:21) highlights the importance of frequent assessment meetings to update stakeholders on advancements made, complications encountered, and actions proposed to address deviations and changed situations.

1.4.4 Pre-arrival processing

The main barrier to prompt clearance and release of goods in cross-border transactions is long delays. Therefore, the procedures of Customs Administration Modernisation are vital, as they speed up clearance and release of goods. Hence, prior lodging of information enables the release of goods with slight or no delay upon arrival (UNCTAD, 2011e). The simple procedures for pre-arrival clearance and clear-cut criteria for risk assessment procedures are perceived to be important characteristics of trade facilitation. They are considered to be vital tools in reducing the time required to process the clearance and release of consignments (Rajkarnikar, 2006:17).

There are three key requirements for pre-arrival processing (UNCTAD, 2011e). First, Customs laws and regulations need to be revised in order to accommodate the pre-arrival processing of goods, especially in countries where physical examinations of goods and documents are still compulsory. Secondly, the pre-arrival processing of goods needs to be done in a fully automated environment, although the processes can be deployed in a manual environment and still be effective. On the other hand, it is difficult to set out effective risk management and transparent processes in a manual environment.

Thirdly, the electronic information exchange, based on widely established standards, needs to be effective and documents need to be standardised in order to be in line with the required electronic formats. This will enable traders to hand in documents and the required information before the arrival of goods in the country. Upon the arrival of the documents, Customs systems will process the information, screen it through risk management profiles, calculate duties due, and communicate and advise whether physical inspection would be needed upon arrival (UNCTAD, 2011e).

1.4.5 Post-clearance audit (PCA)

The PCA is an audit-based Customs control that is executed after the release of consignments from Customs custody. The main aim of the PCA is to verify the truthfulness and validity of declarations and to focus on the adequacy of the trader's internal controls and processes, as well as business systems, records and accounting information, to ensure that information pertaining

to trade goods is well presented in all material aspects (Appeals & Struye de Swielande, 1998:113; UNCTAD, 2011b). The PCA focuses on those who are associated with the international movement of consignments. Therefore, it gives a clear and comprehensive representation of the transactions related to Customs, as reflected in the underlying accounting records of international traders (WCO, 2010a:25).

The audit is either transaction-based, in other words focused on individual transactions, or company-based, focused on imports and exports carried out over a certain period (UNCTAD, 2011b). Professionalism by Customs staff in conducting the audit is stressed by the WCO (2010a:25) and it is vital to maintain communication and coordination with all stakeholders, from the audit planning stage to the audit completion stage. Thus, it is important to foster a constructive and cooperative atmosphere among Customs Administration and traders, which means that findings and other matters arising should be discussed and shared.

UNCTAD (2011b) advises that countries first consider revising their legislation in order to allow the implementation of a PCA by Customs. Secondly, they should revise legislation to encourage the cooperation of traders during the audit by providing all required documentation and access to their working space. In addition to the revision of legislation, national accounting principles ought to be revised, should there be a need, in order to set out additional requirements pertaining to traders' record keeping. It is vital for management to have a strong commitment and continuing support for PCA – also from an audit team – with the skills that are needed to create an audit strategy. Clear, phased processes of PCA implementation are also needed within the Customs division to guide the members of the Customs audit team (UNCTAD, 2011b).

Furthermore, UNCTAD (2011b) stresses that COs need to be fully trained, especially to understand the usefulness of PCA. The training should create awareness of the logical work that is needed to fully utilise the system, and further training on accounting, auditing and risk management is required.

1.5 Problem statement

The implementation of the Customs Administration Modernisation system in the LRA was supposed to reduce the problems associated with the previous system. These problems included, inter alia, excessively high turnaround times, strenuous documentation requirements, and lengthy procedures, resulting in extremely low taxpayer compliance, high tax and duty collection costs, and even taxpayers avoiding declarations altogether.

These problems and inefficiencies of the previous system have not been eliminated by the functionality of the newly implemented Customs system, as highlighted by Sekhamane (2017)

and Phakela (2018). Therefore, the performance efficiency of the new Customs system needed to be investigated, analysed and evaluated with the primary purpose of optimising strategic performance, efficiency, sustainability and customer satisfaction.

Therefore, the research question this study aimed to answer was to what extent the automated Customs system Lesotho has contributed to the improvement of Customs services and how its efficiency could be improved further.

1.6 Objectives

The primary objective of this study was to evaluate the performance efficiency of the new Customs system in Lesotho and the changes made regarding the alignment of activities towards a modernised Customs Administration using the strategic management accounting tool, the Balanced Scorecard.

The primary objective was supported by the following secondary objectives:

- Reviewing the literature to explore and understand (i) the critical points of the Balanced Scorecard (i.e., the four perspectives: strategic/financial; internal business process; learning and innovation; and customer perspectives); (ii) the resources and capabilities theory (as far as it supports the learning and innovation perspective); and (iii) Porter's value chain (as far as it supports the internal business process perspective) for efficient performance measurement of business processes (chapter 2) in general as a foundation for recommendations for improving performance and efficiency of the modernised Customs Administration of the LRA (chapter 5).
- Developing a research design and methodology that will enable the collection of sufficiently relevant information concerning the existing actual and supposed performance of the new system (chapter 3).
- Analysing the research findings to determine the efficiency of the newly implemented system (chapter 4). The aim was to make recommendations for improving its performance and efficiency regarding the four dimensions of the Balanced Scorecard to obtain sustainable strategic performance (chapter 5).
- Highlighting key areas regarding the performance of the new system to identify existing gaps between the actual performance thereof and the ultimate expected level of efficiency and strategic performance as initially intended. Finally, the aim was to make recommendations on how these gaps can be eliminated and overall performance be improved (chapter 5).

1.7 Significance of the study

Customs organisations operate in a complex and continually changing environment. Jansson (2008:41) identifies the need to respond to the promotion of economic development and to comply with national, regional and international obligations. To accommodate changes in these areas and to ensure successful implementation, it is important to understand the significance and need for constant monitoring and control.

Management accounting is significant in processing re-engineering initiatives, as the role of management accountants has evolved throughout the years due to the pressure of globalisation. The urgency of the situation described above is escalating due to intense competition, technological advancement and continued pressure to get information sooner to help the organisation adapt to the changes brought by globalisation. Management accountants have changed from being a provider of information for planning, directing, controlling and decision making, to becoming a strategic partner, participating in decision making, or at least assisting managers in making better decisions (Ahid & Augustine, 2012).

This study sought to contribute to the body of research on the Customs Administration Modernisation programme. The findings of the study will be of interest to those who are in charge of the programme and to management accountants involved in such initiatives. Polner (2011:60) indicates a need for research on matters that relate to Customs Administration Modernisation to increase our understanding of what it takes for an initiative to be successful and to enable organisations such as the LRA to conform to international standards and the global vision. In addition, the study addressed elements of the performance evaluation of the changes made in the LRA with regard to the Customs Administration Modernisation programme, from a strategic management accounting point of view.

1.8 Research design and method

1.8.1 Theoretical perspectives

Theoretical perspectives give the theoretical background of a study; they set a frame and indicate the direction in which the study will develop. The theoretical perspectives adopted for the current study will be elaborated on in the literature review chapter. The resources and capabilities theory, as proposed by Leiblein (2011:909-927), formed the basis of this study. The resources and capability theory pertain to how well a capability carries out its function and how well a capability enables an organisation to survive through creating, spreading, or adjusting its resources, in order for resources to affect current and expected benefits (Leiblein, 2011:912). This theory was applied to clarify resource utilisation as well as the skills and competencies needed to support strategy and achieve the desired post-implementation goals.

1.8.2 Research design and methodology

This study involved case study research, as this was found to be the most suitable approach for in-depth investigation of the aspects of post-implementation of Customs Administration Modernisation (Leedy & Ormrod, 2005:135). Guba and Lincoln (1994:65), as well as Mackenzie and Knipe (2006:195), indicate that a case study is the most suitable approach to the type of research envisaged for the current study. A case study is defined by Yin (1984:24) as a first-hand probe that investigates a current unit within its current setting. Gerring (2004:341-342) defines a case study as an intensive study of one division for the purpose of gaining more understanding.

The choice of research methodology depends on the ontological and epistemological paradigms that direct the research activity (Tuli, 2011:101). Ontology refers to the nature of reality of the research subject and how it is viewed (Guba & Lincoln, 1994:108), whereas epistemology is the researcher's view of what is considered to be the knowledge about the reality (Guba & Lincoln, 1994:105). There are basically two views on the nature of reality. One view is that there is one general independent variable that defines the nature of reality – this is referred to as the positivist view. The other is the interpretative view, which states that various factors and variables affect the nature of reality, as argued by Guba and Lincoln (1994:110).

This study was conducted following the interpretative view of reality, as the post-implementation performance in the context of Customs Administration Modernisation is dependent on many variables. There is no one right general way of monitoring such initiatives, as is the case with a positivist view. The interpretative view places more emphasis on understanding the perspectives of those involved instead of focusing on just one reality (Jonassen, 1991:9-10).

A qualitative approach to research is explained by Kumar (2011:103) as a descriptive study in which the main focus is to understand, explore and clarify situations. Conversely, Brynard *et al.* (2014:39-40) describe the quantitative approach as one in which the researcher assigns quantities to observations through counting and measuring. This study was qualitative and aimed to interpret perspectives to gain insight in the post-implementation activities of the Customs Modernisation Programme. The purpose of this study was to analyse the post-implementation performance of the changes made.

A methodology is driven by the researcher's ontological and epistemological beliefs and is applied to find knowledge about reality in a logical way (Killam, 2013:9). Scotland (2012:9) defines methodology as the strategies or plans used to answer research questions. These strategies underpin the choice of research methods, which are techniques or procedures used to collect data when conducting a study. The interpretative approach is concerned with analysing empirical evidence collected in the relevant context and does not aim to confirm existing theories, for

instance, as rules of how organisations should act, as applied to this study. Instead it uses theories to explore the nature and significance of the phenomenon under study (Laughlin, 1995:67). This is explained by Mouton (2011:117) as inductive reasoning, as conclusions are drawn from a specific observation to be applied to a wider theoretical population.

1.8.3 Empirical study

Mouton (2011:69-75) distinguishes between two sources of data: primary data, which are collected first-hand by the researcher, and secondary data, which refer to existing data on the subject under review. For this study, primary data were collected through interviews, which provided first-hand evidence from people involved in the Customs Administration Modernisation programme. Mackenzie and Knipe (2006:200) suggest that interviews are a suitable way of gathering first-hand information. The purpose of an interview is to obtain clear descriptive information that will allow the researcher to understand the actuality of the phenomenon, in this case the programme, under review (Maree, 2012:30).

The purposive sampling technique was used to select the sample size. This technique is the most suitable way of determining a sample to be interviewed. The technique is based on the judgement of the researcher when looking at people who can provide the information needed by virtue of their knowledge and experience relevant to the study – in this case the Customs Administration processes (Tongco, 2007:147). The sample was selected from the forwarding and clearing agents, as their main duty is to clear imports and exports on behalf of traders and individuals importing and exporting goods, management and employees of the Planning and Modernisation division, and the Customs division of the LRA.

The LRA employees were selected based on their knowledge and experience with Customs Administration processes and the expectation that they would be able to provide insight into the functionality and performance of the new system. The sample comprised Customs division senior managers who would be able to give insight into the strategic viability and sustainability of the Customs Modernisation Programme. In addition, interviews were conducted with Customs operation staff members to obtain a full account on the internal business processes that would enable the LRA to meet its objectives. The expectation was that they would provide insight regarding the challenges experienced in operations and resources, as well as the capabilities needed to excel in performance.

Finally, forwarding and clearing agents were interviewed to give an account of their experience regarding the changes. The agents were selected based on their knowledge, experience and numbers of years in Customs processing. The number of interviewees per category depended on the point of saturation reached during the interviews.

To gather sufficient evidence on the Customs Administration Modernisation, semi-structured interview questions were used, as this type of questions enable the researcher to gather rich information and promote a thorough understanding of the feedback sought (Harrell & Bradley, 2009:27). Three sets of interview questions were compiled to capture the perspectives of stakeholders, from strategic managers to taxpayers (as represented by the forwarding and clearing agents). Questions directed to Customs managers probed them to (i) identify strategic challenges that posed a threat to the objectives of Customs; (ii) reflect on the key resources and capabilities needed for Customs to succeed and (iii) to give an account of the post-implementation performance of Customs, in terms of revenue and costs targets.

Questions directed to operational staff members which elicited their opinions included: What are the operational challenges in operating Customs new processes? and Which training needs are critical for Customs to achieve improved performance?

Questions posed to forwarding and clearing agents were directed at their opinion of the benefits from the implementation of the Customs Modernisation programme, as well as the challenges in dealing with the improved Customs processes, and whether the new processes encouraged compliance or promoted the smuggling of goods.

1.8.4 Data analysis

Analysis of qualitative data is seen as a strenuous, challenging task and an innovative process of inductive reasoning (Basit, 2003:144). Basit (2003:145) argues that coding plays a crucial role in data analysis, as it involves subdividing data, assigning categories and labelling data descriptive information gathered during the study.

In the current study, data were collected from three sources, namely management, operations, and clearing agents. Within these three categories, information gathered from interviews was coded according to themes that emerged from the data, as information provided is worthless without reference to themes (Ryan & Bernard, 2003:95-96). Themes involved numerous codes accumulated to form a common idea, which were then organised into bigger components to make sense of the data collected. This is defined as data interpretation (Creswell, 2013:186-187). Therefore, in accordance with the third secondary objective of the study (as mentioned in section 1.5), the raw data were interpreted to make sense thereof and to identify themes (i.e., grouping the raw data according to the perspectives of the Balanced Scorecard) related to the three data categories.

1.8.5 Trustworthiness, transferability, and dependability

Establishing data trustworthiness in qualitative research is an attempt to assess the accuracy of findings, as best described by the researcher and the participants, to ensure the credibility of the information. This is achieved by getting back to the interview participants with the preliminary analysis to ensure that what has been captured is indeed the information they provided to the researcher (Creswell, 2013:178).

Transferability pertains to how information from one study can be used in other studies. Therefore, it is imperative for the researcher to provide satisfactory and appropriate information of work done through a proper description of the phenomenon under review. This should promote a good understanding for the readers and enable a comparison of the instances described (Shenton, 2004:69).

Dependability corresponds with reliability, as they are both concerned with the questions of consistency and conformity. Consistency pertains to whether a similar study will yield similar results; while conformity relates to the lack of prejudice which is enhanced by consistency in findings (Guba, 1981:86). In order for the current study to be reliable and without researcher bias, a triangulation strategy was adopted and an audit trail was created by means of appropriate documentation of evidence (Onwuegbuzie & Leech, 2007:239-240).

1.8.6 Ethical considerations

Ethical considerations relate to the awareness of proper ways of conducting research which protect the research from being compromised. The first ethical consideration is consent, as it is considered unethical to collect data on an organisation without the proper authorisation to do so. In order to conduct interviews and gain access to documents and reports, the researcher in this study sought written consent to carry out the work at the LRA.

The second ethical consideration is the confidentiality of information used in the study. The LRA works in an environment in which confidentiality is of high priority. Therefore, information gathered in interviews and reviewed documents were used solely for research purposes. The anonymity of interview respondents was ensured, as it is considered unethical to share interview responses mentioning the interviewee's name (Kumar, 2011:221). The interview process was conducted in such a way that respondents who were LRA employees were not mentioned. In this dissertation responses are provided with the highest level of anonymity.

Integrity is another important ethical consideration. This relates to the promotion of honesty and truthfulness. It ensures the accuracy of the facts at hand and that there is no deliberate

misinterpretation of facts. The conduct of the researcher should not be deceptive, as deception may lead to mistrust among the interview population towards the researcher (Maree, 2012).

1.9 Overview

The study is divided into the following five chapters:

Chapter 1: Introduction

The first chapter is the introduction of the study. It gives the background of the study, sets out the problem statement and explains how the research was conducted.

Chapter 2: Literature review

The literature review was based on the analysis of the work done, and theoretical studies on Customs Modernisation, management accounting, and the resources and capabilities theory relevant to the study under review. The literature review was not limited to journals and articles, but considered other sources of literature such as newspapers to give a more academic background of the topic under review.

Chapter 3: Research method and design

This chapter elaborates on the qualitative approach, as it was found to be the most appropriate approach in seeking to understand and interpret the perspective of those involved in the post-implementation phase of the Customs Modernisation programme in the LRA. Chapter 3 also explains the methods used to collect evidence and find solutions to the research question. This chapter documents the work done by the researcher and justifies the procedures and steps followed in carrying out the study.

Chapter 4: Research results and analysis of findings

This chapter focuses on the discussion and analysis of information collected through interviews and reviews of documents. Findings are interpreted and analysed with reference to existing theories and studies mentioned in the background and literature review.

Chapter 5: Conclusions and recommendations

The last chapter provides a summary and conclusions on the research findings, with reference to the research questions and research objectives.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

In Chapter 1, the background, problem statement, objectives and research approach were described, while Chapter 2 focuses on the first secondary objective of the study, i.e., to explore and understand the critical points of the Balanced Scorecard. Attention is therefore firstly paid to (i) the Balanced Scorecard basic framework, linking it to non-profit organisations where necessary; and (ii) the implementation of the Balanced Scorecard and its four perspectives (Learning and Innovation, Customer, Financial, and Internal Processes). Secondly, attention is paid to Porter's value chain and value analysis as far as they support the Internal Business Processes perspective. Lastly, attention is paid to the resources and capabilities theory as far as it supports the Learning and Innovation perspective of the Balanced Scorecard.

2.2 Balanced Scorecard

Over the years the accounting profession has constantly evolved, from performing routine calculative functions to playing a more influential strategic role, fulfilling the increasing demands for financial and managerial information in the ever-changing and competitive business environment. The dynamic environment in which organisations operate has necessitated the adoption of new accounting practices such as strategic performance measurement and integrated reporting in order to meet the wide-ranging needs of external and internal stakeholders (Abeygunasekera *et al.*, 2018:746).

The Balanced Scorecard was introduced by Kaplan and Norton in 1992 as a comprehensive performance measurement framework to describe, evaluate and measure elements that drive organisational performance. The purpose of the framework was to curb the challenges of the traditional tools in measuring performance. The framework breaks down organisational strategic objectives into a clear set of performance measures, encompassing both financial and non-financial measures, to give an all-inclusive view of the organisational performance (Adil & Amin, 2018:185-186; Martello *et al.*, 2016:64).

Adil and Amin (2018:185-186), as well as Thanki and Thakkar (2018:368), state that the Balanced Scorecard is a strategic management accounting tool that helps the conversion of organisation strategies into tangible goals. It examines organisational performance from four perspectives, namely financial, customer, internal business processes, and learning and innovation perspectives, as shown in figure 2.1 below. The integration of financial and non-financial aspects is perceived to have brought a balance between internal and external performance, and between lagging and leading indicators (Adil & Amin, 2018:185-186; Busco & Quattrone, 2015:1237-1238).

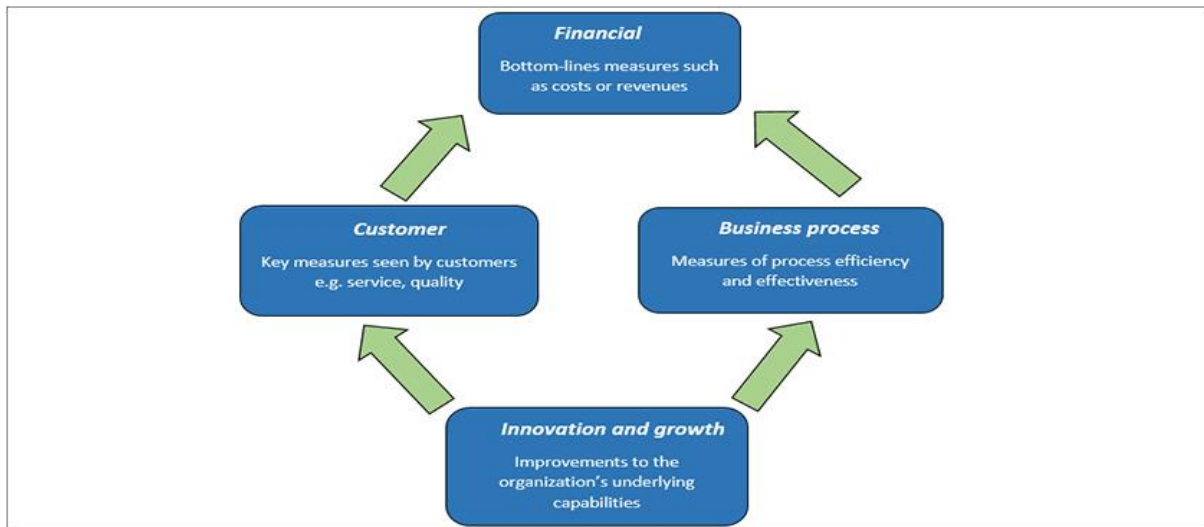


Figure 2.1: The Balanced Scorecard

Source: Chelniciuc (2014)

Traditional performance measures only focused on traditional financial indicators which, in hindsight, were unable to measure what was likely to happen in the future (Apak *et al.*, 2015:181). Perramon *et al.* (2016:1134) specify that the rapidly changing environment in which organisations operate needs a mechanism that can detect discrepancies in demand and inefficiencies in operations. In this sense, financial statements fall short as an information tool for decision making, whereas of the Balanced Scorecard's ability to link internal and external performance becomes clear.

Alani *et al.* (2018:691) assert that the Balanced Scorecard does not intend to replace the financial performance measures. In fact, the Balanced Scorecard complements these measures because it was introduced as a tool for assessing and evaluating performance, to be later transformed to linking everyday processes to long-term objectives. It is also an effective means of corporate strategy.

Kaplan (in Martello *et al.*, 2016:64) contends that, for profit-seeking organisations, financial metrics are inadequate for measuring and managing performance; hence the financial perspective needs to be supplemented with the other three perspectives. Therefore, for profit-seeking organisations, the financial perspective offers clear long-term objectives, whereas for non-profit-seeking organisations, the financial perspective represents a constraint.

In addition, the Balanced Scorecard brought a new aspect that provides a series of performance measurement indicators that may be applied to guide strategic direction and objectives (Apak *et al.*, 2015:181). Martello *et al.* (2016:62) highlight the assumption by Kaplan and Norton (1996:45)

that the cause-and-effect relationship among the dimensions is vital, as it enables both financial and non-financial measures to be used. They further claim that financial measures indicate past performance, whereas non-financial performance measures indicate future performance. As a result, the Balanced Scorecard incorporates the combination of lag and lead indicators.

Performance outcome drivers and outcome measures are thus linked together in cause-and-effect relationships and aim to serve as a feedforward control system. In other words, the cause-and-effect relationship among the dimensions of the Balanced Scorecard can be illustrated by indicating that the learning and growth measures are the drivers of the internal business processes measures. In turn, the latter processes are the drivers of the customer perspective measures, while these measures drive the financial measures (Martello *et al.*, 2016:62). Moreover, the cause-and-effect interrelation of the perspectives depends on each perspective having an explicit objective whose accomplishment will add to the value creation of the organisation. The perspectives must also be aligned with the organisation's mission (López-Ospina *et al.*, 2017:1803).

At the performance evaluation stage, the Balanced Scorecard helps to identify areas that need to improve their performance in order to create value and enhance its core competencies (Sengfeng, 2012). By bringing together and analysing information relating to the internal and external environment, the Balanced Scorecard enables the organisation to identify its strengths and weaknesses. Furthermore, the identification of the strengths and weaknesses will enable the organisation to understand whether, in the event of changes in the environment, the organisation will be able to achieve its objectives in its current resource position (Pitcher, 2015:12).

In performance evaluation, it is crucial to not only identify the factors that are affecting the performance, but to also understand the interaction of these factors. Therefore, the incorporation of a performance evaluation system as part of the management and control tool enables the organisation to reach its predetermined objectives through the effective administration of resources (Thanki & Thakkar, 2018:369).

Martello *et al.* (2016:62) highlight Kaplan and Norton's perspective that the Balanced Scorecard moves the emphasis from tangible assets to both intangible and tangible assets. Intangible assets include (but are not limited to) customer relations, state-of-the-art products and services, high-quality quick response operating processes, workforce capabilities and knowledge, IT supporting the workforce, and the organisational atmosphere that inspires innovation, problem solving, and improvement.

2.2.1 The Balanced Scorecard in the public sector and non-profit organisations

Although the Balanced Scorecard's initial aim was for use in business organisations or private sector organisations, it can be applied to public sector and not-for-profit organisations. The Balanced Scorecard can be applied in the public sector by modifying the customer perspective and put emphasis on the customer (Muda *et al.*, 2018:1323).

The main difference between the use of the Balanced Scorecard in public and private sectors depends on its objectives. The private sector concentrates on profit maximisation; thus the emphasis is on increasing shareholder value by increasing revenue and enhancing productivity with the purpose of improving the bottom line. The public sector is more non-profit motivated and concentrates more on public service (Martello *et al.*, 2016; Muda *et al.*, 2018:1323) and thus on cost-benefit optimisation.

According to Gao *et al.* (2018:1948), the Balanced Scorecard has been successfully used worldwide in numerous institutions such as government, manufacturing, service, and not-for-profit organisations. However, public sector organisations are progressively seeking ways to enhance their performance management practices. Evidently, the need exists to comprehend the matters and challenges of the Balanced Scorecard implementation in the public sector, seeing that studies on the Balanced Scorecard have concentrated on the private sector (Muller & Ndevu, 2018:9).

2.2.2 Implementation

The implementation of the Balanced Scorecard in strategic management is intended first to elaborate and translate organisational vision and strategy; secondly, to communicate and link strategic objectives and measures; thirdly, to plan, set targets, and bring into line strategic initiatives; and fourthly, to improve strategic feedback and knowledge (Hladchenko, 2015:168). López-Ospina *et al.* (2017:1803) argue that the implementation of the Balanced Scorecard necessitates clarification on short-, medium- and long-term achievements, as its main objective is to support the organisation to turn its mission and strategy into indicators that enable the analysis of results and effective decision making. This is achieved by creating, recognising, and prioritising the organisation's strategic objectives (López-Ospina *et al.*, 2017:1803).

Furthermore, the Balanced Scorecard is a strategic management tool that aligns the organisation with strategy. This is done by translating the vision and strategy of the organisation into a tangible set of performance measures, clustered around the four perspectives. These perspectives facilitate the alignment between desired results and the performance drivers, between strategic long-term objectives and short-term actions. The integration of the four perspectives of the Balanced Scorecard clarifies the understanding of cross-functional interactions that can

eventually lead to enhanced decision making and problem solving (Adil & Amin, 2018:185-186; Thanki & Thakkar, 2018:368).

Sayed and Lento (2018:916) assert that the successful implementation of the Balanced Scorecard depends on its customisation to an organisation's unique operating environment. It is not suitable to be used in all circumstances but should be tailored for individual organisational needs. They further indicate that the Balanced Scorecard for manufacturing organisations may differ from that of service organisations due to key distinguishing characteristics of services, namely intangibility, variability, perishability, heterogeneity and inseparability (Sayed & Lento, 2018:916).

The Balanced Scorecard can be used to improve processes, to observe current performance and its capability to improve processes, to encourage and educate employees, and to improve information systems (Abeygunasekera *et al.*, 2018:759). The Balanced Scorecard assists by directing the organisation's focus on areas that are vital for its success by defining and communicating priorities to all stakeholders, from investors to customers (Kaplan & Norton, 1993).

Gibbons and Kaplan (2015:450) argue that, from the point of view of interpersonal contracting, the internal development of the scorecard assists to create a new corporate culture, aligned with the strategy. Culture is described as the collective assumptions about the organisational mission, strategy and goal, as well as the means to achieve goals, measure performance and respond when things do not go according to plan. This can be attained by creating a scorecard of formal measures internally, while it can also be an agreement among the users about how the measures will be used in informal management.

It is important to note that a key issue with the Balanced Scorecard is that its implementation does not incorporate the causality effect. Therefore, it is essential to gain an understanding of the linkages between the numerous aspects of the Balanced Scorecard and the key performance indicators. The most important points for the best identification and classification of the measures are deciding and concentrating on measures related to each strategic objective, bearing in mind the exact and correct cause-and-effect link between the measures in the various perspectives and constructing the strategy map, and determining the quantitative target values for each measure (Farokhi & Roghanian, 2018).

Farokhi and Roghanian (2018) contend that the challenge of implementing the Balanced Scorecard lies in the qualitative nature of strategic and organisational objectives. Difficulties that arise in the implementation of the Balanced Scorecard include the adjustment of numerical values of each measure applicable to strategic goals on the strategy map. It is essential to find a clear link between quantitative objectives consistent with each performance measure and

organisational vision, as well as goals for managers to control objectives and strategies effectively (Farokhi & Roghanian, 2018).

With the assistance of measures and performance indicators, the Balanced Scorecard offers an opportunity to break down strategy into different stages of implementation and control. Development and implementation of the Balanced Scorecard of each division within an organisation, based on the perspectives defined for the whole organisation, make it easier for the divisional employees to understand the strategic objectives of the organisation. The Balanced Scorecards of the divisions help the employees to understand their role in the implementation of the strategy of the whole organisation. The implementation of the Balanced Scorecard on different echelons in the organisation enables the members of the organisation to have a clear view of the strategic goals and objectives they should attain in their daily activities (Hladchenko, 2015:174).

2.2.3 Learning and innovation perspective

The learning and innovation perspective of the Balanced Scorecard focuses on the intangible assets, such as employee skills and the capabilities of an organisation, which are vital for accelerating organisational growth and development (Vikas & Meenu, 2018:25). Hladchenko (2015:168) adds that this perspective pertains to the activities that are essential for developing the organisation and its employees toward the accomplishment of organisational objectives.

Albuhisi and Abdallah (2018:1363) describe innovation as the enhancement and development of a new product, procedure or process, strategy, or technology, whereas learning is described as the acquisition of job-related skills, understanding and behaviours. The learning and innovation perspective comprise three factors, namely people, systems and an organisational dimension. By monitoring and enhancing these three factors, the organisation creates growth and improvement. It is thus clear that learning and innovation pertain to employee capability and organisational processes and their ability to adjust to the continuously evolving business environment. Therefore, the success and growth of the organisation rely not only on continuous improvements to the existing operations and processes, but also on the development of new operations and processes.

A learning and innovation perspective concentrates on tactics associated with the enhancement of infrastructure, technology, training, and employee satisfaction. These tactics may affect main business processes. This perspective encompasses measures such as the developing of a set of skills, training and development, and employee satisfaction and commitment (López-Ospina *et al.*, 2017:1803). Vikas and Meenu (2018:37) contend that the measures designed in this perspective assist in closing the gap which might exist between the effectiveness in managing and organising human resources. Closing this gap can help the organisation to generate and

sustain routine changes necessary to meet fluctuations in the external environment and ensure viable performance for the future.

Tamayo-Torres *et al.* (2016:1457) state that innovation is contingent on the organisation's ability to obtain and absorb new internal and external knowledge, as well as on the existence of a continuous cycle of creating opportunities for learning. Their study confirms that innovation plays a key role in the progression of adaptation and fit. They also found that organisations with an enhanced environment for innovation and better competencies to implement innovation-oriented conclusions are more likely to positively direct the strategic management process (Tamayo-Torres *et al.*, 2016:1457).

An analysis by Sung and Choi (2014:407) revealed that individual learning practices are not significantly linked with innovation. However, interpersonal and organisational learning practices were found to have remarkable and positive effects on performance. Furthermore, individual understanding or knowledge will possibly not contribute to innovation, unless shared and integrated within the organisational environment.

Studies by Mehralian *et al.* (2018:816) concluded that knowledge management activities within the organisation seem to result in enhanced performance and competitive advantage. They found that intellectual capital and its numerous dimensions of human, organisational and relational capital can lead to enriched financial and non-financial performance. For this reason, knowledge management practices appear to have an important influence on the growth and learning perspective of organisational performance (Valmohammadi & Ahmadi, 2015:153). For the long-term survival and success of an organisation, it is vital to develop and maintain knowledge management (Vikas & Meenu, 2018).

Vikas and Meenu (2018:40) point out that, as much as knowledge management practices contribute significantly to the innovation performance of the organisation, deep understanding is needed of organisational processes and procedures. However, further research is required to clarify the relationship between knowledge management practices and organisational performance measures with regard to the Balanced Scorecard outcomes.

Perramon *et al.* (2016:1134) concluded that the Balanced Scorecard offers valuable information that can be used to show the effect of decisions on learning and growth on internal processes, as well as the effect of these decisions on customer perspective and financial results. Their findings demonstrate that, when employees are encouraged, inspired and moulded, the internal processes are performed efficiently. Also, there seems to be higher perceived quality by the client, which, in turn, has a positive effect on the economic performance of the organisation.

In a similar vein, Adil and Amin (2018:200) found that the innovative conduct of employees in the workplace is the greatest influential driver of organisational internal business processes. Therefore, sufficient managerial attention to the establishment of a conducive environment for the generation and implementation of innovative ideas is imperative for business organisations (Adil & Amin, 2018:200).

Management support, together with effective training programmes for personnel, will assist in improving individual employee performance, thereby improving the internal processes of the organisation. Such programmes enable organisational personnel to deal with diverse challenges, for example, speedily adjusting to changes linked to production processes, throughput, technology and environment-related issues (Albuhisi & Abdallah, 2018:1372-1373).

A risk-encouraging manager is required for encouraging innovation and cannot be engaged without direct support from top management. For this reason, a well-trained and supported personnel corps involved in the enhancement of processes, and one who is given an adequate amount of freedom, will form a noble foundation for innovative ideas (Albuhisi & Abdallah, 2018:1372-1373).

For viable operation and development, organisations ought to rely on continuous improvement, innovation and growth. In other words, the learning and innovation perspective encompasses three key evaluation criteria: employee satisfaction, employee continuation, and employee productivity. In addition, organisations must establish performance assessment indices founded on these three criteria (Apak *et al.*, 2015:181).

Employee participation and continuous training and improvement programmes contribute significantly to the fine-tuning of employee skills and increasing their experience and knowledge. Learning and innovation are concerned with instilling competencies in employees, as they are based on the notion that human resources contribute to business excellence in the organisation. Learning and innovation will further enable the attainment of business objectives, provided that all human resource practices are congruent with organisational operations.

This dimension establishes the important basis for the success of any organisation, as organisational value depends on innovation through the introduction of new products and services, improvement of operating competencies, and learning capabilities. This will allow personnel to effectively contribute to innovation and development activities. Support from top management is critical for providing the resources required for innovation activities, sufficient support for personnel, and suitable training programmes (Agrawal, 2008:26-33; Albuhisi & Abdallah, 2018:1372-1373).

Findings by Tamayo-Torres *et al.* (2016:1461) point to the significance of producing the capabilities that organisations require to adjust to dynamic and turbulent environments. Continuous learning and innovation with regard to new products, services, technologies or processes to advance the capability of adaptation and change can lead to enhanced performance (Tamayo-Torres *et al.*, 2016:1461).

Shen *et al.* (2016:132) indicate that the aim of the enterprise resource planning system, with regard to learning and innovation, is to provide employees with the competence to learn and use the system. As a result, the quality and effectiveness of the training programmes have an impact on the capability of employees to not only utilise the new system, but to also amend process operations.

2.2.4 Internal processes perspective

This perspective encompasses the development, maintenance and enhancement of the performance of business processes with the aim to identify processes that are vital to the organisation's accomplishment of its objectives (Hladchenko, 2015:168; López-Ospina *et al.*, 2017:1803). López-Ospina *et al.* (2017:1803) explain that the internal processes perspective emphasises the improvement of the main organisational processes which may affect investor and client satisfaction, and therefore, the organisation's financial objectives. These processes include the procurement and consumption of resources, specifically money, human resources, materials, equipment, land and buildings, and management. Operations included in a value chain define the costs incurred and profits realised (Mustapha, 2016:88).

The internal processes perspective is discussed in section 2.2.8 ("The value chain analysis of the internal business processes") using Porter's value chain.

2.2.5 Customer perspective

The customer perspective of the Balanced Scorecard focuses on the qualitative and quantitative performance anticipated by the organisation's stakeholders (Hladchenko, 2015:168). According to López-Ospina *et al.* (2017:1803), this perspective is mainly aimed at how customers perceive the organisation and its ability to fulfil their needs. The Balanced Scorecard customer perspective defines which tactics will be used to create value for customers, in what manner the customer will request those values to be fulfilled, and what price the customers are willing to pay (Iyibildiren & Karasioglu, 2018:17). Performance measures of this perspective may include customer satisfaction rate and customer loyalty (López-Ospina *et al.*, 2017:1803).

With regard to the customer perspective, it is imperative for organisations to define their market segments and target customers for their product (Berková *et al.*, 2017:1843). For the customer market segmentation, organisations ought to use their key advantages and resources to distinguish them from their competitors, as the key measures are customer maintenance, customer fulfilment, customer acquirement, share ratio, and customer profitability (Apak *et al.*, 2015:181; Martello *et al.*, 2016:62). Berková *et al.* (2017:1843) and Shen *et al.* (2016:132) add the following measures: customer satisfaction analysis, customer complaints, market share, delivery time, warranty costs, customer response time, and turnaround time from order to delivery.

Adil and Amin (2018:200) argue that one of the key success indicators within the customer perspective is customer loyalty. This is mostly influenced and predicted by the customer's opinion on the prevention of service disruptions and regular efforts by employees to prevent such disruptions. Such opinions and efforts are expected to lead to the development of a long-term relationship between the customer and the service provider. It is worth noting that, despite the direct effects of elements of customer perspective on financial performance, opinion on customer service quality has the highest influence (Adil & Amin, 2018:200).

In this regard, the International Organisation for Standards (ISO) 9000 principle stipulates that each member of the organisation must have an understanding of the significance of the customer to the organisation and direct their efforts towards customer satisfaction and expectations (Sedevich-Fons, 2018:1306). By considering customer needs and perceptions, an organisation creates an atmosphere and a flexible support system that can enthusiastically deal with matters on product innovation, globalisation, customer anticipations and deregulation, and increase customer expectations timely and efficiently (Kumar & Reinartz, 2018:5).

Understanding customers and their needs are therefore of the highest prominence. Customer relationship management is founded on the notion of the need to carefully balance organisational and customer interests. Customer relationship management encompasses the automation and enhancement of customer-centric processes such as sales, marketing and service. As an alternative to automating business processes, customer relationship management concentrates on ensuring that front-office applications enhance customer contentment. This, in turn, results in customer loyalty, ultimately affecting the organisational bottom line (Kumar & Reinartz, 2018:5).

2.2.6 Financial perspective

The financial perspective is one of the most significant, distinct indicators of performance and has a profound effect on the solvency of the company, thus the use of traditional accounting measures is aimed at assessing the financial results of the organisation (Berková *et al.*, 2017:1842). The financial perspective further focuses on how the organisation is perceived by its shareholders. It

is worth noting that financial performance is essential to the success of the organisation and progress towards set financial objectives. Measures associated with financial performance are often sourced from the evaluation of financial information, such as revenue, expenditure and budget information, which, when well designed, contribute to management planning, control and decision making (Iyibildiren & Karasioglu, 2018:17).

The financial perspective is usually considered the most conclusive of all perspectives, as it illustrates the financial performance in a quick, easy and extremely precise manner (Berková *et al.*, 2017:1848). Apak *et al.* (2015:181) highlight the organisation's operating performance. The financial perspective encompasses setting up a financial objective and strategy which could be used for performance evaluation and control purposes. Hence, evaluation measures generally include return on investment, revenue, operating costs, net profit rate, and cash flows.

Financial measures portray economic results for the activities undertaken by the organisation and focus on the profitability and associated measures that enable shareholders to validate the profitability of their investment. Therefore, for the smooth and efficient direction of the organisation, timely and accurate financial data are prerequisite. Therefore, for decision making, the accurate and timely provision of financial data to the correct person within the organisation is required (Berková *et al.*, 2017:1842; Malgwi & Dahiru, 2014:2).

Malgwi and Dahiru (2014:2) state that financial measures pertain to profitability, growth and shareholder value. These measures involve the contribution of the strategy, implementation, and execution toward the improvement of the bottom-line. This perspective also deals with the results of the outcomes achieved from the other three perspectives of the Balanced Scorecard.

Malgwi and Dahiru (2014:3) distinguish three core financial themes that drive business strategy. First is revenue growth, which focuses on the actions and activities an organisation undertakes to increase its revenue base. The second theme is cost reduction, which focuses on ways of reducing product and service cost per unit as well as general administration costs. The third theme is asset utilisation, which focuses on financial performance measures such as return on investment.

(a) The financial perspective in the public sector and non-profit organisations

For non-profit organisations, the financial perspective may include consideration of various factors such as, but not limited to, maximisation of funding from external sources as an alternative of profit, or the preservation of fiscal stability (Martello *et al.*, 2016).

For profit-seeking organisations, the financial perspective offers clear long-run objectives. Contrariwise, in the non-profit sector, the financial perspective provides a restraint instead of an objective. Even though the not-for-profits monitor expenditure and keep to financial budgets, their performance is not measured by spending the budgeted amounts, but by achieving the mission. The mission represents the accountability between the non-profit and the public. Therefore, financial metrics have been found inadequate for the measurement and performance management in the not-for-profit sector (Martello *et al.*, 2016).

2.2.7 Criticism of the Balanced Scorecard

Some researchers note that the usage of the Balanced Scorecard has numerous shortfalls. The shortfalls of the Balanced Scorecard were mainly identified by Norreklit (2000:65-88). Norreklit (2000:65-88) carried out empirical studies to refute Kaplan and Norton's (1996:45) notion that there is a cause-and-effect linkage between the four dimensions.

Studies by Bukh and Malmi (2005:87-113), Khan *et al.* (2010:45-73), López-Ospina *et al.* (2017:1804), Maltz *et al.* (2003:190), Rillo (2004:157), Salem *et al.* (2012:6-7) and Thanki and Thakkar (2018:391), all in support of Norreklit's critique (2000:65-88), pointed out that the relationship among the dimensions is interdependent. The causal relationship among the measures does therefore not exist, and the effect among measures is not unidirectional. For example, firms need satisfactory financial results, in turn, organisations need research and development to be able to produce satisfactory financial results.

It is further argued that the cause-and-effect relationship among the dimensions requires a time lag between the dimensions. However, the Balanced Scorecard does not incorporate a time factor among the dimensions; the effects of some efforts will almost be immediate, whereas some efforts may take a considerable time to show effect. An example given in support of this argument is that improvement of processes may promptly result in customer satisfaction and probably yield financial benefits in later years (Malgwi & Dahiru, 2014:8; Salem *et al.*, 2012:6-7).

According to López-Ospina *et al.* (2017:1804), as well as Thanki and Thakkar (2018:391), the Balanced Scorecard points out that all strategic objectives are equally weighted and in actual situations the equal weighting of strategic objectives is not applicable. Awadallah and Allam (2015:98) explain that, in real situations, organisational resources are channelled to achieve the Balanced Scorecard goals. This confines the organisation's performance potential to achieve Balanced Scorecard goals and not other targets out of the Balanced Scorecard scope. This, in turn, hinders organisational and encourages closed innovation, which recognises that an organisation has hierarchical structures, clearly defined work duties and single-way of doing things, linear cause-and-effect relations.

With regard to strategy, Rillo (2004:157) states that the Balanced Scorecard fails to take into consideration and monitor the changes in the environment, such as competition and changes in technology. Also, the Balanced Scorecard does not consider risks involved and events that may have a negative effect on the strategy. Thus, the Balanced Scorecard concentrates on the measurement of what is expected, without considering risks associated (Rillo, 2004:157).

Awadallah and Allam (2015:98) indicate that the objective and definitions of measures exclude key stakeholders. This may have a significant effect on organisations as suppliers and public authorities are excluded from the Balanced Scorecard. Hristov and Chirico (2016:57) claim that employee motivation is an essential aspect, especially in the service sector. Therefore, they criticise the Balanced Scorecard for being unable to identify satisfactorily the contributions of employees and suppliers towards the achievement of organisational goals. They highlight performance measures that evaluate stakeholders' contribution.

Islam (2018:334) notes that the Balanced Scorecard is identified to be a performance measurement system, although it does not communicate the organisation's strategy story briefly and clearly to employees. A strategic map better enables enhanced execution of strategy, as it supplements the organisation's strategy implementation process. In addition, López-Ospina *et al.* (2017:1804) criticise the Balanced Scorecard for overlooking the temporal dynamic of the strategic decisions in the strategy map. In other words, it does not assist in the decision-making process and its resultant assessment of organisational performance (López-Ospina *et al.*, 2017:1804). With regard to competence in business planning, the Balanced Scorecard does not provide an integrated view or clear recommendations, but only provides a list of metrics (Chelnicuic, 2014).

The implementation of the Balanced Scorecard model in organisations usually entails that one or more measures are defined for each strategic objective in each model perspective. Another shortcoming of the Balanced Scorecard is that, at the time of setting performance measure targets, these targets are based on past performance information, adjusted by a certain growth rate, which is typically determined in an intuitive and judgemental manner. At this stage, the organisation is not aware of the changes that could occur to its goals if all the measures had achieved their anticipated value within the stated period of time (Farokhi & Roghanian, 2018).

Another point of critique against the Balanced Scorecard pertains to the subjectivity in the design and the implementation of the Balanced Scorecard. The scores have not been constructed based on any established economic or financial theory and do not have a basis in the decision science (Chelnicuic, 2014).

Moreover, the Balanced Scorecard has been developed assuming that organisations are relatively in good health and in a stable development stage, whereas numerous organisations cannot be categorised as such. Reality has demonstrated that, in various circumstances where organisations need in-depth re-engineering, the Balanced Scorecard's traditional approach does not provide reasonable results (Rillo, 2004:159).

The literature indicates that, to be useful, the Balanced Scorecard should depend on its alignment with overall business strategy. However, management might be tempted to focus on the Balanced Scorecard dimensions that closely support their strategic direction, overlooking aspects that do not seem to have a direct, recognisable and assessable influence on the organisation's strategic goals. This could lead to an unjust Balanced Scorecard (Chelniciuc, 2014).

A last shortfall of the Balanced Scorecard is its failure to identify performance measurements as a two-way process, due to the lack of integration between the managerial level and the operational level. This may lead to strategic problems, due to the inability of the operational level to understand the implementation of the Balanced Scorecard. This, in turn, could result in the failure of organisational strategic plans based on poor consistency and integration among the organisation's levels (Malgwi & Dahiru, 2014:9; Salem *et al.*, 2012:6).

2.3 Porter's Value Chain and Value Chain Analysis as basis of the of the internal business processes perspective

As mentioned in section 2.2.4 ("Internal processes perspective"), the value chain is the conceptual basis of the internal processes perspective (Berková *et al.*, 2017:1843). According to Martek and Chen (2016:502), the value chain is the entire process in which inputs are extracted from the environment and manipulated, moulded, combined and brought together during numerous phases and processes until a final product is formed and positioned for continuous intended use. The value chain is a set of physically and technologically distinct activities that an organisation undertakes to project, create, promote, deliver and support the product or service in order to create value perceived by customers or consumers (Koc & Bozdog, 2017:561).

The value chain analysis of organisations has proven to be vital in the evaluation of competitive advantage, as it enables organisations to identify the strategic benefits and drawbacks of their activities, as well as the value creation processes in the marketplace (Mustapha, 2016:88). Furthermore, Porter (in Flanagan *et al.*, 2018:7) indicated that the value chain captures every single activity an organisation does. As a result, it provides a model for plotting where cooperative behaviours take place among directly competing organisations (Flanagan *et al.*, 2018:7).

The value chain divides the organisation into strategically related activities so that the cost behaviour and the likely sources of variation can be recognised and understood (Koc & Bozdag, 2017:561; Mohajeri *et al.*, 2014:379). In short, the value chain is a chronological layout of stakeholders (private and public), service providers, and value-adding actions involved in bringing a product or service from production to the end consumer (Mustapha, 2016:88). According to Martek and Chen (2016:502), the importance of the value chain is the residual amount the customer is prepared to pay for the final product after the costs have been deducted. These include all costs incurred at every phase of the process during which raw materials are transformed into the finished product.

Mustapha (2016:88) indicates that the value chain is based on the idea of perceiving the organisation as a system made of subsystems, each with inputs, processes and outputs. Mohajeri *et al.* (2014:379) highlight Porter’s description, namely that activities involved in value creation are divided into major groups: (i) primary activities, which include inbound logistics, operations, outbound logistics, marketing and sales, as well as after-sales services; and (ii) support activities, which include procurement, technology and its development, human resource management, and firm infrastructure, as illustrated in figure 2.2 below (Mohajeri *et al.*, 2014:379). The primary activities are directly involved in creating value for the customer or consumer, while the support activities support the primary activities in the value creation process.

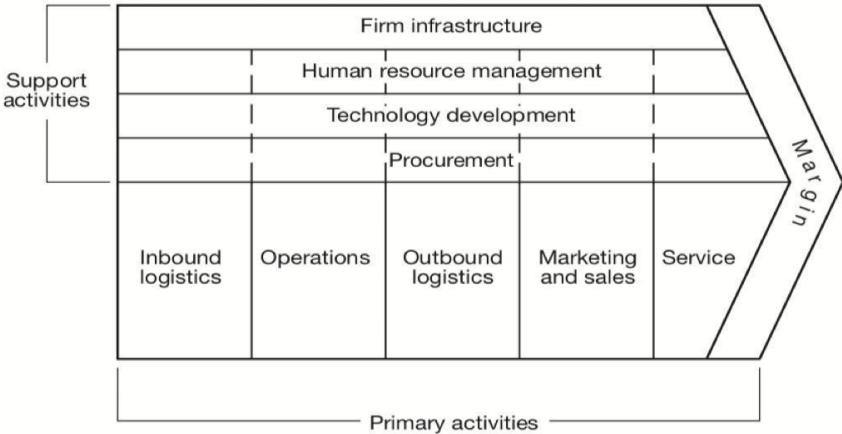


Figure 2.2: Porter’s value chain
 Source: Christopher (2016:10)

2.3.1 Value chain analysis in public sector and non-profit organisations

The value chain is a tool to facilitate the improvement of internal processes. Porter (in van der Waltd, 2016). sees the value chain as a model clarifying how organisations acquire resources as input, adds value to it through numerous processes, and produces complete products or services (output) to consumers. The value chain is further refined by concentrating on primary processes

(input, processing and output) and its support activities (distribution, resourcing and after-delivery service) with the aim to convey maximum value for the minimum total cost (van der Waldt, 2016).

Public sector organisations that deliver services to the public play an important part in value creation for the country. Through the provision of quality services and the production of public goods, competitive development and the advancement of the country are guaranteed. Consequently, the main concern for public sector organisations is creating value through public services and meeting the needs of citizens, private organisations and other public entities (Rapcevičienė, 2014:44). The emphasis is on the value that can be added to government processes for enhanced service delivery; thus focusing on how taxpayers get value for their money (van der Waldt, 2016).

In the public sector context, the value chain is evaluated from the point of service to citizens. It is likely to make reference to Porter's value chain, although it cannot be taken as an inclusive description of the model applied to the public services sector. The mere application of Porter's model does not fit those organisations operating in the public sector. Consequently, the public sector value chain is a variation of the private sector value chain. The difference between the two is that the main focus in the public sector is on the customer, as opposed to the profit focus in the private sector (Alberto, 2013:87; Rapcevičienė, 2014:48).

For this reason, performance of public sector organisations ought to be characterised by high quality and cost efficacy. Also, the aim should be to bring public administration considerably closer to citizens and enterprises by creating value through the production of services that are progressively tailored to the needs of consumers (Alberto, 2013:85).

In the application of conceptions of value in the context of service delivery, issues such as value for money, cost benefit, service quality and customer care must to be clarified (van der Waldt, 2016). The successful implementation of the public sector service value chain entails an internal focus, i.e., empowering employees to be responsive to customer concerns and improve on the delivery of public services. In this way, the effective incorporation of the public sector service value chain has resulted in modifications to management structures ensuring employees remain content with their jobs and feeling competent to respond to customer needs (Rapcevičienė, 2014:48).

2.3.2 Primary activities

Primary activities are the activities within the value chain that directly take part in the making of goods and services (Flanagan *et al.*, 2018:7).

(a) Inward or inbound logistics

According to Saifudin *et al.* (2016:100), logistics consists of the movement of resources from different suppliers into an organisation, the movement of resources inside the organisation across various operations, and the movement of resources via delivery to customers. Saifudin *et al.* (2016:100) explain that the inflow of supplies is considered as inward or inbound logistics, hence inward or inbound logistics distributes material from suppliers into the organisation. This primary activity of the value chain highlights activities related to the receiving, storage, and distribution of inputs to the product or service. A few examples of inbound logistics are material handling, warehousing, inventory control, vehicle scheduling, and returns to suppliers (Koc & Bozdog, 2017).

(b) Processes or operations

Sonnenberg and vom Brocke (2014:224) explain that business processes are a group of business proceedings, either small or difficult, that take place in attaining a business process outcome. In general, business processes emphasise a set of rationally interrelated tasks or undertakings that are executed to accomplish a well-defined business outcome (Ammar, 2017:235). To account partly for the processes' economic basis, a business process needs to encompass at least one economic event that signifies the attainment of the business process outcome, which could be either an increase or reduction in a resource (Sonnenberg & vom Brocke, 2014).

According to Baird and Su (2018:973), more relevant performance indicators for organisational performance at the operational level are measured in respect to three aspects, namely cost, flexibility and delivery. Nasr *et al.* (2012:124) add that the appropriate management of service problems involves critical in-service value assessment, prompt complaint resolution, empathy and reassurance showed during system glitches. Appropriate knowledge by employees to resolve problems is important from a customer satisfaction point of view.

Business process management is defined by Hammer (2015:3) as an all-encompassing system for the management and transformation of organisational operations. The key aim of performing a business process is to determine the internal or external customer requirements. Therefore, human resources, organisational structures, and machinery the main the resources of the business process (Al-Sabri *et al.*, 2018:947).

Ammar (2017:266) specifies that, in business process management, processes involving customers, logistics and control are put together in relation to a range of functions such as controlling, understanding and strategy. This should occur against the background of the organisation's focus on change for improvement. Business processes include customer fulfilment

processes, the procurement processes, production processes, as well as financial and control processes (Ammar, 2017:235).

The objective of business process management is to enhance and manage organisational processes, to deliver maximum value to the customer. However, regardless of the prominence of the customer, most process improvement efforts and techniques unsatisfactorily consider the customer (Trkman *et al.*, 2015:261). Through process management, an organisation may be able to create more efficient processes which operate with reduced costs, increased speed, greater accuracy, reduced assets, and improved flexibility. These, in turn, can result in enhanced customer satisfaction that may drive improved organisational performance (Hammer, 2015:9).

Through concentrating on, as well as designing end-to-end processes that go beyond organisational boundaries, organisations can be able to eliminate non-value-adding overheads which accumulate at these boundaries (Hammer, 2015:9). This can be achieved by managing activities as interconnected processes, specifically by (i) recognising their corresponding inputs, resources, outputs, as well as added value, and constantly improving through every individual employee in the organisation; (ii) continually evaluating each employee's performance in comparison to set standards; and (iii) identifying and evaluating ways to improve performance (Sedevich-Fons, 2018:1306).

Referring to Rummler's argument for the need to enhance organisational performance through process redesign, Harmon (2015:44) states that the key to improved processes is the improvement of managerial and employee job performance. Segatto *et al.* (2013:705) indicate that business process management is a continuous activity that requires performance measurement. As a result, it relies on the alignment of business processes with organisational strategy, as well as on the approach that offers customer-focused business processes. This is a horizontal approach intended to meet the customer's requests whenever possible.

Business process re-engineering is the re-thinking of the coordination of the whole business process with the aim to enhance the quality, speed and output of products or services (Al-Sabri *et al.*, 2018:947-948). Business process re-engineering is an organisational change initiative that aims to overcome misalignments in processes (Ammar, 2017:236). It aligns business processes and IT applications assisted by engineering foundations (Al-Sabri *et al.*, 2018:947-948) which comprise intense overhauls of processes to accomplish a breakthrough performance (Bradford & Gerard, 2015:170).

According to Ammar (2017:236), the main reason why business process re-engineering is undertaken is because current business processes are inadequate. Business process re-engineering can be brought into action by the implementation of an enterprise resource planning

system, as this brings radical, intense changes to processes (Bradford & Gerard, 2015:170). However, enterprise resource planning requirements differ from one organisation to another and may take the form of radical evolutionary transformation or stability (Ammar, 2017:236).

Business process management gives assurance to the organisation that its processes work as intended and function reliably at the best of their ability. In addition, business process management enables the identification of non-value-adding activities within the organisation which need to be replaced (Hammer, 2015:9). According to Trkman *et al.* (2015:261), the combination of business process management and service blueprinting to enhance the service encounter signifies an essential step in displaying constructive attitudes and actions. These demonstrate responsiveness and willingness to meet customer needs, requests and expectations. Service blueprinting is a tool that aids in the understanding of customer-related processes by considering and analysing the customer service process and service delivery from the customer's point of view (Trkman *et al.*, 2015:253).

Hammer (2015:9) indicates that process management is highly beneficial to the organisation during periods of rapid change. It enables the organisation to respond quickly and appropriately to change, avoiding a possible negative impact on its operations and financial performance. If change and its influence on processes are identified too late, no mechanism would be available to adjust these processes appropriately to accommodate the change and avoid its possible negative influence.

According to Baird and Su (2018:979), management needs to consider financial measurements (or indicators) that can identify areas where the organisation needs to improve or advance its internal business processes. In this way, quality can be improved through a balanced utilisation of financial and non-financial measures.

Trkman *et al.* (2015:252) explain that the difficulty with regard to service processes is their intangible nature. Because of this, services are problematic to grasp, clarify and measure, and their value can be established only through the customer's perspective. Also, services are jointly created by the customer and the service provider and they depend on the interactions between the customer and the provider. Consequently, the behaviour of the customer may have a significant influence on the service itself (Trkman *et al.*, 2015:252).

(c) Outward or outbound logistics

Outward or outbound logistics comprises all the actions necessary to bring together, store and physically distribute the output (McGee, 2015:1). Koc and Bozdog (2017) elaborate that outbound logistics refers to the activities, such as completed product warehousing, material handling,

delivery, order processing, and scheduling related to the collection, storage and distribution of the final product to the purchaser.

Further, outbound logistics is clarified by Saifudin *et al.* (2016:100) as logistics whereby products or materials are distributed from the organisation to the customers. According to McGee (2015:1), outbound logistics may prove to be very significant in the generation of value and the enhancement of differentiation. In many industries, the ability to have control over distribution strategies has proven to be the most important source of competitive advantage, particularly as up to 50% of the value created in numerous industry chains transpires close to the final buyer.

Moreover, the main purpose of logistics management is to plan and coordinate all actions essential to attain an anticipated level of service delivery, as well as quality, at the lowest cost as possible. Therefore, logistics is perceived to be the link between the consumer and the supplier (Christopher, 2016:11) as illustrated in figure 2.3.

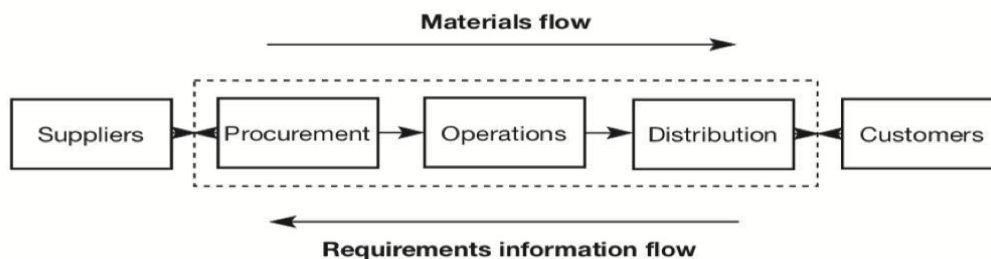


Figure 2.3: Logistics management process

Source: Christopher (2016:11)

(d) Marketing and sales

Marketing and sales are the processes associated with the provision of a platform where potential buyers can purchase the products or services. These include the persuasion to purchase the products or services such as promotions and advertising, channel relations, as well as sales force and pricing, as indicated by Koc and Bozdog (2017).

Porter and Heppelmann (2015:10) argue that the capability to carry on with business is attached to the product, which entails much more than merely the product itself. It includes tracking the changes in the product's usage, the concentration of an organisation's customer relationship from a predominantly once-off sale and taking full advantage of the customer's value from the product over time, thus identifying significant new product requirements and prospects for marketing and sales.

(e) Service

Service refers to the processes related to the provision of a service to improve or preserve the value of the product. This can be done by improving physical product features through after-sales service. Examples are installation, repair, training, parts supply, and product adjustment (Koc & Bozdag, 2017; McGee, 2015:1).

On the other hand, most common operations regarding have traditional features like being labour intensive, costly and slightly strategic. Therefore, it is unusual for after-sales services to actually add value, improve customer fulfilment, and contribute considerably to the organisation's revenue and profit objectives (Rathee & Rajain, 2013:2278).

2.3.3 Support activities

Processes of support activities comprise those activities that give support to the primary activities, as well as to each other. This includes the provision of purchased inputs, technology, human resources, and numerous organisational functions (Koc & Bozdag, 2017).

(a) Firm infrastructure

According to Bernardo *et al.* (2016:182), firm infrastructure constitute those activities associated with the management, planning and control of the primary activities. Sedevich-Fons (2018:1306) indicates that decisions need to be based on objective and impartial data and information, rather than on guesses or subjective views. This is an additional support activity that supports the whole value chain and includes activities such as top management, responsibilities and roles, resource availability, finance, and accounting (Bernardo *et al.*, 2016:182; Flanagan *et al.*, 2018:7; McGee, 2015:2).

With regard to leadership, Sedevich-Fons (2018:1306) highlights the ISO 9000 quality management standard, namely that, within organisational teams or groups, there should be a leader who has the ability to give adequate guidance to attain the objective of the organisation. Agnihotri (2014:241) asserts that the effect of a top management team on market-based strategies differs from the effect of strategies that are implemented throughout the value chain and perceived to be concentrating on both primary and secondary activities.

In addition, the organisation has to manage and improve its relationships with suppliers, partners and other stakeholders (Sedevich-Fons, 2018:1306).

(b) Procurement

Baily (2017:105) defines procurement as the process whereby organisations describe their requirements for goods and services, recognise and compare suitable suppliers and supplies obtainable from them, and negotiate trading terms with suitable sources. Koc and Bozdog (2017), as well as Bernardo *et al.* (2016:182), view procurement as the function responsible for the acquisition of inputs that are needed or to be used in the organisation's value chain, for example, raw materials, supplies, machinery and office equipment.

McPhee (2014:8-9) argues that the advent and growth of social media and well-informed consumers, and the creation and management of a sustainable supply chain, are critical to managing reputational value. Hence, customer-facing firms have the highest reputational risk. However, all firms in the supply chain need to understand how their actions impact the overall value in the supply chain and how they can create value not just by making cheap parts, but by providing better reputational risk management for their customers up the supply chain (McPhee, 2014:8-9).

Christopher (2016:13) defines a supply chain as the network of organisations which are involved in different processes and activities, either upstream or downstream, and which create value, by way of goods and services, as perceived by the final consumer. Christopher (2016:3) also views supply chain management as relationship management, both upstream and downstream, with suppliers and customers in order to convey superior customer value at a lower cost to the overall supply chain. Thus, the procurement function is vital, especially in manufacturing organisations whose core processes are the assembly of parts or items that are obtained from different vendors (Horne, 2014:660-661). The initial stage in the product life cycle is the acquisition of raw materials, parts and goods that will be converted into the final products. In general, supply chains are considered to be outside the control of the organisation and concentrating mainly on purchasing contracts and logistics to make sure that parts (inputs) arrive in time for production (McPhee, 2014:8-9).

However, Horne (2014:660-661) cautions that this function may be an enormous concern for some organisations.

(c) Human Resources

Human resource support activities relate to the organisation's employees, which can either be the source of the organisation's competitive advantage or its priciest liability. Human resource talent and costs are an essential part of a high-performing organisation (Horne, 2014:660-661).

Moreover, learning and innovation is a vital aspect of organisational performance, as highlighted in section 2.2.2 (“Learning and innovation perspective”). Training is an important factor in the organisation, hence more training and improved understanding of the organisation’s objectives result in the improved performance of the organisation and its products and services (Bernardo *et al.*, 2016:182).

Sedevich-Fons (2018:1306) refers to the quality management system, ISO 9000 principle, stressing employee engagement and resultant contribution towards the achievement of the organisational goals. It is clear from this principle that management must enable employees to effectively use their skills and abilities. Similarly, employee efficiency, capability, knowledge, friendliness, willingness to assist, good manners, respect, politeness and approachability play an important part in customers’ assessment of service value, as these aspects represent the human interface of the service provider (Nasr *et al.*, 2012:122).

From a sustainability point of view, human resources need to be regarded as a renewable resource that is to be cultivated through education and nurtured and managed into a continuous source of value (McPhee, 2014:7). When human resources are regarded as non-renewable, they can easily lose their value and be exchanged for alternative resources when there is nothing of value left.

(d) Technology development

“Technology” is usually referred to as IT. However, this interpretation does not reveal the whole picture (Horne, 2014:660). According to Bhargava *et al.* (2018:1387), Bernardo *et al.* (2016:182), and Koc and Bozdog (2017), technology development comprises a variety of activities that can be brought together in efforts to contribute, either directly or indirectly, towards the enhancement of products, services and processes.

Technological differences between organisations influence their competitive advantage, either by fully improving their levels or by adding configurations to the current value chain to the point that the technology has an impact on cost drivers or differentiation. Therefore, up-to-date technology is essential in every value-creating activity (Bhargava *et al.*, 2018:1387). In this sense, the technology used by the service provider to convey services should be accurate, free of errors and dependable, particularly in a crisis period (Nasr *et al.*, 2012:123).

The use of up-to-date technology service creation and delivery has the greatest impact in determining the service quality from the point of view of customers, as well as their level of gratification (Adil & Amin, 2018:200). Customer satisfaction is thus considerably affected by the degree to which technology is simple and comprehensible. On the other hand, technological

failure may leave a negative impression and lead to views of poor service quality (Nasr *et al.*, 2012:123). This is critical, particularly in the present-day electronic era where technological involvement is indispensable in all domains of human activity (Adil & Amin, 2018:200).

In several business processes, technology plays a vital role, whereas the human component, i.e., manual labour, plays a minor role. This reflects the degree to which the technology is suitable and available past regular business hours, and whether it provides customers with flexibility and a chance to circumvent human interaction if preferred (Nasr *et al.*, 2012:123-124). Thus, for each process, the more common approach is to focus on which forms of technology would aid competitiveness, rather than which information system profile will sustain business operation (Horne, 2014:660-661).

According to Nasr *et al.* (2012:123-124), the most important aspect of technology development regarding the customer's value-added perception is the speed with which transactions are processed. This can be addressed by means of enterprise resource planning. Enterprise resource planning is a tool to standardise and incorporate business processes and, in turn, speed up access to shared resources throughout the organisation. In this way, organisations can smooth information sharing and enhance operational efficiency (Shen *et al.*, 2016:132).

The enterprise resource planning tool is designed and structured around business processes (Ammar, 2017:235). It incorporates the numerous functions, activities and processes of the organisation – such as procurement, accounting, human resources, customer relationship management – into one comprehensive system to rationalise processes and information throughout the whole organisation (Shannak, 2015:39).

Panayiotou *et al.* (2015:655) point out that the effective implementation of an enterprise resource planning system is contingent on the correct definition of functional requirements. The organisation can achieve this by making strategic decisions regarding its processes while having sound knowledge of the advanced system functionality provided in the market. However, government and enterprises often struggle to define areas in need of change and are thus often unable to cost-effectively and swiftly meet the enterprise resource planning capabilities in implementing solution-based enterprise resource planning (Al-Sabri *et al.*, 2018:944).

Enterprise resource planning is progressively vital in modern business due to its capability to integrate the flow of material and finance, as well as information to support organisational strategies. Therefore, the effective deployment and usage of enterprise resource planning systems are dire to organisational performance and its continued existence (Shen *et al.*, 2016:132).

Besides reducing an organisation's risk in uncertain conditions, enterprise resource planning seems to have a positive influence on organisational performance. For example, it appears to enhance productivity and profitability, as well as refine organisational capabilities, such as renovation and leanness (Badewi *et al.*, 2018:268). According to Shen *et al.* (2016:132), this can be achieved by increasing access to information across diverse functions and making strategic decisions more operationally and tactically effective.

Spraakman *et al.* (2015:417-418) note that financial performance measures are extended by non-financial measures, concentrating both on the processing of physical activities and transactions. Non-financial measures are accessed by management accountants, by drilling down from financial information to physical activities and transactional data, thus revealing drivers of financial performance. In this regard, Shen *et al.* (2016:132) point out that features inherent to the intangible benefits of enterprise resource planning systems are the basis of the performance indicators in the internal business process perspective.

The internal business process performance measures, according to Shen *et al.* (2016:132), are the decreased frequency of input errors and decreased input resources, improved efficiency of business processes, value-added standard procedures across different locations, enhanced decision support, and IT system ease of use and uptime.

2.4 The Resources and Capability Theory – supporting the internal business process perspective

Resources are explained by Lazenby (2018:115) as inputs into the organisation's business processes that are converted into final products and services. De Brentani and Kleinschmidt (2015:12), Hitt *et al.* (2016:78) and Zoogah *et al.* (2015:15) view resources as those long-term, implicit and irreplaceable factors which need to be part of the internal environment of the organisation in order for it to attain and maintain competitive advantage. Therefore, the main driver of the success of an organisation is its ability to utilise its resources proficiently and effectively to meet its strategic goals (Loannou, 2013). Leiblein (2011:912) proposes that the value of a resource is linked to the degree to which it supports the organisation in creating and implementing unique strategies that can improve its efficiency and effectiveness.

Lazenby (2018:115-116) categorises resources into tangible and intangible resources. Tangible resources are physical and clearly visible and their value can be determined in the financial statements. However, this value is not indicative of the market value of the resource, but represents the real value of the resource as visible from its success in the area of the asset's deployment in the organisation (Lazenby, 2018:115-116).

For this reason, tangible resources are those resources that are physical or substantial, composed of financial, manufactured and natural capital (Orth *et al.*, 2015:631). These resources are used in business processes to enhance organisational performance. Business processes are linkages of organisational activities that use a single resource or diverse resource elements as an input, and the conversion the input into an output that is of value to the customer or consumer (Orth *et al.*, 2015:631).

On the other hand, intangible resources are less visible, such as brand names, human resources and organisational reputation, as well as technology. These resources are thus more difficult to understand and are not easily purchased, imitated or replaced (Lazenby, 2018:115-116). Human resources constitute an intangible asset referring to the professional competence of employees. This competence consists of the competence of the employees introduced to the organisation once employed plus the skills, competence and expertise gained by the employees during their employment at the organisation. This competence will not necessarily be accessible to the organisation upon the resignation of the employee, as it is person specific (Orth *et al.*, 2015:632).

In order to provide products or services, the organisation combines diverse and various forms of resources, such as human resources (skills and knowledge), natural materials, and social structures, machinery, infrastructures and financial assets (Orth *et al.*, 2015:631). Once resources have been acquired, they need to be customised to the organisation's systems for coordination and deployment to take place to attain the organisation's performance targets. In the interest of organisational performance, senior management needs to orchestrate the resource management undertakings of managers throughout all organisational levels (Chadwick *et al.*, 2015:361). Also with regard to sustainability, the organisation needs to preserve and enhance such resources, instead of exhausting them (Orth *et al.*, 2015:631).

Conversely, capabilities refer to what the organisation is able to do, as well as exactly how successful it can make changes (Teece, 2018:363). Therefore, capabilities involve more detailed skills, competencies and routines that organisations develop and adjust in the short term in order to be at par with the changing aspects of the environment (De Brentani & Kleinschmidt, 2015:12; Kim *et al.*, 2015:534). Capabilities are vital to organisations as they significantly influence the results of the organisation (Rungi, 2014:253).

There are two types of capabilities, namely operational and dynamic capabilities. Operational capabilities participate in the routine execution of activities and thus relate to the organisation's ability to deploy, incorporate and utilise its assets to attain a specific goal (Badewi *et al.*, 2018:267).

Dynamic capabilities participate in the coordination, integration, expansion and retiring of routine tasks (Badewi *et al.*, 2018:267). Lazenby (2018:119) explains that dynamic capabilities involve the organisation's abilities with regard to building, integrating, restructuring and coordinating capabilities. The aim of these abilities is to address the fast-changing environment with timely responsiveness, fast and flexible product innovation, and management expertise in coordinating and deploying organisational resources and capabilities to lead to the success of the organisation. Dynamic capability researchers further emphasise that it is beneficial to keep organisational structures aligned to the ever-changing demands of the environment, as reorganisation is essential in order to sustain evolutionary competitiveness (Girod & Whittington, 2017:1122).

Resources, either tangible or intangible, are bundled together to create capabilities (Hitt *et al.*, 2016:82). The resources and capabilities theory focuses on how well a capability carries out its function, and how well a capability enables an organisation to survive by creating, distributing or adjusting its resources to affect current and expected benefits (Leiblein, 2011:912).

2.5 Summary

Chapter 2 addressed the first secondary objective of the study. In the first part of Chapter 2, attention was paid to the Balanced Scorecard as a performance measurement framework, incorporating both financial and non-financial measures of the four perspectives, i.e., Learning and Innovation, Customer, Financial, and Internal Processes.

Utilising these four perspectives, the Balanced Scorecard is a strategic management accounting tool that facilitates the translation of organisational strategies into tangible goals while balancing internal and external focus. The Balanced Scorecard complements traditional financial performance measurement: it assesses and evaluates financial performance (by means of the Financial perspective), and links it to long-term objectives and corporate strategy by assessing and evaluating non-financial performance (by means of the Customer, Internal Processes and Learning and Innovation perspectives).

This link is established by the Balanced Scorecard through recognising the cause-and-effect relationships between the four perspectives. Measures of learning and growth (e.g., personnel capabilities, efficiency and training) are the driver of the Internal Business Processes (e.g., the efficiency, speed and cost effectiveness thereof), which, in turn, drive the Customer perspective (e.g., the product/service and customer satisfaction). Therefore, the measurement and consequent management of all these interdependent perspectives will aid in the overall value creation by, and long-term success of, the organisation.

In the second part of Chapter 2, attention was paid to (i) Porter's value chain and value chain analysis as basis for the Internal Process perspective; and (ii) the resources and capabilities theory as far as it supports the Internal Process perspective (as far as it concerns tangible/physical assets) and the Learning and Innovation perspective (as far as it concerns intangible/human resource assets).

Despite some criticism against the use of the Balanced Scorecard (of which most can be eliminated by incorporating strategies to overcome them), the Balanced Scorecard can be fruitfully used in both the public and private sector as strategic management tool. This can be attained by the Balanced Scorecard's framework of recognising the interdependencies between the four perspectives and the identification of areas that need improvement in performance. To achieve this, the public sector / non-profit organisations will place more emphasis on the client's perspective and on satisfactory and efficient service provision (instead of on customer satisfaction and products) in the Customer perspective, and on cost-benefit optimisation (instead of financial performance in the sense of shareholder wealth and profit) in the Financial perspective.

Thus, the Balanced Scorecard can be successfully implemented by the LRA (as part of the public sector) as a strategic performance management tool to improve the Lesotho Customs Administration's performance, not only during the automation / modernisation of the old system, but also in the future:

- (i) The LRA's financial performance can be evaluated and managed by means of the financial perspective of the Balanced Scorecard – aiming to provide efficient and effective customs services at optimal cost efficiency (customs income vs customs operating cost); and by evaluating and managing the LRA's activities and operations in terms of the three additional perspectives of the Balanced Scorecard, further improvement in overall performance can be attained via:
- (ii) learning and growth perspective: employing capable customs personnel, training existing customs personnel and provision of support in an attempt to improve efficient and knowledgeable service provision and client support); which will drive the
- (iii) internal process perspective: the efficiency of physical import/export processes and activities, the speed and cost efficiency thereof, as well as the availability of sufficient and the efficient utilisation of physical assets to support internal processes; which in turn will drive the
- (iv) client's perspective: importer / exporter satisfaction.

CHAPTER 3: RESEARCH METHOD AND DESIGN

3.1 Introduction

This chapter aims to fulfil the second secondary objective of the study, namely to develop a research design and methodology that will enable the collection of relevant information on the existing actual and supposed performance of ASYCUDA, as highlighted in the first chapter. Chapter 3 focuses on the tools and methods of research employed to meet the study objective. It deliberates on the research design and methodology, the sample, data collection instrument, quality and validity. It further directs attention to the ethical matters applicable to the study.

3.2 Research paradigms

A paradigm is, in short, the researcher's way of thinking about, or her perspective of, the world. Research or inquiry is led by a set of beliefs or world perspectives. These world perspectives are referred to as paradigms and guide researchers in everything they do in conducting a study (Killam, 2013:117).

The first important term, "ontology", refers to the nature of the reality of the research subject and how it is viewed. According to the positivist view, there is one general independent variable that defines the nature of reality. Another view, the interpretative view, holds that various factors and variables affect the nature of reality (Guba & Lincoln, 1994:108). The second important term, "epistemology", is referred to by Killam (2013:8) and Guba and Lincoln (1994:108) as the researcher's view of what is considered to be the knowledge about reality.

Ontological beliefs give direction to the relationship between the researcher's view on reality and knowledge. Research methodology is driven by the researcher's ontological and epistemological beliefs, and thus concentrates on finding knowledge about reality in a logical way (Killam, 2013:9).

The current study followed the interpretative view of reality. The Balanced Scorecard, as a strategic management tool for evaluating the performance of Lesotho's Customs Administration, depends on many variables, and there is no one correct, general way of evaluating performance, as per the positivist view. The interpretative view places more emphasis on understanding from the view of those involved, instead of focusing on one reality (Jonassen, 1991:10).

3.3 Research design

A research design comprises the plan, structure and strategies to attain answers to research problems or questions. The research design stipulates the kind of research evidence, techniques and procedures suitable for the collection and analysis of evidence to address the problem statement or research questions (Adams *et al.*, 2007:81; Kumar, 2011:95).

The design of a research study is linked to the chosen research paradigm as mentioned in section 3.2 (“Research paradigms”). Tuli (2011:105) indicates that a quantitative approach is followed in research that is underpinned by positivist ontological views, whereas a qualitative approach is followed in research studies underpinned by interpretative ontological views.

A research design can either be empirical or non-empirical (Mouton, 2011:144-147). An empirical study entails the collection and analysis of primary data based on first-hand information, collected by the researcher. A non-empirical study entails the collection and analysis of existing data (Mouton, 2011:144-147). However, non-empirical studies are based on theory, and the researcher uses existing information to draw conclusions (Mouton, 2011:57).

The current research design was a qualitative empirical study since data were collected empirically by means of interview questions.

As mentioned in chapter 1, the main aim of the study was to evaluate the performance efficiency of the modernised Lesotho Customs Administration and changes made with regard to the alignment of its activities. This was done with the assistance of a strategic management accounting tool, the Balanced Scorecard. Therefore, the interpretative theory was adopted in the study to promote understanding and to enable the evaluation of the performance of the modernised Customs Administration, using the Balanced Scorecard.

3.4 Case study research

Mackenzie and Knipe (2006:198) see case studies as a suitable approach to the type of research conducted in this study. A case study is defined by Yin (1984:24) as a first-hand investigation into an existing unit/entity within its current setting. Gerring (2004:342) describes a case study as an intensive study of one division for the purpose of gaining more understanding.

This study involved case study research, as it was found to be the approach that would most suitably allow aspects of performance evaluation in the Customs Administration Modernisation context to be studied in-depth and provide more knowledge (Leedy & Ormrod, 2005:137).

The nature of case studies is to explore and examine a current actual phenomenon through a comprehensive analysis of relationships or a limited number of events or situations (Zainal, 2007:2). A qualitative study is descriptive in nature, with its main focus on understanding, exploring and clarifying situations (Kumar, 2011:103) whereas, in a quantitative study, the researcher assigns quantities to observations through counting and measuring (Brynard *et al.*, 2014:39-40). A study can also be mixed when a combination of quantitative and qualitative approaches is used (Kumar, 2011:103). The results of an empirical study can be expressed using text data, “numeric data” or “hybrid mixed data” (Mouton, 2011:144-147).

Qualitative approaches mainly emphasise the kind of evidence (what is told and what is done) that will assist with the understanding of what is going on (Gillham, 2000:10). Therefore, case studies following a qualitative approach are most suitable when the research question requires detailed investigation into a specific phenomenon. In the current study, the research question required investigation into the actual intervention which had taken place at LRA and its operation and reasons for success or failure. In such a case, the overall situation sways the outcome and the research inquiry has no control over the events. Consequently, the number of related variables are far greater than can be controlled. In other words, experimental approaches were found to be unsuitable for the current study (Keen & Packwood, 1995:444).

It is thus clear that qualitative studies employ data collection and analysis techniques that are not quantitative, but with an aim towards the investigation of social relations. Qualitative studies also define reality as experienced by the respondents (Adams *et al.*, 2007:26).

Zainal (2007:3) identifies three categories of case studies, namely explanatory, exploratory and descriptive case studies. An explanatory case study has three characteristics: (i) a precise interpretation of the facts of the topic under consideration; (ii) consequently, some deliberation of alternative clarifications of the facts; and (iii) a conclusion built on the particular clarification that appears most consistent with the facts (Yin, 1981:61). Noor (2008:1603) further states that descriptive case studies attempt to give a full account of the phenomenon under review.

Hence, The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho's Customs Administration is an exploratory case study aimed to explore any phenomenon in the information that is of great interest (Zainal, 2007:3). The main purpose of an exploratory study, as explained by Babbie (2015:92), is to satisfy the researcher's interest and longing for better understanding, to check the feasibility of undertaking a more extensive study, and to develop the techniques to be used in any subsequent study.

3.5 Research methodology

Scotland (2012:9) defines "research methodology" as the strategies or plans used to answer research questions. These strategies underpin the choice of methods, which are techniques or procedures used to collect data in a study. As mentioned in section 1.7.2 ("Research design and methodology"), the methodology is determined by the ontological and epistemological views of the researcher. Thus, it focuses on the discovery of knowledge about reality in a logical way (Killam, 2013:9).

Adams *et al.* (2007:25) make a distinction between research method and research methodology. Research method focuses on the execution of the research, whereas research methodology

entails the science and philosophy supporting the research. A research methodology enquires into the core of exactly how we know what we know. It enables us to apprehend restrictions placed upon the notion of what knowledge is (Adams *et al.*, 2007:25).

According to Brynard *et al.* (2014), research methodology drives the processes and decisions regarding the execution of the research in order to fulfil truth, objectivity and validity requirements. Research methodology mainly concentrates on the ways of data collection and processing within the research framework, which requires a reflection on the planning, structuring and execution of the research (Brynard *et al.*, 2014:37-38).

There are two types of reasoning in a study, namely inductive reasoning and deductive reasoning. Inductive reasoning depends on empirical substantiation, and general conclusions are derived from several observations. It operates from the specific to the general (Adams *et al.*, 2007:29). On the other hand, deductive reasoning aims to prove or confirm existing theories (Moroşan, 2014:95; Mouton, 2011:117).

In this sense, the interpretative approach, upon which this study was based, is more concerned with analysing collected empirical evidence in the context it was gathered from. It does not aim to confirm existing theories, but uses theories to explore the nature and significance of the phenomenon under review, in this case Customs Administration Modernisation performance (Laughlin, 1995). Mouton (2011:117) explains inductive reasoning as drawing conclusions from a wider theoretical population to a specific observation.

3.6 Sample selection

Sampling is the process of choosing a suitable representative sample from the entire population of interest. The aim is to use the sample to fairly determine the general characteristics of the entire population from which the sample was taken from (Adams *et al.*, 2007:87). There are two sampling methods, namely probability sampling and non-probability sampling. With probability sampling, every unit of the population has the same chance of being selected, whereas with non-probability sampling, the selection of units is based entirely on judgement (Adams *et al.*, 2007:87-88).

For this study, the non-probability sampling method was adopted. This method of purposive sampling is also referred to as judgement sampling, due to the thoughtful selection of participants according to the merits they possess. It is a non-random method that does not require fundamental theories or a predetermined number of informants (Tongco, 2007:147). This type of sampling is based completely on the judgement of the researcher, in that the sample selected has the characteristics that are illustrative of the entire population (De Vos, 2001:392).

In purposive sampling, critical thinking about the parameters of the population is the first requirement before the selection of the sample. It is of prime importance to clearly identify and formulate the pre-selected criteria for participants (De Vos, 2001:392). Purposive sampling is the most suitable sampling method to complement interviews as a data collection method. Therefore, in interview research the target population is firstly identified, subsequently, a group of potential participants is identified, and specific members of that group are invited for interviews (Vogt *et al.*, 2017:141).

The purposive sampling technique was used due to its suitability in determining a useful sample to be interviewed. It was based on the researcher's judgement in considering the participants who would be able to provide the information needed by virtue of their knowledge and experience of Customs Administration processes (Tongco, 2007:147).

The sample was carefully chosen from: (i) the forwarding and clearing agents, since their key responsibility is to clear imports and exports on behalf of traders and individuals importing and exporting goods; (ii) management and employees of the Customs division of the LRA specifically tasked with the operations of the modernised Customs Administration, since they have first-hand experience of the system; and (iii) LRA employees. Selection of the latter was based on their knowledge and experience of Customs Administration processes, since the researcher expected them to provide more information on the operations and performance of the new system.

3.7 Data collection

Data collection processes from respondents commenced once the research design and sampling plan had been formalised (Adams *et al.*, 2007:87). Face-to-face or telephone interviews are regularly used in business and management research and were therefore adopted as a data collection instrument in this study. With these types of interviews a mass of information can be collected. However, they are time consuming and sample sizes have a tendency to be small (Adams *et al.*, 2007:111).

An interview is an organised dialogue where one person asks questions and another gives a response to the questions (Vogt *et al.*, 2017:32). Maree (2007:87) describes an interview as a reciprocal conversation between the interviewer and the participant, where the participant is asked questions by the interviewer. Interviews enable the researcher to clarify questions in cases where the participant is not clear on what is being asked (Brynard *et al.*, 2014:42). The interview questions are used to collect information from the participant for the interviewer, to learn about the views, opinions and ideas of the participant, as well as to enable the researcher to perceive the world through the eyes of the participant. The aim is to gather rich, descriptive information that will enable the researcher to understand the participant's construction of knowledge (Maree,

2007:87). Besides being afforded the ability to clarify questions, the researcher is able to observe the behaviour of the participant when conducting an interview (Brynard *et al.*, 2014:48).

However, there are shortcomings to interviews as a method of data collection, as participants may fear committing themselves to giving true statements (Brynard *et al.*, 2014:48). Furthermore, participants might deliberately manipulate the information they give in order to gain the interviewer's acceptance. Interviews often do not take place in a normal field setting, but in a designated place such as the participants' place of work (Creswell, 1994:150). Overall, the fact that data gathered from interviews can be questionable might lead to doubtful findings (Adams *et al.*, 2007:111).

Unstructured interview questions (open-ended questions) encourage the participant to give additional information by means of a discussion (Birmingham & Wilkinson, 2003:52). Follow-up questions are reliant on the participant's initial responses (Doody & Noonan, 2013:30). Structured interview questions are more rigid, as participants are asked the same questions. Adopting the same order of questions guarantees that similar answers are collected from each participant; however, the questions are rigid, leaving no opportunity for further explanation (Doody & Noonan, 2013:30).

Semi-structured interview questions allow for exploratory and explanatory answers (Maree, 2007:87). According to Maree (2007:87), semi-structured interview questions set the line of inquiry. This is done in order to identify evolving issues that may be directly linked to the phenomenon being studied. Maree (2007:87) explains that the researcher should be able to explore and probe such issues as they arise. He further states that, with interviews, it is easy for trivial aspects that are not related to the study to divert focus; therefore, the researcher would often need to constantly guide participants back to the interview and focus of the study (Maree, 2007:87).

Semi-structured interviews have restricted flexibility, as indicated by Birmingham and Wilkinson (2003:45). The direction of the interview is determined by the interviewer, as questions are predetermined. This provides sufficient flexibility to allow the participant the chance to outline the flow of information (Birmingham & Wilkinson, 2003:45). The data collection method adopted for this study was semi-structured interviews.

Birmingham and Wilkinson (2003:52) encourage the piloting of research questions in order to identify and clarify possible errors or ambiguities. This means that a pilot study should be conducted on a few individuals to gain an understanding of the clarity of the questions before the empirical study. This will eliminate vague questions and enable the structuring of the flow of the interview questions to provide useful feedback (Birmingham & Wilkinson, 2003:52).

Adams *et al.* (2007:144) suggest that business and management research should involve communication with key stakeholders with the aim to gain insight into what is important to stakeholders concerning the subject under review. As mentioned in chapter 1, interviews were conducted with the following stakeholders of the LRA: Customs division senior managers, Customs division staff members, and forwarding and clearing agents as representatives of the taxpayer who has daily contact with Customs. Since more than one interview was conducted in the study, a top-down approach was adopted, with management interviewed first, as recommended by Birmingham and Wilkinson (2003:52)

3.8 Reliability and validity

Reliability and validity are two aspects which any qualitative researcher ought to take into consideration when designing a study, analysing findings and evaluating the quality of the study (Golafshani, 2003:601). Reliability pertains to the idea of high-quality research. Reliability in a quantitative study aims to provide explanations by evaluating quality. In qualitative studies, the quality concept is related to the creation and promotion of understanding (Golafshani, 2003:601). According to Creswell (1994:201), validity is concerned with the procedures used to verify the accuracy of findings.

Reliability and validity are described as credibility, consistency, conformity, and quality in qualitative research (Golafshani, 2003:604). Credibility relates to reliability, as both concepts are concerned with the consistency between the results yielded by one study and another study conducted in a similar way. Conformity relates to a lack of bias, which is improved by consistency in findings (Guba, 1981:86). The researcher's perspectives and bias may affect the level of reliability and validity achieved, which, in turn, affect the truthfulness of the study. Problems in this regard can be eliminated by triangulation (Golafshani, 2003:604).

Triangulation is a validity technique used to search for convergence between numerous and different sources of data to create themes or categories in a study. In triangulation only the researcher's perspective is employed in a logical process of sorting through the data to find common classifications by removing overlaps. A common exercise for qualitative inquirers is to provide substantiating evidence, collected through multiple approaches such as observations, interviews and documents to detect major and minor themes (Creswell & Miller, 2000:125-127).

For this study to be reliable, without researcher prejudice, triangulation was adopted and an audit trail was created through the proper documentation of evidence (Onwuegbuzie & Leech, 2007:239-240). Data trustworthiness in a qualitative study attempts to assess the accuracy of results, as best defined by the researcher and the participants, to ensure the reliability of the information. This can be attained by getting back to the interview participants with the preliminary

analysis to ensure that the preliminary results reflect the information they provided to the researcher (Creswell, 2013:178).

3.9 Ethical considerations

Ethical considerations relate to ways of leading the research so as to safeguard the study from being compromised. An important part of ethics, according to Maree (2007:44), is the matter of confidentiality. This pertains to protecting the identity of participants and obtaining the required consent and permission from the relevant organisation and participants to carry out interviews. For the current study, written consent was sought from the LRA, and participants' responses were treated with the highest level of confidentiality.

It is also vital to familiarise oneself with the ethical guidelines of the institution under whose name the research is conducted, in this case, the North-West University (NWU) Researcher's code of conduct (Maree, 2007:44). Furthermore, to ensure transparency, all participants were informed of the main aim of the study, the processes and procedures to be followed, as well as their rights regarding their participation. Results were communicated to the respondents for substantiation purposes and to avoid misconceptions of the research findings (Maree, 2012:366-377).

Prejudice and misrepresentation may well invalidate the information attained by way of an interview. Researchers are required to always bear in mind that the participant may be rationalising, thus presenting an opinion that is not in accord with reality. Although the rationalisation does not mean the participant is dishonest, it may lead to misrepresentation of information (Brynard *et al.*, 2014:46). Brynard *et al.* (2014:46) advise that, in order to eliminate prejudice and misrepresentation of information, the interviewer ought to avoid leading questions that imply the desired answer. This was taken into consideration when drafting interview questions and carrying out the interviews in the current study.

Adams *et al.* (2007:35-36) stress another ethical consideration: The inquiry findings might be manipulated by the researcher in some way or another. Examples are as follows: not emphasising significant results; hiding or omitting unwanted results; omitting findings that prove or lead to different conclusions; or concealing findings among long-winded discussions full of technical jargon or lengthy paragraphs circling the actual point of discussion. Therefore, all information that arises during the conduct of the research should be accurately reported.

3.10 Summary

Chapter 3 addressed the second secondary objective, namely delineating the methodology adopted in the study. The research was a typical case study. The purpose was to gain an understanding of and evaluate the current performance of ASYCUDA and ultimately recommend

improvements. The case study was conducted based on the four dimensions of the Balanced Scorecard (in line with the third secondary objective stated in Chapter 1).

The case study followed an interpretative research paradigm and was qualitative in nature since the topic included many variables, with no single correct way of evaluating performance in general.

Purposive sampling was used to determine the interview sample from three groups. These groups were purposefully identified, since each group (due to its responsibilities) would provide data from a specific point of view: (i) Clearing and forwarding agents (dealing with the clearing process on behalf of importers and exporters) provided data on the perception of services received in performing their duties; (ii) Management of the Customs division of the LRA (overseeing and managing operations in the modernised Customs Administration) provided data on their first-hand experience of the efficiency of the system and its strategic viability; and (iii) LRA employees (performing ground-level daily operation and usage of the system) provided data on the performance and efficiency of the modernised system, based on their knowledge and experience with the Customs Administration processes.

Semi-structured interviews were scheduled with sampled individuals from each group to obtain data, while interview questions were purposefully formulated for each group to obtain relevant and adequate data from each group. Ten respondents in total (based in Maseru) were sampled, comprising four forwarding and clearing agents, three Customs managers and three Customs division employees.

To ensure reliability and objectivity of both data and the study, a triangulation technique was adopted and an audit trail created through proper documentation of evidence. Data trustworthiness was ensured through feedback to the interview participants with preliminary analysis to ensure that the preliminary results were representative of the information provided to the researcher.

Attention was paid to the following ethical considerations: (i) consent was obtained from the LRA to interview the sampled employees and to obtain data (proof of authorisation is attached as appendix 3); (ii) interviewees' names and any information shared during the interviews were treated with highest confidentiality and anonymity; and (iii) integrity of data was maintained by ensuring data and information were presented without any deception from the researcher.

The next chapter (Chapter 4) presents the empirical study results and the analysis of findings.

CHAPTER 4: RESEARCH RESULTS AND ANALYSIS OF FINDINGS

4.1 Introduction

Chapter 4 addresses the third secondary objective of the study: analysing the efficiency of the newly implemented system in order to make recommendations for improving its performance and efficiency in terms of the four dimensions of the Balanced Scorecard to obtain sustainable strategic performance. The chapter, therefore, first discusses the empirical data collection, including the types and layout of questionnaires that were used, the interviews conducted and the identification and formulation of interview questions. Secondly, the chapter addresses the representation and analysis of data obtained during the semi-structured interviews, while recommendations for improvement of performance and efficiency are provided in Chapter 5.

The data obtained are presented per type of questionnaire, following the order of the sections in the questionnaires (as discussed in paragraph 4.2.1 below). The latter represent the four perspectives of the Balanced Scorecard, in alignment with the abovementioned third secondary objective of the study.

4.2 Data collection: Questionnaires and interviews

4.2.1 Questionnaires

To address the primary and secondary objectives, purposive sampling was used to determine the sample pool to be interviewed. This means that participants were selected based on their knowledge and experience of the Customs Administration processes (Tongco, 2007:147). Three sets of semi-structured interview questionnaires were developed from the Customs Modernisation background information in chapter 1 and the literature review in chapter 2:

- The first questionnaire focused on Customs managers, as indicated in section 1.7.3. Customs managers were asked to give an account of the strategic viability and sustainability of the new system from all four perspectives of the Balanced Scorecard. Therefore, this questionnaire was divided into the following four sections:
 - A Strategic/Financial perspective;
 - B Internal business perspective;
 - C Learning and innovation perspective; and
 - D Customer perspective.
- The second questionnaire focused on Customs operators and/or employees who were asked to give an account of the daily usage of the new system. Therefore, this questionnaire was divided into the following two sections:

- A Internal business perspective; and
 - B Innovation and learning perspective.
- The third questionnaire focused on forwarding and clearing who were asked to give an account from the traders' or customers' perspective on the improvements made.

The rationale for the selection and composition of the questions in the three questionnaires is discussed in the following section.

4.2.2 Interview questions

The semi-structured interview questions were identified and formulated based on the problem statement, objectives and research question with the aim to obtain data from the participants on the old and newly implemented Customs Administration system. The questions were grouped according to the four perspectives (and related aspects) of the Balanced Scorecard to support the research theme: *The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho's Customs Administration*.

The **interview questions in sections A and B** of the **first questionnaire** focused on Customs managers and **section A** of the **second questionnaire** focused on Customs employees and/or operators. These questions were selected and formulated based on a comparison of the old and new system and aimed to identify the benefits and challenges of the new system. These questions related to the efficiency of the process of the new system in line with the requirements and expectations of Customs Administration Modernisation elements and prerequisites (as explained in chapter 1) and the expected practices (as detailed in the literature review in chapter 2).

The **interview questions in section C** of the **first questionnaire** focused on Customs managers and **section B** of the **second questionnaire** focused on Customs employees. These questions were selected and formulated to determine the availability of key competencies within the LRA (centred in the resources and capabilities theory as indicated in section 2.3.1, as well as the main requirements set in section 2.2.2) and key competencies needed in the modernised Customs system.

The **interview questions** in the **third questionnaire** focused on forwarding and clearing agents. These questions were selected and formulated to assess customer perspective and conformity to the aspects indicated in section 2.2.4, as well as solutions proposed to the trading community by the automation of Customs, as indicated in chapter 1.

4.2.3 Interviews

Semi-structured interviews were conducted using the formulated questionnaires (as discussed above) based on and in line with the requirements and expectations of Customs Administration Modernisation elements and prerequisites as set in chapter 1, as well as the expected practices as detailed in the literature review in chapter 2.

The semi-structured interviews were face-to-face sessions during which the questions were asked and discussions followed. The interviewees were three Customs managers, three Customs division employees and four forwarding and clearing agents. The interviews were conducted within the Maseru district between July 2019 and September 2019. Each interview took three to four hours including time for questions and discussions. The aim (as indicated earlier) was to gain as much insight from the respondents as possible.

The interviews were conducted until a point of saturation was reached. Data collected were analysed and interpreted by means of qualitative analysis.

4.3 Data collected during interviews

4.3.1 Respondents' information

The first section of the interview questions focused on the biographical and demographical information of the participants, namely their sex, age, qualifications, roles and responsibilities, and experience in Customs clearing processes. The biographical information of the participants comprised the following:

(a) Customs forwarding and clearing agents

The four participants constituted 40% of the sample involved in the daily Customs clearing processes. Findings indicated that 50% of these respondents might only have grade twelve, whereas the other 50% might have various formal qualifications, but none related to Customs Administration. Nonetheless, their experience (between 10 and 33 years) and skills, together with a gender balance, their positions across various organisational levels (ranging from clerk to managing director), and a wide range of relevant duties, ensured that an all-encompassing set of views were articulated in the questions presented.

(b) Customs employees and operators

Customs employees made up 30% of the sample, consisting of two Customs officers and one supervisor. These are the people involved in the daily operational Customs processes. Furthermore, the findings indicated that the Customs operators had formal qualifications in

various disciplines (however not related to Customs Administration). The respondents' ages ranged in the thirties, and their experience in their current positions between three and nine years. Respondents represented both genders and held positions as Customs team leaders and inspectors. Duties of these respondents included a wide range being relevant to their position.

(c) Customs management officials

The Customs management officials constituted 40% of the sample, comprising middle managers that oversee Customs operations at the border level, as well as anti-smuggling and senior Customs managers overseeing regional Customs operations. These respondents' qualifications included postgraduate qualifications in business management and a postgraduate qualification related to Customs Administration. The respondents' ages ranged in the forties with experience in their current position up to ten years. Duties of these respondents included a wide range being relevant to their position.

Results of the qualitative data collection are presented below. Findings are based on the three semi-structured interviews, as well as the Balanced Scorecard elements and the introduction of Customs automation.

4.3.2 Customs forwarding and clearing agents

The emphasis of the interviews was to identify the perception of Customs forwarding and clearing agents on the performance of ASYCUDA, as they are users representing the trading community. Four agents were approached to respond to the semi-structured interview questions as indicated in table 4.1.

Table 4.1: Interview results for Customs forwarding and clearing agents

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
1. What are the main benefits gained from the introduction of the modernised Customs system?	<i>We liked the manual system. The electronic system is slower.</i>	<i>Processes are much shorter. Reduced work.</i>	<i>Time efficient. Petrol efficient as there is no need to travel as much. Being assisted without contact.</i>	<i>Faster clearing processes and procedures take shorter.</i>
2. What is the average waiting time taken to complete the clearing process?	<i>Firstly, the turn-around time was 24 hours, now 4 hours have been agreed. Discussions are underway to bring it down to 2 hours. During manual days, clearance was faster; electronic makes it slower due to the risk component where almost everything is inspected.</i>	<i>1 day.</i>	<i>1-2 hours. Depending on the number of people.</i>	<i>With the old system, we would take 2-3 days to clear. New system it takes 1 day.</i>
3. In your opinion, has the new system assisted in the reduction of clearing costs?	<i>No, because of the following reasons: Financial methods, LRA transactions are cash-based. Time of clearing is longer than manual; manually one would never go overnight. Now there is no guarantee.</i>	<i>No, because of too many penalties. Delays caused by understaffed LRA. System downtimes due to LRA service provider overload.</i>	<i>It has.</i>	<i>The costs have slightly reduced. The system is computerised, but the LRA works on the documents manually. The LRA has not fully automated the system of the clearing.</i>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
	<p><i>Time is wasted in paying, as there are a lot of procedures in the verification of payment; deposit slip has to be taken to LRA, due cash dependency.</i></p> <p><i>SARS and LRA conflict on imports and exports.</i></p> <p><i>System credentials are tied to one employee, not the agency/company.</i></p>			
<p>4. What challenges are faced when clearing? What do you think are the sources of these challenges?</p>	<p><i>Downtimes are excessive due to:</i></p> <p><i>Communication infrastructure is poor.</i></p> <p><i>LRA server not being strong to cope with overloading brought by risk inspections.</i></p> <p><i>Voucher of correction is done by LRA only, as clearing agents are not allowed to do any changes or corrections, thus taking manpower of LRA.</i></p>	<p><i>Queries are not made on time. Sometimes the queries come after payments when proceed to the border has been issued; inconsistent.</i></p> <p><i>Delays in proceed to the border, due to different people dealing with a client, with different level of understanding.</i></p>	<p><i>System downtime due to poor internet connectivity.</i></p> <p><i>Delay in responding to requests, especially with proceed to the border requests.</i></p> <p><i>Queries raised late, sometimes after the payment due to overloaded staff and system.</i></p>	<p><i>The system is not fully configured to cover all commodities. This causes unnecessary delays because all commodities listed in the tariff book have not been incorporated into the system.</i></p> <p><i>The system is not stable, therefore a lot of system downtimes are experienced due to the poor IT infrastructure.</i></p> <p><i>Errors are not corrected on time, as only LRA has the authority to correct errors made when lodging. This is caused by configurations made into the system, not permitting the clearing agents to correct them.</i></p>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
				<p><i>There are security concerns as the passwords to the systems are given to the company, but credentials are tied to a specific employee whom once he or she resigns, he or she can use the credentials everywhere. Thus, the company has to go apply for another password.</i></p>
<p>5. What do you think the LRA has put in place to curb problems faced?</p>	<p><i>Cut down the number of inspections to free manpower.</i></p> <p><i>Integrate payment system, especially EFTs to ensure that, once the payment has been made, it reflects at the system and changes status, then time will be saved.</i></p> <p><i>Payments at point of entry due to rejections by SARS [South African Revenue Service].</i></p> <p><i>We have agreed with the LRA to device a way that system credentials should not be tied to an employee.</i></p> <p><i>LRA should improve IT infrastructure, put up more servers and the application should be Java-</i></p>	<p><i>Work together with agents; not come to solution alone.</i></p> <p><i>There should be a team dedicated to queries, who will be available between 8 am – 5 pm as shifts, and ensure proper handover is done.</i></p> <p><i>Training of LRA staff to ensure they understand documentation and procedures.</i></p> <p><i>Improve IT infrastructure to deal with capacity in clearing.</i></p> <p><i>Add people.</i></p>	<p><i>Invest in IT infrastructure.</i></p> <p><i>Introspect especially on the delays.</i></p>	<p><i>LRA must ensure that all commodities indicated in the tariff book are fully incorporated into the system.</i></p> <p><i>The LRA needs to capacitate its technical team and upgrade their IT infrastructure.</i></p> <p><i>Configure the system in such a way that clearing agents do have the ability to recall lodges made to make corrections.</i></p> <p><i>Try not to tie the system credentials to an employee, rather to the company and include security features to prevent system entry to unauthorised personnel outside the company and after resigning.</i></p>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
	<i>based other than Windows-based, as it is currently based.</i>			
6. In your opinion, are the formalities, procedures, and documentation requirements needed to facilitate effective and efficient Customs clearance?	<i>Theoretically yes. Practically no, electronic system has made them more cumbersome.</i>	Yes.	Yes.	Yes.
7. From your experience, are there any inconsistencies in terms of documented procedures and practice in clearance? How easy is it to obtain and submit documentation required for clearance?	<i>No inconsistencies; it is easy from the clients' side.</i>	<i>There is no inconsistency. It is easy to obtain and submit; but for larger documents, it is not easy.</i>	<i>There are no inconsistencies and the documentations are easy to obtain.</i>	<i>There are no inconsistencies from documented procedures from practice in clearance. It is easy to obtain and submit documentation required for clearance. However, there are contradictions between the Customs law and other laws and regulations of the country. E.g., immigration law versus Customs laws, this contradiction may result in not obtaining documentation easily.</i>
8. Are you consulted in decisions that may have an impact on the Customs process and clearing? How do you handle situations whereby you are not	<i>Yes, we are consulted, but the consultation takes a form of information session as we are not listened to. In situations whereby we are not satisfied with the decision. We set</i>	<i>Consulted through workshops. Sometimes they do consultations, but they do not take our advice.</i>	<i>Sometimes they consult, at times they just inform. The clearance hub manager deals with complaints.</i>	<i>Sometimes we are consulted but do not take into consideration our inputs as clearing agents. In situations whereby we are not satisfied with their decisions, we</i>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
satisfied with a decision made by Customs authorities?	<p><i>numerous meeting to table our dissatisfaction and let them be, keep reminding them about the dissatisfaction until they see the light.</i></p> <p><i>We think mostly consultations are made by wrong people who convey wrong messages.</i></p>	<p><i>Constant persistent communication if not satisfied.</i></p>		<p><i>complain until there is nothing we can do.</i></p>
9. Does the LRA offer training and give timely updates about the developments in the system that have an impact on the clearing process that affects the clearing agent's daily activities?	<p><i>The training was done at the beginning on how to use the system.</i></p> <p><i>In terms of updates and developments, they just inform on a timely basis (two weeks before).</i></p> <p><i>We have agreed with the LRA on a training centre for customs operations and users.</i></p>	<p><i>Yes, we came from one yesterday.</i></p>	<p><i>Yes.</i></p>	<p><i>Yes, they do. Especially when introducing new things.</i></p>
10. In your opinion, how competent are the Customs officials in performing their daily responsibilities?	<p><i>Customs officials at the border do limited things. The issue is in the clearance hub, and in my opinion, they are not competent.</i></p>	<p><i>It depends. Some attend to you with the highest competence whereas some officials are blank; have no clue what to do.</i></p>	<p><i>Some are very competent, some are not.</i></p>	<p><i>The majority seem not to be competent. They are educated but lack Customs knowledge.</i></p>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
<p>11. Do the officials show the satisfactory capacity to manage and operate Customs processes or not? Please provide examples.</p>	<p><i>Not satisfactory: refer to challenges.</i></p> <p><i>Example: invoice 44 pieces, the inspection found 45 pieces. Agency requested amended LRA to amend the declaration. The declaration was amended, but the clearance took longer due to misunderstanding of the system by the official.</i></p>	<p><i>Some officials do show satisfactory capacity whereas some do not.</i></p> <p><i>Agents mostly are training officials who have no idea and do not understand.</i></p> <p><i>Senior officers are mostly the ones that do not understand processes.</i></p>	<p><i>They differ per individual:</i></p> <p><i>One may assist with the best proficiency.</i></p> <p><i>The next may argue for a long time, the clearing agent becomes the tutor to the clearing agent.</i></p>	<p><i>Same as above.</i></p> <p><i>They can raise queries of which they do not even understand it. The clearing agent becomes the tutor to customs operators (officials).</i></p>
<p>12. What is your opinion about the overall performance of the System? Why?</p>	<p><i>Good.</i></p> <p><i>The features enable easier logging.</i></p>	<p><i>Performance has improved because they take an extra mile to solve queries; they are willing to listen and learn.</i></p>	<p><i>Good performance.</i></p> <p><i>Cuts cost.</i></p> <p><i>Time saver.</i></p> <p><i>Favouritism is eliminated as there is less contact between clearing agents and Customs operators.</i></p>	<p><i>Overall performance is good because Customs efficiency has improved.</i></p>
<p>13. Are customer satisfaction reviews conducted by the LRA?</p>	<p><i>No.</i></p>	<p><i>Yes, sometimes they call especially when the system has been down.</i></p>	<p><i>Once in a while, done through calls especially after system downtime.</i></p>	<p><i>No.</i></p>
<p>14. How often are these customer satisfaction reviews conducted? Do you participate?</p>	<p><i>No.</i></p>	<p><i>Once in a while.</i></p> <p><i>Yes, we participate.</i></p>	<p><i>Once in a while. Yes, we participate.</i></p>	<p><i>No.</i></p>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
15. In your opinion, is the customer satisfaction survey significant and why do you think so?	<p><i>It is significant because LRA needs to understand the problems we encounter.</i></p> <p><i>The new Commissioner General, however, has opened doors to customers and efforts he made.</i></p>	<p><i>Yes, because they constantly check if your problems have been solved.</i></p>	<p><i>Customer satisfaction surveys are important, because that's where we state our challenges in dealing with LRA.</i></p>	<p><i>Not significant, as the LRA sees no benefit in doing so.</i></p>
16. From your point of view, are our customers/ stakeholders satisfied with the Customs operations, and why?	<p><i>Yes.</i></p> <p><i>Taking initiatives to understand the operation.</i></p>	<p><i>Yes, clearing time has reduced from 3 days to a day.</i></p>	<p><i>We are not satisfied, especially with Customs operations side where valuations are made, because they are made after payments have been done.</i></p>	<p><i>Yes.</i></p> <p><i>Even though it is not 100% especially whereby the officials/ operators decide to keep quiet when you do not technically agree with them. This is brought by no proper handover in between their shifts.</i></p>
17. Are there mechanisms in place to deal with complaints especially from the trading community?	<p><i>No mechanism in place; we go straight to commissioner customs.</i></p>	<p><i>There is no platform to set or bring up complaints.</i></p>	<p><i>There are no mechanisms in place; where we face challenges, we directly go straight to the commissioner customs.</i></p>	<p><i>Quarterly meetings, or as clearing agents propose.</i></p>
18. What measures are in place to ensure customer satisfaction? Are these measures adequate?	<p><i>No measures.</i></p>	<p><i>Constant communication.</i></p> <p><i>Workshops, once in a while.</i></p>	<p><i>There are no measures in place.</i></p>	<p><i>There are no measures in place; the quarterly meetings act as a platform for our complaints.</i></p>
19. How does the LRA keep up with the developments in	<p><i>It does not.</i></p>	<p><i>They do not. As long as they collect.</i></p>	<p><i>LRA's main focus is on revenue collection; do not</i></p>	<p><i>No, they are only interested in revenue collection.</i></p>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
logistics and supply chain?			<i>keep up with the developments.</i>	
20. Are Customs operations and dealings transparent to the stakeholders?	Yes.	<i>Not transparent, especially in the valuation of penalties.</i>	Yes.	<i>They are transparent.</i>
21. What measures are put in place to ensure that Customs operations are transparent?	<i>No measures, it's the way it.</i>	<i>Do workshops and meetings.</i>	<i>The clearing is done remotely. Therefore favouritism from Customs officials is eliminated.</i>	<i>The meetings shed light, as they explain why they do certain processes.</i>
22. Are these measures adequate?	<i>No measures, it's the way it.</i>	Yes.	So far, yes.	<i>They are not adequate, customer satisfaction surveys are vital.</i>
23. Does the LRA communicate and meet with Customs forwarding and clearing agents?	Yes.	Yes.	<i>Yes, it does once in a while.</i>	<i>Yes, quarterly.</i>
24. How regularly does the LRA communicate and meet with customers?	<i>Every two months. Anything in between them call a meeting.</i>	<i>Not often, once in a while.</i> <i>They try to communicate especially downtimes.</i>	<i>Once in a while.</i>	Yes.
25. What tools/techniques does LRA use to ensure value is added for Customs users?	<i>The electronic system.</i>	<i>Nothing is done.</i>	<i>There is nothing in place.</i>	<i>Only quarterly meetings.</i>

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
26. Does the LRA carry out a customer satisfaction survey? How often is it carried out?	No.	Yes, once in a while.	Yes, once in a while.	They do not carry it out.
27. How loyal are Customs users?	Not loyal, as people resort to smuggling to avoid time being wasted and payments.	They are loyal.	Very loyal.	No.
28. What is the smuggling of goods rate compared to the old system?	Cannot answer in figures, but believe that smuggling is endemic because borders are open.	It has reduced.	The rate has reduced, prevalent by the increasing number of clearing agents.	It has increased enormously.
29. How does the LRA deal with complaints from users? And how promptly?	You have to persist until you get results.	Senior managers are the ones who deal with complaints, because of shifts and misunderstandings of junior staff. Once managers get complaints, they deal with them promptly.	In order to get prompt responses, we write to Customs managers, as the officers make long arguments without addressing our issues.	It does not satisfactorily deal with them. Where they decide to deal with them, they do not act promptly. Sometimes they do not bother to deal with complaints.
30. What measures are there in place to prevent disruptions of operations?	No measures.	They operate manually and later come for printouts.	I do not think they have any measures.	When the system is down for 2 hours, they work manually and later upload. But it doesn't work as planned, as people at the border are not experienced as the ones at the clearing hub.

Question number and question	Respondent 1	Respondent 2	Respondent 3	Respondent 4
31. Does the Customs team understand the value of user satisfaction?	<i>Customs policy recently updated to include clearing agent as partners in their business, therefore, their satisfaction is key.</i>	<i>It depends on who is helping. Some understand. Some do not; they don't even see us through the process.</i>	<i>They differ individually. Some value user satisfaction, some are not aware of what user satisfaction is, as they bully us.</i>	<i>It differs per individual. One can help you to make sure the client is satisfied. Others do not understand the value of user satisfaction.</i>

Source: Research findings

4.3.2.1 Customer perspective

Benefits gained since Customs automation

The participants were asked to highlight how they have benefited since the implementation of the modernised Customs system. Three of the four respondents highlighted that ASYCUDA has made Customs clearing faster and time efficient and shortened the overall processing cycle. One participant disagreed, stating: "We liked the manual system. The electronic system is slower."

Regarding cost savings since the implementation of the new system, one of the four respondents indicated that the system has reduced Customs-related costs, whereas the other three respondents were resolute that costs have not been reduced ultimately.

Challenges experienced since the implementation of ASYCUDA

The most predominant challenge faced by the Customs forwarding and clearing agents was indicated to be excessive system downtime caused by poor ICT infrastructure and the LRA server not being able to cope with the clearing processes.

The second overall challenge was the issue of delayed queries. Sometimes they are raised when payments have been made, or "proceed to border" has been issued.

A third overall challenge was highlighted by two of the four respondents, namely the delays experienced when waiting for the "proceed to border" token to be received.

Another challenge that two of the four respondents mentioned was that once they have made a lodgement into the system, they cannot correct any errors. Only the LRA is authorised to make corrections, which wastes more time and LRA manpower.

Furthermore, two of the four respondents indicated that the credentials of the system are tied to an individual who is an employee of the Customs forwarding and clearing agents, but not the agency. This holds a huge security threat, as these individuals can access the system from anywhere, and once they leave the organisation, they take the credentials with them. Consequently, the agent will have to apply for new credentials in order to continue with operations.

A last challenge raised by one of the four respondents was that not all the commodities that are listed in the tariff book have been fully configured into the system, which causes unnecessary delays.

Figure 4.1 gives an illustration and summary of the challenges identified by the four respondents.

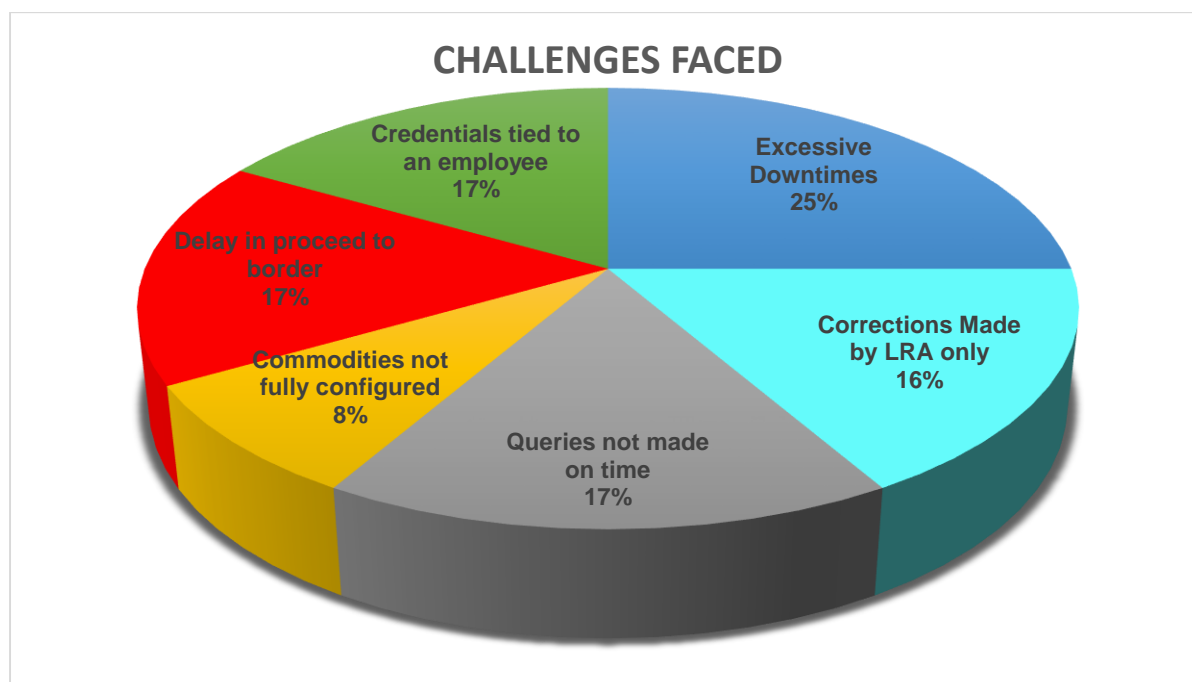


Figure 4.1: Challenges faced by the trading community

Source: Research findings

Suggested solutions to the challenges

(a) Excessive system downtimes

All forwarding and clearing agents representing the trading community or customers identified that the solution to system downtimes is to improve or upgrade the IT infrastructure, increase manpower, or reduce the number of inspections to free manpower and further capacitate employees. One of the respondents highlighted the fact that the application is Windows-based and thus tends to be overloaded easily. It would be wise to run it in Java.

(b) Error corrections

The Customs forwarding and clearing agents recommended that the system ought to be configured in such a way that agents and the trading community may be able to recall lodgements and make the necessary corrections promptly.

(c) Delayed queries

It was suggested that the day shift of Customs personnel be between 8 am and 5 pm to circumvent the challenge faced by queries being raised very late.

(d) Other delays

A solution to delays caused by the verification of payments was proposed, namely to integrate the system in such a way that once a payment has been made, the status is updated immediately, thus saving a lot of time. In addition to conflicts between the LRA and the South African Revenue Services (SARS), the suggestion was made that payments be made at the point of entry to avoid possible rejection by SARS.

To reduce unnecessary delays, it was also recommended that the LRA work together with the agents to bring solutions and to investigate the delays. One of the respondent's stated: "Work together with agents; [do] not come to solutions alone."

It was further recommended that delays be reduced by adopting measures to ensure that all commodities are indeed configured into the system, as one of the respondent claimed: "LRA has to ensure that all commodities indicated in the tariff book are fully incorporated into the system."

Customer experience

Three of the four participants affirmed that the formalities, procedures and documentation requirements should facilitate effective and efficient Customs clearance. One of the participants explained that, theoretically, the formalities, procedures and documentation requirements do facilitate effective and efficient Customs clearance, whereas, practically, the electronic system has made them more cumbersome.

The four respondents agreed that there is consistency between documented clearance procedures and practice clearance. They further affirmed that it is easy to obtain and submit documentation needed for clearance. However, one of the participants indicated an exception, namely that it is not easy to obtain and submit larger documents for clearance.

Stakeholder communication and training

All the respondents asserted that the LRA do consult with them; however, the consultation platform turns out to be information briefing sessions, because the LRA does not take the forwarding and clearing agents' opinions into consideration. "We think, mostly, consultations are made by wrong people who convey wrong messages," one of the respondents highlighted. The four respondents indicated that, in situations where they are not satisfied with the decisions made by the LRA, they deal with their dissatisfaction through persistent complaints and communication.

The four respondents agreed that the LRA does not keep up with the developments in the logistics and supply chain, as its focus is mainly on revenue collection. Conversely, the LRA does meet and communicate with the Customs forwarding and clearing agents. With regard to the frequency of such meetings, the results vary, as two respondents highlighted that they meet with the LRA once in a while, whereas one respondent indicated that they meet quarterly, and the other every second month, and when there is a need to meet.

The respondents agreed that the LRA does offer training to the Customs forwarding and clearing agents, especially on developments introduced in the system. One of the respondents added: "We have agreed with the LRA on a training centre for Customs operations and users."

Customs official's capability and capacity

The four respondents asserted that some of the COs do not show satisfactory competence and capacity in carrying out their responsibilities and executing Customs operations.

Customer satisfaction

Two of the four respondents claimed that the LRA does not carry out customer satisfaction reviews. In contrast, the Commissioner General has an open-door policy where customers may table their concerns as highlighted by one of the respondents. The respondents highlighted that the LRA does not deal with complaints in a satisfactory and timely manner, seeing that they need to persist until they get responses or escalate the matter to Customs managers who then deal with them on time.

The other two respondents indicated that the LRA does carry out satisfaction reviews, albeit occasionally and when system downtimes have been experienced. Three respondents affirmed that customer satisfaction reviews are vital, as such exercises enable the Customs forwarding and clearing agents to table the problems they encounter when dealing with the LRA. This also helps them monitor whether problems have been solved. However, one respondent disagreed that customer satisfaction surveys are important, especially while the LRA does not realise the importance of conducting them.

The respondents' views were divided with regard to smuggling and customer loyalty to Customs processes. Two of the four respondents indicated that Customs customers are not loyal, hence the enormous rate at which smuggling occurs. One of the responses read: "We cannot answer in figures, but we believe that smuggling is endemic because borders are open." Two other participants were convinced that Customs customers are loyal to the system and that the rate of smuggling has reduced, as evidenced by the increased number of clearing agents.

With regard to overall satisfaction, two of the four respondents indicated that they are satisfied with time savings and the ability to take initiatives to understand operations. In contrast, one respondent indicated that they are satisfied, but that there is room for improvement concerning queries. The reason given was that COs opt to keep quiet in situations where there are technical misunderstandings caused by the absence of a proper handover between shifts. Another reason was that valuations are made after payment has been received by the LRA.

The four Customs forwarding and clearing agents rated the overall performance of the system as good, stating that it has enhanced the efficiency of Customs by reducing costs, saving time and enabling easier lodging. One of the respondents claimed: “Favouritism is eliminated as there is less contact between clearing agents and Customs operators.”

Techniques to add value to Customs customers

The respondents were asked their opinion on the availability of mechanisms, measures and tools to address complaints, dissatisfaction and the transparency of operations, as well as measures to ensure that value is added to customers. Three of the four respondents indicated that the LRA has mechanisms in place to deal with such issues. The electronic system is one of the tools used to ensure that value is added. Two of these three respondents further stated that they have since escalated their complaints and dissatisfaction to the Customs Commissioner. Only one of the respondents perceived the quarterly meetings with the LRA as a platform for tabling complaints and dissatisfactions.

Two of the respondents highlighted that there are no measures to deal with the disruption of operations, especially system downtimes. The other two explained that, whenever the system is down, they operate manually. When the system is down for two hours, they work manually and upload later. But apparently this does not work as planned, as people at the border are not that experienced as those at the clearance hub, explained one respondent.

Three of the four respondents mentioned that the Customs team’s ability to understand and show customer satisfaction differs per individual, as they possess different proficiency levels. The fourth respondent noted that “Customs policy [has been] recently updated to include clearing agents as partners in their business, therefore, their satisfaction is key”.

4.3.3 Customs employees and operators

This section aims to identify the perception of Customs employees and operators on the performance of ASYCUDA, as they are involved in the daily Customs operations. Three

respondents were approached to take part in the semi-structured interviews in alignment with the Balanced Scorecard. Their responses are indicated in table 4.5 below.

4.3.3.1 Internal business perspective

Table 4.5 indicates questions and answers received from Customs employees and operators regarding the Customs internal business perspectives.

Table 4.2: Interview results for Customs employees and operators: Internal business perspective

Questions	Respondent 1	Respondent 2	Respondent 3
1. Did you, by any chance, have the opportunity to use the previous Customs system?	Yes.	Yes.	Yes, from 2011-2015.
2. How long have you been using the new Customs system?	Since 2015.	I have been using it for four years.	From 2015 to date.
3. Is there a point at which you revert to the older ways (procedures prior implementation) of carrying out operations?	Yes.	Yes, there are times of deploying older ways.	Yes.
4. Under which circumstances do you revert to those ways?	Only on the system downtimes. We work on manual procedures.	When the system is down.	There are other functions such as voucher corrections that are not automated.
5. To what extent are Customs procedures automated?	Not fully automated, e.g., declaration of private shoppers below R20 000.00 is not automated. Declaration through the system is done for commercial imports and exports as well as private shoppers above R20 000.00.	They cover a large number of processes.	Not everything is automated. Only goods clearance.
6. To what extent does the automated Customs system take into consideration international codes and standards?	All international codes and standards have been adopted by the system.	They cover everything.	Fully adopted.
7. Were there any changes in the legislation or regulations to adopt the new ways of carrying out Customs processes?	I do not think there were changes.	Yes, there are changes and amendments in regulations.	Yes, regulations.
8. Do you use the automated system on a daily basis, to discharge your daily operations?	Yes.	Yes, indeed.	Yes.

Questions	Respondent 1	Respondent 2	Respondent 3
9. Please list and explain the benefits gained in the use of the new system on the day to day operations.	<p><i>Reporting is made clear and proper records are maintained.</i></p> <p><i>An audit trail is there.</i></p> <p><i>The customs processes are paperless, which has resulted in a reduction of document requirements.</i></p> <p><i>Inspections are risk based and are no longer subjective.</i></p>	<p><i>Reduced workload; we do not take the whole day doing inspections.</i></p> <p><i>No more manual calculations, the system can make calculations.</i></p>	<p><i>Payments are now easier. In the old system, we had to keep numerous receipt books; now they are automated.</i></p> <p><i>Processes are now faster.</i></p> <p><i>Manually, everything was inspected; now the rate of inspections has reduced.</i></p>
10. Please list and explain the challenges faced in the daily use of the new system and their sources.	<p><i>There are no back-ups in terms of the system downtimes, therefore we opt for manual procedures.</i></p>	<p><i>The system downtime causes too much inconvenience.</i></p> <p><i>The use of the system required extensive training.</i></p> <p><i>Focuses more on large taxpayers or clients; we get to lose quite large amounts of money from small clients.</i></p>	<p><i>Agents' integrity under-declare some goods, therefore we lose revenue.</i></p> <p><i>Lack of coordination between clearance hub and inspectors, caused by different pay scales and grades.</i></p> <p><i>Excessive downtimes brought by poor internet infrastructure, leading to duplication of efforts as we have to capture work done manually when the system is up.</i></p>
11. What measures do you use to overcome these challenges?	<p><i>We have support from the IT department (log calls to IT); they usually assist in 24 hours.</i></p> <p><i>We have fall-back procedures so there can be movement, especially during system failure.</i></p>	<p><i>At some point, we resort to the old manual way.</i></p> <p><i>We are currently revamping the system to cover more processes.</i></p>	<p><i>Penalties on under-declarations.</i></p> <p><i>Refer back to tariffs in cases of misunderstandings.</i></p> <p><i>In cases of the system downtimes, we operate manually.</i></p>
12. How often do you report these challenges and what is management's response to these reports?	<p><i>Daily reporting by supervisors through the customs hierarchy.</i></p> <p><i>There is weekly reporting by the team leaders; these act as a platform to table their problems.</i></p> <p><i>Management further assists in the resolution of the problems reported.</i></p>	<p><i>We really report almost every challenge, but management is reluctant to solve the challenges.</i></p>	<p><i>For lack of coordination, management has been informed and indicated that they are working on it.</i></p> <p><i>For system downtimes caused by power cuts, a generator has been provided.</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
13. In your opinion, do you think that the new system has achieved the objectives set by the LRA?	Yes.	<i>It has achieved the objectives set by the LRA.</i>	<i>Yes, because now we are meeting targets. 2014 was the last year we met targets. 2018/2019 targets were met; years in between the targets were not met.</i>
14. Is the Customs processing done in a timely manner?	<i>Customs processing is done promptly, however, there are hiccups and delays especially when new modules are introduced.</i>	Yes, it is.	Yes.
15. Has the automated system brought simplification of processes and procedures?	<i>Yes, there has been an efficient simplification of processes. Once the goods arrive at the border, the declaration process had started, thus saving resources and money.</i>	Yes, it has.	Yes.
16. In your opinion what are the main resources that needed to carry out Customs operations with ease?	<i>There is a need for ample working space to accommodate an inspection bay.</i> <i>Equipment, e.g., forklifts to carry inspections.</i> <i>Qualified customs personnel, even though the new LRA strategy promotes a lean structure.</i>	<i>Human resources.</i> <i>Internet access.</i> <i>Mobile phones.</i>	<i>Mobile office for doing work in districts.</i> <i>Equipment such as laptops, tablets.</i> <i>Mobile phones come in handy when we carry inspections out of the office.</i>
17. Are these resources available and adequate?	No.	<i>Yes, they are available and adequate, except for mobile phones.</i>	<i>They are not available.</i>
18. What is your opinion about the overall performance of the system? And why?	<i>The performance of the system is good; it has enabled and forced Customs operations to be done systematically.</i>	<i>It is good because within a short period of time our goods clients are served.</i>	<i>It is good, as things are easier and simpler.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
19. What measures are in place to ensure that procedures are simple, clear, provide audit trails and carried out faster?	<p><i>Extensive training before roll-out has addressed the simplicity.</i></p> <p><i>Introduction of pre-declaration of goods.</i></p>	<p><i>There are measures.</i></p>	<p><i>From my side, I don't think there are measures.</i></p>
20. How often are procedures and processes updated in order to remain relevant in the dynamic environment?	<p><i>Once in a while.</i></p>	<p><i>They are updated whenever there is a need.</i></p>	<p><i>Not often.</i></p>
21. In comparison with the old system and the old ways of doing things, in your opinion, how is the performance of the new Customs system? Please elaborate your opinion further.	<p><i>The new system is much smarter than the old manual system. This is because we can now forecast the expected revenues.</i></p>	<p><i>The new system is sophisticated and enables forecasting of revenues to be easy.</i></p>	<p><i>Automated processes are much faster; manually processes were slower.</i></p>
22. Please provide an overview of the LRA risk management processes.	<p><i>We conduct risk-based inspections.</i></p> <p><i>We look at trends of importation.</i></p> <p><i>Through the experience of the Customs official and trends, we then inform the case management department about the taxpayer.</i></p> <p><i>Case selection will programme that taxpayer [seems] to be risky, thus every time the taxpayer does declarations [it] will be channelled to the correct lane depending on the criteria set by case selection.</i></p>	<p><i>We have risk indicators, categorising importers in terms of their compliance levels. Then if the importer is known to have a history of non-compliance, i[t] subjects them to be inspected.</i></p>	<p><i>Clearance hub gives instructions to inspect certain imports.</i></p> <p><i>The experience and knowledge in working with different clients give authority to inspect that client.</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
23. What measures are put in place to ensure that risk management is operated in a non-discriminatory manner? Are these measures adequate in your opinion? Explain why?	<i>We as Customs division feed or provide information to the Case Selection department, which is the risk management office. It is up to Case Selection to do analysis.</i>	<i>The inspection operation performed is confidential between the LRA and the client. They are adequate to date.</i>	<i>Inspections are done in a confidential manner.</i>
24. To what extent do national resources permit the scope of risk management?	<i>They do. These coming weeks we are launching the one phase border agency. Then you will no longer identify LRA officials from other border officials.</i>	<i>The government has put in place restrictions and prohibitions of certain goods.</i>	<i>We are not aware of.</i>
25. What mechanisms are in place to reinforce revenue collection?	<i>Voluntary disclosure programme facilitated by customer-centric services.</i> <i>Compliance model to identify risky clients.</i> <i>Preferred trader scheme.</i>	<i>There are simplified customs procedures and willingness to improve.</i> <i>We also carry out inspection.</i> <i>Trade facilitation promotes revenue collection.</i>	<i>The system shows if the person has paid.</i> <i>Procedure codes are included so to see everything that has been done in the clearing process.</i>
26. In relation to Customs costs, what are the measures or indicators used to measure Customs-related costs incurred by the taxpayer and by LRA? And why?	<i>For cost incurred by the LRA last year, we did an audit of clearing agents. Regulation and performance of clearing agents was a recommendation, as poor performance of these agents reflects badly on the taxpayers.</i> <i>For the LRA we did a time-release study that identified that we need to reduce document requirements.</i>	<i>We are not sure of how the LRA calculates the incurred costs.</i>	<i>Taxpayer tariffs, another cost we do not consider.</i> <i>We are not aware of the cost incurred; only management may know.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
27. What are the identified strengths of the new system?	<i>Same as benefits.</i>	<i>Saves time. Data is kept safe. It puts LRA on global standards.</i>	<i>Same as benefits.</i>
28. What are the identified weaknesses of the new system?	<i>Same as challenges.</i>	<i>When the systems are down, we lose considerable amounts of revenue. Sometimes it takes an unnecessarily long time to allow the taxpayer to go through the border.</i>	<i>See challenges.</i>
29. What mechanisms are in place to ensure that these weaknesses are dealt with?	<i>No response.</i>	<i>The system is kept updated.</i>	<i>They are not there.</i>

Source: Research findings

Overview of the Customs processes in the LRA

Automation of Customs by the new system, ASYCUDA, was done at commercial borders and has been operational from 2015. Two of the three Customs employees pointed out that there was also a change in the legislation to enable automation.

In response to whether all Customs processes have been automated, the respondents indicated that automation focused on commercial shoppers who resell goods, as well as private shoppers whose goods are above the value of R20 000.00. One respondent highlighted that only goods clearance was automated and processes were simplified, as well as streamlined by the elimination of non-value-adding processes, leading to a reduction in document requirements.

Respondents were asked what measures have been put into place to ensure that procedures are simple, clear and carried out faster, and that audit trails are provided. One of the respondents indicated that there are no measures, while the other two mentioned extensive training before the rollout “to address the simplicity” and “the introduction of the pre-declaration of goods”. The respondents added that system reviews and updates are done occasionally and when there is a need thereto.

The three respondents concurred that Customs processing is done in a timely manner and that the system has fully considered international codes and standards. Conversely, the three respondents clarified that there are times when they revert to procedures before implementation. Two of the three respondents elaborated that they revert to the use of manual procedures during system downtimes and when performing functions that are not embedded in the system.

The respondents were asked to give their opinion on the performance of the new system. All three respondents indicated that the performance is good as it enables Customs operations to be done systematically. Also, clients are served within a short time, and operations are easier and simpler. Furthermore, they indicated that 2014 was the last year that the LRA met its set revenue targets, while, at the end of March 2019, revenue targets were met again.

In comparing the new system to the old system, the respondents expressed their views as follows:

- The new system is much smarter than the old manual system. This is because expected revenues can now be forecasted.
- The automated processes are much faster; manual processes were slower.

Risk management

The Customs employees elaborated that risk management is carried out in a confidential and non-discriminatory manner as the employees use their experience to deliberate on the importation and exportation trends of importers and exporters. The Customs employees added that a compliance model has been adopted to identify risky clients and to ensure that inspections are carried out.

The respondents explained that, based on their analysis, the Customs operators inform the Case management department about a client who should be subjected to an analysis that will enable them to categorise the trader into the risk paths. Thus, every time the client does declarations, the client will be channelled to one of the following paths: the discharge of consignments without inspection (**green**); post-clearance audit control by Customs after release (**blue**); documents check prior to the release goods (**yellow**); physical check of the consignments prior to the release (**red**). The clearance hub communicates with inspectors to inspect the goods.

Resources to carry out Customs operations

The respondents were asked to provide their opinion on the main resources they need to carry out the Customs processes with ease. Figure 4.2 is a graphical representation of the responses from the three respondents. Two (22%) of the respondents indicated working space and two (22%) indicated equipment. Another two (22%) highlighted human resources, and another two (22%) mobile phones. One (11%) indicated internet access.

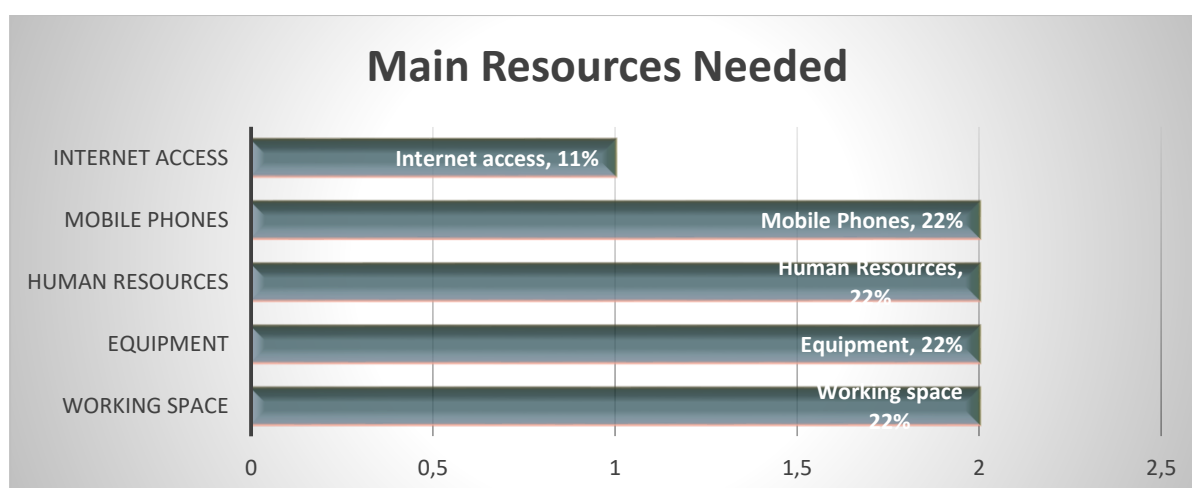


Figure 4.2: Main resources needed

Source: Research findings

Availability of resources

The respondents were asked whether the resources they mentioned are available and adequate. Two (67%) indicated that the resources are not available and adequate, while one (33%) said that the resources are available and adequate, except for mobile phones. The responses are summarised in figure 4.3.

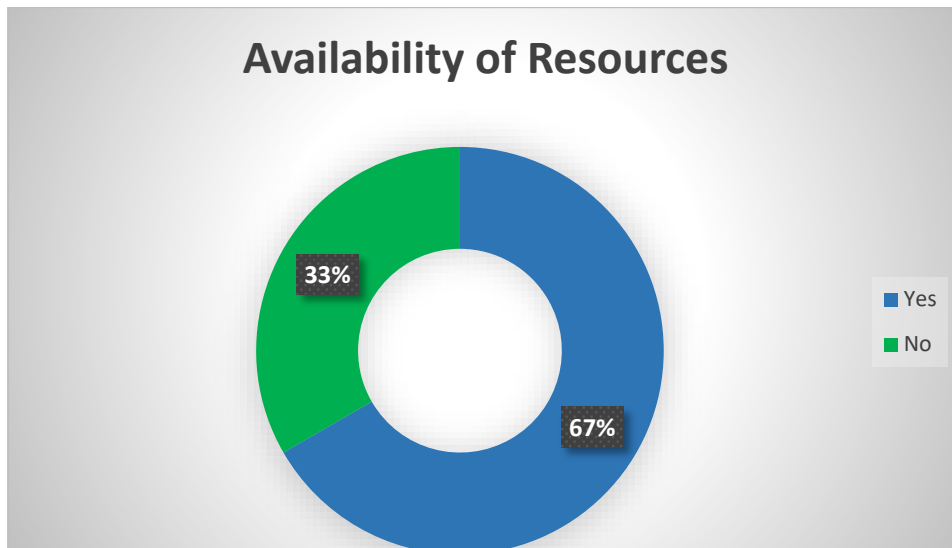


Figure 4.3: Availability of resources

Source: Research findings

Benefits of the new system

Customs employees indicated that, since their automation, the Customs processes have been simplified and the reduction in documentary requirements have resulted in paperless Customs processes in the expedited clearance of goods, which saves taxpayers' time. Also, reporting has been made clear, proper records are maintained, and there is an audit trail.

The respondents indicated that inspections carried out are risk-based, which has led to the elimination of subjectivity. In the old system, everything had to be inspected, but since automation, the rate of inspection has reduced to less than a day. There is also ease in doing calculations, as they are done by the system.

Challenges since implementation

The Customs employees stressed that, due to poor ICT infrastructure on commercial borders, frequent system downtimes are still experienced. During these downtimes Customs processes are performed manually as there are no back-ups. On average the system downtimes last from two hours to an entire day, depending on the cause.

One of the respondents mentioned the LRA's focus on commercial and large taxpayers. As a result, the LRA loses a considerable amount of revenue from small clients. When asked about the challenges of the system, one of the three respondents elaborated that using the system requires extensive training.

An additional challenge was mentioned, namely that clearing agents charge traders heavily, or, on the other hand, that clearing agents under-declare goods, resulting in a loss of revenue. Customs employees further pointed out that there is a lack of coordination among clearance hub officials and COs (inspectors), instigated by different payment scales.

Measures to overcome the challenges

The Customs employees indicated that the IT department provides support and that the system is currently undergoing upgrades to accommodate more processes. This, together with following manual guidelines, helps to overcome the above-mentioned challenges.

Customs employees suggested that, based on the findings on audits conducted on Customs forwarding and clearing agents, the LRA regulate and oversee the Customs forwarding and clearing agents' performance. Customs employees added that penalties are being charged for under-declarations.

4.3.3.2 Learning and innovation & the Resources and capabilities theory

Table 4.3 provides the interviews questions and the answers received from Customs employees and operators on their views regarding the learning and innovation perspectives.

Table 4.3: Interview results for Customs employees and operators: Learning and innovation perspective

Questions	Respondent 1	Respondent 2	Respondent 3
1. In your opinion, what are the skills and competencies needed to improve the performance of the Customs operations?	<p><i>Customs operators need to be equipped in technical knowledge of Customs. Currently, we refer matters to the technical division on Customs matters, which is not even in Customs but further away from Customs offices and borders.</i></p> <p><i>Customs operators need basic [and] fundamental</i></p>	<p><i>One must attend ongoing training on Customs processes.</i></p>	<p><i>IT knowledge. The IT department seems to delay to assist.</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
	<i>knowledge in IT. We often refer simple things to IT that we as Customs officials can do [ourselves].</i>		
2. In your opinion, do Customs officials have those skills and competencies?	<i>Not at all.</i>	<i>No, they don't have.</i>	<i>Yes.</i>
3. What measures are used to capacitate Customs officials to improve Customs performance?	<i>There is a training plan.</i> <i>We have performance contracts that need to be signed at the beginning of the year.</i> <i>HR training and development is responsible for capacitating officials.</i>	<i>They are given short courses and training.</i>	<i>Training.</i>
4. Are there training programmes designed for Customs aligned with the new system and developments related to it?	<i>Yes.</i>	<i>Yes, there are.</i>	<i>Yes.</i>
5. Is training provided for existing employees or only for newly recruited employees?	<i>All.</i>	<i>Not always.</i>	<i>New employees. Old employees are given training but not in a satisfactory manner.</i>
6. Is there a periodic review to assess employee satisfaction?	<i>It has been done, even though I do not remember when.</i>	<i>Yes, it is there.</i>	<i>No.</i>
7. What was management's response to the review, if such a review has been done?	<i>They take into consideration the diagnosis. Especially with regard to management style, which they have incorporated into the new strategic plan.</i>	<i>They promise to address problems.</i>	<i>No response.</i>
8. Is training provided on a continuous basis to update staff on ongoing developments in the Customs administration, including the elements of reform and modernisation programmes?	<i>Internal and external training.</i>	<i>Yes, it is there.</i>	<i>No, an example would be that VAT11 are now issued through the system but [we] were not trained.</i>
9. What are the organisational strategies to develop employees further to	<i>We are not aware of Customs, but HR assists.</i>	<i>No.</i>	<i>Training and constant emails.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
ensure the accomplishment of the Customs objectives?	<i>WCO online courses that are mandatory.</i>		
10. How often are processes reviewed to ensure their alignment with the constantly changing environment?	<i>Not often.</i>	<i>Once a year.</i>	<i>Not often.</i>
11. What mechanisms are there in place to enhance Customs infrastructure?	<i>Single phase border. Single window. These enable the sharing of functions between Customs and other stakeholders.</i>	<i>Not sure.</i>	<i>Not aware of any.</i>

Source: Research findings

Skills and capabilities

The Customs employees were asked what main skills and capabilities are needed to improve Customs performance. According to two of the respondents, the main capabilities are basic IT skills and knowledge, which are currently not part of the Customs skills mix. A graphical representation of the responses is shown in figure 4.4.

One of the respondents stated that technical knowledge is needed. With the current setup the Customs operators refer all technical matters to the technical division. This often delays assistance, because this division lies further from the borders where Customs is located. Another response to the question indicated that one should attend ongoing training on Customs processes.

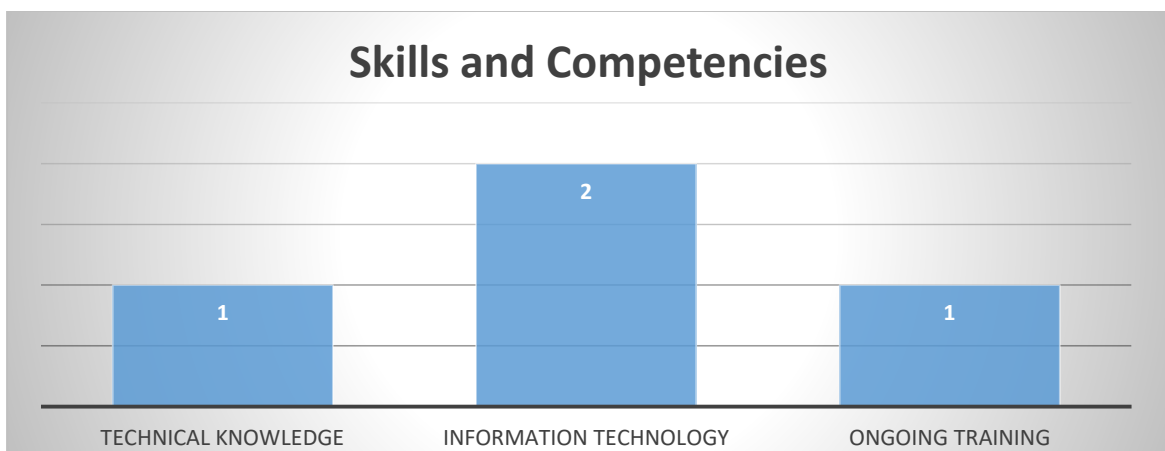


Figure 4.4: Skills and competencies

Source: Research findings

The respondents were also asked to give an opinion on the availability of the afore-mentioned skills and competencies. Two of the three respondents indicated that COs do not have all the skills and competencies, whereas only one indicated that they have.

Training

The respondents were asked which measures are used to capacitate COs. All three respondents indicated that training is the measure undertaken. One of the respondents elaborated that the human resources training and development manager is responsible for capacitating officials and that performance contracts are signed at the beginning of the year.

The respondents were also asked whether the training programmes designed for Customs are aligned with the new system and related developments. The three respondents agreed that the training programmes are aligned. When asked whether the training extends to new and existing employees, two of the respondents stated that all employees are given training. However, one respondent replied: "Not always."

The respondents were then asked whether training is provided continuously to update staff on ongoing developments in Customs Administration, including the elements of reform and modernisation programmes. Two of the respondents indicated that training is provided continuously. One respondent, however, responded negatively: "No, an example would be that VAT11 is now issued through the system, but we were not trained."

The respondents were asked about the organisational strategies to develop employees further to ensure the accomplishment of the Customs objective. Two of the respondents stated that the human resources department assists in this regard and that there are mandatory WCO online courses. One respondent referred to trainings and constant emails.

Employee satisfaction

When Customs employees were asked about periodic reviews assessing employee satisfaction and responses sought from these surveys, two respondents agreed that such reviews are being done. One respondent indicated that it "has been done even though I do not remember when", while another respondent indicated that such reviews are not done.

The first two employees further stated that findings are taken into consideration with a promise to address any issues raised. Regarding management style, solutions have, in fact, been incorporated into the new strategic plan, according to these two employees.

4.3.4 Customs management

For the following set of questions, the emphasis was on identifying the perception of Customs management on the performance of ASYCUDA. Three respondents were approached to take part in the semi-structured interview, as indicated in the next sections.

4.3.4.1 Strategic and financial perspective

Table 4.4 sets out the interview questions and responses received from Customs managers on the strategic and financial perspectives.

Table 4.4: Interview results for Customs management: Strategic and financial perspective

Questions	Respondent 1	Respondent 2	Respondent 3
1. From LRA's perspective, what were the challenges faced before the implementation of the automated Customs processes?	<p><i>Unreliable Customs data.</i></p> <p><i>Unreliable trade statistics.</i></p> <p><i>Poor filing.</i></p>	<p><i>Lacked consistency in the application of rules and business processes since they were subjective to individual understanding.</i></p> <p><i>No structured training was offered.</i></p>	<p><i>More overload; we could not sample or target-risk.</i></p> <p><i>Manual system prone to human error and needs more resources.</i></p>
2. When did the modernisation of Customs Administration in the LRA begin?	<p><i>The programme began in 2012.</i></p> <p><i>The pilot was in 2014 – Maputsoe Border.</i></p> <p><i>Roll out was in 2015.</i></p>	<p><i>It began in 2012.</i></p>	<p><i>In 2014.</i></p>
3. How long have you been using the new Customs system?	<p><i>Since 2015.</i></p>	<p><i>Since 2014, August – Pilot Maputsoe Border.</i></p> <p><i>Roll out was in 2015.</i></p>	<p><i>Pilot in 2014.</i></p>
4. Is there a point at which you revert to the older ways (procedures prior implementation) of carrying out operations?	<p><i>Yes.</i></p>	<p><i>Yes.</i></p>	<p><i>Yes.</i></p>
5. Under which circumstances do you revert to those ways?	<p><i>Only during system downtimes.</i></p>	<p><i>Some of our borders are not automated, they run parallel.</i></p> <p><i>It teaches other officers manual procedures.</i></p> <p><i>The design of the system is such that during downtimes we go back to the manual.</i></p>	<p><i>During system downtimes.</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
6. Can you list those procedures being reverted to?	<i>We do not really revert to the olden ways, but we do the automated procedures manually.</i>	<i>Basic import and export procedures for commercial borders. Automation has been limited to commercial borders only.</i>	<i>Lodge declaration and the whole process – but done manually.</i>
7. To what extent are Customs procedures automated?	<i>The declaration process is automated, and the payment processes are not entirely automated because clients must come to the Customs offices after doing payments electronically. Focus is on commercial transactions and private shoppers' declaration that is over R20 000.00. Commercial shoppers are those who are going to resell the goods, whereas private shoppers' goods are for home consumption.</i>	<i>Basic import and export only. All others are still manual to be considered in the next phase.</i>	<i>I would say 90%. Valuation is not in the system. Risk and clearance are automated. Not all border posts are automated (post office and non-commercial borders).</i>
8. To what extent does the automated Customs system take into consideration international codes and standards?	<i>The system is configured to accept tariff headings or tariff codes which are used by the SACU region, as reflected in the tariff book (tariff rates are regional and more focused on the region). International tariffs outside the SACU region are not similar to those of intra SACU region, but heading codes remain the same due to the WCO membership.</i>	<i>To a large extent, it is the main basis of the Customs Administration Modernisation. The Customs system is approved by the WCO and the WTO is therefore compliant and all conventions are revised, like Kyoto.</i>	<i>100%.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
<p>9. Were there any changes in the legislation and regulations in order to adopt the new ways of carrying out Customs processes?</p>	<p><i>There is a draft bill that has not been enacted.</i></p> <p><i>There are legal notices that were made through the minister of finance, e.g., Advance declaration.</i></p>	<p><i>Yes.</i></p> <p><i>We had to make changes into the law to legislate automation in selected borders.</i></p> <p><i>There was a gap in the law to give the Commissioner authority to make decisions in terms of deviation from old ways to automation, e.g., the law did not recognise the use of electronic signatures.</i></p>	<p><i>Not yet.</i></p> <p><i>Customs and Excise Act 1982 with their amendments.</i></p> <p><i>Customs bill has been submitted to be approved.</i></p>
<p>10. In your opinion, has the automation resulted in an increase in Customs revenue collection? Please explain why you think so.</p>	<p><i>Yes. There has been an increase because the loopholes that were present when Customs was manual have been closed due to automation.</i></p>	<p><i>Difficult one.</i></p> <p><i>The immediate aftermath was that we did not see any revenue increase due to a high number of employees and the learning curve. Therefore, we did not meet revenue targets, as automation affected large commercial traders.</i></p> <p><i>Currently, it is starting to increase due to better understanding.</i></p>	<p><i>Not yet.</i></p> <p><i>Customs and Excise Act 1982 with amendments.</i></p> <p><i>Customs bill has been submitted to be approved.</i></p>
<p>11. What mechanisms are in place to reinforce revenue collection?</p>	<p><i>The introduction of the Voluntary Disclosure Programme and Simplified Business and Tax.</i></p>	<p><i>Post Clearance Audit (PCA) – has not been deployed (we have not cracked deployment to capacity).</i></p> <p><i>Anti-smuggling unit.</i></p> <p><i>Risk management unit (intelligence + risk) – still under development.</i></p> <p><i>If all the above-mentioned mechanisms are fully developed, they back automation and close all the gaps.</i></p>	<p><i>Trying to improve turnaround across on all lanes.</i></p> <p><i>Preferred trader scheme where compliant traders are given preferential treatment.</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
12. In your opinion, has Customs collection costs reduced? Why do you have that opinion?	<i>Yes, they have been reduced. In the manual environment, we had a lot of workforces. Since automation, the workforce has been reduced.</i>	<i>At the beginning we had a lot of Customs staff members, now we are trying to cut the numbers.</i>	<i>We are aware of the overall tax collection cost of the LRA – not at Customs level.</i>
13. In relation to Customs costs, what are the measures or indicators used to measure Customs-related costs incurred by the taxpayer and by the LRA? And why?	<i>For taxpayers, user surveys are used to determine costs incurred by the taxpayer. As for the LRA, I am not sure.</i>	<i>OECD data measures on revenue administrations. For every R1.00 collected, the costs are compared with the SACU region.</i>	<i>LRA benchmarks with other countries in the region SACU, WCO, but these measures concentrate on taxpayer cost.</i>
14. Explain internal border agency cooperation with other LRA divisions and departments.	<i>We collaborate with internal divisions in terms of data sharing. We are primary data providers to other divisions, especially Value Added Tax (VAT) both exports and imports, as the data is used by those divisions in the execution of their duties.</i>	<i>PCA is in the domestic tax division; we, therefore, must cooperate. Anti-smuggling is in enforcement; we, therefore, must plan, mandate and collaborate. Risk management is also in another department, therefore there is information sharing required. Finance collected revenue on our behalf. However, there is a lot of room for improvement.</i>	<i>We have monthly meetings with Heads of Border agencies. Good cooperation with other internal departments.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
<p>15. Explain external border agency cooperation with other institutions, e.g. Government Agencies.</p>	<p><i>There is a committee of heads of border agencies.</i></p> <p><i>This above-mentioned committee ensures that all border stakeholder work is in sync. This border agency corporation has now led to a project called one phase border, scheduled to start in April or May 2019.</i></p>	<p><i>It can be improved; other agencies are not all over the country as the LRA and cooperation is not good.</i></p> <p><i>One trader goes through numerous different agencies doing one thing, e.g. searching.</i></p> <p><i>The solution to this problem is incorporating all the agencies into one phase border agency, and a single window where traders get everything in one window.</i></p>	<p><i>We have good cooperation with government agencies, e.g., police and health departments [whom] we work with on campaigns.</i></p>
<p>16. What are the identified strengths of the new system?</p>	<p><i>Expedited clearance of goods.</i></p> <p><i>Improved filing.</i></p> <p><i>Trade data and statistics have improved.</i></p> <p><i>Segregation of duties is clear and clear roles are defined.</i></p>	<p><i>Reliability of data for government planning.</i></p> <p><i>Consistency has enabled the predictability of procedures.</i></p> <p><i>With the old system, data was a mess, especially during the SACU revenue sharing.</i></p>	<p><i>Processes have been simplified.</i></p> <p><i>Reduced workload.</i></p> <p><i>Time is saved in Customs processing.</i></p>
<p>17. What are the identified weaknesses of the new system?</p>	<p><i>External users, such as the clearing agents, are not ready for the system.</i></p> <p><i>The environment we are trading in is a bit behind; this is not easy for the user to fully appreciate.</i></p> <p><i>The main problem is the users; the system is perfect.</i></p>	<p><i>Risk management capacity is not yet mature and appropriate.</i></p> <p><i>Small land ports are not automated, they are operated manually, whereas commercial borders are automated. This confuses traders.</i></p> <p><i>Not integrated with the inland tax systems; we are operating two systems at once.</i></p>	<p><i>The data produced from the system is not clear and sufficient.</i></p> <p><i>There is a lot of hanging information in the system.</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
		<i>Not integrated with the banking systems, one does payment and must travel to the Authority to present proof of payment.</i>	
18. What mechanisms are in place to ensure that these weaknesses are dealt with?	<i>We have monthly and quarterly stakeholder meetings where we try to address the shortfalls.</i>	<i>Generally, to carry out the second phase of the modernisation to curb such problems. Continuous capacity building on risk management.</i>	<i>ASYCUDA team and IT team must deal with the weaknesses. The Manager: clearance hub is working on performance agreements with the clearing agents.</i>
19. What are the organisational strategies to develop or train employees to ensure the accomplishment of the Customs objectives?	<i>There is a training policy for internal staff members for every change or development within the system and Customs in general.</i>	<i>There is a training plan informed by performance agreements. Go to school ourselves and to be given incentives, e.g., time off.</i>	<i>Crash course on basic Customs for every officer. Then training relevant to specialities.</i>

Source: Research findings

Customs revenues and collection costs

According to Customs management officials, the automation of Customs processes has led to an increase in Customs revenue collection. This increase is ascribed to the assumption that loopholes that existed in the manual environment have been closed and that there is a better understanding of the new system.

The Customs management officials highlighted that the increase in revenue collection was not seen immediately due to automation affecting large commercial traders, an increase in the number of Customs employees, and revenue targets not being met.

The respondents referred to mechanisms that have been adopted by the LRA to reinforce revenue collection, such as: (i) the preferred trader's scheme, whereby compliant traders are given preferential treatment at the borders; (ii) the introduction of the voluntary disclosure programme and simplified business tax; (iii) the anti-smuggling unit; and (iv) the risk management unit, incorporating intelligence and risk, being under development.

The PCA function has still not been deployed due to the fact that the LRA's deployment capacity is not functioning up to standard. Management further highlighted that, once all the mentioned mechanisms have been fully developed and deployed, they will close all revenue gaps.

The respondents believed that Customs collection costs have been reduced due to the reduction in Customs headcount, which was heavily relied on prior automation. As for key performance measures, OECD data measures on revenue administrators are used. These measures point out that collection costs at an organisational level are compared with those of the SACU region. Then further isolate Customs from the revenue collected and its attributable costs for comparison. With regard to costs incurred by traders/taxpayers, the respondents indicated that user surveys are carried out by the LRA to identify these costs.

4.3.4.2 Internal business perspective

Table 4.5 sets out the interview questions and responses received from Customs managers pertaining to their internal business perspectives.

Table 4.5: Interview results for Customs management: Internal business perspective

Questions	Respondent 1	Respondent 2	Respondent 3
1. Are Customs operations fully automated?	<i>Declarations focusing on commercial goods are fully automated, whereas payment is not fully automated. After paying electronically, proof of payment has to be presented to the Authority.</i>	<i>No.</i>	<i>Not all.</i>
2. From a management point of view, are Customs procedures and processes simplified?	<i>Yes, they are.</i>	<i>Yes, but not by design; due to the LRA being a member of numerous trading unions, they have not been simplified.</i>	<i>Yes.</i>
3. For LRA Customs administration to be effective and efficient, what are the capabilities (resources and competencies) needed?	<i>Automation must be in place. Collaboration with all stakeholders. Enabling legislation.</i>	<i>Ability to simplify processes. Effective risk management. PCA capability. Investment in human development.</i>	<i>Training. People. Machinery.</i>
4. Are these capabilities all available within the LRA?	<i>Not at all, they are available partially.</i>	<i>Not to the required standard, but there is some realisation.</i>	<i>They are there but lack commitment from the LRA employees.</i>
5. From a management point of view, what has the LRA benefited from the introduction of the automated Customs?	<i>Yes.</i>	<i>The major benefit is that the new system has enabled the inland tax system to have an idea of all business sectors, due to the available data, enabling them to be better informed about the environment they are in.</i>	<i>Data collection is clear and there is confidence in it. Trade statistics are reliable.</i>
6. What are the challenges and sources of the challenges faced since automation?	<i>The users are not ready for automated Customs environment.</i>	<i>The resistance of our clients to automation, especially those that must go through agents. Agents have a tendency of overcharging them.</i>	<i>Excessive downtimes, due to poor ICT infrastructure.</i>
7. What is your opinion about the overall performance of the System? And why do you think so?	<i>The overall performance is good, because it has assisted in trade data management, and has helped us as the LRA to understand how long we take to</i>	<i>Not the best system. It has benefited the country; it is up to us to learn from it.</i>	<i>Good. We can see remotely what is going on at the border.</i>


Questions	Respondent 1	Respondent 2	Respondent 3
	<i>process a declaration. This makes it easier to manage our operations.</i>		
8. In terms of information availability and sharing, what measures are in place to enable timely sharing and collection of information between all stakeholders?	<i>Face-to-face meetings; communication on different platforms we use to sensitise our stakeholders.</i> <i>Emails.</i> <i>Telephone.</i>	<i>The major consumer of information is the bureau of statistics. Before they had to take statistics in a big room full of files; currently, they [access] that information from the system.</i> <i>Inland taxes do not take initiative in information sharing.</i>	<i>We have numerous memorandums of understanding and service level agreements.</i>
9. To what extent is the involvement of the trade community in Customs operations?	<i>They are involved especially in clearance of commercial goods. Commercial declarations are supported by the automated system.</i>	<i>Involved to some extent.</i> <i>Clearing agents – monthly meetings, large Importers (e.g. Shoprite) – quarterly meetings.</i> <i>Forum of business owners, they did not unite, and their participation is somehow limited.</i>	<i>LRA Business Forum.</i> <i>LRA has the stakeholder unit to deal with it.</i>
10. What are the formalities regarding automation?	<i>In a manual environment, the client had to carry a letter indicating that they have an account with the LRA; since automation, the clients' information is included in the system.</i> <i>In a manual environment, the taxpayer will have to carry a letter requesting the declaration of goods; since automation, a consolidated road manifest, whereby only once the number is punched within the systems, one can see the consignment details.</i>	<i>Documents in manual should be the same as in the automated environment, but we have reduced document requirements and advised the importers to keep other documents, e.g. permits.</i>	<i>The effect of modernisation resulted in the automation of what was done manually. On the other hand, document requirements have been reduced.</i>
11. Are these formalities understandable and clear?	<i>Yes.</i>	<i>Yes.</i>	<i>Yes.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
12. Were all Customs practices streamlined? Explain through all the steps.	<p>Yes. We do not have a situation of disconnected procedures. We have clear steps, e.g. payments will only be made once assessment notice has been made.</p> <p>There is a unique number that traces all documents.</p>	<p>Yes. Before automation, the declarations were made inland. Automation has reduced those requirements.</p> <p>We have not mastered the EFT payments, as the proof must be presented to us.</p>	<p>Yes, some. There is a lot of clarity and transparency. The use of judgement has been reduced.</p>
13. Were inadequate and redundant processes eliminated?	<p>Yes, they were.</p>	<p>Yes.</p>	<p>Yes. Processes such as importation of alcohol were done in customs, but currently, it is being done by the Ministry of Tourism.</p>
14. Were the stakeholders informed about new processes on time?	<p>Yes, they were.</p>	<p>Yes.</p>	<p>Yes, communication and training.</p>
15. Which processes are vital for Customs to achieve its objectives?	<p>They are all vital.</p>	<p>Secure payment of revenue. Ability to make a declaration. In our new strategy, "I want to declare" and "I want to pay" are very vital.</p>	<p>Trade facilitation. Revenue collection. Social protection is vital, but not primary to the LRA.</p>
16. Please give an overview of the inputs to the Customs processes.	<p>Proof of purchase. Documentary evidence for imports and exports. Details of the exporter or importer. Details of the supplier or owner, and authorised access.</p>	<p>Description of imports and exports.</p>	<p>Documentary evidence of goods purchased, value, supplier and purchaser.</p>
17. Please give an overview of the processes.	<ul style="list-style-type: none"> • Lodgement • Documentary check • Payments • Inspection • Release • Exit 	<ul style="list-style-type: none"> • Description determines the checks • Controlled goods • Permit • VAT applicable. 	<p>Under this new programme, the taxpayer (importer) must pre-clear the goods to the Customs at 24 hours before importation. This was not the case with the old procedures. The importer must declare the goods with a</p>

Questions	Respondent 1	Respondent 2	Respondent 3
	<ul style="list-style-type: none"> • <i>Post clearance in the event of risk parameter rating status (depended on the inspection outcome).</i> 		<p><i>clearing agent recognised by LRA, or the importer can register with the LRA to access the system in order to clear for himself. The clearing agent first communicates with the ASYCUDA server by filling in the information on Single Administration Declaration form (SAD 500) online; then send it to the server.</i></p> <p><i>The server will produce the assessment form which will inform the importer how much he is expected to pay; then the importer will go to the border to make a payment. After payment, the server will issue the “proceed to border” form which allows the cargo to be taken to the (Customs Control Area) border to make the final clearance, which allows the cargo to exit the border or to be inspected.</i></p> <p><i>The decision to inspect or exit the cargo is made by the system, which will label the declaration according to four colours: green means the declaration is good and could pass the border without inspection; blue means the cargo must pass, but it is subjected to a post-clearance audit; yellow means the documents are queried – general queries are handled either by the system or the clearance office; and red means all documents are correct, but</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
			<p>cargo relating to that declaration must be inspected.</p> <p>The inspection is picked by the system, but the instruction to what extent to inspect is done by the clearance section to the inspection section. The inspection team will conduct the inspection, then inform the clearance of their findings; the clearance will work on it and give inspection of the go-ahead to release the goods depending on the findings. The inspection can be assisted by the scanner (a supporting section).</p>
18. Please give an overview of the output of the system.	<i>Exit note after all the steps mentioned above are completed.</i>	<i>Release of goods.</i>	<i>Release of goods.</i>
19. What measures are used to measure the efficiency of the processes?	<i>Time is taken at each stage.</i>	<i>The speed at which we release control of goods by [using] WCO tools and time release study.</i>	<i>Time is taken to release goods.</i>
20. How often is the process appraisal undertaken?	<i>Due to cost implication, it was last done a year ago.</i>	<p><i>It is recommended every two years.</i></p> <p><i>Since automation has been made, once, due to budget constraints.</i></p>	<i>It was done once over a year ago.</i>
21. In your opinion, do these processes add value to their users (trading community)? Why?	<i>They do because they are kept informed and they do participate.</i>	<p><i>Yes.</i></p> <p><i>Because subjectivity in processes has been eliminated, there is some level of consistency.</i></p>	<p><i>Yes.</i></p> <p><i>Remote declaration.</i></p>
22. Which resources are vital to the Customs processes? And why?	<i>They are all vital.</i>	<p><i>Qualified Customs personnel.</i></p> <p><i>Robust ICT infrastructure.</i></p> <p><i>Stable internet connectivity.</i></p>	<p><i>Educated people.</i></p> <p><i>Equipment.</i></p> <p><i>Updated software.</i></p>

Questions	Respondent 1	Respondent 2	Respondent 3
23. Are the available resources adequate? And why?	<i>They are partially available.</i>	<i>Yes, but not to the required standard.</i>	<i>Yes. Lack of passion.</i>
24. What mechanisms do you use to identify non-value adding activities?	<i>I do not know of any.</i>	<i>Time-release study.</i>	<i>The delivery unit within the LRA deals with that.</i>
25. How do you measure individual performance in the achievement of Customs objectives?	<i>We have a performance management system.</i>	<i>Performance management system. We are about to include a new model in the next phase.</i>	<i>Each one signs a performance contract.</i>
26. How do you make sure that Customs users are well informed of Customs processes?	<i>Established good relations with Customs users and set platform meetings and collaborations.</i>	<i>We publish any changes on the LRA website and trade portal. Monthly and quarterly meetings.</i>	<i>Training. The LRA has the taxpayer education unit that ensures that.</i>
27. How often are processes reviewed to ensure their alignment with the constantly changing environment?	<i>Whenever there is an impediment to trade, we discuss it without jeopardising the LRA mandate, e.g. in situations whereby dangerous goods are imported or exporters require special treatment.</i>	<i>Only when there is a need.</i>	<i>Standard operating procedures were last done four years ago.</i>
28. What mechanisms are there in place to enhance Customs infrastructure?	<i>Depends on the availability of funds and government responsibility.</i>	<i>Finance limit. Since 2014 the government has been sourcing funding.</i>	<i>Yes. IT server to cater for system downtimes. Phase 2 to improve on the implementation. Single-phase border.</i>
29. How often do you experience system downtimes?	<i>Not as often as it was in the early stages.</i>	<i>The standard is that 95% of the time it is operational, but sometimes it is not within the standard.</i>	<i>Often, but not as frequent as it was in the beginning.</i>
30. Are these system downtimes promptly communicated to the users?	<i>Yes, we do.</i>	<i>Sometimes, because IT is on standby.</i>	<i>Yes.</i>
31. How long, on average, do these downtimes last?	<i>Two to three hours.</i>	<i>At the longest a day, if not triggered by malicious activity.</i>	<i>Two to five hours.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
		<i>Others are planned for maintenance.</i>	
32. How do you go about communicating changes in processes and procedures as well as information requirements?	<i>Calls.</i> <i>Emails.</i> <i>Media release.</i>	<i>Through:</i> <ul style="list-style-type: none"> • Website • Trade portal • Emails • Direct communication • Radio and newspapers 	<i>Website.</i> <i>Emails.</i> <i>Direct Communication.</i>
33. How do you ensure that ports of entry are accessible, and services are promptly carried out?	<i>Where there are accessibility problems, we have arrangements with SARS to offer concessions.</i>	<i>Opening times are aligned with business demand.</i> <i>Reporting channels enable it.</i>	<i>Nothing really, it is a matter of infrastructure, especially on commercial borders where trucks fill up space without a proper truck bay. Some trucks such as those carrying chemicals/ dangerous goods do not stay longer, given preferential treatment.</i>
34. Please provide an overview of the Customs structure and the roles and responsibilities within the structure.	 <pre> graph TD CH[Customs Head] --- D[Deputy] D --- M[Manager] M --- TL[Team Leader] TL --- S[Senior] S --- I[Inspector] </pre>	<ul style="list-style-type: none"> • Commissioner Customs • Deputy commissioner 3 3 per region (North, Central, South) • Managers – ports of entry • Team leaders – shift managers • Senior Customs officers – hands-on • Customs officers or inspectors 	<ul style="list-style-type: none"> • Commissioner Customs • Deputy Commissioners • Managers • Team leaders • Senior Customs officers • Inspectors

Source: Research findings

Background

According to Customs management officials, before the implementation of ASYCUDA, the LRA was facing numerous challenges such as the following:

- (a) The application of Customs rules was subject to the judgement and understanding of individuals in the division, leading to unreliable Customs data and trade statistics brought by inconsistencies.
- (b) The manual work environment was prone to errors and was more resource intensive.
- (c) Customs employees increased work overload, as sampling and targeting risk areas were not permissible.
- (d) Documents were stored poorly.
- (e) No structured training was offered.

Customs management officials emphasised that Customs operations in Lesotho are legislated through the Customs and Excise Act of 1982 with its respective amendments. However, to enable automation of Customs processes, changes were brought to the Act and relevant regulations by means of legal notices issued from the Minister of Finance. These changes were aimed at closing the gaps in the above-mentioned legislation and enabling processes such as the automation of selected commercial borders, electronic signatures and advance declarations while waiting for the draft bill to be enacted.

One of the main reasons for Customs Modernisation was to ensure that Customs take into consideration all international codes and standards. Therefore, the ASYCUDA system used by the LRA fully considers all standards and codes, especially those relevant in the SACU region. Also, the ASYCUDA system has been approved by both the WTO and the WCO seeing that the system should comply with all international conventions like the Revised Kyoto Convention.

Customs processes in an automated environment

According to Customs management officials, automation of the Customs processes by ASYCUDA was done only at commercial borders. At other points of entry, such as the post office and non-commercial borders, Customs operations are still performed manually and will be automated in the next phase of Customs Modernisation. Automation currently applies to commercial transactions by commercial shoppers who will be reselling the goods, as well as private shoppers who import or export goods above the value of R20 000.00. It was indicated that some of the Customs processes, such as valuation and payments, are also still being performed manually.

Regarding accessibility to ports of entry, the respondents indicated that, in cases of problems, the LRA arranges with SARS to offer concessions to ensure that services are carried out promptly. In addition, opening times are aligned with business demand. Lastly, one of the respondents pointed out that accessibility is an infrastructure matter, especially at commercial borders where trucks fill up space in the absence of a proper truck bay. Preferential treatment is given to trucks carrying chemicals and dangerous substances.

The respondents were asked whether all Customs practices have been streamlined, to which all three Customs management officials agreed. They indicated that there are clear steps in Customs processing, as well as a unique number, that enables tracing of documents. One of the respondents highlighted that “there is a lot of clarity and transparency ... [and] the use of judgement has been reduced”. However, another respondent elaborated that “we have not mastered the EFT payments, as the proof has to be presented to us”.

The respondents stated that processes have been simplified and streamlined because automation has eliminated non-value-adding processes, which, in turn, has reduced document requirements. Other processes have also been eliminated, for example, the importation of alcohol, which is now being handled by the Ministry of Tourism.

On the formalities relating to automation, one respondent’s view was as follows:

In a manual environment, the client had to carry a letter indicating that they have an account with the LRA. Since the automation, the client’s information is included in the system. In the manual environment, the taxpayer will have to carry a letter requesting the declaration of goods, however, since automation, a consolidated road manifest whereby once the number is punched within the systems, one can see the consignment details.

The other two respondents added that automation has resulted in reduced document requirements, and manual processes have been incorporated into the automated processes.

The respondents were asked which processes are vital for Customs to achieve its objectives. The first respondent indicated that all the processes are vital. The second respondent pointed out that secure payment of revenue and the ability of taxpayers to make declarations are important. This respondent added the importance of “the ability to make a declaration; in our new strategy, ‘I want to declare’ and ‘I want to pay’ is very vital”. The third respondent specified that trade facilitation, revenue collection and social protection are important; however, social protection is not primary to the LRA, as emphasised by the respondent.

The respondents mentioned that there are clearly defined stages in Customs processing, as illustrated in figure 4.5. The figure represents the responses given by the three respondents with regard to inputs and stages involved in Customs processing. A key performance measure utilised by the LRA for process efficiency is the time taken at each stage of the process.

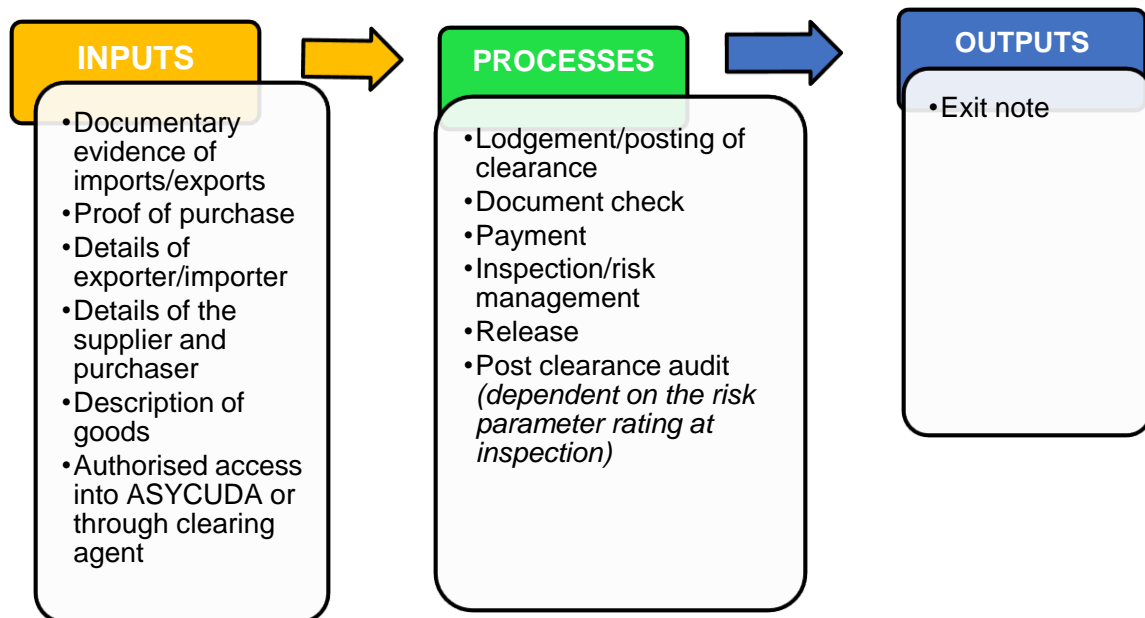


Figure 4.5: Summary of the Customs processes

Source: Research findings

With regard to process reviews, the Customs management officials highlighted that process evaluation is constantly undertaken to ensure that processes are aligned with the dynamic environment. However, they recommended that process appraisal be undertaken once every two years. Due to budget constraints, a process appraisal through a time-release study has been undertaken only once since the automation of Customs operations.

The three respondents concurred that the overall performance of the system is good, even though one of the respondents indicated that it is not the best system. The system has brought numerous benefits to the country. Not only can management remotely see what is being done at the border, but trade data management is being assisted. The system has further enabled the LRA to understand how long they take to process a declaration.

Information sharing and coordination with other agencies

(a) Stakeholder communication and information sharing

The LRA uses numerous platforms to ensure that there are communication and timely sharing of information between them and their stakeholders. The Customs management officials indicated that the avenues used to communicate are scheduled stakeholder meetings, face-to-face and telephonic interviews, and emails. In addition, memorandums of understanding and service-level agreements are also utilised to ensure information sharing and communication. One of the three respondents expounded: “The major consumer of information is the bureau of statistics before they had to take statistics in a big room full of files, currently they take that information from the system.”

Concerning the involvement of the trading community in Customs operations, the respondents specified that they are involved through the LRA business forum. The LRA’s stakeholder management department deals with their involvement, according to one respondent. A second respondent mentioned monthly meetings with clearing agents, as well as quarterly meetings with large importers and a forum of business owners, whose participation is limited.

Pertaining to Customs, the respondents indicated that users are being well informed of Customs processes. The LRA has established good relations with Customs users and has set platforms such as meetings and collaborations. Changes are published on the LRA website and trade portal, training are provided, and monthly meetings and quarterly meetings are held. Also, the LRA has a dedicated taxpayer education department who ensures that Customs users are well informed.

(b) Cooperation with internal LRA agencies

The respondents indicated that, within the LRA, the Customs division is a major information provider to other internal divisions. Data about VAT and imports and exports are shared among other divisions, as the data enable them to carry out their respective tasks. Examples of internal cooperation within the LRA are the following: first, the anti-smuggling division is part of the enforcement division; secondly, the finance division collects revenue on behalf of Customs; and, thirdly, risk management forms a separate department, hence the need to share information and improve organisation-wide cooperation among all the divisions.

According to the Customs management officials, through information sharing, the inland tax system has an idea and an understanding of the environment of all business sectors due to the availability of information.

(c) Cooperation with external border agencies

For cooperation with agencies outside of the LRA, there is a committee of heads of border agencies to ensure that all stakeholder border work is well coordinated. Government agencies like the Police and Health agencies work with the LRA on specific campaigns. However, other agencies are not distributed all over the country like the LRA operations, which complicates efforts of cooperation.

However, traders have to go through numerous agencies for the same purpose, for example, undergoing a search. Such duplication of processes should be eliminated by introducing a one-phase border agency. In other words, all border agencies should be incorporated into a single agency where traders will go through all the steps.

Benefits of the new system

According to the Customs management officials, the new system has given several benefits. First, the Customs processes have been simplified. There has also been a reduction in documentary requirements brought on by paperless Customs processes, leading to the expedited clearance of goods that saves taxpayers' time.

Secondly, consistency in Customs procedures has led to the predictability of procedures. With the old system, data were in disarray, particularly during the SACU revenue sharing period. However, the new system has contributed to the reliability of data for government planning through improved trade data and statistics.

Thirdly, the workload has been reduced by the segregation of duties and clearly defined roles and responsibilities. One of the respondents added that data collection is now clear and there is confidence the data. As a result, trade statistics is reliable. Another benefit explained by the respondents was that the system has facilitated information sharing due to the availability of data. Therefore, the inland tax system is well up-to-date with the environment in which it functions.

Challenges since implementation

The respondents indicated that, although several benefits have resulted from the new system, there are still some challenges. First, due to poor ICT infrastructure on commercial borders, frequent system downtimes are experienced, during which Customs processes are performed manually. On average the system downtimes last from two hours to a day, depending on the cause.

Secondly, system integration is lacking. The Customs system has not been integrated with the bank, hence the need for Customs clients to go to the LRA and present their proof of payment. Moreover, the fact that the Customs system and the inland tax systems have not been integrated means that the LRA has to operate two systems simultaneously.

Thirdly, there is confusion among traders (Customs users), as automation has not been extended to all ports of entry. The respondents also mentioned that the risk management capacity of the LRA Customs operations has not yet matured and is therefore not fully appropriate.

An additional challenge indicated by the Customs management officials was that clearing agents charge traders heavily. Furthermore, the environment in which the LRA currently works lags a bit behind that of their global counterparts. It is not easy for the Customs forwarding and clearing agents to fully comprehend the new ways of Customs operations. The respondents pointed out that Customs users have not been prepared for the automated Customs environment. There is also resistance from Customs users, especially those who need to go through clearing agents.

Measures to overcome challenges

The Customs management officials indicated that the IT department gives support to Customs and that the system is currently undergoing upgrades to accommodate more processes. This, together with following manual guidelines, helps to overcome the above-mentioned challenges. As for clearing agents' fees, the respondents stated they will be undertaking an activity to sign performance agreements with the agents.

It was highlighted by the Customs management officials that, to curb the challenges, the second phase of the Customs Administration Modernisation will be carried out to further enhance Customs operations. It is also the perspective of management that continuous capacity building regarding risk management, as well as constant consultations and meetings with Customs users, would assist in curbing the challenges.

Process efficiency

The respondents were asked to give an opinion about whether Customs processes add value to their customers, to which all three replied positively. They explained that Customs clients are kept informed, that they do participate in Customs matters and that subjectivity in the processes has been eliminated, as there is some level of consistency and the ability to do declarations remotely.

When asked about the mechanisms used to identify non-value-adding activities, the respondents pointed out that the LRA has a delivery unit tasked with this matter. A time-release study has also been conducted. Only one of the respondents indicated that they do not know of any mechanism.

All three respondents confirmed that there is a performance management system in place. When asked how individual performance in the achievement of Customs objectives is measured, they replied that employees have to sign a performance contract.

With regard to mechanisms in place to enhance Customs infrastructure, one of the three respondents stated there is an IT server to cater for system downtimes. This respondent also mentioned Customs Modernisation phase two, as well as a single-phase border. However, the other two respondents indicated that finances are a limiting factor.

The respondents specified that the current system downtimes are not as frequent as they were in the beginning. According to one respondent, the standard is that 95% of the time the system must be operational; however, sometimes operations are below the set standard. The respondents further mentioned that, on average, the system downtimes last between two and five hours. One respondent claimed that sometimes the system downtimes last about the entire day when malicious activity or planned maintenance is the cause. These downtimes are instantly communicated to the users.

Capabilities key to Customs processes

The Customs management officials mentioned that the key capabilities needed for Customs to be efficient and effective are the following: a simplification of processes through automation, collaboration with all stakeholders, investment in human capital, and enabling legislation. In addition to these capabilities, the respondents emphasised that resources vital for Customs operations are qualified Customs personnel, a robust ICT infrastructure, stable internet connectivity, adequate equipment, educated personnel, and updated software.

Although these capabilities and resources are available to the LRA, they are not on the required standard. Unfortunately, the Customs personnel only partially have adequate skills and competencies to carry out its operations. The respondents also identified a need for development, especially in a constantly changing environment. One of the respondents indicated that they have the capacity, but lack the passion to do their work.

4.3.4.3 Learning and innovation perspective & the Resources and capabilities Theory

The emphasis of this part of the interview (responses provided in table 4.6) was to identify the perception of Customs managers on the performance of ASYCUDA, related to learning and innovation.

Table 4.6: Interview results for Customs management: Learning and innovation perspective

Questions	Respondent 1	Respondent 2	Respondent 3
1. What measures are in place to ensure that the LRA is up to date with the developments in technology?	<i>Training policy and plan that go in line with the strategy.</i>	<i>Training wing in the Human Resources department. Tax academy not yet introduced, it will offer training on tax and customs.</i>	<i>Participate in WCO forums to ensure they are up to date, even though there is a delay in implementation.</i>
2. In your opinion, do the present recruitment practices at the LRA enable operation of the new system?	<i>Yes, they do.</i>	<i>Yes. On inductions, there is a four-week training on the basics of the system.</i>	<i>Yes.</i>
3. From a management perspective, do Customs have a forward-thinking recruitment programme that will enable it to modify its skill mix over time, in line with the developments in technology?	<i>Yes, they do.</i>	<i>Not really. Customs inherited old people from the government; therefore, trainability is limited. Not forward-thinking, because we stuck with old people.</i>	<i>Yes.</i>
4. Are IT skills part of the Customs team?	<i>It is recommended, but ICT is a support division.</i>	<i>Not really. We get a service from the IT department.</i>	<i>No, support is given by the IT department.</i>
5. Is there a training programme designed to align Customs personnel with the new system and developments related to it?	<i>Training plan.</i>	<i>Yes.</i>	<i>Yes.</i>
6. Upon introduction of the new system, was the Customs team trained?	<i>Yes.</i>	<i>Yes.</i>	<i>Yes.</i>
7. Is training provided for existing employees, or only newly recruited employees?	<i>All.</i>	<i>All.</i>	<i>For everyone.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
8. Is there a periodic review to assess employee satisfaction?	<i>Lastly made in 2018.</i>	<i>Yes. But I don't remember the timing.</i>	<i>No. But there will be an activity called staff engagement that will focus on that.</i>
9. What was management's response to the review if such a review has been done?	<i>Management had to address those issues that arise.</i>	<i>Diagnosis informed the new LRA strategy in terms of pay issues, management, leave and management approach.</i>	<i>N/A</i>
10. Is training provided on a continuous basis to update employees on ongoing developments in the Customs administration, including the elements of reform and modernisation programmes?	<i>Yes.</i>	<i>Yes, through workshops at WCO. Numerous workshops made.</i>	<i>Yes.</i>
11. How often is the Customs team trained to keep updated with the developments in the automated Customs environment?	<i>Annually through the training plan. Some training is recommended by the WCO for which they have the training plan, as well as SACU.</i>	<i>Regularly.</i>	<i>When there is a need, as per the training plan.</i>
12. Does the training also extend to the trading community?	<i>Yes. Under the preferred trader scheme, they have to be trained prior.</i>	<i>Yes, on systems and changes.</i>	<i>Yes.</i>
13. Was the trading community trained on the new processes and procedures?	<i>Yes, they were. Systems users are trained before licensing.</i>	<i>Yes.</i>	<i>Yes.</i>
14. Do the Customs administration personnel have adequate skills and competencies to carry out its operations?	<i>Partly so. There is a development need especially in the constantly changing environment, therefore constant enhanced training is needed.</i>	<i>Yes, basic. The plan is to do much better.</i>	<i>Yes. Even though clearing agents cry foul.</i>
15. Do you carry out employee satisfaction surveys? If yes, how often?	<i>Yes. When finances permit.</i>	<i>Yes. Not often.</i>	<i>No, it is not done.</i>

Questions	Respondent 1	Respondent 2	Respondent 3
16. What mechanisms are implemented to ensure employee satisfaction?	<i>Surveys.</i>	<i>Difficult.</i>	<i>Awards of good performance (not sure if the event is still taking place).</i>
17. What strategies are in place in developing a new set of skills that are vital for Customs personnel to cope with the dynamic environment?	<i>Constant training.</i>	<i>Future strategies.</i> <i>Graduate programme.</i> <i>Youth development.</i>	<i>Annual training plan.</i>
18. What is the LRA policy in terms of Customs knowledge management?	<i>Annual training plan.</i>	<i>No policy.</i>	<i>No policy.</i>
19. How often do employees participate in continuous training and improvement processes?	<i>On the job training every day it happens.</i>	<i>Regularly.</i>	<i>When there is a need.</i>
20. How practically experienced is the Customs team?	<i>They are very.</i>	<i>Generally experienced in customs, not modern customs.</i>	<i>They are.</i>
21. How technically skilled is the Customs team?	<i>They are.</i>	<i>Technically challenged in terms of practice due to trading with a country in the region.</i>	<i>They are but lack passion.</i>

Source: Research findings

Training

The three respondents pointed out that there is a training programme designed to align Customs personnel with the new system and related developments. When asked how often employees participate in continuous training and improvement processes, the three responses were as follows:

- (a) On the job training, every day it happens.
- (b) Regularly.
- (c) When there is a need.

The respondents further indicated that the training policy and plan go with strategy and that the training wing in the human resources department, as well as a tax academy which has not yet been established, will offer training on both tax and Customs. The LRA also participates in WCO forums, even though there is a delay in implementation. The three respondents gave these responses when asked what measures are in place to ensure that the LRA is up to date with developments in technology.

When asked whether, upon introduction of the new system, the Customs team was trained, the three respondents replied “yes”. They further pointed out that the training extended to all employees, both new and existing. The three respondents concurred that training is provided continuously to update employees on developments in Customs Administration. This also includes the elements of reform and modernisation programmes. One respondent elaborated that the trainings were at WCO and numerous other workshops.

When asked whether the training extends to the trading community, all three respondents replied that it does. They stated that the trading community has been trained on new processes and procedures. One respondent highlighted the fact that the system users had to be trained before licensing.

Skills and competencies

The Customs management officials asserted that IT skills are not part of the Customs team, even though it is recommended that they be. However, the IT department does support the division. The three respondents indicated that, in their opinion, the LRA’s present recruitment practices enable the operation of the new system. Only one respondent clarified that, “on inductions, there is a four-week training on the basics of the system”.

It seems that the Customs department does have a forward-thinking recruitment programme that will enable the skills mix to be modified over time in line with the developments in

technology. There is also a four-week induction training on the system for newly recruited employees. However, the Customs division has inherited aged employees from the government with a limited training capability, as indicated by the respondents.

The respondents were asked whether the Customs Administration personnel have adequate skills and competencies to carry out their operations. One of the three respondents indicated that the skills are partly available and explained that “there is a development need especially in the constantly changing environment, therefore constant enhanced training is needed”.

The Customs management officials stated that Customs employees have practical experience and technical skills related to Customs, but not to modern Customs. The other issue raised was that trading with one country in the region brings some challenges with regard to their technical know-how, and the plan is to do better.

The respondents referred to future strategies that the LRA intends to undertake to develop a new set of skills vital for Customs, such as a graduate programme, youth development programme, annual training plan, and the establishment of the tax academy. With regard to knowledge management, two of the respondents claimed that there is no policy, whereas the third respondent mentioned an annual training plan.

The Customs management officials confirmed that the LRA does carry out employee satisfaction assessments through surveys and award good performance. However, due to financial constraints, these measures are not carried out regularly. With the feedback from the assessments, management tries as far as possible to address the issues as they arise. According to one respondent, upon a diagnostic study that was made, “the diagnosis informed the new LRA strategy in terms of pay issues, management, leave and management approach”.

4.3.4.4 Customer perspective

Table 4.7 provides the interview questions and answers received from the Customs manager officials pertaining to the Customer perspective.

Table 4.7: Interview results for Customs management: Customer perspective

Questions	Respondent 1	Respondent 2	Respondent 3
1. What tools and techniques do the LRA use to ensure value is added for Customs users?	<p>Surveys.</p> <p>Stakeholder forums, where they use a platform in terms of usability.</p>	<p>Continuous deployment of IT solutions to reduce time.</p> <p>Where they need our services, we go there.</p> <p>Certificate of Origin to automate.</p>	<p>Introduction of online platforms such as Customs clearance, tax clearance.</p> <p>We are currently undertaking numerous projects to enhance customer satisfaction, such as the introduction of e-filing.</p>
2. Does the LRA carry out a customer satisfaction survey? How often is it carried out?	<p>Surveys are every two years.</p>	<p>Yes.</p> <p>Every two years.</p> <p>The last study was made in 2017.</p>	<p>Yes.</p> <p>It is planned next year.</p>
3. How loyal are Customs users?	<p>I am not able to respond to that.</p>	<p>Generally loyal.</p> <p>But the conduct of our team does not make them come back.</p>	<p>I cannot certainly say, because there are numerous declarations hanging in the system that one cannot be sure that they were completed or not.</p>
4. What is the smuggling of goods rate compared to the old system?	<p>The anti-smuggling department may be able to answer that very well.</p>	<p>Increased on traders that automation does not cover.</p> <p>Large traders it has reduced.</p>	<p>I cannot determine – it needs a detailed study.</p>
5. How does the LRA deal with complaints from users? And how promptly?	<p>Through the customs hierarchy, the LRA has an open-door policy.</p> <p>We have just introduced a complaints management system on commercial borders, where they place their concerns and proved a 'how did I serve you?' questionnaire on tabs to be filled after each service.</p>	<p>All borders have managers who are contact persons.</p> <p>We have displayed our numbers.</p> <p>Open-door policy: the LRA does address the complaints.</p>	<p>There is a newly introduced call centre aimed at addressing queries.</p>
6. What measures are there in place to prevent disruptions from operations?	<p>We follow manual guidelines when the system is down.</p>	<p>Operate manually.</p>	<p>IT is on standby.</p> <p>In cases of downtimes, manual procedures are used.</p>

Questions	Respondent 1	Respondent 2	Respondent 3
7. Does the Customs team understand the value of user satisfaction?	<i>Depends on users. As long as we know our role and understand the procedure.</i>	<i>It is a continuous teaching process.</i>	<i>No. The lack of doing their work with a passion does affect customer satisfaction.</i>
8. In your opinion, has Customs-related costs and the time spent on Customs-related tasks and activities reduced for Customs users? Please explain why you think so.	<i>Yes.</i>	<i>Yes. Declaration process has reduced in terms of processing. We now have a standard maximum of two hours standing time.</i>	<i>Yes, due to reduced waiting times.</i>
9. How do you make sure that communication is maintained between the LRA and Customs users?	<i>Meetings. Information sharing platforms.</i>	<i>Constant meetings we initiate.</i>	<i>Scheduled meetings. Open-door policy. Customer care line.</i>
10. What measures do you use to give Customs users the necessary support?	<i>We try to be accessible to Customs users and trading community.</i>	<i>We try to do as much as we can and promised not to measure.</i>	<i>We try by all means to assist where we can.</i>

Source: Research findings

Benefits received

From the Customs management view, the introduction of ASYCUDA by the LRA has greatly benefited the trading community. This is evidenced by cost reduction and time saving in Customs processing, as the declaration processing time has been reduced through the introduction of a maximum waiting period of two hours. Furthermore, to prevent disruptions in operations, especially during system downtimes, the LRA follows manual guidelines, and the IT division is always on standby.

Customer relationship management

Customs Administration is involved in information-sharing sessions and ensure that there is constant communication between Customs users and the LRA through regularly scheduled meetings and communication on any developments in Customs processing. The Customs management officials indicated that they try to give Customs users assistance and support where they can.

According to the respondents, to ensure that value is added to Customs users, the LRA has adopted techniques such as customer satisfaction reviews and stakeholder forums as a platform to raise concerns. Concerning customer complaints, the LRA has adopted an open-door policy whereby all borders have managers who are contact persons. Matters are also forwarded along the Customs hierarchy until resolved. The LRA has introduced a complaints management system at commercial borders, where Customs customers evaluate services provided. There is also a newly introduced LRA call centre to assist with complaints.

The respondents indicated that customer satisfaction surveys are undertaken every two years. However, the COs understanding of user satisfaction depends on their understanding of roles and procedures, their passion for work, and their conduct; thus, it is a continuous teaching process.

Lastly, the respondents indicated that the rate of smuggling has increased among traders to whom automation does not apply. As for large traders, the smuggling rate has been reduced. However, due to the number of uncompleted transactions within the system, the level of customer loyalty, as well as the rate of smuggling, cannot accurately be determined, and a detailed study is required in this regard.

4.4 Summary

Chapter 4 addressed the third secondary objective of the study: analysing the efficiency of the newly implemented system in order to make recommendations for improving its performance and

efficiency in terms of the four dimensions of the Balanced Scorecard to obtain sustainable strategic performance.

Data from ten sampled interviewees were obtained by means of semi-structured interviews. The interviewees included four clearing and forwarding agents, three Customs managers and three Customs operators. They were purposively sampled based on their knowledge and experience.

Three questionnaires were administered, each focusing on a specific target group: (i) a questionnaire for Customs managers, to obtain an account of the strategic viability and sustainability of the new system (including all four perspectives of the Balanced Scorecard); (ii) a questionnaire for the Customs operators / employees, accounting for the daily use of the new system (focusing on the Internal Processes and Learning and Innovation perspectives of the Balanced Scorecard); and (iii) a questionnaire for the clearing and forwarding agents, accounting for the importers' and exporters' perspective on improvements made (focusing on the Customer perspective of the Balanced Scorecard).

The main benefits obtained from, and remaining main challenges (shortcomings) of, the new system derived from the data presented in this chapter, include the following:

- *Customs forwarding and clearing agents* (representing the trading community) indicated that the LRA has greatly benefited from the new system (ASYCUDA), e.g., shortened turnaround time, reduced costs, greater convenience and overall good performance of the new system. However, they also indicated challenges experienced, as detailed in figure 4.1.
- *Customs employees and operators* indicated the following important benefits of the automated system: simplification of processes; reduction in documentary requirements; elimination of non-value-adding processes; systematic and shorter processing time; timeous processing; system reviews and updates done when necessary; and improved objective risk management procedures. Some challenges include: frequent system downtime with subsequent use of manual procedures (and with no back-up); inadequate resources; inadequate training (specifically IT skills); a lack of skills and competencies of Customs officials (although it has been indicated that training is provided on an ongoing basis); attention focused on commercial and large taxpayers; and a lack of coordination.
- *Customs management* indicated the following main benefits of the new automated system: increased revenue collection (due to newly implemented mechanisms, i.e., the preferred traders' scheme, simplified business tax, the anti-smuggling unit, and a risk management unit); decreased operating costs; Customs practices and procedures being

streamlined (including the elimination of non-value-adding processes and reduced documentation requirements); improved stakeholder communication and information sharing; improved reliability of data; and reduced workload and clear segregation of duties and responsibilities. However, some challenges were highlighted: the Post-Clearance Audit function not yet being deployed; poor IT infrastructure; the new system not yet integrated with the bank system; frequent system downtime; risk management capacity not yet fully operational; the operational environment's lacking behind global counterparts; resistance experienced from Custom's users who have not been prepared for the automated customs environment; and a need for employee training in modern customs.

Based on an analysis and interpretation of the detailed data presented in this chapter, conclusions are drawn and recommendations made in Chapter 5, addressing the fourth secondary objective of the study.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The research consists of a literature review and an empirical study, as stated in Chapter 1. The detailed data obtained in the empirical study were presented in Chapter 4, while Chapter 5 shifts attention to the fourth secondary objective of the study. This objective was to highlight key areas regarding the performance of the new system in order to identify existing gaps between the actual performance thereof and the ultimate expected level of efficiency and strategic performance as initially intended and, finally, make recommendations on how these gaps can be eliminated and overall performance improved. The primary objective of the study was to evaluate the performance efficiency of the new Customs system and the changes made regarding the alignment of activities towards a modernised Customs Administration using the strategic management accounting tool, namely the Balanced Scorecard.

A summary of the literature review, empirical findings, conclusions and recommendations is presented in the chapter, followed by a discussion on the limitations of the research (paragraph 5.4) and areas for future research (paragraph 5.5). Attention then shifts to the main focus of the chapter, namely the conclusions and recommendations (in paragraph 5.6). Paragraphs 5.3 and 5.6 are grouped and aligned according to (i) the four perspectives of the Balanced Scorecard, namely Strategic/Financial; Internal Business Process; Learning and Innovation; and Customer perspectives; (ii) the resources and capabilities theory (as far as it supports the Learning and Innovation perspective); and (iii) Porter's value chain (as far as it supports the Internal Business Process perspective).

5.2 Literature review summary

National Customs Administrations have the obligation to be responsive and efficient to enable them to support their governments in attaining their goals (Gordhan, 2007:52-54). A background to Customs Administration was given in chapter 1, specifically regarding the challenges it experiences, the need to modernise and global, regional and local initiatives that were undertaken to modernise Customs Administrations. This chapter also introduced the main elements of Customs Administration Modernisation.

The first secondary objective of the study was to review the literature, to explore and understand the critical elements of the Balanced Scorecard as well as the resources and capabilities theory for the successful and efficient business processes concerning strategic performance measurement. This literature review was presented in chapter 2.

The literature review in Chapter 2 presents a full academic review of the literature. At the outset, the literature review provides an evaluation of the Balanced Scorecard. Subsequently, the review further provides an overview of the theoretical perspective on the resource and capability theory and Porter's value chain, with their link to Customs Administration, which are topics significant to the purposes of this study. The review was not limited to journals and articles, but also took into consideration other sources of literature that will give a more scholastic background of the topic under review.

Chapter 3 addressed the second secondary objective, namely developing a research design and methodology that will enable the collection of sufficient relevant information on the existing actual and supposed performance of ASYCUDA. A synopsis of the research methodology was provided and the methods used in the study were described. Emphasis was placed on the process of ascertaining quality and validity and addressing limitations in this regard.

5.3 Empirical Findings, Conclusions & Recommendations – Summary

Qualitative data were collected through face-to-face, semi-structured interviews with ten respondents. The respondents included: four Customs forwarding and clearing agents (interview questions attached in appendix 3); three Customs employees and operators (interview questions attached in appendix 2); and three Customs management officials (interview questions attached in appendix 1). The interviews were conducted until a point of saturation was reached.

5.3.1 Respondents biographical information

The general demographic characteristics of the respondents are presented and discussed with the aid of pie charts, based on the information presented in tables 4.1 to 4.3. The ten respondents comprised 40% (four) females and 60% (six) males. The majority of the respondents were aged between 30 and 40, as depicted in figure 5.1. The data on the number of years the respondents have been functioning in their respective positions indicated that 70% had between four and ten years' experience, whereas 20% had between 11 and 12 years' experience. Of the latter group, one individual has been in Customs processing since 1987. A further 10% had 32 years of experience in Customs processing. In addition to their work experience, all participants have experienced Customs operations before automation.

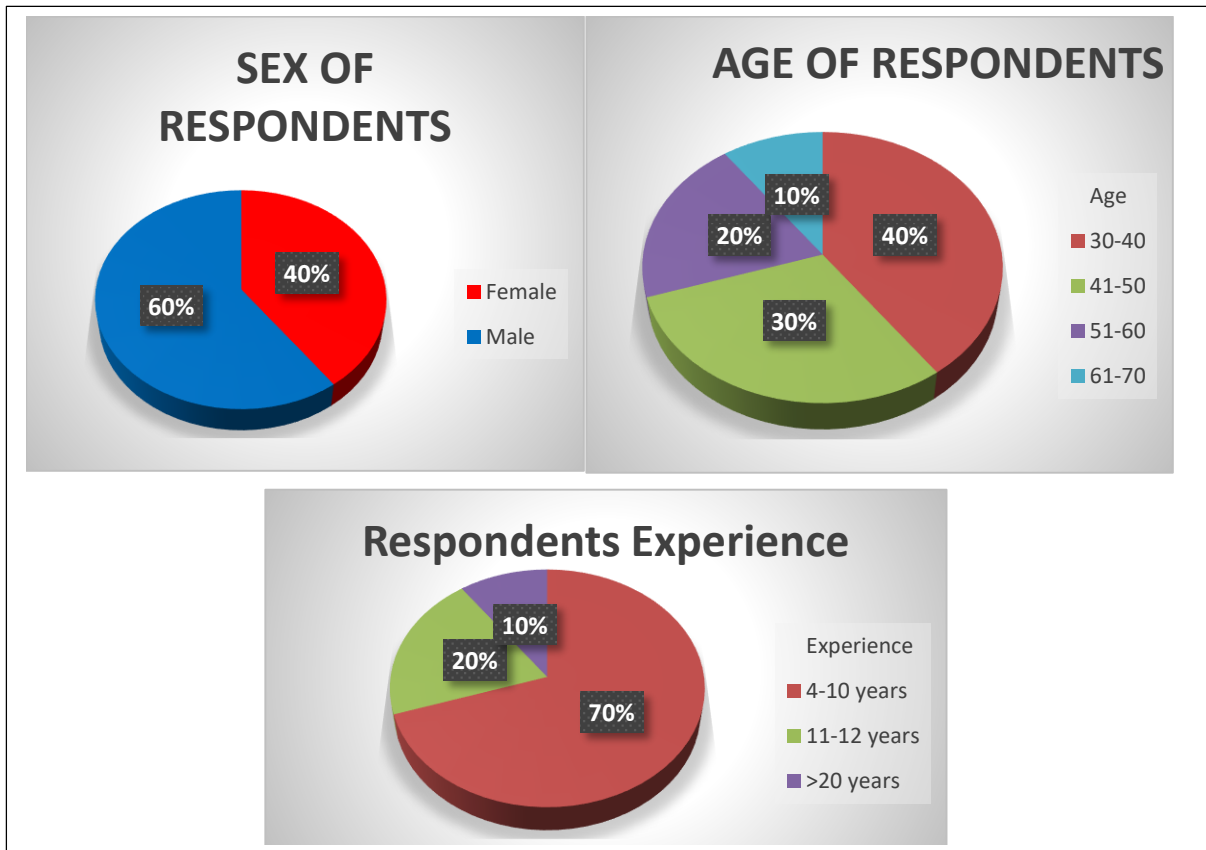


Figure 5.1: General biographical information of respondents

Source: Research findings

According to Perramon *et al.* (2016:1134), the Balanced Scorecard provides a valuable display of information on the influence that decisions on learning and growth have on internal processes and, in turn, the influence of these processes on customer perspective and financial results.

The following sections provide conclusions and recommendations of the findings according to each perspective of the Balanced Scorecard, as indicated in section 1.5 of chapter 1.

5.3.2 Customer perspectives

The customer perspective dimension of this study focused on the feedback from the interviews conducted with the Customs forwarding and clearing agents (appendix 3).

The key focus of the customer perspective, according to López-Ospina *et al.* (2017:1803), is how customers see the organisation and the capability of the organisation to fulfil the customer's requirements.

Benefits realisation

Findings and conclusions

The interview questions aimed to obtain the perceptions of the Customs forwarding and clearing agents on process efficiency (questions 1, 2, 6 and 7 in appendix 3). Responses pointed out the benefits perceived by the Customs forwarding and clearing agents, as well as process efficiency brought by the new system.

One perceived benefit for the trading community included a shorter Customs processing cycle through the introduction of a maximum waiting period of two hours. Other benefits were the simplification of cumbersome processes and fewer document requirements, as well as consistency between documented Customs procedures and practice clearance, resulting in saving time. Overall, the findings of the study indicate that the trading community has greatly benefited from the automation of Customs processes and that challenges experienced have been curbed.

In response to question 12, the respondents rated the overall performance of the system as good, despite the challenges indicated below in response to questions 3, 4 and 30 (see appendix 3).

On the other hand, the trading community does not yet seem convinced that Customs-related costs have been reduced. The reason is that administrative challenges still prevail, such as excessive system downtimes and payments processes being done manually. Additional challenges highlighted by Customs forwarding and clearing agents were that the system credentials are tied to one person, queries are raised late, and the agents are unable to do corrections within the system.

Recommendations

One of the main drivers of Customs Administration Modernisation is the trading community's grievances about Customs Administration's ineffectiveness and the costs thereof (Zake, 2011). According to Kumar and Reinartz (2018:5), the consideration of customer perceptions by the organisation promotes a conducive environment and a flexible support system. This, in turn, can actively address matters regarding product or service innovation and customer needs and expectations.

The perception of the trading community indicates that consistent application, ease of access and unrestricted knowledge of Customs laws, regulations and procedures, along with clear administrative guidelines, encourage certainty among Customs Administration and its prospective clients (McLinden, 2005:75). This study revealed that the trading community still faces some challenges that need to be addressed by the LRA.

It is recommended that the LRA review its Customs processes regularly to ensure that the simplification of processes, reduction in document requirements, and consistency between documented Customs procedures and practice clearance are not once-off activities. These should be continuous activities to make clearance easier, better and faster, and should be aligned with business practices. This will assist in maintaining benefits realisation by the trading community and achieving of Customs Modernisation objectives.

The trading community made the following recommendations to curtail the prevailing challenges, in response to question 5 (appendix 3):

- a) To curb excessive system downtimes, the LRA needs to invest in its existing ICT infrastructure and online platforms through improvements and upgrades.
- b) To reduce systems downtimes, the LRA operational employees need to be capacitated to troubleshoot the system when problems arise.
- c) For prompt correction of errors, the system should be configured in such a way that the forwarding and clearing agents can make the required changes and be able to recall erroneous lodgements.
- d) Other challenges need to be curtailed. For example, the system needs to be integrated in such a way that payments, once completed, are automatically updated within the system. With regard to delayed queries the recommendation is that day shifts run during business hours, as most queries arise after shift changes. Also, to solve problems related to SARS's rejection of declarations, it is recommended that payments be made at the point of entry.
- e) The LRA should work hand in hand with the trading community to find workable solutions to the problems in Customs processing.

Customer engagement

Findings and conclusions

The findings and conclusions discussed in this section are based on responses to questions 8, 17, 23, 24, and 29 (see appendix 3).

The findings of the study indicate that the LRA does engage with the trading community through constant communication via email and telephone, scheduled quarterly meetings, or, when the need arises, training in the developments of the system.

In addition, the LRA seems to have an open-door policy and has undertaken numerous actions to deal with client complaints, such as introducing a customer call centre and a complaints management system on commercial borders. This enables Customs clients to provide feedback on the service they have received. Also, the LRA provides Customs users support when needed.

It is evident from the findings that the LRA indeed consults with the trading community. However, such consultations take on the form of briefing sessions, as the opinions of forwarding and clearing agents seem to not be taken into consideration.

Recommendations

According to Kumar and Reinartz (2018:5), the consideration of customer perceptions by the organisation promotes a conducive environment and a flexible support system that can actively address matters on product and service innovation and customer needs and expectations. It is recommended that the LRA maintain and improve its stakeholder engagement activities, especially with the Customs forwarding and clearing agents, to increase their involvement in decisions that may affect their work.

With regard to client engagement, De Wulf (2005b:21) points to the significance of regular assessment meetings to update stakeholders on improvements, complications and actions anticipated to address deviations and changes to the systems. Therefore, the LRA has to put in more effort to make sure that the trading community perceives engagements as truly consultative. In other words, the trading community should feel that they are working with the LRA to solve problems instead of merely taking part in a briefing engagement.

Such engagements will drive the LRA to become more responsive to the demands of their customers and to keep up with the developments in the logistics and supply chain. Close communication with all stakeholders is important, as there are enormous benefits to be achieved, such as improved client relations. Continuous communication ensures that the Customs Administration Modernisation initiative does achieve the modernisation objectives (De Wulf, 2005b:21).

Customer satisfaction

Findings and conclusions

The current situation, according to Customs management officials (appendix 1, section D, question 2), is the following: The LRA does carry out satisfaction reviews every two years, but they have not done so recently due to budget constraints. From the responses of the Customs forwarding and clearing agents (questions 13, 14 and 26, appendix 3), it can be concluded that the LRA does carry out satisfaction reviews, but the exercise does not fully cover the Customs forwarding and clearing agents population and Customs customers.

From the responses of the forwarding and clearing agents (questions 11 and 31, appendix 3) relating to Customs employee capacity and capability, as well as the understanding of customer satisfaction. It can be concluded that, there is no consistency in the capacity and capability

expressed by the Customs officials. Capacity and capability depend on the individual who provides the services, and the conduct of some Customs employees seem to have a negative impact on customer loyalty, which, in turn, affects LRA customer relations.

There are no measures in place to keep Customs customers satisfied other than the use of workshops and meetings where the trading community can set out their grievances. This was concluded from the responses to question 18 for the forwarding and clearing agents (appendix 3). Conversely, the LRA has introduced a call centre and complaints management system at every customer contact centre, including at the borders. This enables the LRA to constantly monitor the feedback from customers relating to the services provided. This finding is based on the responses to question 5 (section D, appendix 1).

Questions 19, 20, 21 and 22 posed to the forwarding and clearing agents (appendix 3) focused on customer perception of the Customs processes. From the responses, it can be concluded that the LRA does not keep up with the developments in the industries of the traders; hence the possibility of misunderstanding between the LRA and the trading community.

Moreover, with regard to Customs process transparency, it can be concluded that there is doubt from the trading community on the valuations and penalties. On the other hand, the use of meetings and the fact that clearing is being done remotely are measures adopted to keep the processes transparent, even though inadequate.

Recommendations

De Wulf (2005b:21) states that a stakeholder satisfaction survey of Customs Administration operations needs to be conducted frequently to evaluate stakeholder satisfaction on modernisation outcomes. With financial constraints hindering them to carry out these surveys, the LRA has implemented mechanisms to enable the collection of data on customer satisfaction, namely the call centre and service complaints management system.

It is, therefore, recommended that the tools used to collect data on customer perception on services provided by the LRA be maintained and that the LRA monitor and act on the feedback received, either negative or positive. Also, the LRA should leverage other tools, such as social media platforms and metrics, to monitor the perception of the customers and identify areas of deterioration or improvements in Customs processing.

In support of the findings, Kumar and Reinartz (2018:5) indicate that customer relationship management should ensure that front office applications improve customer satisfaction, which, in turn, would result in customer loyalty and ultimately affect organisational profitability. It is thus

recommended that the LRA offer regular training on customer relationship management to its front office officials.

The findings pointed to inconsistencies experienced by Customs users with regard to the capabilities and capacity of Customs front line staff. To address this, it is recommended that training on Customs laws and Customs operations be offered regularly. A clear service protocol should also be established to eliminate the variations in services offered to Customs' users.

Customer loyalty

Findings and conclusions

The findings and conclusions discussed in this section were drawn from the responses to questions 27 and 28 of appendix 3 on customer loyalty, as well as questions 3 and 4 in section D, appendix 1. Customs management officials indicated that, within the LRA, the rate of smuggling has reduced for large traders, whereas it has increased for traders to whom automation does not apply.

The Customs management officials and forwarding and clearing agents ascribed the above reduction in the smuggling rate to the increased number of forwarding and clearing agents. However, the forwarding and clearing agents held different views regarding Customs loyalty, indicating that the rate of smuggling is still high.

Recommendations

According to Adil and Amin (2018:200), one key performance indicator within the customer perspective is customer loyalty. It is therefore recommended that the LRA carry out a study to ascertain the extent of the smuggling of goods into the country and the rate of smuggling by traders to whom automation does not apply. Such a study will enable the LRA to come up with tolerance limits and devise strategies to deal with smuggling.

5.3.3 Internal business perspective

This section provides conclusions and recommendations taken from the perspectives of the Customs employees and operators (appendix 2) and the Customs management officials (appendix 1).

Interview questions reference

Customs management officials (appendix 1): Section B, Questions 1-34

Customs employees and operators (appendix 2): Section A, Questions 1-29

Benefits and challenges

Interview questions reference

Customs management officials (appendix 1): Section B, Questions 1, 5 and 6

Customs employees and operators (appendix 2): Section A, Questions 3-5, 9-12, 27-29

Findings and conclusions

The findings show that the challenges which the LRA experienced before automation have been curbed concerning the reliability of data, the reduction of workload, the introduction of risk-based inspections, and the enablement of information sharing among Customs stakeholders.

The benefits have been accrued to the trading community, as well as to the LRA, even though not all Customs processes have been automated. It is evident from the findings that the extent of automation covered only the commercial borders and that the focus was on commercial traders and private shoppers importing goods worth R20 000.00 and above.

In addition to the partial implementation of Customs Administration Modernisation, the LRA has experienced some challenges since automation, which are similar to those identified by customers (Customs forwarding and clearing agents) in section 4.3.2.1. The challenges experienced were the following:

- Excessive system downtimes occur, lasting for about two hours to a day, contingent on causes.
- The system has not been integrated with the inland tax system, nor with the banks. This hinders the sharing of information and payment processes running smoothly.
- Partial automation of Customs processes at points of entry leads to confusion among traders, as well as to revenue loss.
- An audit by the LRA has identified malpractice among the Customs forwarding and clearing agents, namely the charging of high prices to traders. This has led to traders' becoming reluctant to use the agents;
- The audit further indicated that Customs forwarding and clearing agents under-declare goods, resulting in a loss of revenue. Penalties for under-declarations are being imposed by the LRA, and the LRA will enter into performance agreements with the forwarding and clearing agents.

According to the findings, the LRA has identified these challenges and aims to address them in phase two of the Customs Administration Modernisation. The LRA has also incorporated some of the solutions in its strategic plan.

Recommendations

The findings are supported by Montagnat-Rentier and Parent (2012:17) and Grainger (2008:17), who stated that the requisites for the efficiency and effectiveness of Customs Administration rely on simple, clear and well-designed regulations embedded in a clear framework. Also, the simplification of Customs processes and procedures involves the reduction of document requirements and information needed to bring them in line with conventional international standards.

The LRA has automated its processes partially and realised several benefits as indicated above. It is important to note that, having realised the benefits of the system before a countrywide roll-out, LRA management should not become complacent about the milestones achieved. Proper constant monitoring and evaluation of the system needs to be in place, and improvements should be made where necessary. Problems encountered in and lessons learned from the partial implementation should be used as reference points for the countrywide implementation and future developments of the system.

Concerning the challenges experienced, the following recommendations are made:

1. Excessive downtimes

The LRA still experiences excessive downtimes, but not as frequent as in the initial stages of implementation. It is recommended that the LRA identify the major causes of the downtimes and formulate appropriate measures to prevent these re-occurrences. If, for example, the frequent system downtimes are caused by unstable internet connectivity, the LRA should have a back-up or alternative internet service provider or should upgrade the internet bandwidth to a stronger connection.

2. System integration

It is recommended that the LRA incorporate into the system modules that enable the integration of the inland tax system with that of Customs to facilitate smooth information sharing. Pertaining to the payments integration with the Customs system, it is recommended that the LRA consider incorporating a digital payments platform that will enable the Customs systems to recognise payments from different sources, such as EFTs, mobile wallets, etc.

3. Partial automation

To reap the full benefits of Customs Modernisation, it is recommended that all ports of entry be automated. The countrywide automation will reduce revenue leak and curtail the smuggling of goods into the country, as well as confusion among traders.

4. Forwarding and clearing agents

It is recommended that the LRA regulate the prices that the agents charge to traders. It is further recommended that, on licence issuance to the agents, each agent enter into a service level agreement with the LRA that includes stringent measures and consequences for agents who are found guilty of malpractice.

Process efficiency

Interview questions reference

Customs management officials (appendix 1): Section B, Questions 7, 10-15, 24-34, 19-21

Customs employees and operators (appendix 2): Section A, Questions 5-8, 10-11

Findings and conclusions

Pertaining to Customs legislation, a draft bill is awaiting parliament's approval. However, legal notices have been issued to enable the automation of some Customs processes, as the current Act does not permit some of the elements of automation. ASYCUDA takes into consideration both regional and international standards and codes, even though the views of Customs forwarding and clearing agents differ in this regard.

The Customs processes have been simplified, resulting in a shorter processing cycle. Demarcated steps are being taken to carry out the Customs processes and procedures in an automated environment (see figure 4.5, chapter 4), which have led to, among other things, a reduction in document requirements. Furthermore, the system does calculations which saves Customs operators the time of having to perform manual calculations.

Customs processes are, however, performed manually at ports of entry that are not classified as commercial borders and for traders that do not fit the earlier mentioned criteria. This previously confused traders.

Recommendations

The simplification of Customs processes and procedures is one of the key Customs Modernisation objectives, as highlighted by the WCO (2003:2-6). The findings indicate that the Customs Modernisation objectives have been adequately met. It is therefore recommended that the LRA find ways to maintain the simplified processes and engage in constant process evaluations to identify non-value-adding processes and document requirements.

Risk management

Interview questions reference

Customs employees and operators (appendix 2): Section A, Questions 22-23

Findings and conclusion

The LRA has introduced risk management into the Customs processes by carrying out risk-based inspections in a non-discriminatory manner. The introduction of risk management has benefited the LRA by freeing up Customs operators' time, as previously all inspections were conducted manually. However, the LRA is still not operating at full capacity in this regard.

The findings indicate that COs' experience and coordination with other divisions enable the utilisation of the risk management component of ASYCUDA to carry out risk-based inspections through categorisation, by paths that determine the action to be taken by Customs. In support of this finding, the ASYCUDA selectivity module permits the allocation of declarations into four paths, namely red (physical inspection before release), yellow (document inspection before release), blue (post-clearance audit after release), and green (release of goods without inspection) (UNCTAD, s.a.-b; WCO, 2010b).

Recommendations

The WTO (2014) requires its members to introduce a wide scope and widespread content for the risk management system, as far as general resources permit, and carry out risk management with integrity and transparency.

The Customs forwarding and clearing agents indicated that the rate of inspections is still high. Therefore, it is recommended that the LRA manage its risk parameters in such a way that not all resources are fully directed to inspections. They should balance resources between Customs processing and inspections, still carrying out their mandate of protecting the country.

It is recommended that the LRA maintain and enhance the transparency perceived by the trading community in respect of risk assessment. This will, in turn, strengthen the confidence that the trading community seems to have in the risk management function of the system.

5.3.4 Learning and innovation perspective and the Resources and capabilities theory

This section provides conclusions and recommendations based on the perspectives of the Customs employees and operators and the Customs management officials. In addition, the section aims to integrate the findings to the resources and capabilities theory (introduced in chapter 1 and discussed in chapter 2). The learning and innovation perspective identifies the areas of excellence or capabilities (e.g., human resources, information capital, organisational assets) that an organisation has to realise value creation through (human) resources and capabilities (Zin, 2013:199).

The Resources and capabilities theory identifies resources as being tangible (physical resources e.g. assets and infrastructure) and intangible (e.g. human resources and organisational reputation) in nature, with capabilities (as part of human resources) referring to both the competence employees introduced to the organisation once employed, as well as the skills, competence and expertise gained during employment by the organisation. Capabilities define what the organisation is able to do (and how efficiently it is done) and exactly how successful the organisation can make changes to adapt to a changing environment. The Resources and capabilities theory involves the management and deployment of all organisational resources and capabilities as a coordinated effort to ultimately lead to and/or contribute towards the success of and value creation by the organisation.

Interview questions reference

Customs management officials (appendix 1): Section C, Questions 1-21

Customs employees and operators (appendix 2): Section B, Questions 1-9

Skills and capabilities

Interview questions reference

Customs management officials (appendix 1): Section C, Questions 2-4

Customs employees and operators (appendix 2): Section B, Questions 1-2, 4-5, 8-9, 14-21

Findings and conclusions

As indicated, the Customs management officials and employees have formal educational training. However, IT skills do not form part of the Customs skills mix, which means that the IT department has to provide full technical support to the Customs system. However, the respondents mentioned induction programmes designed to acquaint Customs operators with the system, as well as training on the new developments of the system.

The findings show that the technical knowledge of Customs is lacking. Currently, Customs operators refer technical matters to the technical division, which is further located from the borders where Customs is located, thus causing delays in Customs processing.

Furthermore, the findings indicate that the LRA does have a forward-thinking recruitment programme with the aim of modifying the skills mix over time. However, the current impediment is the aged employees with limited training capability regarding the new developments.

Recommendations

Haughton and Desmeules (2001:74) emphasise the need for IT skills, as these skills are critical in supporting effective Customs practices and allowing the division to stay abreast of

developments in Customs. Thus, the recommendation is that IT form part of the LRA's prerequisites of the recruitment of Customs operators.

For existing Customs operators, regular training is recommended. This will capacitate and equip them with the skills required to troubleshoot the system when the need arises, which will, in turn, prevent disruptions and delays in Customs processing. This training should be followed up to assess the realisation of its benefits, in comparison with matters escalated to the ICT department.

According to Buyonge (2008:58), historically, the minimum entry requirements into Customs were not based on the need to have certain educational or professional qualifications. The current emphasises on a minimum first degree for certain positions has disadvantaged COs with a lot of experience to be promoted into higher ranks.

On recruitment, it is further recommended that technical knowledge of Customs be a prerequisite. As for existing Customs employees, intensive training on technical matters must be provided, together with measures such as follow-ups, and the monitoring of issues escalated to the technical department contrasted with issues solved. The employees should realise the benefits of the training, for example, the minimisation of disruptions.

The LRA needs to promote an ICT culture throughout the organisation. Training should not be limited to incoming staff and basic ICT skills, but should be done continuously to update, refresh and teach new skills. This will enable Customs operators to take the necessary measures themselves and not refer minor issues to the ICT department.

Capabilities

Interview questions reference

Customs management officials (appendix 1): Section B, Questions 3-4, 22-23

Customs employees and operators (appendix 2): Section A, Questions 24-26

Findings and conclusions

The discussions with Customs management officials revealed several capabilities that are needed for hassle-free Customs processing, namely the simplification of processes through automation; cooperation with all stakeholders; investment in human capital through training and other activities aimed at enhancing skills; and enabling legislation.

From the findings, the main resources needed for efficient Customs processes are the following:

- Qualified Customs human resources;
- working space;

- equipment, updated software, stable internet and strong ICT infrastructure; and
- mobile phones.

Although present at the LRA, these resources are not adequately available. Such insufficiency indicates that the Customs Administration Modernisation objectives might not have been met yet.

The findings further indicate that one major cause of Customs costs to the LRA was the high headcount. Since modernisation, the headcount has been reduced to curtail these high costs. However, the strategy seems not to be beneficial to Customs processing, as the Customs forwarding and clearing agents claimed that the Customs personnel capacity is not sufficient. In addition, Customs personnel mentioned a shortfall in qualified Customs operators.

Recommendations

The study revealed that the achievement of the system's core competencies relies on the above-mentioned resources, which are not adequately available in the LRA. In light of the shortage of qualified Customs employees, it is recommended that the LRA give priority to Customs-skilled candidates in recruitment. To close the skills gap for existing employees, it is recommended that continuous training be closely monitored to ensure skilled and well capacitated Customs employees.

ASYCUDA has been implemented by the LRA to curb Customs costs to the LRA. Therefore, in the prioritisation of resources, funds must be available to the LRA. It is further recommended that the LRA concentrate on leveraging the technological tools available to achieve the core competencies that will lead to the realisation of Customs objectives.

Training

Interview questions reference

Customs management officials (appendix 1): Section C, Questions 5-7, 10-13

Customs employees and operators (appendix 2): Section B, Questions 3

Findings and conclusions

To keep up with IT developments, the LRA has a training policy that promotes continuous learning, aimed at both their employees and the trading community. The LRA further participates in both WTO and WCO training, and the training is aligned to the achievement of Customs objectives.

Recommendations

As recommended by Aoyama (2008:98) and De Wulf (2005a:34-35), namely that Customs employees need to undergo annual training to remain conversant with the developments in Customs Administration, the training programmes need to be linked to actual policies and operations. Therefore, the LRA annual training should not be treated as a check box activity for the human resources department, but the training outcomes should be regularly monitored along with employee performance to assess the value of the training.

The LRA needs to capacitate the front line Customs operators intensively in order for them to be knowledgeable in Customs processes and procedures. This will ensure uniformity when dealing with traders and in customer care.

Implementing abovementioned recommendations

By implementing the abovementioned recommendations, the aim of the Resources and capabilities theory would be made possible and being supported in the future. The aim of the Resources and capabilities theory being, the management and deployment of all organisational resources and capabilities as a coordinated effort to ultimately lead to and/or contribute towards the success of and value creation by the organisation, could be addressed by the following:

- *having the human resources with the required/necessary ICT skills and ICT organisational culture;* especially those involved in the daily operations of the new system, will not only benefit the Customs division to deal with technical issues on a timely basis, but will also enable the human resources (employees) to carry out their duties in a confident and motivated manner as they have full capacity and competence to deal with issues as they arise;
- *ensuring that the human resources do have the required/necessary ICT skills by means of employing people with the required ICT skills and/or qualifications, providing training for existing employees lacking the necessary skill levels, and providing ongoing training as necessary to stay up to date with new technological developments;*
- *ensuring that the human resources do have the necessary ICT resources to perform their duties efficiently and effectively; and*
- *ensuring that the human resources are knowledgeable in existing Customs processes and procedures and keep them up to date with future developments in Customs practices and related legislation.*

All of the above will equip human resources with the necessary resources, skills and capabilities to provide a better and quicker service to the client, improving the value being created by the LRA.

5.3.5 Strategic and financial perspective

For this section on the strategic and financial perspective, the views of the Customs management officials are incorporated. For purposes of the study, the financial perspective of the Balanced Scorecard as discussed by Apak *et al.* (2015:181) was considered. According to these authors, operational performance involves setting a financial objective, and strategy implementation accomplishments can be directed from the financial perspective.

Interview questions reference

Customs management officials (appendix 1): Section A, Questions 10-19

Findings and conclusions

The findings of the study indicate that the automation of Customs processes has benefited the LRA by increasing its Customs revenue collection, closing loopholes that existed in the manual system, and reducing Customs-related costs. The benefits were not immediate to the LRA due to some administrative challenges.

The Customs management officials and Customs operators mentioned a loss of revenue due to ports of entry that have not been automated.

Customs management indicated that the PCA been set out fully due to the deployment competencies not being available. The LRA has further introduced the below-mentioned mechanisms to enhance revenue collection. Once the mechanisms have been fully deployed, all revenue gaps will be closed:

- Preferred traders scheme dedicated to compliant taxpayers;
- a voluntary disclosure programme and simplified business tax;
- anti-smuggling unit; and
- a risk management unit that incorporates intelligence.

Recommendations

The key objectives of Customs Modernisation are the enhancement of the revenue-generating capability and the reduction of Customs-related costs (WCO, 2003:2-6).

To reduce clearance time and free up limited resources, the LRA needs to engage the PCA to full capacity. This, in turn, will reduce the cumbersome consignment inspections.

In order to curb the loss of revenue from the smaller ports of entries which have not been automated, the LRA needs to roll out the automation to all ports of entries or implement device strategies to cover those categories of taxpayers that are not currently covered by the automation.

5.4 Limitations of the research

The following points were identified as limitations to the current study:

The study represented the views of four forwarding and clearing agents, three Customs operators, and three Customs management officials, constituting a sample size of ten respondents. Thus, this study highly relied on the information and opinions of the respondents.

According to Zainal (2007:2), case studies explore a current actual phenomenon through a comprehensive analysis of relationships and a narrow number of events or situations. This is an inherent limitation of case study research. Hence, the limitation is attributable to this study which endeavoured to gain a detailed understanding of the LRA Customs Administration.

Some of the diagnostic measures to the challenges have already been undertaken by the LRA, such as the introduction of a phase two Customs Modernisation programme, the establishment of one border agency, as well as the installation of customer satisfaction survey tools at every service point.

The environment in which the LRA Customs operates is constantly changing, influenced by trade practices, government policy and technological developments. Therefore, the study might not be indicative of current situations.

5.5 Areas for future research

This section provides recommendations for future research in the area of the LRA Customs Administration Modernisation.

- a) The current study was a qualitative exploratory study. A quantitative research study is recommended to quantify the performance of Customs.
- b) Research to be carried out on the detailed performance of Customs after modernisation initiatives has been completed.
- c) A study can be conducted that benchmarks the LRA Customs Administration performance, after modernisation initiatives, with other countries.

5.6 Conclusions and recommendations

The final objective, as indicated in section 1.5 of chapter 1 was to highlight key areas regarding the performance of the new ASYCUDA system. The purpose was to identify existing gaps between the actual performance of the system and the ultimate expected level of efficiency and strategic performance as initially intended.

Based on findings of the research study, the following recommendations are presented.

5.6.1 Customer perspective

One of the objectives of Customs Administration Modernisation is to build the capacity of Customs to concentrate on performance improvement in key areas. These key areas are stipulated in the Revised Kyoto Convention, namely honesty, transparency, accountability, client service, simplification, minimum intervention, continuous improvement, corporation, compliance, facilitation, control, and ICT (WCO, 2003:2-6).

The study found that the LRA has achieved transparency, honesty, accountability, client service, simplification, minimum intervention, continuous improvement, corporation, compliance, facilitation, control, and ICT. However, there are still challenges and room for improvement with regard to transparency (pertaining to valuations and penalties), waiting times due to system downtimes, and partial automation, to name a few.

To close existing gaps identified in the study, the adoption of the Balanced Scorecard as a performance management tool will assist the LRA. The Balanced Scorecard will not only measure the performance on internal competencies, but also assess the trading community's perception of the quality of the LRA's services. Measures that may be incorporated in the Balanced Scorecard under this perspective are adaptability to the dynamic environment, agility to deal with complex issues, responsiveness to traders' needs and feedback, and the esteemed value ascribed by Customs customers to services provided.

5.6.2 Internal business perspective

The research revealed that the environment in which Customs is operating is dynamic, and the innovative ways in which traders operate create an even more complex environment. The complexity and dynamics of the environment cause administrative challenges, such as system downtimes, the fact that the system has not been fully automated, and gaps in the capacity and competence of Customs processing personnel. The challenges have been experienced by the trading community, LRA management and Customs operators, but the LRA has identified them and devised strategies to address them.

To improve process efficiency, the LRA needs to regularly conduct a Strength, Weakness, Opportunities and Threats (SWOT) analysis for Customs Administration and stay abreast of its operating environment. As for monitoring process performance, Porter's value chain is used to ensure that value is added to the trading community, as well as to the LRA Customs.

The above-mentioned measures need to be incorporated into the Balanced Scorecard to monitor the performance of Customs processes against predetermined measures. Additionally, the Internal business process perspective highlights that the efficiency and attractiveness of an organisation are first determined by the processes which are founded on the quality standards and the strategic goals, therefore closing the identified gaps in the Customs processes (Hladchenko, 2015:171).

It is worth noting that, to ensure the Customs employees' acceptance of improvements made to Customs and to close performance gaps, the Customs processes must be analysed and optimised in cooperation with participants in each process. High levels of user and job satisfaction will reflect a process that has been optimised successfully (Hladchenko, 2015:171).

5.6.3 Learning and innovation

The learning and innovation perspective mainly relates to the employees of the LRA, their approach, knowledge and capability to manage and sustain changes and improvements made by the automated Customs processes (Zahoor & Sahaf, 2018:187). On the other hand, the improvement and self-renewal of an organisation are directly correlated to human resources and material resources (Iyibildiren & Karasioglu, 2018:18).

From the study, it was clear that Customs employees and operators do not show satisfactory capacity and knowledge when assisting traders in Customs processing. In addition, there are identified material resources and human resources constraints in the LRA Customs Administration. It was further pointed out that the current skills mix of the Customs employees does not meet the requirements of the modernised Customs processes. Hence, technical and ICT-related matters are elevated to the respective divisions, thus leading to delays in Customs processes.

The introduction of the Balanced Scorecard into the LRA's Customs Administration will enable the above-identified gaps in efficiency to be closely monitored and filled. The perspective measures the degree to which an organisation attempts to create opportunities for its personnel to learn and grow in their field (Zahoor & Sahaf, 2018:187).

Furthermore, in the future, the Balanced Scorecard can be used to improve the efficiency of LRA Customs employees. The reason is that the learning and growth perspective consists of the objectives and measures to provide and monitor organisational learning and development. As a result, intangible assets, which are effective in the establishment of strategic success, could be identified (Iyibildiren & Karasioglu, 2018:18).

5.6.4 Strategic and financial perspective

The automation of Customs processes has greatly benefited the trading community and the LRA with regard to reduced costs and timely clearance. The use of traditional financial indicators such as revenue received versus cost incurred need to be refined and put an emphasis on measures based on cost, quality and time (Iyibildiren & Karasioglu, 2018:17-18).

It is worth noting that the Balanced Scorecard offers an opportunity to divide strategy into different phases of execution and monitoring with the assistance of measures and projects, as well as indicators. The development of a Customs Balanced Scorecard based on the perspectives and defined for the whole LRA would make it easier for the staff at the divisions, such as Customs Administration, to understand the strategic goals of the LRA (Hladchenko, 2015:176).

The Balanced Scorecard will greatly benefit the LRA, as it allows organisations to recognise new techniques and procedures that ought to be applied in an impeccable way to attain objectives regarding customers and finance, thus closing existing gaps (Iyibildiren & Karasioglu, 2018:17-18).

5.7 Summary

Chapter 5 concluded the study by describing its limitations, providing recommendations for improved service and discussing areas of future research.

In this chapter, conclusions were presented based on the findings from the experiences of those involved in the daily processing of Customs, as indicated in Chapter 4. These conclusions are aligned with the problem statement, main objectives and the results of the study.

The study pointed out that the introduction of automated Customs clearance processes had a positive effect on the LRA and Customs users. Customs automation and process improvement play a vital role in ensuring that Customs carries out its mandate, as highlighted by Lewis (2009:4). The mandate is that of collecting and protecting import revenues, as well as regulating and documenting the flow of goods in and out of the country diligently.

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APPENDIX 1 – QUESTIONNAIRE: CUSTOMS MANAGEMENT

INTERVIEW QUESTIONS ON THE BALANCED SCORECARD AS A STRATEGIC MANAGEMENT TOOL TO IMPROVE THE PERFORMANCE OF LESOTHO CUSTOMS ADMINISTRATION

(CUSTOMS MANAGEMENT)

This interview is designed to evaluate the efficiency, effectiveness and performance of the Automated Customs Administration of the Lesotho Revenue Authority (LRA).

A. INTRODUCTION

Customs Administration Modernisation is defined as an extensive plan aiming to advance the effectiveness, efficiency, transparency and predictability of Customs operations to be in line with the dynamic environment.

The key objectives of the Customs Administration Modernisation plan objectives are as follows:

- Reinforcing revenue-generating capacity,
- Reducing Customs-related costs,
- Improving trade facilitation,
- Fighting smuggling and corruption,
- Simplifying processes and procedures,
- Ensuring that goods are declared and taxes applicable to them are correctly calculated.

Capacity building of Customs should concentrate on performance improvement in key areas as stipulated in the Revised Kyoto Convention, which is integrity, transparency, accountability, client service, simplification, minimum intervention, continuous improvement, corporation, compliance, facilitation, as well as control, and ICT (WCO, 2003:2-6).

The interviews will be undertaken to get the perspectives of the Customs stakeholders with regard to the operations and effectiveness of the modernised Customs division within the LRA which has led to the Customs environment being automated. The stakeholders to be interviewed are Customs management, Customs officers involved in the daily Customs clearing processes, and forwarding and clearing agents representing the importing and exporting community.

The evaluation of the operations and effectiveness of the automated Customs processes will be carried out by the use of the strategic management accounting tool, the Balanced Scorecard. At the performance evaluation stage, the Balanced Scorecard helps to identify areas that need to improve their performance in order to create value and enhance its core competencies (Sengfeng, 2012:1-3). By bringing together and analysing information relating to the internal and external environment, the Balanced Scorecard enables the organisation to identify its strengths and weaknesses. Furthermore, the identification of the strengths and weaknesses will enable the organisation to understand whether, in the event of changes in the environment, the organisation will be able to achieve its objectives in its current resource position (Pitcher, 2015:3).

This interview schedule forms part of mini-dissertation entitled “The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho’s Customs Administration” The researcher is writing a mini-dissertation in partial fulfilment towards the MCom Management Accountancy degree at the North-West University Potchefstroom Campus. The researcher is conducting this study for academic purposes under the supervision of Mr F Bibbey (018 299 1434, email: frans.bibbey@nwu.ac.za). For further information, the researcher’s details are as follows: Karabelo Hokinyane Tlhoeli, email: karabsh@yahoo.com.

Please note that any information provided would be treated as confidential. The research is conducted following the ethical guidelines of the North-West University.

INTERVIEW QUESTIONS: CUSTOMS MANAGEMENT

Respondent's information

- 1. Sex: Male () Female ()
- 2. Age
- 3. What are your qualifications/formal training received?
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- 4. What is your position?
- 5. Describe your responsibilities and duties.
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- 6. How long have you been in this position?

A. Strategic/financial Perspective

- 1. From the LRA perspective what were the challenges faced before the implementation of the automated Customs processes?
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- 2. When did the modernisation of Customs Administration in the LRA begin?
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- 3. How long have you been using the new Customs system?
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- 4. Is there a point at which you revert to the older ways (procedures prior implementation) of carrying out operations?
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- 5. Under which circumstances do you revert back to those ways?
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- 6. Can you list those procedures being reverted back to?
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- 7. To what extent are Customs procedures automated?

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8. To what extent does the automated Customs system take into consideration international codes and standards?

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9. Were there any changes in the legislation/regulations in order to adopt the new ways of carrying out Customs processes?

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10. In your opinion, has the automation resulted in an increase in Customs revenue collection? Please explain why you think so.

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11. What mechanisms are in place to reinforce revenue collection?

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12. In your opinion, has Customs collection costs reduced? Why do you have that opinion?

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13. In relation to Customs costs, what are the measures/indicators used to measure Customs-related costs incurred by the taxpayer and by LRA? And why?

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14. Explain internal border agency cooperation with other LRA divisions and departments.

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15. Explain external border agency cooperation with other institutions, e.g. government agencies.

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16. What are the identified strengths of the new system?

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17. What are the identified weaknesses of the new system?

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18. What mechanisms are in place to ensure that these weaknesses are dealt with?

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19. What are the organisational strategies to develop or train employees to ensure the accomplishment of the Customs objectives?

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B. Internal business perspective

1. Are Customs operations fully automated?

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2. From a management point of view, are Customs procedures and processes simplified?

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3. For LRA Customs Administration to be effective and efficient, what are the capabilities (resources and competencies) needed?

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4. Are these capabilities all available within the LRA?

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5. From a management point of view, what has the LRA benefited from the introduction of the automated Customs?

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6. What are the challenges and sources of the challenges faced since automation?

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7. What is your opinion about the overall performance of the system? And why do you think so?

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8. In terms of information availability and sharing, what measures are in place to enable timely sharing and collection of information between all stakeholders?

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9. To what extent is the involvement of the trade community in Customs operations?

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10. What are the formalities regarding automation?

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11. Are these formalities understandable and clear?

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12. Were all Customs practices streamlined? Explain through all the steps.

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13. Were inadequate and redundant processes eliminated?

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14. Were the stakeholders informed about new processes on time?

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15. Which processes are vital for Customs to achieve its objectives?

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16. Please give an overview of the inputs to the Customs processes.

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17. Please give an overview of the processes.

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18. Please give an overview of the output of the system.

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19. What measures are used to measure the efficiency of the processes?

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20. How often is the process of appraisal undertaken?

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21. In your opinion, do these processes add value to their users (trading community)? Why?

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22. Which resources are vital to the Customs processes? And why?

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23. Are the available resources adequate? And why?

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24. What mechanisms do you use to identify non-value-adding activities?

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25. How do you measure individual performance in the achievement of Customs objective?

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26. How do you make sure that Customs users are well informed of Customs processes?

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27. How often are processes reviewed to ensure their alignment with the constantly changing environment?

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28. What mechanisms are in place to enhance Customs infrastructure?

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29. How often do you experience system downtimes?

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30. Are these system downtimes promptly communicated to the users?

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31. How long on average do these downtimes last?

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32. How do you go about communicating changes in processes and procedures as well as information requirements?

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33. How do you ensure that ports of entry are accessible and services are promptly carried out?

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34. Please provide an overview of the Customs structure and the roles and responsibilities within the structure.

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C. Learning and innovation

1. What measures are in place to ensure that the LRA is up to date with the developments in technology?

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2. In your opinion do the present recruitment practices at the LRA enable operation of the new system?

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3. From a management perspective, do Customs have a forward-thinking recruitment programme that will enable it to modify its skill mix over time in line with the developments in technology?

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4. Are Information Technology skills part of the Customs team?

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5. Is there a training programme designed to align customs personnel with the new system and developments related to it?

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6. Upon introduction of the new system, was the Customs team trained?

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7. Is training provided for existing employees or only newly recruited employees?

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8. Is there a periodic review to assess employee satisfaction?

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9. What was management's response to the review if such a review has been done?

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10. Is training provided on a continuous basis to update employees on ongoing developments in the Customs Administration, including the elements of reform and modernisation programmes?

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11. How often is the Customs team trained in order to keep updated with the developments in the automated Customs environment?

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12. Does the training also extend to the trading community?

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13. Was the trading community trained on the new processes and procedures?

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14. Do the Customs Administration personnel have adequate skills and competencies to carry out its operations?

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15. Do you carry out employee satisfaction surveys? If yes, how often?

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16. What mechanisms are implemented to ensure employee satisfaction?

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17. What strategies are in place in developing a new set of skills that are vital for Customs personnel to cope with the dynamic environment?

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18. What is the LRA policy in terms of Customs knowledge management?

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19. How often do employees participate in continuous training and improvement processes?

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20. How practically experienced is the Customs team?

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21. How technically skilled is the Customs team?

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D. Customer

1. What tools and techniques does the LRA use to ensure value is added for Customs users?

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2. Does the LRA carry out a customer satisfaction survey? How often is it carried out?

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3. How loyal are Customs users?

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4. What is the smuggling of goods rate compared to the old system?

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5. How does the LRA deal with complaints from users? And how promptly?

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6. What measures are there in place to prevent disruptions from operations?

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7. Does the Customs team understand the value of user satisfaction?

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8. In your opinion, has Customs-related costs and the time spent on Customs-related tasks/activities reduced for Customs users? Please explain why you think so.

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9. How do you make sure that communication is maintained between the LRA and Customs users?

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10. What measures do you use to give Customs users the necessary support?

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Thank you for your time and effort in participating in this study.

APPENDIX 2 – QUESTIONNAIRE: LRA CUSTOMS EMPLOYEES AND OPERATORS

INTERVIEW QUESTIONS ON THE BALANCED SCORECARD AS A STRATEGIC MANAGEMENT TOOL TO IMPROVE THE PERFORMANCE OF LESOTHO CUSTOMS ADMINISTRATION

(LRA CUSTOMS EMPLOYEES AND OPERATORS)

This interview is designed to evaluate the efficiency, effectiveness and performance of the Automated Customs Administration of the Lesotho Revenue Authority (LRA).

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- Ensuring that goods are declared and taxes applicable to them are correctly calculated.

Capacity building of Customs should concentrate on performance improvement in key areas as stipulated in the Revised Kyoto Convention, which is integrity, transparency, accountability, client service, simplification, minimum intervention, continuous improvement, corporation, compliance, facilitation, as well as control, and ICT (WCO, 2003:2-6).

The interviews will be undertaken to get the perspectives of the Customs stakeholders with regard to the operations and effectiveness of the modernised Customs division within the LRA which has led to the Customs environment being automated. The stakeholders to be interviewed are Customs management, Customs officers involved in the daily Customs clearing processes, and forwarding and clearing agents representing the importing and exporting community.

The evaluation of the operations and effectiveness of the automated Customs processes will be carried out by the use of the strategic management accounting tool, the Balanced Scorecard. At the performance evaluation stage, the Balanced Scorecard helps to identify areas that need to improve their performance in order to create value and enhance its core competencies (Sengfeng, 2012:1-3). By bringing together and analysing information relating to the internal and external environment, the Balanced Scorecard enables the organisation to identify its strengths and weaknesses. Furthermore, the identification of the strengths and weaknesses will enable the organisation to understand whether, in the event of changes in the environment, the organisation will be able to achieve its objectives in its current resource position (Pitcher, 2015:3).

This interview schedule forms part of mini-dissertation entitled “The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho’s Customs Administration” The researcher is writing a mini-dissertation in partial fulfilment towards the MCom Management Accountancy degree at the North-West University Potchefstroom Campus. The researcher is conducting this study for academic purposes under the supervision of Mr F Bibbey (018 299 1434, email: frans.bibbey@nwu.ac.za). For further information the researcher’s details are as follows: Karabelo Hokinyane Tlhoeli, email: karabsh@yahoo.com.

Please note that any information provided would be treated as confidential. The research is conducted following the ethical guidelines of the North-West University.

INTERVIEW QUESTIONS: CUSTOMS OPERATORS (LRA CUSTOMS EMPLOYEES)

Respondent's Information

- 1. Sex: Male () Female ()
- 2. Age
- 3. What are your qualifications/formal training received?
.....
- 4. What is your position?
- 5. Describe your responsibilities and duties.
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.....
- 6. How long have you been in this position?.....

A. Internal business perspective

- 1. Did you, by any chance, have the opportunity to use the previous Customs system?
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- 2. How long have you been using the new Customs system?
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- 3. Is there a point at which you revert to the older ways (procedures prior implementation) of carrying out operations?
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- 4. Under which circumstances do you revert back to those ways?
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- 5. To what extent are Customs procedures automated?
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6. To what extent does the automated Customs system take into consideration international codes and standards?

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7. Were there any changes in the legislation/regulations in order to adopt the new ways of carrying out Customs processes?

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8. Do you use the automated system on a daily basis to discharge your daily operations?

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9. Please list and explain the benefits gained in the use of the new system on the day to day operations.

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10. Please list and explain the challenges faced in the daily use of the new system and their sources.

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11. What measures do you use to overcome these challenges?

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12. How often do you report these challenges and what is management's response to these reports?

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13. In your opinion, do you think that the new system has achieved the objectives set by the LRA?

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14. Is the Customs processing done in a timely manner?

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15. Has the automated system brought simplification of processes and procedures?

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16. In your opinion, what are the main resources needed to carry out Customs operations with ease?

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17. Are these resources available and adequate?

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18. What is your opinion about the overall performance of the system? And why?

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19. What measures are there in place to ensure that procedures are simple, clear, provide audit trails and are carried out faster?

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20. How often are procedures and processes updated in order to remain relevant in the dynamic environment?

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21. In comparison with the old system and the old ways of doing things, in your opinion, how is the performance of the new Customs system? Please elaborate your opinion.

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22. Please provide an overview of the LRA risk management processes.

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23. What measures are put in place to ensure that risk management is operated in a non-discriminatory manner? Are these measures adequate in your opinion? Explain why.

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24. To what extent do national resources permit the scope of risk management?

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25. What mechanisms are in place to reinforce revenue collection?

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26. In relation to Customs costs, what are the measures/indicators used to measure Customs-related costs incurred by the taxpayer and by LRA? And why?

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27. What are the identified strengths of the new system?

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28. What are the identified weaknesses of the new system?

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29. What mechanisms are in place to ensure that these weaknesses are dealt with?

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B. Learning and innovation

1. In your opinion, what are the skills and competencies needed to improve the performance of the Customs operations?

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2. In your opinion, do Customs officials have those skills and competencies?

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3. What measures are used to capacitate Customs officials to improve Customs performance?

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4. Are there training programmes designed for Customs aligned with the new system and developments related to it?

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5. Is training provided for existing employees or only for newly recruited employees?

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6. Is there a periodic review to assess employee satisfaction?

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7. What was management's response to the review if such a review has been done?

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8. Is training provided on a continuous basis to update staff on ongoing developments in the Customs Administration, including the elements of reform and modernisation programmes?

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9. What are the organisational strategies to develop employees further to ensure the accomplishment of the Customs objectives?

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10. How often are processes reviewed to ensure their alignment with the constantly changing environment?

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11. What mechanisms are in place to enhance Customs infrastructure?

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Thank you for your time and effort in participating in this study.

APPENDIX 3 – QUESTIONNAIRE: CUSTOMS FORWARDING AND CLEARING AGENTS

INTERVIEW QUESTIONS ON THE BALANCED SCORECARD AS A STRATEGIC MANAGEMENT TOOL TO IMPROVE THE PERFORMANCE OF LESOTHO CUSTOMS ADMINISTRATION

(CUSTOMS FORWARDING AND CLEARING AGENTS)

This interview is designed to evaluate the efficiency, effectiveness and performance of the Automated Customs Administration of the Lesotho Revenue Authority (LRA).

A. INTRODUCTION

Customs Administration Modernisation is defined as an extensive plan aiming to advance the effectiveness, efficiency, transparency and predictability of Customs operations to be in line with the dynamic environment.

The key objectives of the Customs Administration Modernisation plan objectives are as follows:

- Reinforcing revenue-generating capacity,
- Reducing Customs-related costs,
- Improving trade facilitation,
- Fighting smuggling and corruption,
- Simplifying processes and procedures,
- Ensuring that goods are declared and taxes applicable to them are correctly calculated.

Capacity building of Customs should concentrate on performance improvement in key areas as stipulated in the Revised Kyoto Convention, which is integrity, transparency, accountability, client service, simplification, minimum intervention, continuous improvement, corporation, compliance, facilitation, as well as control, and ICT (WCO, 2003:2-6).

The interviews will be undertaken to get the perspectives of the Customs stakeholders with regard to the operations and effectiveness of the modernised Customs division within the LRA which has led to the Customs environment being automated. The stakeholders to be interviewed are Customs management, Customs officers involved in the daily Customs clearing processes, and forwarding and clearing agents representing the importing and exporting community.

The evaluation of the operations and effectiveness of the automated Customs processes will be carried out by the use of the strategic management accounting tool, the Balanced Scorecard. At the performance evaluation stage, the Balanced Scorecard helps to identify areas that need to improve their performance in order to create value and enhance its core competencies (Sengfeng, 2012:1-3). By bringing together and analysing information relating to the internal and external environment, the Balanced Scorecard enables the organisation to identify its strengths and weaknesses. Furthermore, the identification of the strengths and weaknesses will enable the organisation to understand whether, in the event of changes in the environment, the organisation will be able to achieve its objectives in its current resource position (Pitcher, 2015:3).

This interview schedule forms part of mini-dissertation entitled “The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho’s Customs Administration” The researcher is writing a mini-dissertation in partial fulfilment towards the MCom Management Accountancy degree at the North-West University Potchefstroom Campus. The researcher is conducting this study for academic purposes under the supervision of Mr F Bibbey (018 299 1434, email: frans.bibbey@nwu.ac.za). For further information the researcher’s details are as follows: Karabelo Hokinyane Tlhoeli, email: karabsh@yahoo.com.

Please note that any information provided would be treated as confidential. The research is conducted following the ethical guidelines of the North-West University.

INTERVIEW QUESTIONS: CUSTOMS FORWARDING AND CLEARING AGENTS

Respondent's information

1. Sex: Male () Female ()
2. Age
3. What are your qualifications/formal training received?
.....
4. What is your position?
5. Describe your responsibilities and duties.
.....
.....
6. How long have you been in this position?

INTERVIEW QUESTIONS

1. What are the main benefits gained from the introduction of the modernised Customs system?
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2. What is the average waiting time taken to complete the clearing process?
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3. In your opinion, has the new system assisted in the reduction of clearing costs?
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4. What challenges are faced when clearing? What do you think are the sources of these challenges?
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5. What do you think the LRA has put in place to curb problems faced?

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6. In your opinion, are the formalities, procedures, and documentation requirements needed to facilitate effective and efficient Customs clearance?

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7. From your experience, are there any inconsistencies in terms of documented procedures and practice in clearance? How easy is it to obtain and submit documentation required for clearance?

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8. Are you consulted in decisions that may have an impact on the Customs process and clearing? How do you handle situations where you are not satisfied with a decision made by Customs authorities?

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9. Does the LRA offer training and give timely updates about the developments in the system that have an impact in the clearing process that affects the clearing agent's daily activities?

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10. In your opinion, how competent are the Customs officials in performing their daily responsibilities?

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11. Do the officials show the satisfactory capacity to manage and operate Customs processes or not? Please provide examples.

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12. What is your opinion about the overall performance of the system? Why?

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13. Are customer satisfaction reviews conducted by the LRA?

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14. How often are these customer satisfaction reviews conducted? Do you participate?

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15. In your opinion, is the customer satisfaction survey significant and why do you think so?

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16. From your point of view, are customers/stakeholders satisfied with the Customs operations and why?

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17. Are there mechanisms in place to deal with complaints especially from the trading community?

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18. What measures are in place to ensure customer satisfaction? Are these measures adequate?

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19. How does the LRA keep up with the developments in logistics and supply chain?

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20. Are Customs operations and dealings transparent to the stakeholders?

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21. What measures are put in place to ensure that Customs operations are transparent?

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22. Are these measures adequate?

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23. Does the LRA communicate and meet with Customs forwarding and clearing agents?

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24. How regularly does the LRA communicate and meet with customers?

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25. What tools/techniques does the LRA use to ensure value is added for Customs users?

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26. Does the LRA carry out a customer satisfaction survey? How often is it carried out?

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27. How loyal are Customs users?

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28. What is the smuggling of goods rate compared to the old system?

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29. How does the LRA deal with complaints from users? And how promptly?

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30. What measures are there in place to prevent disruptions from operations?

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31. Does the Customs team understand the value of user satisfaction?

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Thank you for your time and effort in participating in this study.

APPENDIX 4 – RESEARCH APPROVAL

Research approval



Sechaba Ya - Sechaba rae Nation
Re Sechaba Lena - Re Sechaba Mochaba

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Lesotho Revenue Authority
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Email: hr@lra.org.ls
Lesotho, Southern Africa
Website: www.lra.org.ls

13 December 2018

Our ref: LRA/HR/TRN

Your ref:

Ms. Karabelo Hokinyane 'Ithoeli
P.O. Box 10937
Maseru - 100
Lesotho

Dear Ms. Hokinyane 'Ithoeli

APPLICATION TO CONDUCT ACADEMIC RESEARCH

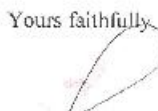
Your letter bears reference.

Your request to be allowed and provided with the necessary information for your academic research has been approved subject to protection of sensitive information and use of employer and employee names.

Please note that the Lesotho Revenue Authority will require a copy of your academic research once completed.

I take this opportunity to wish you good luck with your research.

Yours faithfully


Mpho Mpesela (Ms.)
ACTING CHIEF HR OFFICER

APPENDIX 5 – PROOF OF LANGUAGE EDITING



PROOF OF LANGUAGE EDITING

20 May 2021

I, Elmarie Viljoen-Massyn, hereby state that I have language edited the attached mini-dissertation, *The Balanced Scorecard as a strategic management tool to improve the performance of Lesotho's Customs Administration*, by KH Tlhoeli.

Please take note that I returned the edited document with recommended changes to the client. I have not reviewed the final document with the accepted or rejected changes.

I am a language practitioner registered at the South African Translators' Institute (member number 1001757) and my highest qualification in this field is an MA Language Practice.

Kind regards

Elmarie Viljoen-Massyn

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