THE EFFECT OF INNOVATIONS IN ORGANIZATION PERFORMANCE: A CASE OF TANZANIA REVENUE AUTHORITY

GODFREY MAKUNDI LEONARD

A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE ENTREPRENEURSHIP AND INNOVATIONS MANAGEMENT,SCHOOL OF BUSINESS, UNIVERSITY OF NAIROBI

DECEMBER, 2020

DECLARATION

This research report is my genuine work and has not been submitted for the award of degree or any other purpose in learning institution.

Signature ………………………………... Date…01-DECEMBER 2020……………

Godfrey Makundi Leonard

D66/12080/2018

This research project has been submitted for examination with my approval as a University Supervisor

Signature … Date…December 1, 2020..

Prof. Bitange Ndemo

Lecturer

Department of Business Administration

School of Business

University of Nairobi

DEDICATION

This project is dedicated to my family for their audacity and supports they gave me during the entire journey of this project. My wife Gladness Mustafa Massawe, our Sons Gabrian, Gian and our daughter Gracious it was their support which made this project possible. My dad Leonard Mackfason Makundi and mum Alice Rumishaeli Kituo for their support through life. May our God Almighty bless you plentifully.

ACKNOWLEDGEMENT

I acknowledge that God Almighty, who is above everything, has every time being there for my life including this project. My sincere appreciation to my Supervisor Prof. Bitange Ndemo and Moderator Prof. Jackson Maalu for their tireless guidance which supported me to complete this project. I am indebted to my family, TRA management, friends and relatives for their immeasurable support which enabled me to complete this work successfully.

ABSTRACT

Globalization and advancement of the technology compels business organizations to be innovative in order to strive in the market and maintain market share as well as penetrating to the new market. In the past decade’s most of the organization utilized internal resources to survive and maintain competitiveness as it is suggested in closed innovation model. Further, other Scholar suggested that for any organization to be successful and maintain its market share they have to embrace open innovation model which encourages on utilization of both internal and external resources for efficiency and profitability. Currently for a firm to survive in the market they have to focus on innovation strategies. Innovations enables organizations to produce and offer goods and services of high quality, therefore ability of the organization to innovate is significant for an organization to maintain competitive advantage. The objective of this study was to establish the impact of innovation in organization performance a specific case of Tanzania Revenue Authority. The study adopted case study research design and researcher applied both qualitative and quantitative approach to establish the effect of innovation in TRA performance. Secondary data were collected from the records of the organization understudy and other institutions such as Bank of Tanzania, African development Bank and International Monetary Fund; analyses was conducted and establish the impacts of innovation on organization performance at different periods since it was incepted. Development of various systems such as iTAX and TIN in DRD, EFDs in Large taxpayers department, ASYCUDA and TANCIS in Customs and Excise department collectively makes tax administration in TRA efficient and costs effective, reduces processing and clearance time of the goods, reach taxpayers in the remote areas and enhance convenience through online transactions, lessens corruption by avoiding in person transactions. All these benefits derived as a result of process innovation within TRA proves that innovation is indispensable to an organization performance. Findings of this study also revealed that most of the process innovation implemented by TRA considers the ability of users. This work focused on process innovation, other researchers may encompass their research on other factors which affect TRA performance; finally this research may be replicated in other government institutions to establish whether they are affected by innovation in the same way as TRA.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS AND ACRONYMS

TRA	-	Tanzania Revenue Authority
RBT	-	Resource Based Theory
OECD	-	Organization for Economic Co-operation and Development
TANCIS	-	Tanzania Customs Integrated System
DRD	-	Domestic Revenue Department
ITAX	-	Integrated Tax Management System
IDRAS	-	Integrated Domestic Revenue Administration System
IFC	-	International Finance Corporation
ACCA	-	Association of Chartered Certified Accountants
GTP	-	Golden Tax Project
SAT	-	State Administration of Taxation
VAT	-	Value Added Tax
PWC	-	Price Waterhouse Coopers
FDI	-	Foreign Direct Investment
ICT	-	Information and Communication Technology
SMS	-	Small and Medium Enterprises
LCC	-	Low Cost Carrier
KRA	-	Kenya Revenue Authority
GDP	-	Gross Domestic Product
TIN	-	Tax Identification Number
AfDB	-	African Development Bank
EFDs	-	Electronic Fiscal Devices

CED	-	Customs and Excise Department
ASYCUDA	-	Automated System for Customs Data
PAD	-	Pre Arrival Declaration
CULAMS	-	Customs Licensing Application Management System
OMS	-	Oil Monitoring System
ETS	-	Exemption Tracking System
CMVRS	-	Central Motor vehicle Registration System
TBS	-	Tanzania Bureau of Standard
TFDA	-	Tanzania Food and Drugs Authority

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globalization compels business organizations to adopt technological changes in order to avoid challenges which may emanate as a result of lagging behind technological advancement (Bhide 2010). Previously organizations operated in closed system where only internal resources were utilized for efficiency and competitiveness as suggested in the closed innovation model, other literature shows that in order organization to grow and to sustain competition in the market they should embrace open innovation model which emphasizes on utilization of both internal and external operating environment of the organization (Albano 2015). Organizations are encouraged to adopt open innovations as it was suggested by Enkel, Prerezfreije and Gassman (2005), that open innovation enables organizations to utilize its own knowledge and collaborate with others stakeholders, customers, business partners which assists in blending ideas for the internal and external use of the business.

Recently, organizations with low or medium added value products/services have lost their market because of the innovations within their operating environment, studies conducted both in developed as well as developing countries confirmed that development and growth of the organizations in most cases determined by the innovation strategies rather than focus on efficiency of the organization only. Innovation enables firms to produce and offer services of the high quality; therefore ability of the organization to be innovative is significant for an organization to maintain competitive advantage (Gruber and Ogut 2014). Research conducted by Davila, Epstein & Shelton (2006) postulates that organizational innovations should be reviewed time after time, since external and internal factors determine the best innovation strategy, Researchers added that the purpose of innovation in the organization is to create business value, depending on the nature of the business can be incredible changes of the existing services or product, introduction of the new products or services and minimization of cost per unit produced.

Hull and Lio (2007) suggests that in most cases innovation considered to affect profit organizations, there is no much attention on how innovation affects nonprofit organizations, indeed innovations affects both profit and nonprofit organizations. Bird and Zolt (2008) hypothesizes that tax agencies in developing and developed countries faces a number of challenges such as tax avoidance and evasion, high cost of operations, corruption, limited information and less customer satisfaction, they added that all these challenges can either be eliminated or minimized if revenue organizations embrace technological innovations which has proved to be a solution for various business challenges in the modern world.

This study reinforced by the following theoretical foundations; Diffusion of innovation theory pioneered by Everett Rogers, this theory is the oldest social science theory which explain how over a time an idea or product gain momentum and spreads through a particular population or social system and Resource Based Theory (RBT) which centered in the utilization of the internal resources and capabilities of the firm to sustain competitiveness and enhance performance.

1.1.1 Innovations

Myers and Marquis (1969) offered one of the more comprehensive definitions that an innovation is not a single action but total process of interrelated sub processes. It is not just the conception of new idea, nor the invention of the new device, nor the development of a new market it is a combination of all these variables. It’s not necessary that innovations is introduction of novel products or services into the market, products and services can be new or radically improved, technological change compel many organizations to focus on innovative strategies in order to remain competitive and improve quality of their services.

A broad definition of innovations by Frame and White (2002) describe innovations under; product or service, process, new marketing techniques and new organization methods of operations, whereby product or service is when the organization introduce new product or service to the market or majorly change the existing products or services, a good example is an introduction of online tax services by various tax agencies in the past three decades. Process innovation is where the organization adjusts its service process in order to meet the customer demands, costs reduction and increase efficiency; normally it is associated with technological change. Market innovations involves market mix for the purpose of meeting consumer requirements, firms should applies all available machineries to ensure continues marketing innovations focusing majorly on consumer satisfaction. OECD and Eurostat (2005) define innovations as an implementation of new or majorly improved goods or services, process, new marketing techniques, new organization method in business operations, working environment and external environment.

Pisano and Teece (2011) in their work on how to capture value from innovation define innovation as an introduction of new ways of doing things aiming to enhance efficient and productivity. Collins and Poras (2011) suggests that innovation is all about improving quality of the product or service through customization in order to match the market requirement. Christensen (1997) introduce disruption innovation which assist to create new market and value network and eventually render the existing innovation obsolete, example is how telegraph was phased out by telephone. In addition Chesbrough (2003) introduce open innovation, this model disclose that firms should utilize internal as well as external ideas contrary to closed innovation where internal resources were utilized for survival and competitiveness.

1.1.2 Organization performance

The term organization performance is the broad concept which collectively describes the management skills, operational and competitive advantage and its activities, performance of the organization can be determined through financial and non-financial indicators such as Customer satisfaction and competitiveness in the market (Chen and Quester 2006). Literature by Davila et al (2006) shows that organizations performance is the totality of the organizations productivity or outcome of their business activities determined through pre-determined target and aims. Mahapatro (2013) added that organization performance is the ability of the firm to attain its goals and objectives by utilizing skilled member of staff, and good governance. Agrawal (2014) proposes that an organization to perform well it should respond to environmental opportunities and threats by institute diverse strategies like changes according to the environment, flexible business model, market flexibility and product design. Gaya, Struwig & Smith (2013) also suggested that when dealing with complex and turbulent environment group works better since it composes staff with multiple skills, knowledge and experience.

Organization performance process affects management hierarchy at all levels. Financial statements measures is not a good indicator of performance of the modern competitive environment of business since it does not identify areas which requires continues improvement and innovation manifestation(Kaplan and Norton (1992).Authors of this study added that balance score card allow management to analyze performance from the four perspectives of the business namely ; Customer perspective which focus on success factors such as market share, customer retention and appropriate products, internal business perspective focus on capacity utilization and productivity, financial perspective which deals with profitability and revenues, lastly innovation perspective which concentrate on on-job training and quality improvement. Innovation and learning improve products and services as well as introduction of the new products and eventually increase in revenues and profit.

1.2 Tanzania Revenue Authority

This study conducted in Tanzania Revenue Authority (TRA) the only autonomous agency delegated to manage tax administration in the country, this institution was formed in 1996 under the Act of parliament number 11 of 1995. Despite the date of establishment the authority started its operations effectively on 1st July, 1996.TRA has thirteen (13) departments categorized into revenue departments and supporting departments, whereby revenue department include; Customs and Excise, Domestic Revenue, Tax investigation, Large taxpayers and supporting departments include; Information technology, Finance, Human resources and administration, Internal Audit, Internal affair, Procurement and logistics, Board secretariat and legal services, Taxpayers services and education and department of research, Policy and Planning.

Immediately after the establishment of the Authority all operations were conducted manually. In 1997 innovations initiatives started its journey by introducing Asycuda 2.7 in Customs department to enhance clearance whereby in 2004 only fifteen (15) offices were operated by using Asycuda OECD (2008). After seven years of operations the authority moved to Asycuda ++ which was more efficient than the previous OECD (2011). In 2014 TANCIS was introduced which operates as a single system for clearance of goods under Customs department TRA (2014/15), this system links direct with local banks and mobile payments. It is web based and paper free system which in turn reduce operations costs, Ports clearance time, linkage of revenues and enhance control.

Furthermore, Domestic Revenue Department (DRD) introduced integrated domestic tax administration system (ITAX) in 2006, World Bank (2006). Unlike Customs department which experience several systems DRD experience the same system and supported by other systems such as Motor vehicle registration system and Drivers' license registration systems TRA (2011). Review in TRA annual report (2014/15) evidenced that the agency is in the initial stage to migrate from ITAX to Integrated domestic revenue administration system (IDRAS) which will operate as a single system in the department.

1.3 Research Problem

Globalization and radical changes in the models of operations caused by changes in technology and internet of things compels most of the organizations to adopt innovations in order to sustain competitiveness and encounter customer satisfactions (Suchag et al., 2017). Business and other organizations are operating under dynamic environment characterized by stiff competition, changing of customer attitude, increase in operation costs and scarce resources, all these are the bottleneck of the organization performance Zelga (2017). As suggested by Hull and Lio (2007) innovations impacts both profit and non-profit organizations depending on the type of industry and nature of the commodities or services offered to the targeted customers. Efficient tax administration is an indicator on how revenue organizations embrace innovations in their operations. Jemenez, Mac antsionnaigh & Kamenov(2013) researched on information technology for tax administration postulates that tax organizations are mandated duty to collect government monies on behalf of the government, added that effective tax administration is the one which ensure the appropriate amount of tax is paid by the right person at the right time in order to provide government with sufficient funds to meet public expenditures, administration which achieve this at minimum budget to a government is said to be innovative and efficient.

Duties of Tanzania Revenue Agency is to assess taxes, duties and fees, collection of revenues, control and enforce laws relating to the revenue administration on behalf of the government (TRA Act 2019 Cap 399 revised). In addition to that the authority tasked to stimulate voluntary tax compliance through taxpayer education, to counteract fraud and other forms of tax and fiscal evasion, to study the administrative costs and advise the government on the best costs effective policies. The authority does not attain its target because of the risks abound in attaining of the pre-determined goals such as tax avoidance and evasion, high costs of operations and political interference. The study conducted by Buganza and Verganti (2006) suggests that the best approach of innovation within an organization is the ability to come up with innovation as a response to environment or emerged opportunities without disrupts the organizational routine by raising operation costs and compromise quality. Oman (2008) divulged that innovation can either be technical which focuses on product, technology and services or administrative innovation which focuses on procedure and policy improvement and organization forms. This study revealed that innovation activities are positively impacts organization performance.

Maphumula and Njenga (2019) in South Africa researched on innovations and performance of tax administration agencies: digitizing tax payment, trust and information security risk, they discoursed on how innovations can be used to simplify tax administration operations. In this technological era everyone want to do their operations through online platforms aims at saving time and convenience, thus tax agencies must incorporate technological changes in their administration plan in order to avoid challenges such as high cost of operations and compliance costs which may escalate because of lagging behind. Similar study conducted in Nigeria by Olatunji and Ayodele (2017) on technological innovation on tax administration as an indicator for revenue agencies performance, they pointed out innovations on online tax filing, online tax registration and online tax remittance as among the innovation activities which impacts revenue productivity, despite the risk posed because of the online transactions the study reveals that technological innovation has positive impact to revenue administration agencies. In view of the above, this study focused on the effect of innovation on organization performance. What is the effect of innovation in organizational performance?

1.4 Research Objective

The objective of this study was to establish the impact of innovations in organization performance.

1.5 Significant of the Study

Findings of this research is significant to scholars for academic reference and researchers in identifying research gap in this field which may speedy and guide them to encompass further studies. Further research in this topic will either support the existing findings or come up with new findings which will broaden knowledge of the research subject.

This research explores the effects of innovations and identifies initiatives that could be adopted by revenue agencies to improve tax administration; other stakeholders in taxation will also benefit from the findings of this report since well-developed innovations will simplify operations and reduce costs of operations and hence economic growth. This study will assist organizations to identify strategies that could be implemented to increase efficiency and heighten profit. The study is potential to the Government – Authority responsible for policies formulation; will help to overcome challenges encountered by revenue agencies by using innovations in tax administration activities. This will mitigate challenges associated with dealing with taxpayers in person and hence increase in revenue collections

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter focused on various theories regarding to innovations and how those theories connecting innovations and tax administration issues. Furthermore an overview of the empirical review and research papers conducted by other Scholars and the results of their findings on the research problem under study.

2.1 Theoretical Review

2.1.1 Diffusion of Innovation Theory (DOI)

This theory was developed by E.M Rogers in 1962, the theory explain how over time an idea or product gain momentum through a particular population. The outcome of this diffusion is that part of the social system accept the new idea, product or change their behavior. Adoption of innovations means that a person change the way they were doing things and adopt the new ways. Author of DOI theory categorized population into five groups; innovators, early adopters, early majority, late majority and Laggards. Following those categories adoption of innovations cannot be adopted simultaneously with a particular system some are apt to try new things than the others. Organizations that are deeply using a certain technology are most likely to be the first candidate for adoption of the next generation of the said technology.

Theory also articulates that an innovation which is not difficult compared to the existing one has a high chance to be easily adopted and executed. The theory is important to this study since we can establish the relationship between the adoption and use of innovations in tax administration matters. Focus on this approach is about adoption by the organizations and members of staff as an individual the two approaches play a big role when studying diffusion and adoption of innovations by tax administration agencies (Hager 2006). Adoption of new innovation requires sufficient time and resources, therefore before the organizations decide to adopt a particular technology they have to keep into consideration the ability, willingness and attitude of the members of staff.

According to La Morte (2019) of Boston University DOI theory seems to work better when target is to introduce new behavior to a particular society, but the theory does not work well when applied to prevent a certain behavior within the same society. He added that innovations requires resources in order to be adopted to a desired level, DOI theory does not consider individual resources or social support on adoption of innovations, it assumes that all will be well without take into account adopters supportive resources.

2.1.2 Resource Based Theory

Resources based view (RBV) pioneered by Barney in 1991, he argued that in order firm to have sustainable competitive advantage it depends highly on the firm’s resources and capacity that is valuable, imitable and not substitutable, these resources categorized into tangible and intangible assets of the firm. Further to the assets under control by the firm the model also consider firm management skills, organization processes, information as well as knowledge controlled by the firm. This model relies on utilization of the internal capacity of the firm in order to be competitive and survive in the industry.

Barney model stressed on internal capacity of the firm for performance and competitive advantage contrary to the open innovation model which emphasizes that in order a firm to be innovative and competitive in the market they have to utilize both internal and external knowledge for high quality products and services.

2.2 Determinants of Revenue Organizations Performance

Frank (1989) disclosed that determinant is a factor which affects nature or outcome of a certain event or something. Revenue agencies fall under non-profit organization and its performance can be established by using the revenue collections which is a core function of the agencies. Performance review aims at analyzing how revenue organizations utilize its capacity to maximize collections. Performance can be determined by level of corruption, innovations, and fairness in tax system, tax evasion and operation costs.

2.2.1 Corruption

Study conducted by Fjeldstad (2006) in Uganda Revenue Authority unveils that corruption is a lingering problem which inhibit revenue bodies' performance both in developed and developing countries. Corruption in tax administration takes various forms including: bribery to tax officials to reduce taxation or grant exemption, revenue fraud through undervaluation or under declarations, extortion by induce illegal payments from the taxpayers and patronage/nepotism where tax officials favor their kin or those originating from their community hence failure to attain collections target (Martini 2014). Innovations stands to be a vital tool to curb corruption in wide range, World Bank and

IFC (2014) suggests that use of information and technological innovations may facilitate e-filing, and online payments of taxes which in turn increase compliance and reduce corruption as in person transactions in tax offices is susceptible to various forms of corruption.

2.2.2 Fairness in tax system

In recent years fair taxation become a debatable topic aiming to establish the standard aspects for a fair tax system (ACCA 2008). Literature reviewed shows that in most cases fairness in taxation ensure that everyone bears his /her fair amount of tax and pays the assessed amount provided it is seen to be fair to all taxpayers (Hurwich, 2001). As it was cited by Fortin, Lacroix & Villeval (2004) tax agencies must be innovative since policies perceived to be unfair may affect voluntary compliance, subsequently taxpayers will opt to plan for evasion in order to restore equity. If the citizen of the country are aware that they are paying more taxes than the other on the same goods it will shrink the level of compliance. Innovations in its categories should be employed as it was suggested by Frame and White (2002) to overcome unfair treatment of the taxpayers on the similar transactions countrywide and eventually it will heighten level of voluntary tax compliance. A vivid example is application of GTP in China by State Administration of Taxation (SAT) which reduced fraud invoices for VAT purposes from 8.51% to 0.06% in one year period (Brondolo & Zhang, 2016).

2.2.3 Tax evasion

Mughal and Akram (2012) define tax evasion as a situation where taxpayers illegally escaping tax payments through various ways including reducing the actual income declared for tax purposes and filing false information. Previously, income for tax purposes was underreported and deductions were over reported, it was difficult to detect these tax crimes by the tax agencies, currently things has changed as tax authorities are using innovations to bring these tax crimes to the tax net (OECD 2017). Research conducted in Nigeria by Adebisi and Gbegi (2013) reveals that among other factors causes tax evasion in the country is remoteness of the taxpayers from the government or tax offices. Olatunji and Ayodele (2017) postulated that innovations has overcomes this challenge since taxpayers can file their return and pay taxes through online platform from their comfort zone.

2.2.4 Operating costs

Evans (2008) states that operating costs are those costs incurred both by the public sector and taxpayers in order to make tax collection possible. Named as administrative costs when born by the tax agencies (Allers1994) and compliance cost when incurred by taxpayers (Mhangila 2017). Through innovations all these cost has been minimized as taxpayers are not standing in line waiting to pay taxes and they can get tax education in their fingertips, not only that but also manual filing was tedious to tax agencies as it need more time and large number of staff for analysis purposes (Bird and Zolt 2008, Adeyeye 2019). Tax agencies are using innovations to simplify the process and save time and money, for instance Canada Revenue Agency use risk engines to assess risk and establish compliance and taxpayers may access tax information by using mobile apps. In addition

United Kingdom, Her Majesty's Revenue and Customs managed to reduce risk as well as compliance costs as Digital Tax Account facilitate taxpayers to access their tax information and view their tax calculations. (Microsoft and PWC 2018).

2.2.5 Tax exemption

Tax exemption is the right granted to an individual or organization to exclude either total or part of their income from taxation by the state revenue agency. Both developed and developing countries use incentives to attract Foreign Direct Investment (FDI) but types and the frequency differ from one nation to another. Goodspeed (2013) learnt that tax exemption and tax holiday are used by 55% of the developing countries and only20% of the OECD countries use the same strategies to attract FDI. Exemption should be well controlled since it gives away tax revenues, sometimes it is used by politician as a reward to political sponsors and as a result most tax incentives in developing countries are not economically effective(Mills 2017). In Tanzania in 2012 sum of $ 1.1 billion was granted in tax exemption whereby the same amount was borrowed from China to build 500kms of gas pipeline (OECD 2008).

2.2.6 Relationship between innovations and organization performance

Innovation is a crucial function to a sustainability of any organization as it assists in production of high quality products and services and competitive advantage within a particular industry. Various studies reveal that innovative Companies heightened their development ladder than non-innovative Companies (Tether 2003). Business now days are facing global competitions following the reasons that no regional strategy as it was previously conducted. The world is dynamic and things are charging every day, business organizations are facing challenges in their operations, therefore in order to be competitive and lead its competitors engagement in innovation activities is an obligatory (Karakas, Oz,Yildiz, 2017).

Study on relationship between innovation and performance of the ICT-SMEs in Malaysia by Salim and Suleiman (2011) established that organizational innovation has a positive impacts on SMEs performance, they insisted that innovation become an advantage to a firm when customer needs are clearly understood, comprehend competitors actions, and technological development. Subramanian and Nilakapta (1996) suggests that organization innovation can be technological innovation which focus on product, services and process and administrative innovation which focus on organization structure and administrative process of the company. Similar study by Auken, Guijarro and De Lema (2008) on relationship between innovation and firm performance of manufacturing SMEs where innovation was measured in products, process and administration, the study demonstrates that innovation activities impacts both low and high technology manufacturing SMEs in Spain. Charles (2014) researched on manufacturing industry a case of Nestle Food Nigeria Plc exposed that strategic planning capacity and marketing capacity determine firm performance either independently or jointly.

Following the role innovations plays in the business environment its certain that innovation is important at all levels of business activities. Biegas (2018) states that marketing innovations has positively predicts market performance in clothes industries in Brazil. OECD Oslo Manual (2005) describes marketing innovation as implementation of the new market method which involves radical changes of product design and packaging style, the manners in which product are placed and pricing. Gunday et al. (2011)

evidenced that marketing innovations aims at addressing customer tastes, external market and positioning the firms products and services and hence increase in firms sales. Also Hilman and Kaliappen (2014) studied on relationship between market orientation and its effects on organizational performance, findings shows that hotels practices competitor orientation and customer orientation as innovative marketing strategy positively impacts the performance of the hotel in Malaysia.

2.3 Global Environment Innovations

Global market competitiveness entices firms to innovativeness, companies are struggling to compete on the basis of services rather than physical products (Gronroos, 2000). Customers are not very sensitive with the brands competing within a particular category of the products like Toyota and Nissan, what manifest the true value of the product to a customer is the services offered by the manufacturer (Kandampully, 2002). Similar study conducted by Alam (2002) reveals that innovation orientation described as a knowledge structure and functional belief which influence the strategic action of the firm, the study exposed that innovation orientation stands as a source of new service ideas he asserted that innovation and new product are the major attributes which induce the company performance.

Review of the literature shows that in most of the organizations systematic evaluation occurs very rarely. Philips (2010) postulated that companies innovate in order to overcome challenges emerged in the market environment, while others focuses on leading the market. Philips contended that customers are interested with new products and services therefore companies should focus on exciting customers time to time. Besides, other companies innovate in order to utilize the emerged opportunities or to solve a particular problem in the market place. Research carried out in Brazil by Biegas and Neto-Steiner (2015) evidenced that marketing innovation has positive impact on firm performance, maintains and lure new customers. In order business to survive companies should be innovative and get rid of business as usual concept Dell computer is a vivid example, when they introduced their personal computer at low cost and managed to penetrate PC industry their approach yielded huge profit and Dell became a market leader(Davila et al., 2006).

Chen (2017) discloses relationship between innovation and firm performance, the study concluded that innovation can affect performance of the firm positively, negatively or no effect .He stressed that other factors such as industrial and market environment affect the relationship between the two variables and thirdly mediating effects which attributed by variables such as change of industry, innovation output, product and process matching as well market position also affect relationship between innovation and firm performance. Similar study by Liang (2010) carried out on service innovation in Chinese Aviation the case of Chinese Low Cost Carrier (LCC), the outcome of the study reveals that three prominent aviation companies managed to change traditional air travel services by adopting western LCC principles, an innovation which heightened the profit of the researched companies.

2.4 Innovation in Revenue Organizations

Tax administration agencies in both developed and developing countries play many functions to ensure economic stability and development of the country Bird and Zolt (2008). Most of the organizations adopt process innovation, technological innovation, market innovation and organizational innovation to formulate strategies for efficiency and better performance of the organization. This study focused on process innovation which is highly practiced by most of the revenue agencies.

2.5 Process innovation

This type of innovation has not been given much attention in the literature but it has a big role to play in the current business world. Process innovation involves new tools and /or equipment, materials, software and new production associated with production of more output with less or same inputs (Bogers, 2009). A recent study conducted by Suchag et al (2017) divulged that process innovation ranges from incremental to radical change which brings amendments in equipment, techniques, software distribution chain and service delivery. Further, Brown and Frame (2004) insisted that process innovation aims at reducing unit production cost, delivery cost and produce more improved products or services; however reduced costs may or may not be reflected to the prices charged to the final consumer.

Evidence produced by Microsoft and PWC (2018) shows how the process innovation facilitates tax administration by revenue collection agencies, technological trends such as big data, analytics, artificial intelligence, machine learning and cloud computing are either all or individually have positive impact in tax administration therefore high performance of the agencies. Chatama (2013) postulates that process innovations enables large tax payer department in TRA to raise its collections from 23% in 2001/02 to 41% in 2008/09. Large number of literature reviewed states that developing countries experience hand to mouth economy, for this reasons tax agencies are incapable to employ competent staff who can compete with skilled accountants and auditors in the private sector (Oxford 2016). Research piloted by Barako (2014) in Kenya Revenue Authority (KRA) aimed to establish the efficacy of the iTAX- a tax processing system. The result of the analysis revealed that there are dramatic changes in revenue collections after implementation of the said processing system.

Tax administrations in most of the developing states in 1990’s were practiced manually which was prone to errors and mistakes. China undergo major reformation of her tax system by investing heavily in information technology for the past two decades, they managed to reduce compliance costs and tax evasion leads to raise in revenues to 20% of the GDP, for example introduction of GPT specific for processing VAT resulted to a marvelous impact following its four subsystems for issuing VAT invoices, certifying VAT invoices, cross checking and inspecting VAT invoices and coordinating investigations. Advancement to GPT reduced fraud invoices by 8.45% (Bondolo & Zhang, 2008).

Innovations in a modern tax administration involves Technology which stands as a tool which can point out the focus of the modern tax administration by cutting down costs, reduce or eradicate fraud, empowering tax officials to provide quality services to taxpayers. Tax administration under this unprecedented technological change relies mostly on its capacity to encompass new digital technologies into working environment and services. Tax agencies to be successful in this era they must embrace the following components: compliance strategy, legislative framework, operational framework, tax technology and infrastructure, change management and performance management. Currently technological change such as Big data, analytics, Artificial Intelligence, machine learning, internet of things, mobility and Cloud computing are all have tremendous changes on tax administration. "In past time was money, then today data is a new currency" henceforth revenue agencies should comprehend all these charges when they formulate their strategies for the taxpayers to access tax information at the real time and ensure tax officials enhance their knowledge in order to manage the technological change.(Microsoft and PWC 2018)

2.6 Summary of Literature Review

According to the empirical reviews discoursed above, there is much evidence that innovations have positive impact in organization performance particularly in tax administration agencies. Various literatures shows that innovations simplify operations reduce costs of administration as well cost of compliance, increase transparency and enable storage and analysis of huge volume of taxpayers' information. Literatures reviewed reveals that innovations have positive advantage to organization performance only few evidences show the adverse effect of innovations in performance. Bird and Zolt (2008) suggests that innovation is a double edge sword that innovations render other transactions difficult to charge, such as online tax consultancy, lawyers' etcetera. New organization method innovations may have negative repercussions when exercised without considering professionalism and merits, evidence by Abiola and Asiweh (2012) shows that Revenue Authority in Nigeria allow too much interference by politician such that Senior leaders are appointed as a compensation for their role during political rally, they engineered tax rate adjustment and eradicate some taxes to honor their promise to voters.

The above findings on innovations on tax administration justify that there is no common understanding whether innovations impacts tax administration positively or negatively on tax administration in Tanzania. This research will study the effect of innovations in tax administration in Tanzania in order to address the research gap which has not been covered by other scholars.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

This study adopted case study research design. As it was cited by Astalin (2013) case study research design is an approach which analyses persons, events, decisions, projects, institutions or any other systems. He added that case study can either be qualitative or quantitative; this study adopted both qualitative and quantitative approach, all together enabled the researcher to establish the effects of innovations in organization performance.

3.2 Data Collection, Analysis and Interpretation

Numerous research conducted instituted various approach when analyzing the organization performance for both profit and non-profit organizations. This study aimed at establishing the effect of innovations in Organization performance a case of Tanzania Revenue Authority, for the purpose of this study researcher will use secondary data that is collections for twenty years as shown in Table 3.1

Table 3.1: Revenue collections for the period of twenty years

YEAR	COLLECTIONS (Tshs. in million)
1999/00	725,212.30
2000/01	857,944.00
2001/02	962,246.10
2002/03	1,129,953.80
2003/04	1,360,811.60
2004/05	1,645,974.20
2005/06	1,990,773.80
2006/07	2,606,143.50
2007/08	3,416,426.40
2008/09	4,105,909.70
2009/10	4,498,023.40
2010/11	5,391,502.90
2011/12	6,594,266.10
2012/13	7,843,164.70
2013/14	9,519,737.40
2014/15	10,052,911.80
2015/16	12,696,345.10
2016/17	14,126,590.40
2017/18	15,191,421.00
2018/19	15,430,707.20

Source: TRA tax collection statistics

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.0 Introduction

The purpose of this study was to establish the effects of innovations in organization performance a specific case of Tanzania Revenue Authority (TRA). This section constitutes the analysis and findings with regards to the objective and discussion of the researched problem. Researcher utilized secondary data extracted from various reports of the revenues collected by TRA for the period of twenty years, where analysis focused on how innovation impacts performance on various periods since the authority was established.

4.1 The Role of Innovation on TRA Performance

Review of various literature portrays that TRA operates under various challenges which hinders the authority to attain the targeted objectives, this does not mean that the authority is doing nothing to overcome those challenges since the records shows that authority has had applied various strategies in order to overcome these drawbacks in its daily operations. These strategies include establishment of the specific department for large taxpayers in 2001, and domestic revenue department was formed following a merger of the VAT and income tax department in 2005.The authority also focused on the introduction of the new tax operations computer systems to enhance efficiency and improve performance. Evidence posed by World Bank Group report on Tanzania Economic Update- why Tanzanian should pay taxes of 2015 shows that Tanzania tax structures comprises VAT which contribute to 27% of the gross revenues, income tax contributes 40% , import duty and other charges contributes 17 % and Excise duty contributes 15% of the total revenues.

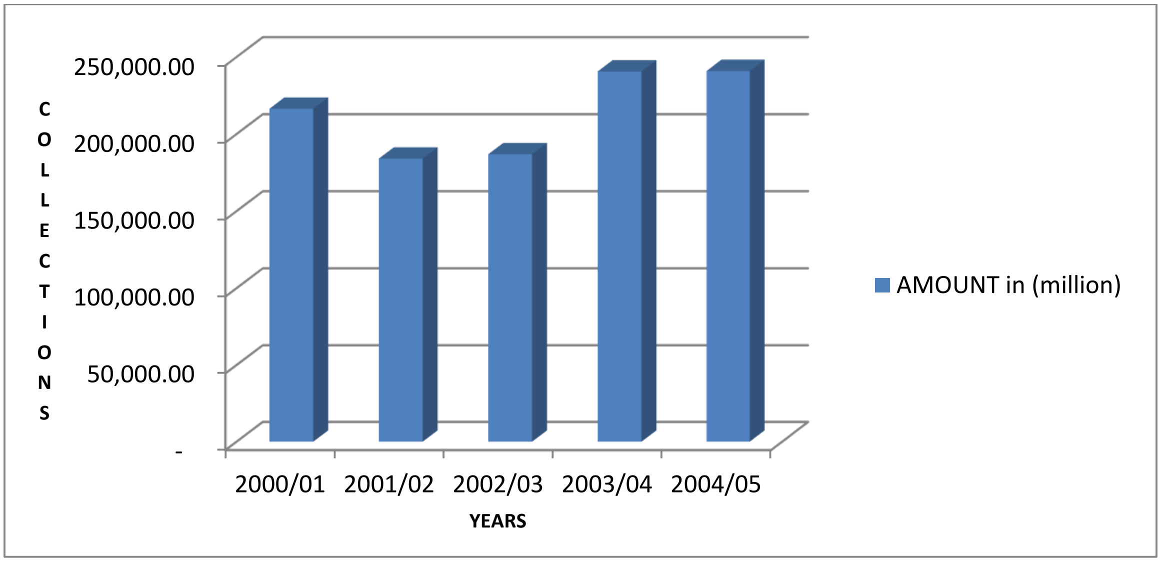
The authority efforts to eradicate challenges arises in tax administration process compel the authority to align it strategies time after time and innovations being among the strategies to insure that revenues linkages are stopped and cost of collections as well as administration were reduced, after the authority automated tax administration functions and encourages computerized systems particularly process innovations it impacted revenues as shown in the analysis in Table 4.1.

Table 4.1: Revenues trends from 2000/01 to 2004/05

YEARS	2000/01	2001/02	2002/03	2003/04	2004/05
AMOUNT(million)	216,400.90	184,052.8	186,855.50	240,571.50	240,890.50
PERCENTAGE		-14.90%	1.52%	28.7%	0.13%

Source: DRD Collections report

Figure 4.1: Fluctuations of DRD revenues from 2000/01 to 2004/05



4.1.1 Integrated Tax Management System (Itax)

The analysis in Figure 4.1 shows that, five years before TRA launched ITAX, collections in Domestic Revenue Department (DRD) were not increasing at increasing rate, for instance in year 2001/02 collections decreased by 14.9% compared to the collections in year 2000/01.Despite an increment in the subsequent years the changes were not promising because there was slight changes between the collections of one year to another (Table 4.1). Following the fluctuations of revenues the authority automated DRD and launched ITAX a system which replaced the manual process and automated most of the tax related transactions. Table 4.2 below portrays the impacts of automation in DRD.

Table 4.2: Collections trends from 2005/06 to 2009/10

YEARS	2005/06	2006/07	2007/08	2008/09	2009/2010
AMOUNT (million)	370,309.00	389,137.20	564,397.10	726,760.40	796,569.30

Source: DRD actual collection report

Figure 4.2: DRD collections trends after introduction of iTAX

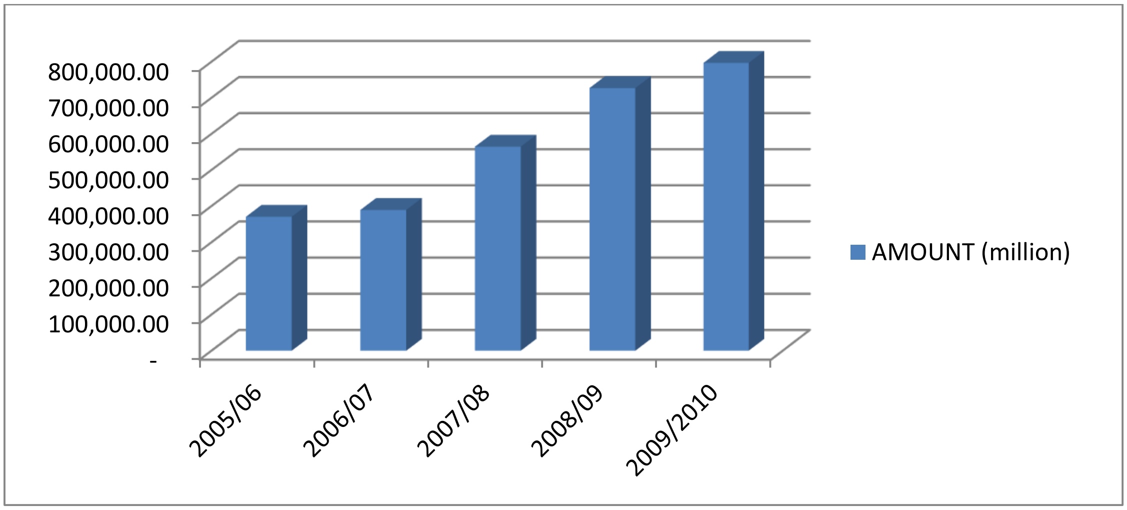


Table 4.2 shows that immediately after introduction of the ITAX, collections increased tremendously in the firsts five years compared to the five years before the said system was introduced. In the period of five years after ITAX was launched, collections increased three times compared to collections in year 2004/05 a year with highest collections before ITAX.

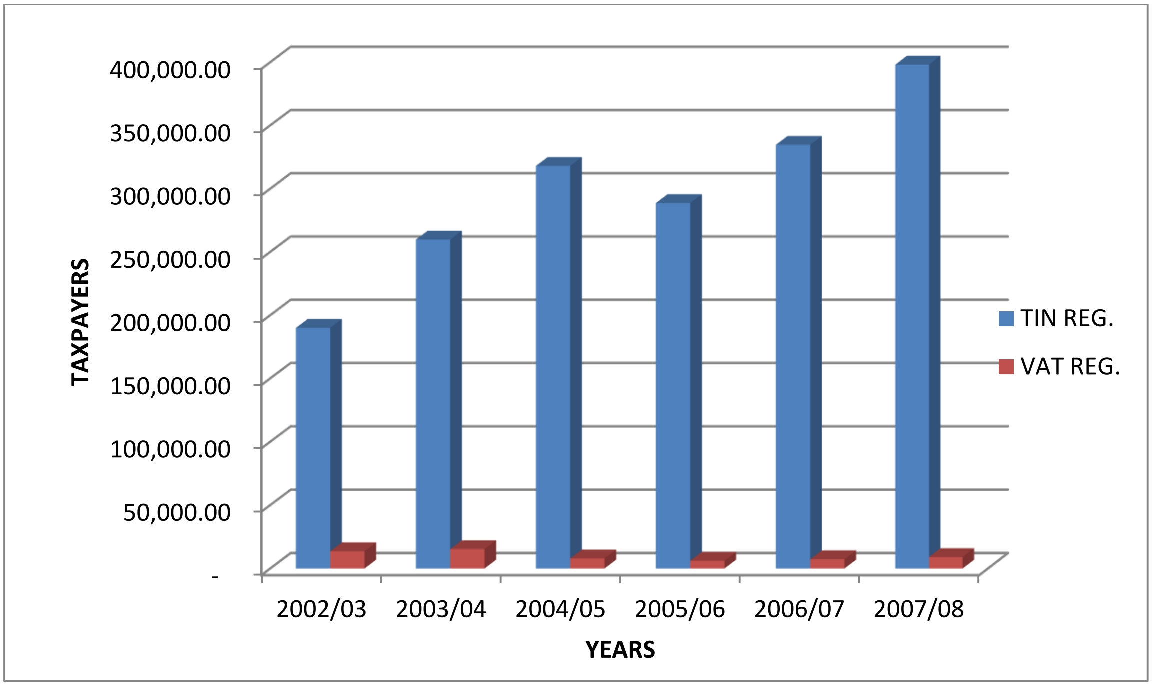
4.1.2 Tax Identification Number (TIN)

Automation of DRD helped to increase revenues, cut down administration costs and enhances accountability through system risk analysis. TIN is a number given to a registered taxpayer to differentiate from one taxpayer and another, this helps the authority to manage taxpayers' information and enables taxpayers to access their tax information at the real time without visiting the tax offices. Table 4.3 below articulates how application of TIN system improved taxpayers' registration**.**

Table 4.3: Taxpayers registered from 2002/03 to 2007/08

YEARS	**2002/03**	**2003/04**	**2004/05**	**2005/06**	**2006/07**	**2007/08**
TIN REG.	190 000	259 794	318 033	288 680	334 724	398 080
VAT REG.	13,63 4	15 320	8 010	6 154	7 342	9 036

Figure 4.3: Taxpayers registration trends from 2002/03 to 2007/08



The above table reveals that since TRA launched TIN system in 2002 the number of the taxpayers registered increases at increasing rate. For the period of six years from 2002/3 to 2007/08 the number of taxpayers registered increased by 109 .5 % and VAT registered decrease by 33.7% , this is an evidence that application of system enhance performance and increase accuracy in processing tax information**.** It should be noted that VAT registered unlike other taxpayers decreased by 33.7% within the same period due to the increase in VAT threshold in 2004 from Tshs.20 million to Tshs.40 million.

Following an increase in number of taxpayers registered as a result of application of the TIN systems, overall collections also were affected positively by increasing tax base where some business brought to the tax net and ensure that their business recognized officially and pay respective taxes henceforth substantial increase of overall collections, Table 4.4 shows the impacts of taxpayers' registration within the same period.

Table 4.4: Collections resulted from taxpayers' registration

YEARS	COLLECTIONS (MILLION)	PERCENTAGE
2002/03	1,129,953.80	-
2003/04	1,360,811.60	**20%**
2004/05	1,645,974.20	**21%**
2005/06	1,990,773.80	**21%**
2006/07	2,606,143.50	**31%**
2007/08	3,416,426.40	**31%**

Source; TRA tax collection report

Figure 4.4: Collection trends after introduction of TIN system

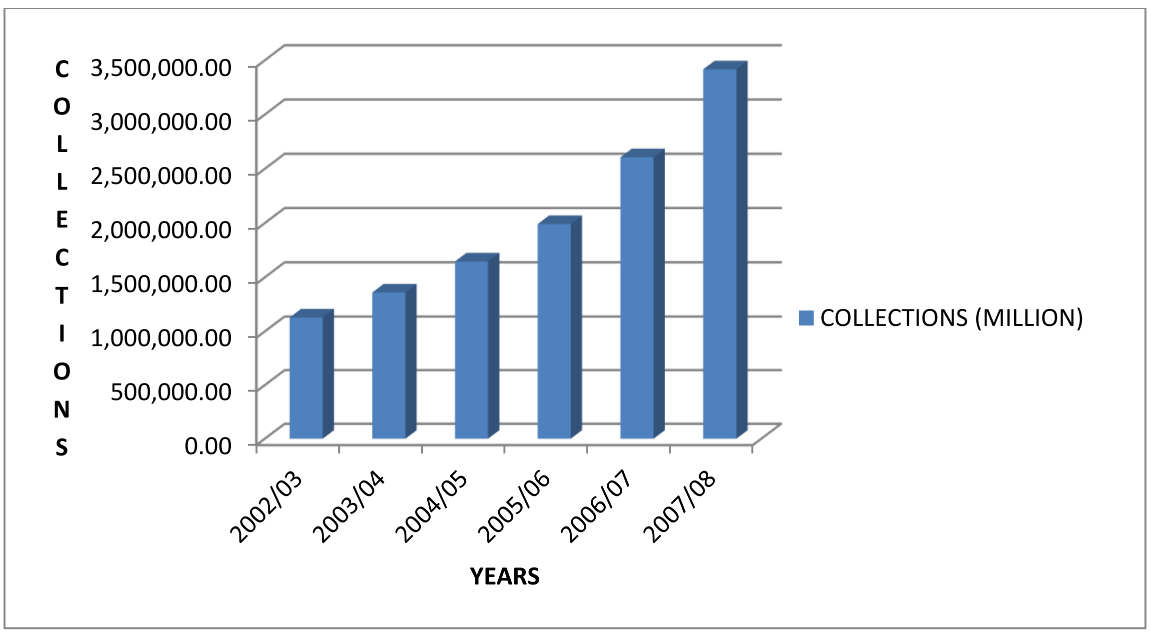


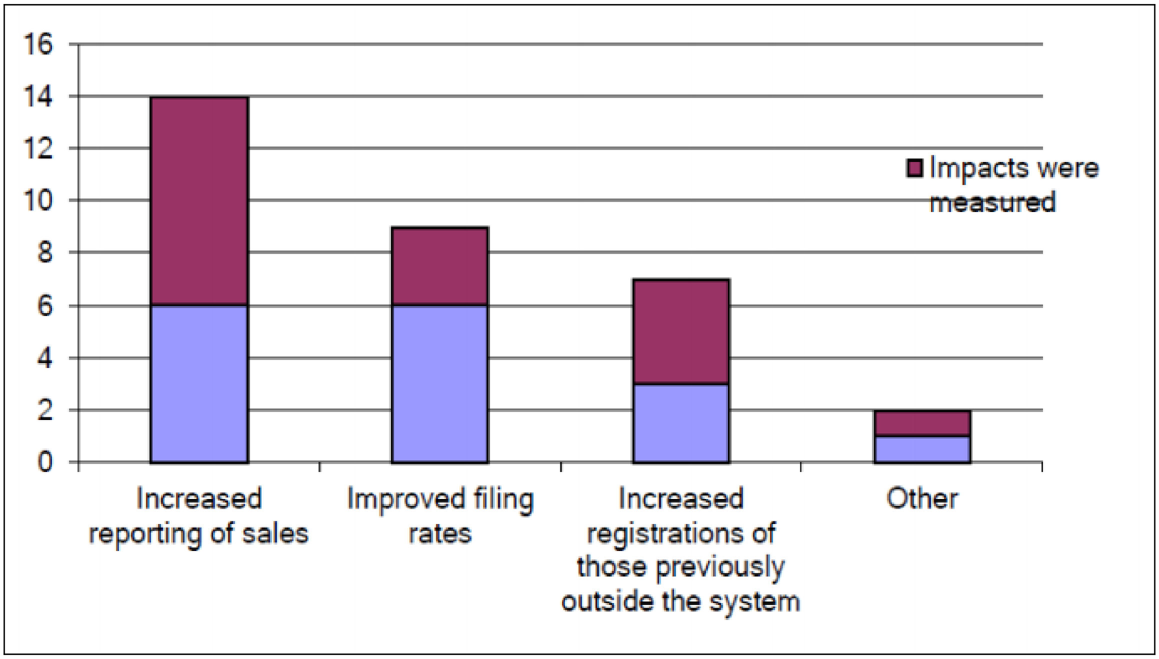
Figure 4.4 shows that since 2002/03 when TIN system was introduced collections were increasing at promising rate, for instance for the period from 2002/03 to 2007/08 collections increased by 11 % and other collections reports shows that introduction of the TIN system impacts collections at a promising rate.

4.1.3 Electronic Fiscal Device (EFDs)

Revenues collections from domestic sources by many developing countries is still below its capacity, in attempt to enhance their collections most of these countries deployed electronic fiscal devices (EFDs) to increase efficiency in collecting VAT. Tanzania introduced EFDs in 2010 purposely to improve VAT collections by eliminating non issuance of receipts, under invoicing of sales transactions by VAT registered businesspersons and simplify filing returns as well as assisting in keeping proper business information (Kapera, 2017). In addition, EFDs aimed to reduce tax collection costs and to encourage compliance, when introduced at first time in July 2010 the focus was for large taxpayers registered for VAT but later on were expanded to non VAT to broaden the tax base.

Various literatures shows that implementation of EFDs in conjunction with other reforms in tax administration leads to compliance improvement, promising result in terms of additional revenues and improve taxpayers compliance behavior. However implementation of EFDs stands with other forms of reforms, where EFDs standalone performance measurement in terms of revenues was not convincing only improvement on other aspects as per figure 4.5.

Figure 4.5: Non revenue impact of EFDs



Source: Casey and Castro 2015)

Its ten years now since TRA launched the EFDs as part of the strategies in tax administration, despite application of the devices in such a period several researches conducted on the uses of the EFDs reveals that there are so many challenges encountered the whole process purported to be the reason for unpersuasive performance. These challenges among others include; lack of training of the businesses and other stakeholders on the use of the devices, high costs of acquisition, malfunction and errors, poor network connection, power outages and usability problems (Fjeldstad 2019).

4.1.4 Automated System for Customs Data (ASYCUDA)

This is the software designed for Customs administrations and trade environment sought to comply with international standards when undertaking imports, export, and transit related transactions. TRA adopted ASYACUDA 2.7 version in 1997 to replace the manual operations which were in place when the authority was established. Development of ASYCUDA aimed to modernize Customs operations and enhance revenue collections, facilitate trade and reduce cargo clearance time and costs. The system also assisted to fight corruption by increasing transparency of transactions, proper record keeping and electronic transactions and documents.

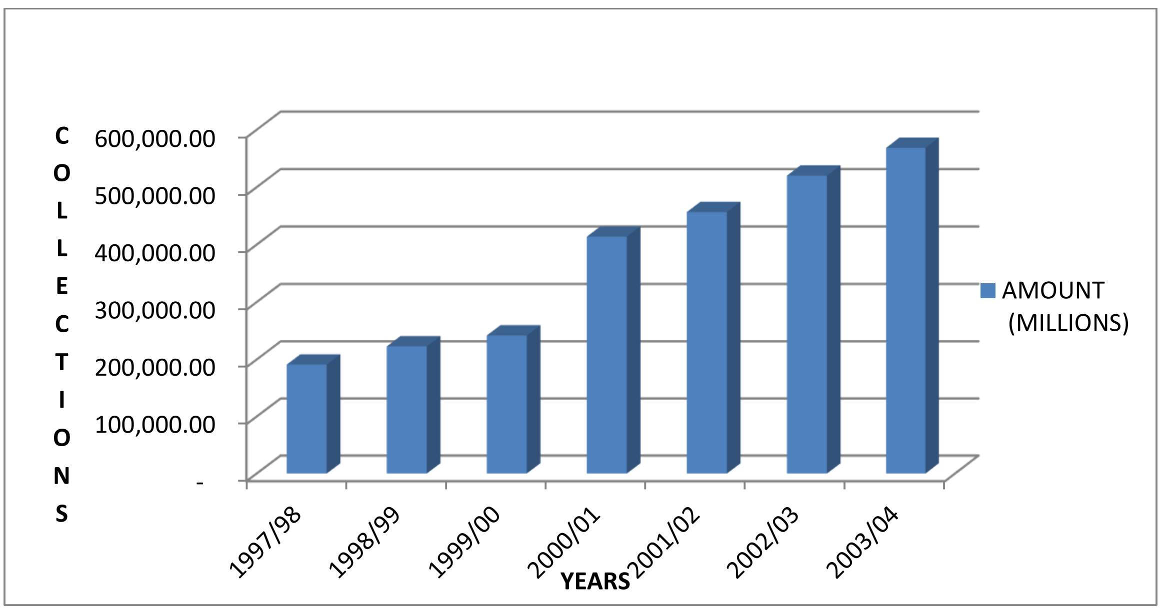
Despite the above functions this version had limited functionality compared to other version developed after ASYCUDA 2.7 henceforth TRA migrated to ASYCUDA ++ in 2004 which performed better than the previous. ASYCUDA ++ developed with other modules such as ASYBANK a module that allow ASYCUDA to link with commercial banks for easy of making payments of taxes. Research work carried by Buyonge and Kireeva (2016) on Trade Facilitation in Africa ; challenges and possible solutions divulge that one of the findings of the Tanzania time release revealed that Customs stations with ASYCUDA ++ processed clearance more efficiently than those stations with ASYCUDA 2.7. Table 4.5 shows how ASYCUDA 2.7 impacted performance in Customs and Excise department (CED).

Table 4.5: CED collections after introduction of ASYCUDA 2.7

YEARS	AMOUNT (MILIONS)
1997/98	191,105.60
1998/99	222,802.70
1999/00	241,793.60
2000/01	413,806.00
2001/02	456,710.20
2002/03	520,098.60
2003/04	568,506.40

Source: CED actual collection reports

Figure 4.6: Impact of ASYCUDA 2.7 in CED collections



Despite the associated challenges during the implementation of ASYCUDA 2.7 this process innovation resulted to substantial increment of revenues. In 1997 when it was introduced collections amounted to Tshs 191,105.60 million while in 2004 when the TRA migrated to the new version i.e ASYCUDA ++ total collections amounted to Tshs. 568,506.40 million which is equivalent to an increment of 197% .

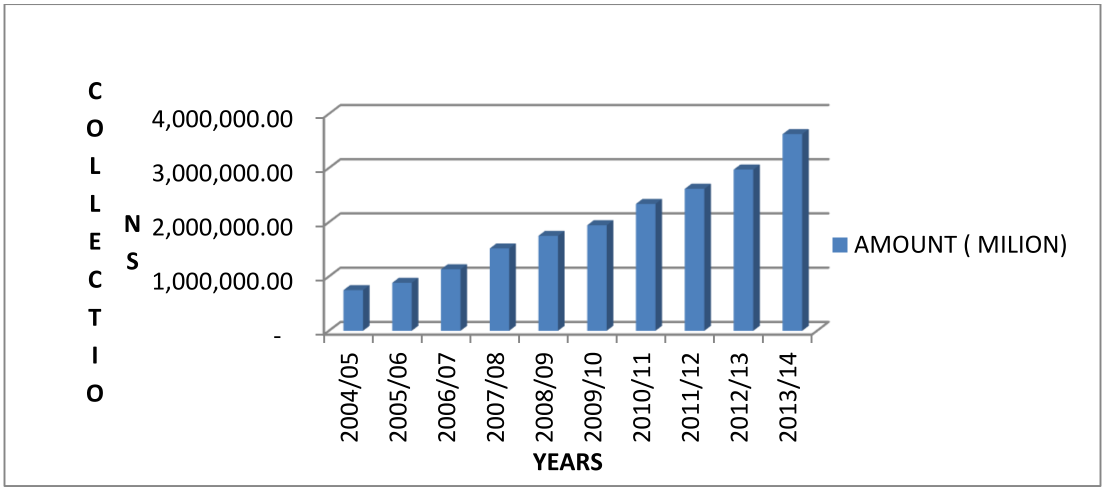
Review of the various collections reports in Customs and Excise department reveals that any strategy implemented by TRA went through some challenges but eventually affect performance in terms of additional revenues, Table 4.6 shows the impact of ASYCUDA ++ in the CED.

Table 4.6: Impact of ASYCUDA ++ in CED collections

YEARS	AMOUNT (MILION)
2004/05	749,408.60
2005/06	883,976.30
2006/07	1,132,451.20
2007/08	1,515,392.50
2008/09	1,748,418.40
2009/10	1,943,433.30
2010/11	2,336,366.10
2011/12	2,616,747.90
2012/13	2,971,799.40
2013/14	3,626,742.30

Source: CED actual collection reports

Figure 4.7: Collections trends resulted from ASYCUDA ++



From the analysis above the graph shows that any innovation strategy in the department fundamentally affects the performance, in 2004 when TRA implemented ASYCUDA ++ collections amounted to Tshs. 749,408.60 million but in 2014 when Tanzania Customs integrated system (TANCIS) was introduced collections were Tshs. 3,626,742.30 million which is equal to an increment of 384%, this justify that any process innovation advanced by CED resulted into positive result and heightens overall revenues.

4.1.5 Tanzania Customs Integrated System (TANCIS)

TANCIS is a web based system designed to respond on the increasing traffic and trade volumes in International trade, there was also continues demand from other stakeholders on the quality and efficiency of the business operations by Customs. Previously CED operated with semi-automated and disintegrated systems which attributed to the inefficiencies in the import and export cargo clearance therefore development of integrated system in CED was inevitable in order to balance between trade facilitation and effective control (TRA 2014/015).

TRA transitioned to TANCIS in 2014 after realized that a number of various small systems were ineffective and much expensive. Since TANCIS is web designed system it facilitates electronic transfer of information leads to the costs reduction in daily business operations. This system integrated the following TRA systems which were expensive to run before introduction of TANCIS, these systems include; Pre Arrival Declaration (PAD), Customs Licensing Application Management System (CULAMS), Oil Monitoring System (OMS), ASYSCAN this is ASYCUDA module which supports e-documents, ASYBANK this is the ASYCUDA module which supports e-payments and Exemption Trucking System (ETS). TANCIS also interfaced with other TRA systems such as Central Motor Vehicle Registration System(CMVRS).TIN as well as other business stakeholders who involves in the cargo clearance chain including Tanzania Bureau of Standard (TBS), Tanzania Food and Drugs Authority (TFDA) and immigration department (World Bank 2017).

Table 4.7: CED collections resulted from TANCIS

YEARS	AMOUNT (MILION)
2014/15	4,138,464.80
2015/16	5,351,079.80
2016/17	5,604,674.40
2017/18	6,141,687.10
2018/19	6,250,901.90

Source: CED actual collection reports

TANCIS refers to be a very successful innovation to TRA because it has managed to accommodate increased volume of business and trade without increasing number of employees, it reduces costs of operations and clearance time because it supports paperless transactions, user friend to all stakeholders, enhances efficiency and transparency as well as risk management and control. Table 4.6 reveals that when it was developed in 2014 total collections in CED were Tshs.4, 138,464.8 million whereby five years of operations revenues heightened to Tshs.6, 250,901.90 million which is an increment of 51%, in addition to that TANCIS is a customized system owned by TRA which can be modified at any time to meet the requirements of the users.

4.2 Discussion

Performance of the TRA has been in upward trends; since the authority was established in 1996 collection increased from Tshs.523.3 billion to 15.4 trillion in 2018/19.This performance attributed by the alignment of the organization strategies from time to time in order to suit the requirement of the businesses environment. An innovation in its various departments is among the strategies aims to enhance compliance level and efficiency. Modernization of TRA operations through Information and Communication Technology (ICT) is an essential element of the current environment of tax administration. Deployment of ICT in TRA enables the Authority to transmute its business operations and address important issues for development planning, performance measurement, and management reporting and taxpayers education. TRA makes all these possible through innovation which is a continuing process of the authority whereby development of communication network links all operational offices and other business stakeholders.

Taxpayers have direct access to their tax information by using a specific code (TIN) where all tax related information can be viewed at the real time. iTAX facilitates the process, all domestic revenues can be processed through online platform and taxpayer can fulfill their tax obligations at their comfort zone .The process to migrate to Integrated Domestic Revenue Administration System (IDRAS) are underway and once it is done DRD will operate under an integrated system which will improve performance and get rid of the multiple system which is much expensive to operate. VAT collection is increasing but there is more potential if the authority will look at some challenges associated with the uses of EFDs as it was formerly addressed in other sections. Diffusion of innovation (DOI) theory states that before implementing any innovation within an organization proper analysis should be conducted to establish whether that innovation is user friend and can be easily adopted by the targeted stakeholders. Various studies conducted on the uses of the EFDs frequently cited the same challenges including usability problems contrary to (DOI) theory, these challenges need to be addressed to make the use of the devices meaningful and attain the desired targets.

Currently International trade is under control, development of TANCIS overcome many shortcomings which were obstacles on the operations of the CED. Costs of doing business and clearance time has been reduced to all stakeholders, the system overcome the challenge of increased business volume without increasing number of employees as suggested by Resources Based theory that internal resources should be fully utilized to enhance productivity. The system is web based therefore all stakeholders can process their transaction wherever they are and make payment through e-payment module, more transparency and it is configured to enquire other government authorities requirements such as importation or exportation permits during the process hence risk is also minimized.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This section summarizes the findings in regards to the researched problem and the objectives of the study which was to analyze the effect of innovation on the organization performance a case of Tanzania Revenue Authority. The chapter composes; summary. conclusion, limitation of the study and suggestion for further research.

5.1 Summary of the Findings

This research reveals that Tanzania Revenue Authority has undergone various process innovations strategies aimed at improving performance through various systems implemented by TRA since it was established in 1996.Full automation of TRA operations has being a major strategy of the authority in order to have all tax offices integrated to one another allowing taxpayers to access their tax information under a single view, to utilize information technology to increase compliance level and reduce compliance costs, further, utilization of information technology to assess performance and accountability to ensure that all pre planned and development plan are implemented to maturity. These strategies underlined in the fourth corporate plan of the authority which emphasized three themes; convenience, compliance and continue improvement.

Researcher also revealed that fourth corporate plan indicated some innovative strategies utilized by the authority to ensure better performance and attainment of the targeted goals; these innovative strategies are: application of information technology to enhance audit capacity of the specialized sectors such as oil and gas, augmenting communication and information exchange between TRA and other stakeholders, innovation through development of systems within TRA departments reduced tax evasion and increasing compliance checks . Leveraging innovation enabled the authority to promote services to taxpayers by embrace IT solutions such as implementation of Customers call center, taxpayers' charter and taxpayers education initiative through various platforms such as social media. Facilitates compliant traders through innovation whereby some systems allow green selection for compliant traders automatically.

This study established that Tanzania Revenue Authority has achieved vigorous performance and this becomes a symbol of the authority. TRA collections increasing at increasing rate since its inception in 1996 when collections amounted to Tshs.523.3 billion these collections increased to Tshs15.4 trillion in year 2018/19.This performance has been attributed by innovative strategies implemented by the authority which assisted in broaden the tax base by brought other businesses into a tax net, other strategies such as taxpayers segmentation, enforcement of the tax laws and strong management structure supports the performance. Currently almost all tax returns can be filed online and tax payments also can be done by mobile payments or wired direct to the respective accounts through online banking, by doing so taxpayers now get away from the challenge of spending many hours in the tax offices waiting to pay taxes or travelling a long distance for tax services. System risks analysis is also among a success factors since TRA has no need to employ more staff who would engage in risk analysis for the sake of fixing revenues linkages.

The study also found that innovation strategies enabled the authority to heighten its revenues against gross domestic product significantly. TRA has had various tax reforms in order to ensure that it operates as modern tax administrator in the Country. Reforms carried out by TRA include; integration of the TRA operations, use of ICT systems for processing tax transactions, risk based operations and strategies to overcome them and taxpayers' services and education. This reformation attributed by various factors such as management commitment to the reform process, government support, financial support from donor community and technical support from donor projects especially International Monetary Fund (IMF).

5.2 Conclusion

Today's world of globalization and dramatic change of technology compel business organizations to align their strategies from time to time in order to move with a speed of technological trends. This study revealed that application of process innovation by TRA enabled the increment of total revenues from Tshs.523.3 billion in 1996/97 to Tshs.15.4 trillion in 2018/19. The effort of the authority to ensure full integration of its departments resulted to development of various systems such as TIN system to have all taxpayers registered and categorized according to their status, iTAX system which facilitates domestic revenues operations makes online transaction easy and convenient, use of EFDs also simplify the operation of large taxpayers department and medium taxpayers as well, sales report linked to the TRA system and should be submitted within twenty four hours. Application of ASYCUDA and TANCIS have changed CED operations significantly, increase control, transparent and accountability.

TRA is facing multiple challenges such as corruption, tax evasion, usability problem of some technologies by the stakeholders, power outages, costs of operations is still high DRD is still operating multiple systems which is expensive to maintain, costs of acquiring EFDS is also high therefore the study concludes that application of process innovations is in a proper direction and successful, TRA should incline its efforts to a common goal and applies innovation at the right time hence full utilization of its resources and positive results in terms of revenues and efficiency.

5.3 Limitation of the Study

The outbreak of the world novel virus which causes Covid -19 diseases associated with difficulty in breathing and spreading speed compelled many institutions worldwide to switch from their normal way of working and opted to work from home and most of the services are offered online. TRA is among the affected institution, since most of its services are offered online it was difficulty for a researcher to extract data from offices which were temporarily closed because of the pandemic.

5.4 Suggestions for Further Research

This study focused on how innovations affect the performance of the organization specifically Tanzania Revenue Authority, other Researchers may encompass their research on how other factors rather than innovation affect the same institution. Further to that this study may be replicated in other government institutions to establish whether innovation affect the performance in the same way it affect TRA.

REFERENCES

Auken, H., Guijarro, M. & Perez de lema, G. (2008). Innovation and Performance in Spanish manufacturing SMEs. *International Journal of entrepreneurship and innovation management, 8(1), 36-56.*

Abiola, J. & Asiweh, M. (2012). *Impact of Tax administration on Government Revenue in a Developing Economy* –De Montfort University, Leicester UK.

Alam, .I (2002). *An exploratory investigation of users involvement in new service development*. .Journal of the academy of marketing science.

Agrawal, P. (2014). *Effect of Uncertain and Turbulent Environment on Organizational Design,* Economics and Business Journal Vol.5 No. 1 2014.

Albano, M (2015). *The adoption of open Innovation practices in Global Firms.*

Adebisi, J.F and Gbegi, D.O (2013). *Effects of tax avoidance and tax evasion on personal income tax administration;* American journal of humanities and social science Vol.1 No.3, 2013, 125-134.

Allers,M (1994). *Administrative and compliance costs of taxation and public transfers in the Netherlands,* Groningen: Wolters-Noordhoff

Adeyeye, G.B (2019). *Improving Tax Administration through Technology innovation in Nigeria*: Study of Federal Inland Revenue Service.

Astalin, P.K. (2013). *Qualitative research design* : A conceptual framework, journal of social science and interdisciplinary research ISSN 2277-3630 JSSIR, Vol.2 (1).

Barako, G.G. (2014). *Efficacy of ITAX System on Tax Administration,* University of Nairobi. Kenya

Barney, J.B. (1991). *Firm Resources and Sustained Competitive Advantage.* Journal of Management Vol.17.

Brondolo, J. and Zhang, Z. (2016). *Tax administration Reforms in China;* Achievement, Challenges and Reforms priorities

Buganza, T. and Verganti, R. (2006). *Life Cycle Flexibility*. How to measure and improve the innovative capability in Turbulent Environments. J.prod. Innovation Management 23:393-407.

Bhide, A.V. (2010). The judgment deficit, Harvard Business Review

Bird. R.M and Zolt. M.E (2008); *Technology and Taxation in developing countries*: From hand to mouse.

Biegas, S. & Steiner Neto, P.J. (2015). *Innovation in marketing strategy process and integration* and empirical examination.

Biegas, S. (2018). *Marketing innovation capacity and Firm performance in Brazilian clothing industries.*

Bogers, M. (2009). *The sources of process innovation in user firms.* Journal of management.

Brown, C.J., & Frame, P. (2004). *Small business Innovation management*. Internal Journal of innovation and learning.

Camison, C and Lopez, A.V. (2010). *An examination of the relationship between manufacturing flexibility and firm performance*; The mediating role of Innovation, International Journal of operations and Production Management.

Chesbrough, H.W. (2003). *The open innovation:* New imperative for creating and profiting from technology, Harvard business press, Boston.

Christensen, C. (1997). *The innovator's dilemma:* When new technology cause great firms to fail, Harvad business school press, Boston.

Charles, A. (2014). *The impact of technological innovation on Organizational performance*, Vol.4, No.3, 2014.

Cooper, R.G. (2009). *Product Innovation and Strategy*. Salt lake: Stage gate international.

Casey, P. and Castro, P. (2015). *Electronic fiscal devices (EFDs):* An empirical study of their impact on taxpayer compliance and administrative efficiency. IMF Working Paper WP 15/73. Washington DC: International Monetary Fund (IMF).

Chen, S.C and Quester, P.G. (2006.) *Modeling store loyalty*, perceived value in market orientation practice, journal of service marketing.

Chen, S. (2017). *The relationship between innovation and Firm performance*: A literature review, Altantis Press, Shaoxing, China.

Chatama, Y.J (2013). *The impact of ICT on taxation*: The case of Large Taxpayer Department of Tanzania Revenue Authority.

Collins, J. and Porras, I. J. (2011): *Built to last successful habits of visionary companies*. New York, Harper Business.

Damanpour, F. & Aravind, D. (2012). *Managerial innovation in organizations* : Conceptings, Processes and Antecedents, Management and Organization review.

Davila,T., Epstein, J.M. & Shelton, R. (2006. *Making Innovation work*, How to manage it, Measure it and profit from it. Prentice Hall, Upper Sanddle River, New Jersey USA.

Evans, C. (2008). *Taxation compliance and administration costs*: an overview

Enkel, E., Perez-Freije, J. & Grassmann, O. (2005). *Minimizing market risks through customer integration in new product development*, Learning from the bad practice, Creativity and Innvation Management.

Frame, W.S and White, L.J (2002): *Empirical studies of financial innovation*: Lots of talk, Little actions, FRB Atlanta Working paper No. 2002-12.

Frank, H. (1989). *General and Industrial Management* London, United Kingdom.

Fortin, B., Lacroix, G., & Villeval, M.C. (2004). *Tax evasion and social interactions*

Fjeldstad, H.O. and Heggstand, K.K. (2011). *The tax system in Mozambique, Tanzania and Zambia*; capacity and constraints.

Fjeldstad , O.H. (2019). *Electronic Fiscal Devices Lesson from the Region and Mainland Tanzania.*

Goodspeed, J.T. (2013). *Taxation and FDI in developed and developing countries.*

Gruber, G.A. and Ogut, H. (2014). *Environmental factors affecting innovation strategies of Companies:* Customers and Suppliers effect.

Gronroos, C. (2000). *Services management and marketing*, A customer relationship approach, west Sussex, UK John Wiley and Sons.

Gaya, H.J., Struwig, M. &Smith, E.E. (2013). *Creating a sustainable competitive advantage at a high performing firm in Kenya*, African Journal of business management , 7(21) 2049-2058.

Gunday, Gurhan and Ulusoy, Gunduz and Kilic, Kamal and Alpkan, Lutfihak (2011). *Effects of Innovation types on Firm performance*, International Journal of production Economic 133,662-676.

Hager, R.M. (2006). An *empirical evaluation of innovation types and organizational* and Administration Research and Theory, 18(4), 591-615.

Hull, E.C and Lio, H.B (2007). *Innovation in non-profit and profit organizations*; Visionary strategies and financial considerations, Journal of change management, Volume 6.

Hurwich, D. (2001). *Tax avoidance discussed*: The Chartered Institute of Taxation.

Hilman, H. & Kaliappen, N(2014). *Market orientation practices and effects on organizational performance*. Empirical insight from Malaysian Hotel Industry.

Hogan, S.J., and Coote, I.V. (2014). *Organizational Culture, Innovation, and performance*, A test of Schein's Model, Journal of business Research.

Jemenez, G., Macantsionnaigh, N., & Kamenov, A. (2013). *Information technology for tax administration.*

Karakas, A., Oz, Y. & Yildiz, R.S (2017). *The effects of innovation activities an organization performance,* Journal of recreation and tourism research.

Kaplan, R. and Norton, D. (1992): *The balance score card measures that drive performance,* Harvard Business Review, 79.

Kapera, O.M. (2017). *Assessment of the effectiveness of electronic fiscal devices (EFDs) in tax collection in Tanzania,* A case of Arusha City Council. Masters' Dessertation in Business Administration .Open University of Tanzania, Dar es salaam.

Langley, D.J., Pals, N & Ort, J.R (2005). *Adoption of behavior;* Predicting success for major Innovations, European Journal of Innovation Management (8), 1, 56-78

Liang, L. (2010). *Service innovation in Chinese Aviation industry*: The case of Chinese Low Cost Carrier

LaMorte, W.W. (2019). *Behavior Change Model*

Maphumula, F. and Njenga, K. (2019). *Information technology in tax administration*: Digitzing tax payment trust and information security risk, IEEE , Cape town, South Africa.

Mahangila, D.N. (2017). *The impact of tax compliance costs on tax compliance behavior*

Microsoft and PWC (2018). *Digital Transformation of Tax administration.*

Martini, M. (2014). *Approaches to curbing corruption in tax administration in Africa:* Transparency international.

Mahapatro, B.B. (2013). *Organization performance*, human resources management.

Mills, L (2017). *Barriers to increase tax revenues in developing countries*

Mughal, M.M. and Akram, M. (2012). *Reasons of tax avoidance and Tax evasion*: Reflection from Pakistan.

Myers, S. & Marquins, D.G (1969). *Successful industrial innovations:* A study of Factors underlying innovation in selected Firms. National Science Foundation.

OECD and Eurostat (2005): *Guidelines for collecting and interpreting innovation data* 3rd edition, Paris, France.

OECD (2008): *United Nations conference on trade and development*: Asycuda World report 2008.

OECD (2011). *United Nations conference on trade and development*: Asycuda World report 2011.

OECD (2017). *Technology tools to tackle tax evasion and tax fraud.*

Olatunji, C.O & Ayodele, B.K. (2017). *Impact of Information Technology on Tax Administration in Southwest, Nigeria*. Global Journal Inc. Global Journal of Management and Business Research, Vol.17 USA.

Oxford (2016). *Global tax fairness*: Oxford University press, New York 1006 USA.

Oman, M. (2008). *Measuring innovation in developing countries,* Regional workshop on science and Technology Statistics by Institute of statistics.

Pisano, G.P. & Teece, D.J. (2011). *How to capture value from innovation:* shaping intellectual property and industry architecture, California management review, 50(1), 278-296.

Philips, J. (2010). *Resources knowledge and influence:* the organizational effects of interorganizational collaboration, Journal of management studies, 40(2) 321-347.

Rosli, M.M, & Sidek. S. (2020). *Innovation and Firm performance*; Evidence from Malaysian Small and Medium Enterprises.

Salim, M.I& Sulaiman, M. (2011). *Impact of organizational innovation on Firm performance:* Evidence from Malaysian-Based ICT Companies.

Suchag, K.A., Solangi, R.S., Larik, A.S.R., Lakho, K.M., & Tagar, H.A (2017). *Relationship of Innovation with organizational performance:* International Journal of Research.

Subramanian, A. and Nilakanta, (1996). *Organisational Innovatiness*, Exploring the relationship between organizational determinant of innovation, types of innovation and measures of performance: International Journal of Management Science, 24(6),631-47

Tanzania Revenue Authority (2011). *Tax administration reforms in Tanzania:* experience and challenges.

Tanzania Revenue Authority annual report 2014/2015

Tether, B.S. (2003). *What is Innovation?* Approaches to distinguishing new products and processes from the existing, Journal of marketing, 21-3-8.

Visnjic, I. (2010). *When is service oriented business Model Innovation effective?* Case study in service innovation, Centre for service research, University of Manchester UK.

World Bank (2006). *Tax modernization project to the United Republic of Tanzania.*

World Bank and International Finance Corporation (2014): *Doing Business*

World Banlk (2017). *Tanzania DTIS update Boosting growth and prosperity through Agribusiness, Extractives and Tourism.*

Zelga, K. (2017). *The importance of competition and enterprise competitiveness,* World Scientific News.