



# **ROLE OF ORGANIZATIONAL STRUCTURE IN KNOWLEDGE MANAGEMENT EFFICIENCY AND TAX ADMINISTRATION PERFORMANCE: A CASE STUDY OF FEDERAL INLAND REVENUE SERVICE NIGERIA**

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## **Abstract**

*Knowledge management (KM) is one of the management strategies deploy to improve organizational performance in this era of knowledge-based economy. However, KM needs to be implemented efficiently in order to improve organizational performance. This study explained the essential roles of organizational structure in improving KM efficiency in order to improve tax administration performance in Nigeria. Twelve (12) tax administrators were interviewed face-to-face using Federal Inland Revenue Service in Nigeria as a single case study. This study found that flexible organizational structure through the mechanisms of free flow of knowledge and*

*information improves KM efficiency and tax administration performance in Nigeria. Furthermore, it recommends improvement of intranet network that is use for e-mail services to disseminate knowledge and information promptly.*

*Keywords: Knowledge flow, information flow, organizational structure, knowledge management, performance, tax administration*

## **INTRODUCTION**

Empirical and theoretical studies have shown that knowledge management (KM) improves organizational performance (Rosdi, Chew, Samsudin, & Hassan, 2016; Tan, 2016; Ragsdell, 2016; Yahyapour, Shamizanjani, & Mosakhani, 2015). In this era of knowledge-based economy, KM is a critical strategy that improves organizational performance (Idris & Kolawole, 2016; Downes & Downes, 2014; Birasnav, 2014; Farzin, Kahreh, Hesani, Khalouei, 2014; Yousif, 2012; Huang & Lai, 2012). However, efficiency and effectiveness of KM in improving organizational performance depend on its proper implementation. Several organizations implement KM without proper consideration of the critical success factors (CSF) need for its efficient and effective implementation. According to Busanad (2016), KM implementation in organizations fail as a result of non-recognition of the CSF that engender efficient and effective implementation of KM. Also, Obaide (2004) stated that several organizations implement KM without strategy and formal KM framework while others have it as a policy without practical implementation which leads to KM failure.

In continuation, success of KM in organizations requires proper consideration and involvement of the CSF required for KM implementation. Therefore, all organizations that employ KM as strategy to improve performance need to properly consider KM CSF. Idris and Kolawole (2016) and Jackson, Zuo, Zhao, Zillante, and Feng (2015) emphasized on the importance of KM CSF. According to them, it provides fundamental elements necessary for successful implementation of KM in an organization and build an ideal KM system that enhance organizational performance. KM CSF can be explained as the essential parameters or elements for successful and impactful KM implementation that improve organizational performance (Idris & Kolawole, 2016; Downes, 2014; Birasnav, 2014; Farzin et al., 2014; Yousif, 2012; Huang & Lai, 2012). One of the CSF for KM identified in literature is organizational structure (Downes, 2014; Mahmoudsalehi, Moradkhannejad, & Safari, 2012; Yousif, 2012; Allameh, Zare, & Davoodi, 2011; Zheng, Yang, & McLean, 2010).

Although, literature shows that organizational structure is a CSF that improve KM efficiency. However, the literature on organizational structure as a factor that enhance KM in public organization is limited especially tax administration. The few literature on organizational structure as factor that improve KM efficiency are in private sector. Moreover, most of the studies on organizational structure are on centralization organizational structure. There are four categories of organizational structure in literature. These are integration, centralization, complexity and formalization (Mahmoudsalehi, Moradkhannejad, & Safari, 2012). This study focused on flexible organizational structure which is an aspect of formalization organizational structure. There is limited literature on formalization organizational structure.

In continuation, improving KM efficiency through flexible organizational structure can improve tax administration efficiency in Nigeria that is characterized with low performance. Gurama (2019) stated that tax administration performance in Nigeria is low. In the same vein, Pantamee (2018) posits that tax revenue generation in Nigeria is low which is cause by low tax administration performance. Hence, tax administration in Nigeria needs improvement and studies have shown that KM can improve tax administration performance. On this note, Rosdi et al. (2016) said KM increases tax revenue generation. In the same vein, Sejdija (2012) posits that KM improves tax administration performance. The objective of this study is to explain how organizational structure can improve KM efficiency in order to enhance tax administration performance in Nigeria.

## LITERATURE REVIEW

### Organizational Structure

In literature, organizational structure is broadly categorized into four. These are integration, centralization, complexity and formalization (Mahmoudsalehi, Moradkhannejad, & Safari, 2012). Organizational structure from integration perspective is the extent to which functions of different players in an organization are coordinated using formal mechanism (Ghani, Jayabalan, & Sugumar, 2002; Robbins, 1990). Integration involve allocation of job function and administrative mechanism through control and integration of job activities. Furthermore, centralization organization structure is the extent of concentration of power to take decision and evaluation of activities at the top management of an organization (Mahmoudsalehi, Moradkhannejad, & Safari, 2012). Highly centralized organizational structure hinders interaction between members of organization, negatively affects the opportunity for individuals to grow and advance and inhibit creative solution to problem.

In addition, complexity organizational structure is the extent of distinguishing diverse functions in respect of objectives, job, orientation and level of autonomy in an organization

(Mahmoudsalehi, Moradkhannejad, & Safari, 2012). Formalized organizational structure is the extent to which work in an organization is standardized, and degree to which behavior of employees is guided by procedures and rules (Mahmoudsalehi, Moradkhannejad, & Safari, 2012). Highly formalized organizational structure comprises of explicit procedures and rules which limits freedom and flexibility required for innovation internally. Furthermore, according to Chen, and Huang (2007), standardization limits members of organization engagement in alternative behavior, and willingness to discuss alternative knowledge available. This is because organization preprogram jobs and there is less need for discussion on how to execute tasks. On the other hand, less formalized organizational structure encourages freedom and flexibility to discuss alternative knowledge available and enhances internal innovation. This study focused on flexible organizational structure which involves free flow or sharing of knowledge and information to improve KM and tax administration efficiency.

### **Organizational Structure and Knowledge Management Efficiency**

There are literature on how organizational structure improve KM efficiency in organizations (Downes, 2014; Mahmoudsalehi, Moradkhannejad, & Sfari, 2012; Yousif, 2012; Allameh, Zare, & Davoodi, 2011; Zheng, Yang, & McLean, 2010). According to Mahmoudsalehi Moradkhannejad and Safari (2012), organizational structure impacts KM processes as it determines the ways and rates of communication between members of organization. They further stated that organizational structure specifies point (place) where decision is taking in an organization which affect efficiency and effectiveness of new knowledge implementation. Zheng, Yang, & McLean (2010) said structural impact on KM improves organizational efficiency, effectiveness and performance through pattern of knowledge organization, KM activities coordination, and the degree to which practices of KM are entrenched in routine job processes in an organization. Downes (2014) and Vitari, Moro, Ravarini, and Bourdon (2007) argued that organization structure influence KM efficiency. Furthermore, bureaucratic structure hinders free flow of information and knowledge. Organizations that are characterized with strong hierarchy structures adversely affects knowledge flow.

In continuation, Riege (2005) and Syed-Ikhsan and Rowland (2004) posit that knowledge transfer flourish when organizational structure encourages free flow of information with limited boundaries between business units and management levels. Roper, and Pettit (2002) and Dodgson, (1993) said organizational learning is maximized through shaping of organizational structure. Yousif (2012) also affirm that structure of organization affects KM therefore, organizations should institute structure that stimulate continuous knowledge sharing and creation. Thus, decentralized organizational structure is better for organizations as it

improves sharing of ideas and interaction which result to creation of new knowledge. According to Mahmoudsalehi, Moradkhannejad and Safari (2012) decentralized organizational structure enhances KM efficiency. On the other hand, centralized organizational structure negatively affects KM efficiency. In addition, there is need to adopt flexible organizational structure that enable free flow of knowledge in an organization as it enhances knowledge sharing, creation of new knowledge and ultimately improve KM efficiency and organizational performance.

## **METHODOLOGY**

This study used qualitative paradigm to explain how organizational structure improves KM efficiency and tax administration performance in FIRS. According to Yin (2009), qualitative paradigm is suitable for research that provide answer to “how and why” research questions. In addition, this study used single case study to collect data from tax administrators at FIRS. Twelve (12) tax administrators were interviewed face-to-face at FIRS. Thus, instrument for data collection was face-to-face interview and sample size is twelve (12) tax administrators. According to Guest, Bunce, and Johnson (2006), minimum of six (6) and maximum of twelve (12) participants is saturation point in qualitative research of single organizational case study. This study employed qualitative paradigm and it is a single case study on FIRS. Therefore, twelve (12) participants as sample size is a saturation point for this study. Furthermore, NVivo 10 qualitative software was used to analyze the data collected through interview thematically. Process of analysis for this study includes transcription of recorded interview, coding of data, selection of themes and identification of relationships. Next section discussed results of the interview for the present study.

## **RESULTS**

Organizational structure is one of the CSF that improves KM efficiency and tax administration performance. There are diverse dimensions of organizational structure. Dimensions of organizational structure include integration, centralization, complexity and formalization. This study focused on flexible organizational structure which is an aspect of formalization organizational structure. Highly formalized knowledge and information structure in an organization limits flexibility of knowledge and information sharing while less formalized knowledge and information structure enhances flexibility of knowledge and information sharing. In FIRS, participants in the interview acknowledged that organizational structure improves KM efficiency and tax administration performance. On this note, participants emphasized on free flow of knowledge and information as attributes of flexible organizational structure that improves KM efficiency and tax administration performance. Thus, thematic

analysis of interview identified free flow of knowledge and information as mechanisms of organizational structure that improves KM and tax administration performance. Therefore, analysis showed strong connection between free flow of knowledge and organizational structure. In the same vein, there is strong connection between free flow of information and organizational structure. Next sections present free flow of knowledge and information as attributes of flexible organizational culture.

### **Knowledge Flow**

In FIRS, knowledge flow freely in both direction from top downward and down to the top depending on the origin of the knowledge. Hence, when knowledge originated from the top, it flows downward freely vis-a-vis when it originated from down. In continuation, Knowledge flow between and within departments/groups and units at FIRS. Furthermore, e-mails and meetings are mechanism that enhance free flow of knowledge and information at FIRS. These connote flexible organizational structure in respect to KM at FIRS. On this note, participant 10 stated that:

Flexible organizational structure is critical to knowledge management efficiency and us as an organization. We have channels of communication as a structured organization. We have units, divisions and departments/groups. You communicate with your divisional head, departmental head or your director. We have a line of communication. Information and knowledge flow from top to the bottom and bottom to the top via e-mails and meetings as medium of communication in FIRS (Participant 10, *Tax Officer II*). Also, participant 2 explained that: Flexible organization structure is very critical to knowledge management efficiency. The management ensures that we have a very good and flexible organizational structure that helps us carry-out our duties, functions and free flow of knowledge. It is very important to have the right people placed in a right position. It is also important that the organizational structure is flexible to allow things and processes. Knowledge are shared and pass to staff during meeting. Leaders ensure free flow of information and knowledge in FIRS (Participant 2, *Assistant Director*).

In addition, participant 11 asserts that: Flexible organizational structure is critical to knowledge management and FIRS. For example, free flow of information is very important for us to be able to know what is happening within departments in the service. Meetings at management, department and unit assist in knowledge dissemination and enhance free flow of knowledge (Participant 11, *Manager*). Furthermore, participant 12 said: Flexible organizational structure is critical to knowledge management efficiency in FIRS. We have flexible structure in FIRS. Knowledge spread through meeting and e-mails, from top down vis-a-vis at FIRS

(Participant 12, *Senior Manager*). Participant 6 noted thus, Flexible organizational structure is also critical to knowledge management. There is flexible organizational structure in FIRS. E-mail and memo are used to disseminate knowledge and information at all levels in FIRS (Participant 6, *Manager*). In the same vein, participant 7 posits that: Flexible organizational structure is very critical to knowledge management and organizational performance. Whatever you do should be flexible. Let it flow. In FIRS, knowledge flow freely within staff through regular meetings (Participant 7, *Director*).

These statements showed that free flow of knowledge is connected to flexible organizational structure. In the same vein, flexible organizational structure enhances KM efficiency in tax administration. Participants demonstrated that knowledge flow via meetings and e-mails at FIRS. Free flow of knowledge enhances knowledge dissemination in FIRS. Next section explained information flow as mechanism for flexible organizational structure.

### **Information Flow**

Another vital component of flexible organizational structure in FIRS as explained by participants in the interview is free flow of information. Information flow through e-mails and meetings at FIRS. It also, flow freely downward and upward depending on the origin of the information. In line with this, participant 1 explained that:

Flexible organization structure is very key to knowledge management efficiency. Every Tuesday, there is management meeting where our directors meet. Any decision taken is communicated to the department a director oversees. We also have outlook where information is shared within the service electronically. My subordinates have to come through me. I send to my director who then moves up with the information. That is how information flows within the service (Participant 1, *Deputy Director*). In the same vein, participant 3 posits that: Flexible organizational structure is very critical, and I can speak very well for my department in this regard. Information flow in my department is not restricted. If you need information you should only ask whoever is in possession of that information. There is nothing hidden. But when it has to do with external body, you can't just ask me for information without following the right processes and expect me to attend to you. We are not rigid as per holding information that is supposed to be divulged. The information flows top-down. Meeting and e-mail are avenue for divulging information in FIRS. Any information that is meant for everybody, our director shares it with us via email, in the meeting and other means of communication (Participant 3, *Senior Manager*).

Additionally, participant 4 added that: With the recent restructuring going on, there is no room for holding information. FIRS is just like a banking sector. Any staff is available to any

taxpayer. Flexible organizational structure is very critical to knowledge management process. Information flow from top to all staff during meeting. Thus, information flow freely from the top downward and from down to the top through meetings in FIRS (Participant 4, *Manager*). Also, participant 8 stated that: Flexible organizational structure is very critical to knowledge management process and FIRS. Whatever we do is backed by our organizational structure. Structure in FIRS is flexible. Meetings normally hold from management level to department and unit. The essence of meeting is to disseminate information and knowledge to staff about new issues in the service (Participant 8, *Deputy Director*).

Furthermore, participant 9 asserts that: Flexible organizational structure is very important to knowledge management process in FIRS. In this regard we are doing excellently. We have the weekly meeting after which the heads of the units with their staff discuss whatever information that is being shared at that level. Likewise, whenever a head of department goes for a function with the top management, he makes sure that the information goes to all the staff. I think we are doing very well in that regard (Participant 9, *Senior Manager*). According to participant 5: Organizational structure is also very critical because if not bureaucracy can kill the idea of knowledge management. Flexible organizational structure is very important as it ensures how information flows within the organization. There are several channels through which information flow in FIRS. These channels include memo, e-mail and meeting. FIRS as an organization encourage free flow of information because it depends on information for its operations (Participant 5, *Manager*).

These expressions showed that free flow of information is an essential component of flexible organizational structure which is critical to KM efficiency at FIRS. Information flow freely via meetings and e-mails as channel at FIRS. Thus, organizational structure is flexible in FIRS in terms of free flow of information. Free flow of information enables prompt dissemination of relevance information that improve KM at FIRS.

Summarily, free flow of knowledge and information are vital components to flexible organizational structure. In the same vein, flexible organizational structure is critical to KM efficiency and tax administration performance at FIRS. This is because free flow of knowledge and information facilitates knowledge creation, and dissemination which is employ for tax administration processes at FIRS. Knowledge and information flow through meetings and emails in FIRS. However, network fluctuation/failure of intranet system negatively affects knowledge and information flow through e-mails. Hence, there is need to improve intranet network at FIRS for smooth e-mail services. Next section discussed the finding of this study.



## DISCUSSIONS

Organizational structure is one of the essential factors for KM efficiency and tax administration performance. This study explained the critical roles of organizational structure as a factor that improves KM efficiency and tax administration performance. Based on the interview administered on tax administrators at FIRS, the study found that flexible organizational structure (free flow of knowledge and information) enhances KM efficiency and tax administration performance at FIRS. The finding of this study is in line with Downes (2014) and Mahmoudsalehi, Moradkhannejad and Safari (2012). For instance, Downes (2014) found that flexible organizational structure enhances KM efficiency in community service organizations in Australia. In the same vein, Mahmoudsalehi, Moradkhannejad and Safari (2012) who analyzed the connectivity between formalized organizational structure and knowledge creation, sharing and utility found lack of connectivity between the elements. Hence, their study affirmed that less formalized (flexible) organizational structure is connected to knowledge creation, sharing and utility.

Additionally, the finding exposed free flow of knowledge and free flow of information as components of flexible organization structure that improve KM in tax administration at FIRS. Free flow of knowledge engenders knowledge creation and transfer which enhances KM efficiency and tax administration performance. In the same vein, free flow of information facilitates knowledge dissemination, KM efficiency and tax administration performance. Practical and theoretical knowledge are transferred and disseminated via free flow of knowledge and information at FIRS. In FIRS, channels for knowledge and information flow are meetings and e-mails. However, finding showed that intranet network failure negatively affects knowledge and information transfer and dissemination through e-mails. Therefore, FIRS should employ strategy to improve intranet network for efficient e-mail services. Intranet gadgets should be upgraded and constantly maintained for efficient e-mail services.

## CONCLUSION

In conclusion, the present study contributed to literature in KM and tax administration by explaining organizational structure as input factor for KM efficiency and tax administration performance. Accordingly, KM efficiency and tax administration performance can be enhanced through mechanisms of free flow of knowledge and information as flexible organizational structure. Thus, free flow of knowledge and information enhances knowledge creation, dissemination and transfer at FIRS. Practical implication of this study is that tax revenue would be increased to improve Nigerian economy through KM efficiency and tax administration performance. Hence, there is need to improve knowledge and information transfer and

dissemination by improving intranet network that is use for e-mail services. Quality intranet infrastructures are required to improve its network. Furthermore, constant maintenance of intranet infrastructures and network is required. Intranet is one of the channels for transfer and dissemination of knowledge and information in FIRS and tax administration. Therefore, improving intranet network will engender prompt transfer and dissemination of knowledge and information at FIRS. The limitation of this study is that it focused on only one of the critical success factors (CSF) that improves KM efficiency and tax administration performance. There are other CSF such as human resource, training, leadership and motivation which are not study by this research. Future research should focus on these CSF.

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