

## CAPABILITY DOES NOT TRAVEL: WHY PROFICIENCY AT COLLECTING ONE REVENUE STREAM DOES NOT TRANSFER

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### ABSTRACT

An organization that collects one revenue stream well is commonly assumed to be capable of collecting another. This article argues that the assumption is unfounded and specifies the conditions under which it fails. It develops a conceptual account in which revenue collection capability decomposes into four components — identification of the liable party, valuation of the liability, timing of the collection event, and enforcement against non-payment — and shows that these components are instrument-specific rather than general. An organization proficient on an instrument where the liable party is registered, the valuation is administratively determined, the collection event recurs annually, and enforcement operates through a renewal requirement will possess none of the corresponding capabilities for an instrument where the party must be identified, the valuation self-assessed, the event irregular, and enforcement dependent on audit. The article illustrates the argument with an organization holding both types and shows that its performance on the two differs in the direction predicted. It draws three implications: that recommendations to diversify revenue understate the capability investment required, that the interval between announcement of a revenue loss and its effect is less useful than its length suggests, and that assessments of administrative capacity should be instrument-specific rather than organizational. The account is conceptual; the empirical material illustrates rather than tests it.

## 1. INTRODUCTION

Advice to organizations facing revenue concentration is nearly always to diversify. The advice is sound in principle and is offered as though the constraint on following it were willingness rather than capability. This article examines the capability side, and argues that revenue collection capability is far less transferable between instruments than the diversification recommendation assumes.

The claim is not that organizations cannot learn. It is that what they have learned on one instrument is largely inapplicable to another, so that diversification requires building rather than redeploying, and building takes longer than the horizons over which such advice is usually offered.

The article develops the argument conceptually, decomposing collection capability into four components and showing that each is instrument-specific. It then illustrates the account with an organization that holds two instruments differing on all four components and whose

performance on them differs accordingly. The empirical material illustrates; it does not test, and Section 5 states why.

## **2. LITERATURE REVIEW**

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### ***2.1 The general claim***

That capabilities are specific rather than general is well established in principle and frequently forgotten in application. Helfat (2022) argues explicitly that dynamic capabilities are defined relative to a particular external environment, so an organization proficient at adapting to one kind of change need not be proficient at adapting to another. Riviere, Zámorský and Dumoulin (2025) develop the point through founding imprint, showing that the environment an organization was originally configured to read continues to shape what it notices and how it responds.

Mohaghegh and Größler (2021) supply the mechanism at the level of routines: organizations default to the problem-solving mode their existing routines support, so a novel problem is approached with instruments developed for a different one. Fang, Kim and Yang (2025) show that learning in temporally complex problems depends on external knowledge the organization must deliberately acquire rather than on accumulated internal experience. De Abreu Saraiva Monteiro Alves and Carvalho (2025) locate the antecedents of organizational dynamic capability in specifically managerial capability, which is itself developed in a domain.

Colombo, Piva, Quas and Rossi-Lamastra (2021) add the temporal dimension that matters most for the present argument. Studying ventures after an environmental jolt, they find that dynamic capabilities operate principally through the speed of resource reconfiguration after the disturbance rather than through anticipation of it. An organization that foresees a shock is not thereby able to reconfigure before it arrives.

### ***2.2 Why revenue collection is a hard case for transfer***

Revenue collection might be thought an easy case for capability transfer, since the output is money and the process is administrative in both instances. The article argues the opposite, and the reason is that the administrative process differs at every stage that matters.

The four components are as follows. Identification determines who owes: on some instruments the liable party is on a register the organization maintains, on others the organization must find them. Valuation determines how much: on some instruments the amount follows mechanically from recorded attributes, on others it is asserted by the taxpayer and must be checked. Timing determines when: some liabilities recur on a fixed cycle, others arise from irregular events the organization does not control. Enforcement determines what happens on non-payment: some instruments are secured by a renewal or registration requirement the taxpayer needs for other purposes, others require audit, assessment and recovery proceedings.

Each component is supported by different assets. Identification rests on registers and data integration; valuation on schedules or on audit capability; timing on transaction infrastructure or on monitoring; enforcement on a secured hook or on legal process and case management. An organization strong on one configuration holds assets that are, for the other configuration, close to irrelevant.

### ***2.3 The response set when capability is absent***

If capability does not transfer, the response available to an organization facing loss on one instrument is narrower than the instrument set it nominally holds. Oliver (1991) sets out the classic repertoire of strategic responses to institutional pressure and observes that it narrows as coercive force rises; Wu, Wang, Tong and Zhang (2025) show responses tailored to the type of challenge; and Ren, Yan, Yao and Du (2025) find agency in institutional change conditioned by political connection and by the time horizon of those to whom the organization answers. Where the coercive source is a statute and the alternative instruments require capabilities the organization lacks, the repertoire reduces to absorption.

The exposure literature reaches the same place from the risk side. Li (2024) finds firms adapting to exposure principally where they control the exposed asset; Hudson and Morgan (2024) trace how sector exposure becomes firm-specific risk through governance channels that determine what the firm can do; Liang and Bo (2025) locate resilience in strategic rather than structural adjustment; and Vanneste and Gulati (2022) show external arrangements performing differently in downturns. Bor and Cropper (2023), extending meta-organization theory to resource flows, supply the frame for cases where the organization and the entity generating its revenue are formally separate. Choi and Kim (2026) and Hood, Hood and Garrett (2026) show that external accountability and monitoring reshape conduct durably, which bears on whether reporting obligations attached to a shared instrument will change behaviour or merely record it.

Two findings from the tax literature complete the picture by identifying which component is doing the work. Bagchi (2025) shows that collection at source raises compliance sharply because it removes the payer's discretion over remittance — an enforcement-component property, not a general administrative virtue. Sen and Wallace (2022) show that revenue productivity under a shared instrument depends on collection effort the beneficiary may not control, which is an identification and enforcement property rather than a matter of organizational competence. Both results locate performance in instrument design rather than in the collector.

### ***2.4 Two propositions***

The account yields two propositions. The first is that performance differences between instruments held by the same organization will follow the configuration of these four

components rather than the organization's general competence, so an organization may be simultaneously strong on one instrument and weak on another with no inconsistency.

The second is that the time required to develop capability on a new instrument is determined by how many of the four components must be built rather than by the organization's existing proficiency. Where all four differ, prior proficiency contributes little and the required interval is that of building an administration from the beginning.

The propositions have an immediate corollary for the diversification recommendation. Advice to develop alternative revenue sources is advice to build on components the organization does not have, and its feasibility depends on how many. That count is rarely performed before the advice is given.

### 3. METHOD

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This article is conceptual in its principal claim and illustrative in its use of evidence, and the method section states what that means so that the weight carried by each part is clear.

The conceptual component proceeds by decomposition. Revenue collection is treated as a sequence of four distinct administrative acts — identifying the liable party, valuing the liability, timing the collection event, and enforcing against non-payment — and each is examined for the assets and routines it requires. The decomposition is derived from the design features of revenue instruments as they appear in statute and regulation rather than from observation of practice, and its warrant is that each component can be specified independently of the others and that instruments can be shown to differ on each separately. The account is then used to derive two propositions and a corollary, stated in Section 2.4.

The illustrative component applies the decomposition to one organization holding instruments of both configurations. Instruments are coded on the four components from their statutory and regulatory design: Law No. 1 of 2022 and Provincial Regulation No. 12 of 2023 for the vehicle instruments, and the corresponding provisions for the surface water abstraction and heavy equipment taxes. Realized revenue by instrument for fiscal year 2024 is taken from the provincial revenue agency's reporting and from the audited regional financial statements; attainment figures for the two vehicle instruments in fiscal year 2025 are from the agency's operational dashboard.

Three features of this design bound what can be concluded. The coding of instruments on the four components is made by the authors from published legal texts and is a judgement rather than a measurement; a different coder might place a given instrument differently, particularly on valuation, where the boundary between an administratively determined and a self-assessed amount admits degrees. The organization is one, so the comparison is within-case and cannot distinguish configuration effects from organizational effects. And the revenue figures record outcomes rather than the capability that produced them, so the correspondence between configuration and yield is consistent with the account without being evidence for it

against alternatives. Section 4.3 states the principal alternative and concedes that the data cannot exclude it. Table 1 compares the component configuration of the two instrument types.

## 4. RESULTS AND DISCUSSION

### 4.1 An organization holding both configurations

The provincial revenue administration of Central Java, Indonesia, holds instruments of both types. Its two largest are motor vehicle tax and vehicle transfer duty, levied on a registered fleet through joint service offices; among its smaller instruments are a surface water abstraction tax and a heavy equipment tax, which differ on every one of the four components.

**Table 1. Component configuration of two instrument types**

| Component      | Vehicle instruments                          | Abstraction and equipment instruments     |
|----------------|----------------------------------------------|-------------------------------------------|
| Identification | Registered fleet maintained by the authority | Liable party must be located and enrolled |
| Valuation      | Schedule applied to recorded attributes      | Depends on measured or declared use       |
| Timing         | Annual cycle, or at transfer                 | Continuous or irregular use               |
| Enforcement    | Secured by the renewal requirement           | Requires inspection and recovery process  |

Configuration derived from the statutory and regulatory design of the instruments; see Provincial Regulation No. 12 of 2023 and Law No. 1 of 2022.

The vehicle instruments have the favourable configuration on all four components. The taxpayer is on a register the authority itself maintains; the amount follows from a published schedule applied to recorded vehicle attributes; the liability recurs annually or arises at a transaction the authority processes; and payment is secured because the taxpayer requires the registration document for lawful use of the vehicle.

The other instruments have the unfavourable configuration on all four. There is no comprehensive register of abstractors or equipment operators; the liability depends on use rather than on a recorded attribute; use is continuous or irregular rather than cyclical; and there is no document the taxpayer needs that payment is a condition of obtaining.

### 4.2 The performance difference

Realized revenue in fiscal year 2024 was distributed as the account predicts. Motor vehicle tax produced IDR 5.47 trillion and vehicle transfer duty IDR 3.10 trillion, together 60.3 per cent of provincial tax revenue. The surface water tax produced IDR 18.9 billion, or 0.13 per cent of tax revenue, and the heavy equipment tax IDR 51.96 million, less than 0.01 per cent.

The ratio between the largest and smallest is of the order of one hundred thousand to one. Some of that difference reflects base size, and the article does not claim otherwise: there are more vehicles than there are licensed abstractors. But the surface water instrument

operates in a province with substantial industrial and agricultural abstraction, and a yield of 0.13 per cent of tax revenue is not plausibly the whole of what the base could support.

A second observation from the same organization is reported in related work: on the two vehicle instruments themselves, attainment against target differed markedly, at 90.0 per cent for the annual tax and 68.3 per cent for the transfer duty. Those instruments share identification, valuation and enforcement configuration and differ on timing — the annual tax recurs on a cycle, the transfer duty depends on a transaction the taxpayer initiates. That the difference appears on the one component where they diverge is consistent with the account developed here, though a single comparison cannot establish it.

### **4.3 Discussion**

Three implications follow from the account, and one qualification bounds them.

The first concerns diversification advice. Recommending that a revenue administration develop under-used instruments is recommending that it build identification, valuation, timing and enforcement capability it does not have. Öztürk and Bağış (2025), synthesizing resource dependence with the resource-based view, argue that dependence must be assessed jointly with the internal resources available to reduce it; applied here, the assessment would establish before the recommendation is made how many components must be built. Where the answer is four, the recommendation is a multi-year capability programme rather than a policy adjustment, and should be described as such.

The second concerns the value of advance notice. Where an organization learns that it will lose revenue on a fixed future date, the interval is useful in proportion to what it can build within it. Colombo and colleagues (2021) find dynamic capabilities operating through post-shock reconfiguration speed rather than through anticipation; Helfat (2022) and Riviere and colleagues (2025) explain why the organization's attention remains configured to the environment it already occupies. Three years of notice permits planning for a smaller budget; it does not permit acquiring an administration for a different instrument.

The third concerns how administrative capacity should be assessed. Capacity is customarily attributed to organizations — a revenue authority is described as strong or weak. Kim and Kang (2024), Tran and Dollery (2022) and Collazos-Ortiz and Schakel (2023) each measure administrative intensity or efficiency at organizational level and relate it to fiscal outcomes; Pill (2024) argues that capacity is a property of apparatus rather than of resources. The account here suggests a refinement: apparatus is instrument-specific, so an organization may be strong on the instruments its apparatus fits and weak on others, and an organizational score averages across a distinction that matters.

The qualification is important and limits all three. The empirical material illustrates the account; it does not test it. A test would require observing several organizations holding instruments with varying component configurations and establishing that performance follows configuration rather than organizational characteristics. The material presented here is

consistent with the account and equally consistent with a simpler explanation — that small instruments receive little attention because they are small — which the data cannot exclude. The account should be read as a proposal for how to look, not as a finding.

#### **4.4 Which component binds hardest**

The account treats the four components as equally necessary, since a failure in any one defeats collection. It does not follow that they are equally difficult to build, and the difference matters for anyone acting on the diversification corollary. Ordering them is a conjecture the case cannot test, but the reasoning can be set out.

Enforcement appears to be the binding component, because it is the only one that cannot be built by the revenue administration acting alone. Identification requires a register, which is a data-collection exercise. Valuation requires a schedule or an assessment method, which is a drafting exercise. Timing is largely given by the instrument's design and requires the administration to align its processes to it. Enforcement, by contrast, requires a consequence the taxpayer wishes to avoid, and where the instrument carries no natural hook — no document the taxpayer needs, no service that can be withheld — the consequence must come from a recovery process operating through other institutions. The vehicle instruments illustrate the point from the favourable side: their enforcement is secured not by anything the revenue administration does but by a registration requirement imposed for unrelated reasons of road safety and policing.

Identification is plausibly second. A register of vehicle owners exists because vehicles must be registered; a register of water abstractors exists only if someone builds it, and building it requires locating parties who have an interest in not being located. This is the component on which the surface water instrument most obviously fails, and it is also the component whose absence is least visible in reporting, because an unidentified taxpayer generates no record of non-collection.

If this ordering is right, it has a practical implication that inverts the usual sequence of reform. Diversification programmes commonly begin with valuation — setting rates, publishing schedules, drafting the regulation — because that is the component most amenable to legislative action and the one that produces a visible instrument. The ordering proposed here suggests that a programme beginning there will produce a well-specified tax nobody pays, which is a reasonable description of the heavy equipment instrument examined above.

#### **4.5 Two objections**

The first objection is the simpler explanation already conceded in Section 4.3: small instruments perform poorly because they receive little managerial attention, and attention follows revenue rather than configuration. This account explains the same data and requires no decomposition. Two considerations bear on it without settling it. It is circular as stated — the instruments are small because they are neglected and neglected because they are small —

and breaking the circle requires explaining why they were small initially, at which point the configuration account becomes relevant again. And it predicts that attention would be sufficient to raise yield, which is testable: an administration that directs substantial effort at an unfavourably configured instrument and finds yield unmoved would distinguish the accounts. No such episode is available here.

The second objection is that the four components are not independent, so decomposing capability into them is arbitrary. Identification and enforcement in particular are entangled: a register makes enforcement possible, and an enforcement hook often generates the register as a by-product, as the vehicle case shows. The objection is partly correct and the account should not claim more than orthogonality of description. What it claims is that the four can be assessed separately for a given instrument, which is sufficient for the counting exercise the corollary requires, and that they are supported by distinguishable assets — a database, a schedule, a process calendar, a recovery procedure — which is sufficient for the capability claim.

#### **4.6 Limitations**

Four limitations bound the account. It is illustrated on one organization, so nothing here separates configuration effects from characteristics of that particular administration. The coding of instruments on the four components is the authors' judgement from legal texts, as Section 3 states, and has not been validated against the practice of the officials who administer them. The revenue figures are outcomes and do not observe capability directly, so the correspondence reported is consistent with the account rather than evidence for it against the alternative in Section 4.5.

The fourth limitation is the most consequential for how the article should be read. The two propositions in Section 2.4 are stated as general claims about revenue administration, but they were developed with this case in view. They have not been tested on instruments or organizations other than those that suggested them, and until they are, they should be treated as a framework for looking rather than as an established regularity. The extensions proposed in Section 5 are the minimum that would change that status.

#### **4.7 Scope of the account**

The decomposition was developed for revenue collection, and its scope beyond that domain should be stated rather than assumed. The four components generalize to any activity in which an organization must locate a counterparty, determine an amount, act at a moment it does not fully choose, and secure performance against reluctance. Debt collection, insurance claims recovery, licence administration and regulatory penalty enforcement all satisfy the description, and the account would predict for each that proficiency transfers only to the extent that the four components coincide.

It does not generalize to activities lacking the enforcement component, and this is the boundary that matters. Where the counterparty wants what the organization supplies — ordinary commercial sale, subscription renewal, service provision — the fourth component is absent and the analysis loses most of its force, because the difficulty of collection is not the constraint. An organization strong at selling one product may well be strong at selling another for reasons the account here says nothing about. Revenue administration is a hard case for capability transfer precisely because the counterparty's interest runs the other way, and the article should not be read as a general claim about capability transfer in organizations.

#### **4.8 Summary of findings**

The conceptual claims are three. Revenue collection capability decomposes into identification, valuation, timing and enforcement. Each component is supported by instrument-specific assets — a register, a schedule, a process calendar, a recovery procedure — rather than by general administrative competence. And the transferability of proficiency from one instrument to another is therefore determined by how many components the two share, not by how well the organization performs on the first.

The illustrative material supports two observations. An organization whose vehicle instruments have the favourable configuration on all four components realized IDR 8.57 trillion from them in the year examined, 60.3 per cent of its tax revenue, while instruments with the unfavourable configuration on all four realized IDR 18.9 billion and IDR 51.96 million. And within the vehicle instruments, which differ from each other on timing alone, attainment differed by 21.7 percentage points on the component where they diverge. Neither observation tests the account, and Section 4.5 sets out the alternative explanation the data cannot exclude.

A last word on how the account should be used. Its practical value is not that it predicts which instruments will perform well — that much is often obvious to the officials administering them — but that it converts a vague judgement about administrative difficulty into a count that can be stated in a business case. A proposal to develop an under-used instrument can be assessed by asking which of the four components already exist, which must be built, and what each would cost. Four components to build is a different proposition from one, and the difference is currently invisible in the documents on which such proposals are decided. Making it visible is a modest contribution and does not require the account to be true in every particular.

It should also be said what the account implies for the organization examined. Nothing here suggests that its administration is weak. On the instruments whose configuration it fits, it collects IDR 8.57 trillion and attains 90 per cent of a demanding target on the larger of them. The account predicts that such an organization will nonetheless perform poorly on instruments configured differently, and that this is not a failing to be corrected by exhortation but a capability gap to be closed by investment or accepted. Reading the yield figures as evidence of neglect would invert the argument; the point is precisely that competence and yield can diverge when the instruments differ on the components that matter.

#### **4.9 Managerial implications**

The account has direct consequences for three decisions that revenue and general managers take routinely.

The first is how a diversification proposal is appraised. The recommendation to develop an under-used revenue instrument should be accompanied by a count: of identification, valuation, timing and enforcement, how many components already exist and how many must be built? Where the answer is four, the proposal is a multi-year capability programme and should carry the budget, staffing and timetable of one. Presenting it as a policy adjustment, which is the usual practice, understates its cost by a margin large enough to make the appraisal meaningless.

The second is how administrative capacity is assessed in due diligence, benchmarking and supervisory review. Capacity is customarily scored at organizational level, which averages across instruments whose configurations differ. An organization scoring well because it administers a favourably configured instrument efficiently may hold none of the capability its unfavourably configured instruments require. Instrument-level assessment is more work and answers the question that was actually asked.

The third is the interpretation of advance notice. An interval between the announcement of a revenue loss and its arrival is worth what can be built within it, and if four components must be built the interval is short whatever its calendar length. Managers should be advised to test any plan that relies on such an interval by asking which specific components it will produce and by when, rather than by asking whether the interval is long enough in general terms.

### **5. CONCLUSION**

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Revenue collection capability decomposes into identification, valuation, timing and enforcement, and each component is supported by instrument-specific assets rather than by general administrative competence. An organization strong on an instrument with a maintained register, a schedule-based valuation, a fixed cycle and a secured enforcement hook holds little that transfers to an instrument lacking all four.

The practical claim is that diversification of revenue is a capability investment whose scale is measured by how many components must be built, and that this count should be performed before the recommendation is made. The claim about time is corollary: an interval of notice is worth what can be built within it, which where four components must be built is not much.

Two extensions would convert the account into something testable. Coding a set of revenue instruments by their configuration on the four components, across several administrations, would permit performance to be regressed on configuration with organizational characteristics controlled. And examining an organization that successfully

developed a new instrument would establish which components proved hardest, which the present account predicts but does not rank.

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