

# Case Study Report

## Client-Centred Innovation: Fitting Technology to Service Delivery at the South African Revenue Services

Prepared by



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For



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23 December 2004

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## Introduction

The implementation of the e-filing service by SARS has contributed to the Department's remarkable improvement in service delivery and revenue collection performance of the last few years. The highly successful service has been in operation since July 2003, and has managed to capture 10% of the transactions it offers, with an estimated growth of 10 to 15%, month on month, being currently realised. E-filing however is not a straight forward success story. As service providers exploiting new technologies have learnt, outstanding technological solutions are not always adopted wholeheartedly by clients. The initial implementation model, although technologically impressive and financially sound for SARS, failed because of low adoption rates. The SARS e-filing case illustrates the necessity for innovation in the public service to be dictated by service delivery imperatives. The rescuing of a worthy technological solution and its transformation into a client centred service offering are the outstanding aspects of this instance of innovation.

This case study will emphasise:

1. How a failed Public-Private Partnership arrangement was salvaged and revamped into a more appropriate and successful business arrangement
2. How a proven but failed innovation was transformed into a client-centred and successful service delivery vehicle

In addition the case study will explore:

- The inherent benefits of providing public service offerings in an electronic format
- The potential value of adopting commercial concepts, such as brand integrity and customer relationship management, into public service departments and agencies

The intended outcome of the case study is a transferable model for designing client-centred innovation in the public service and financing innovation through appropriate public-private partnerships.

## **Background**

### ***A New Service Delivery Channel***

The concept of submitting tax returns and making online tax payments was first considered as part of the Siyakha project a number of years ago. It was aimed at creating an additional means of interfacing with the South Africa Revenue Services (SARS) using current technology and aimed at improving service efficiency.

Siyakha or “We are Building” is an organisation-wide project deployed in SARS to transform the face of tax in South Africa. Its primary thrust is to standardise processes and improve efficiency by leveraging economies of scale where possible. By removing *ad hoc* thinking through standardisation, the advice for instance given at one branch will be consistent with that given at another. The programme is vast, stretching over the customs and excise duties of SARS too.

### ***Failed Business Model***

Deployment of the online tax administration service was initially undertaken on a Public Private Partnership (PPP) basis. Five service providers were invited to develop their own technology and publish secure e-commerce websites. This was to be done at their own cost but they would enjoy the benefits of interfacing directly with the back-end of the SARS systems and reaping revenue gleaned per transaction. Project workload at SARS and the cost of developing their own website led to this PPP approach.

A pay-by-transaction business model was used, with the price being set at around R46 per transaction. The outlay for development and support would theoretically have been easily recouped through this additional levy. However, tax-based transactions are a grudge payment, and users could not justify paying an additional amount per transactions, especially for frequently made payments such as VAT. The model soon failed with one of the service providers liquidating and another closing shop. Great technology did not ensure business success.

### ***Rescuing the Innovation***

Despite the failure of the business model the technology had proven itself. For this reason, SARS decided to purchase the intellectual property (IP) from the remaining developers. The main focus however, shifted from developing the technology for the service to ensuring uptake or utilisation by the target market.

SARS invited highly skilled individuals from the remaining business partners to refine the service and create a support infrastructure. This ultimately led to the formation of a consortium named Internet Filing (Pty) Ltd, who trade as Interfile but operate as SARSefiling. Refining the service offering was now based not only on sifting out the best technology from the pool of IP generated, but on selecting services that could be well supported and would be well utilised by a client base. In addition the service would be free to users and all development and support funded by SARS.

Essentially the low-lying fruit was to be plucked first. Those transactions most frequently undertaken were short-listed and the range of services to be implemented limited to the online payment of VAT, PAYE, UIF, SDL<sup>1</sup> and provisional tax. High net worth individuals who often have access to the internet as well as businesses were envisaged to be the initial users of the system. Tax practitioners were also expected to make extensive use of the services.

In terms of scoping the resultant e-Filing system, a number of criteria had to be born in mind. The system had to be one that would emulate the experience of users in their normal dealings with SARS – it should as far as possible provide a predictable and familiar interface. The system was essentially to be a front-end interface that would need to seamlessly integrate with back-end operations of SARS. In addition, service levels were set very high and were to be consistently implemented throughout the system – what was happening in the SARS offices was to happen in the e-Filing system.

Practically any business solution can be implemented using technology, but the problem had shifted to one of integrating the soft aspects of user adoption rather than the focusing on the hard technical dimensions.

Throughout the revision of e-filing it was emphasised that the service should be regarded as part of the organisation-wide Siyakha project, and not a standalone offering. It would be an alternative channel for interfacing with the revenue services in line with the needs of users, using contemporary technology.

#### **Box 1: The Benefits of E-Service Delivery**

As part of the Siyakha programme, e-Filing was deployed to create significant gains in both internal operations of SARS as well as the customer experience. The SARS example is illustrative of the benefits to both citizens and the public service of utilising

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<sup>1</sup> Value Added Tax; Pay As You Earn; Unemployment Insurance; Skills Development Levy

an electronic platform.

### **Benefits to SARS**

- Paper volumes inherent to the affected transactions can be almost entirely eliminated, reducing printing, distribution, mailing, handling and archiving costs, and thereby impacting on operational costs.
- Manual data capture is eliminated, reducing the need for additional capacity at peak periods such as month-ends.
- Capture errors are to all intents and purposes removed, eliminating rework costs and client frustration
- Payment allocation is significantly improved through better referencing of bank transfers into SARS accounts

### **Benefits to Users**

- Visits to SARS offices are essentially done away with, as all queries and transactions can be handled remotely
- The familiar interface with a person was retained through a specialised call centre
- A full history of online transaction is available to users
- A reminder service is provided to assist with full compliance
- An extended payment period for VAT payers provides for online payment on the last business day of a month instead of the 25<sup>th</sup> of the month
- A choice of channels allows users to receive information through a variety of media such as emails, or short message services (SMS)

### ***Critical Success Factors***

The principal shortcoming of the first e-filing effort was insufficient uptake by the target market. This became the primary focus of the service's re-launch. The first system had proven its mettle in its technology but the clearly outstanding technology did not lead to outstanding use. The client had to assume the prime position and as such a *Customer Centric* service became the credo of the new service. The client-centred approach additionally implied increased levels of service excellence. To complete the package, client-centredness and service excellence were

complemented by the introduction of private sector style performance management and measurement, brand sensitivity and marketing.

**Box 2: Summarising the Success Factors**

1. Becoming customer centric
2. Allowing service delivery needs to dictate the nature and pace of implementing new technologies
3. The judicious introduction of private sector management and marketing techniques
4. Aligning the innovation into a broader strategic plan
5. Effective management of the client-service provider relationship

## Creating a Customer Focussed Public Service

### ***Service Excellence***

A *great customer experience* was central to the new service. Users should not feel too removed from the processes that they had come to expect from a normal countertop interaction. Forms had to be easy to fill out and queries easily and quickly answered when they arose. Products, services and support around these would therefore be largely determined by the client-centred policy. Beyond replicating the familiar forms for processing and the need to competently capture, process and integrate data, the need for complimentary support services was key in determining the look and feel of e-Filing.

A call centre that could handle queries was key to the implementation. This facility would assist users in the online and technical aspects of the experience that are additional to the usual manual administrative processes. Operators would handle logging in problems and the like.

Other measures such as uptime now became drivers for the tools developed and the support for these. Where downtime was expected at say an upgrade or for a new product launch, users would be fully informed, full rollback and back up capability ensured before going live, and launching also done at non-peak times. Products would not be fully implemented until complete satisfaction on their capability was

ensured. Due to these stringent standards, e-Filing has only seen 3 hours of unplanned downtime since its re-launch on 1 July 2003.

Listening to the client was essential in this process of developing usable and popular services. A variety of communication channels were developed for deployment of services, including using email, short messaging services (SMS) and the like. To speed the administrative process and reduce the chances of errors, tools and forms were kept as simple as possible.

Management also takes complaints very seriously. Responsibility for mistakes, errors and problems is taken in order to deal them as quickly as possible. However, feedback from clients to date has been predominantly positive with only three complaints emanating from the services monitoring body of SARS.

### ***Brand Integrity***

Call centre staff are the face of e-Filing. They therefore need to bring across the outstanding service that the service claims to be and is striving to continually improve on. For this reason, staff have been rigorously trained to perform in a manner consistent with the values of e-Filing the brand. Users frequently compliment their outstanding performance.

Staff motivation and brand buy-in is nurtured by creating a suitable working environment. “Flexi-time” agreements, succession plans, and appropriate incentives for all staff members all contribute towards a relaxed yet results-oriented working climate. Staff know exactly what is expected of them according to detailed job descriptions and delivery is clearly spelled out and failure to perform according to these expectations as team players is quickly dealt with.

To prevent over-working of staff, call centre tools and forms are kept as simple as possible. This also facilitates a better service to the client, by speeding the process and keeping administrative burdens to a minimum.

### ***Marketing and Training***

Integration and uptake of the service has been spurred on by the deployment of a team of national trainers. These broad-spectrum individuals are responsible for educating e-Filing users at a corporate level but also to “spread the good word” about using the services. With a strong focus on the institutional banks, training is conducted primarily on trainers of trainers to effectively leverage in-house resources. Individual instruction regarding e-Filing means that a better utilisation can be

ensured. These trainers also become the ears of the e-Filing, feeding back information from users to SARS e-Filing and their developers.

Talks at seminars and relevant forums also present the opportunity to stimulate uptake on an ongoing basis.

### ***Third Party Integration***

Banks have established a well-founded trust relationship with their clients. People are also used to transacting through banks. These relationships were seen as useful platforms for deployment of e-Filing. In order to improve uptake of the facility, the local banks were integrated into the their field of players. Online payments can now be safely made from taxpayers' bank accounts through e-Filing to SARS' accounts. They also provide an additional element of verification of clients and of referencing payment sources.

## **Managing Implementation**

### ***Contractor Integration***

As mentioned, the re-launched system was an integration of the best technology from the initial Intellectual Property that SARS bought from the private operators who developed the first version of online tax services. Even though the new business model established a contractual remuneration of the service provider for development, support and call centre operating, the need for partnering would be key to the success of the project. An open relationship exists between client and service provider, to the extent that Interfile even participates in the joint strategic sessions for e-Filing. Partnering on the service has taken place at all levels including management, marketing, development and the call centre, where there is active participation and equal buy-in from both parties.

This intimate relationship was established by agreeing to expectations, deliverables and service levels up front in the process. There were no surprises and all parties understood their areas of jurisdiction and overlap. Clarity on roles meant that delays were also avoided in development and rollout. Exceeding expectation was however at the core of Interfile's approach to this project.

A stable work environment was also key to the success of this partnership. Individuals involved and the project itself has not changed much over its lifespan. Therefore a good understanding of the system and its capabilities as well as its



potential for growth has been established, further enabling the partnership buy-in process.

The primary service provider also made use of contractors where products have been required which are outside of their field of specialisation. The hosting environment for instance has been outsourced to the “best” operator. The same philosophy is applied to development work, where extensive use of contractors is made.

### ***Project Management***

Implementation was managed entirely using project management techniques, where each stage was only signed off once approved. This involved copious verification, including performance and stress testing to ensure seamless integration of this front-end channel with the back-end systems of SARS.

At a mature stage, pilot testing was also used to ascertain performance of the product in the hands of users. This also provided a suitable platform for users’ opinion to be integrated in the final development of the products. In addition quality of the product could be ensured, reducing the chances of losing clients due to poor performance.

Through this rigorous approach to implementation, most problems had been eliminated by launch date. A two-month run-up to the launch after having released the system, provided the chance to deal with problem areas prior to going public on a large scale.

Throughout development, the product was continually benchmarked against similar international systems. In this manner, “best of breed” could be integrated into the system without having to learn the lessons already documented elsewhere. Some aspects proved to out-perform the counterparts of the baseline systems.

### ***Team Cohesion***

Such a strategic and grassroots project demands the highest level of management support to ensure success. This is achieved through initially gaining the executive’s approval of the business case and proposed budget, but was maintained by keeping a steering committee well informed of progress and plans during implementation itself. Seamless integration of the new processes into the business was essential to ensure good fit and communication at project rollout, when going live and at the launch.

As far as possible the same team that was used for development and implementation has been retained for ongoing support and product expansion projects. This has ensured good ownership of infrastructure as well as a full understanding of the system capabilities and finer nuances of its performance. The incentive to ensure future success and continual improvement has been established through this sense of ownership.

### ***Performance Metrics***

Effectiveness of the project is measured using three simplistic and easily quantifiable variables that indicate whether corporate and project objectives are being met:

- Number of transactions
- System uptime or availability
- Error rate as a percentage

Service utilisation or uptake has been the key success determinant in the second launch of the online tax system, and therefore these success metrics need to help deconstruct the main factors comprising its growth. Other secondary factors that might influence management include when unplanned downtime occurs and call centre service variable.

### **Ensuring Uptake**

10% to 15% month on month growth of e-filing usage has been best achieved through “word of mouth” evangelism. This could only have been achieved through outstanding customer service and impressed individuals. The drive to create a delightful user experience has clearly paid dividends.

In addition to this customer-centric approach, an aggressive media campaign was also launched to unfurl the services to potential users. Newspaper and radio campaigns were strategically placed and the e-filing service frequently mentioned at relevant gatherings and forums. Flyers were also included in mailed documents to create awareness. A high-profile launch of the revamped service was held in September 2003, with the Minister of Finance’s presence to lend credibility to this process.

Staff are also expected to play their part in making this project a success. Through mentioning the service to relevant counter clients, awareness was significantly improved at no cost. Regional managers of SARS outlets are also included in the

advocating process to streamline their local operations. The training teams have also got the task of promoting the service wherever possible and often speak at public forums around the country. In this way, the entire organisation builds itself up by selling all services that are can uplift broader operations.

## Challenges

Implementation of this new business method has presented several challenges unique to a new solution.

- Overcoming mindsets of working with paper, where it has become entrenched practise to backup all documents for personal security to easy reference.
- Education of training staff, customer service staff and managers, as well as technical training of support staff was essential
- Educating clients in terms of there responses and responsibilities to the service
- Assuring banks that e-Filing was not usurping any jurisdiction or functions
- Streamlining business processes

In certain instances, it was necessary to align business processes with the new means of incoming data. This might have slowed implementation but would effectively improve operations.

- Allaying fears of job losses

This project was undertaken to improve service efficiency and not as a cost cutting exercise. It was not intended to rationalise positions. Rather, excess SARS staff that previously manned processes that are now automated, can now be redeployed in other areas of the organisation. They can now be offered ore stimulating positions according to their expertise and skills levels, elevating the entire business.

## The Future

At the heart of future e-Filing development is keeping up with the SARS back-end which is continually being improved to enhance service efficiency. The front-end needs to keep up with the back-end. This is however a symbiotic relationship where the front-end can influence the back-end operations through driving the need for certain technologies and business processes.

New developments are driven by a number of factors:

- Listen to the market and respond to their needs – retain a customer-centric focus

- Identify manually-operated processes that can be automated
- Focus on projects that will realise the greatest gains per input – more bang for your buck
- Continually improve the systems in place and stimulate uptake
- Support the core values of the secure online payment service: reduce the client's inconvenience, improve business processes, provide channels of choice
- Harness technology within the framework of defined needs, not for the sake of implementing technology

It is envisaged that the services of e-Filing will be replicated in other state agencies where similar transactional-based interactions are required. In addition, open source projects are being investigated that will afford a wider spectrum of users to access the online facilities at no or low costs. These and other projects are included in a confidential eighteen-month roadmap that will govern the implementation of new priority foci.

### ***References***

1. Quarmby, S. P; Chief Executive Officer, Interfile (Pty) Ltd; 8 November 2004.
2. Nangoro, M; Assistant General Manager: Business Systems South African Revenue Services; 11 November 2004.