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# Situational analysis an effective leadership style to improve the Indonesian tax service offices performance in the era of change

Reza Saleh<sup>1\*)</sup>, Mohammad Syamsul Maarif<sup>1</sup>, Lukman M Baga<sup>2</sup>, Herien Puspitawati<sup>3</sup>

<sup>1</sup>School of Business IPB University, Indonesia

<sup>2</sup>Faculty of Economics and Management, IPB University, Indonesia

<sup>3</sup>Faculty of Human Ecology, IPB University, Indonesia

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## ABSTRACT

This study aims to analyze the effectiveness of leadership style in improving Indonesian Tax Service Offices' performance in the era of economic turbulence. The tax Service Office provides counseling, services, and supervision to Taxpayers. As public organizations, Tax Service Offices can become more competitive by cultivating influential leaders who combine style-oriented strategies with capabilities reflected in leadership behavior. This study applied descriptive and correlational conducted in several Tax Service Offices in Jakarta within the Directorate General of Taxes, with 542 questionnaires distributed to their employees. The findings show that economic turbulence with the combination of transformational leadership and transactional leadership make it influential and significant in improving organizational performance. This is to be highlighted that in the turbulent era, factor transformational and transactional still be effective in the Indonesia tax center. In addition, the level of experience and education is one of the criteria to improve effective leadership in the Indonesian Tax Service Offices.



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## Corresponding Author:

Reza Saleh  
School of Business IPB University  
Email: [rezasaleh@apps.ipb.ac.id](mailto:rezasaleh@apps.ipb.ac.id)

## Introduction

Every organization and individual faces an uncertain situation or VUCA (Volatility, Uncertainty, Complexity, and Ambiguity) (Harkavy, 2020). The term VUCA was adopted by strategic business leaders to describe a chaotic, volatile, and rapidly changing business environment. This acronym has been used to describe the turbulence of the modern world of work (Stiehm & Townsend, 2002). The letter "V" in this acronym stands for volatility, which means the nature, speed, volume, and magnitude of changes that are not in a predictable pattern. In other words, volatility is turbulence, a phenomenon that occurs more frequently than it has in the past (Sullivan, 2012); as one of the public organizations that have the authority to collect state revenues, the Directorate General of Taxes (DJP) has an essential role in the Indonesian economy. DJP's 2020-2024 Strategic Plan aims to optimize state revenues and create an agile, effective, and efficient bureaucracy and public services. Meanwhile, the implementation of performance management at DJP must meet the aspirations of all stakeholders.

Based on the analysis of the achievement of DJP's Key Performance Indicators in 2020, tax revenues contracted by 19.71% compared to 2019. Several external and internal factors that affect the achievement of tax revenues in 2020 are the COVID-19 pandemic and the ongoing trade war, impacting the global economy.

Meanwhile, the weakening of prices and oversupply due to the pandemic and geopolitical conflicts, as well as tax incentive policies given to taxpayers affected by the COVID-19 pandemic as a measure of national economic recovery, are phenomena that occurred in 2022 (DJP Performance Report, 2020).

To achieve the organization's goals, DJP needs a middle leader who can move, influence, and motivate in an organization (Wirawan, 2014). Leadership is moving everyone to do their best to achieve the desired results (Armstrong, 2016). Effective leadership is a combination of style-oriented approaches and competencies reflected in leadership behavior in understanding the needs of followers and providing support (Armstrong, 2016). An effective leader is goal-oriented, disciplined, responsible, and earnest, with planned behavior (Prochazka et al., 2018). To be an effective leader, it is crucial to develop relationships with followers based on trust and respect.

In addition to having specific personal abilities, influential leaders can also read the state of their subordinates and the environment (Myers, 1998). This model is based on a situational approach where no leadership style is always practical to be applied in every situation; a leadership style will be effective if it is adjusted to the level of maturity or ability of subordinates. In managing the government bureaucracy, having good leadership skills is not enough; it is also essential to understand how good teamwork and communication contribute to the success of a program. Teamwork is the capital for influential leaders in the government bureaucracy on how to do placements according to abilities and expertise (Callahan, 2017).

In the era of change, it is essential to combine various leadership styles. Effective leadership with the ability to work anywhere and create an innovative environment is strongly needed to adapt to upcoming changes and uncertainties (Almaarif, 2017). An effective leader in providing alternative approaches to complex problems by encouraging sustainable concepts and ways to overcome challenges (Nelson, 2017). Leaders who are responsive to every problem, need, expectation, and dream of the organization are also needed in facing rapid local and global changes (Hemalatha, 2012). On the other hand, innovative leadership has effectiveness in working towards the strategic vision, creating a climate of mutual trust, showing commitment to the organization and consumers, accommodating and providing opportunities for innovations to occur from the lowest level, being open, and prioritizing speed (Zenger & Folkman, 2014). This also supports the results of previous studies that leadership style will help leaders become more effective in dealing with a less predictable environment; these leaders can assess things accurately, identify challenges, understand burdens and challenges, ensure situations do not spiral out of control, empower followers, and listen from all perspectives (Heifetz and Laurie (2017); Mensah & Zimmerman (2017).

Leadership style and its relation to organizational performance have been investigated previously, with the conclusion that a leader must have the ability to bring the organization to be more adaptive in a constantly changing environment (Yaghi, 2017). Transformational and transactional leadership styles positively encourage innovation (Khan et al., 2012). Leadership style can influence leaders to be more innovative (Groselj et al., 2020). Nelson and Squires (2017) argue that a transformative leader has the behavior or competence of an effective leader who will provide alternative approaches to complex problems and encourage subordinates to create sustainable concepts and ways to face challenges. Furthermore, Kee et al. (2017) concluded that effective leadership in the era of globalization requires leadership skills and competencies that are responsive to the global context. These competencies are business and organizational skills competencies, self-management competencies, and people and relationship management competencies (Kee et al., 2017).

A study on the leadership model applied to the bureaucracy has been carried out by Sumarto (2015), who found that the ideal bureaucracy expected by the community is the one that can provide services following community expectations. Therefore, leaders of public organizations have a role in creating a more compassionate bureaucratic image by being a good civil servants and putting forward outstanding and significant professionalism for the realization of satisfying services for the community. The Tax Service Offices provide counseling, services, and supervision to Taxpayers. The results of a prior study on the performance of a small tax service office in Indonesia show that the completion of several main tasks and functions has yet to be following the target (Hadiyanto, 2008). The less optimal responsiveness of tax service offices can be due to services that differ from the expectations of Taxpayers. Several contributing factors to the performance of tax service offices include the delegation of authority that must follow its primary duties and functions, the lack of human resources, and employee discipline that needs to be improved.

Organizational performance is the comparison of work results achieved by employees with predetermined standards. Performance results from work achieved by individuals according to roles or tasks (Ma'arif & Kartika, 2012). Performance is the result achieved by a person in carrying out the tasks assigned to him based on skills, experience, sincerity, and time (Hasibuan, 2001). According to Bastian in Hessel, organizational performance describes the achievement of an organization's tasks in achieving organizational goals, objectives, vision, and

mission (Nogi, 2005). Performance appraisal is critical as a measure of the success of an organization in achieving its goals. For public bureaucracy, information regarding performance helps assess how far the assessment given by the bureaucracy is in fulfilling community expectations and satisfaction (Dwiyanto, 2006). Bass in McCall stated that leadership style influences success and increases performance beyond expectations (McCall, 1986). Research conducted by Fernandez shows that task-oriented leader behavior positively correlates with organizational performance but not job satisfaction. Good communication and cooperation among subordinates make employees more committed to their organizational units and allow them more flexibility in their jobs (Fernandez, 2008). Before this study, studies had yet to be conducted to discuss the readiness of the leaders of public organizations, especially the Tax Service Offices. Considering the critical roles of the leader in dealing with various problems and uncertainties, DJP has made various efforts to increase the effectiveness of its leaders in the tax service offices, especially in dealing with turbulence. Nevertheless, studies still need to be done to determine how the current situational analysis of KPP leaders is in the face of turbulence. Thus, this study aims to analyze how the leadership style influences the organization's performance in an era of economic turbulence.

Indonesia has become a member of the G20 and has been seen as a developing country in Asia with substantial economic size and promise. Thus, Indonesia attends the G20 meetings in order to represent the developing countries, Southeast Asian countries, and the Islamic world. Indonesia's demographic advantage can be a blessing but also present difficulties. In response to this situation, tax service offices must modify their performance requirements and create quick-response strategies (Spee, 2020). Public organizations may become more competitive by cultivating influential leaders who combine style-oriented strategies with abilities reflected in leadership behavior. Therefore, a goal-oriented, regulated, accountable, and authentic leadership style with planned behavior is essential for the success of public organizations.

The future uncertainty problem requires leaders to make policies and describe appropriate organizational strategies in line with the expectations of the leadership's performance. All members of the organization can implement it. Economic turbulence is also an opportunity for tax office leaders to do more than deal with events or situations; they must also be able to respond and create steps and innovations through better work processes. This opportunity can guarantee a better performance to support a more independent state. Based on the research background that has been described, economic turbulence causes disturbances in the economy, which also indirectly affect people's businesses and businesses that impact the national economy, causing fluctuations in DJP performance.

In addition, the success of achieving organizational goals is determined, among other things, by leadership style, so a harmonious relationship is needed between leaders and subordinates. In achieving these goals, knowing what leadership style is effective for improving DJP's organizational performance in an era of economic turbulence is necessary. This research aims to analyze what other variables influence effective leadership in the tax office during economic turbulence besides leadership style and leader competency. This study contributes to extending an effective leadership strategy by being influenced by transactional and transformational leadership for tax offices at DJP. DJP institution is a source of guidance in preparing operational planning and evaluating the performance of tax office leaders when the economy is turbulent. Moreover, to get an influential factor for DJP management in issuing operational policies for tax income leaders who are operational office units in achieving revenue targets, taxpayer compliance, and managing human resources.

## Method

This study used descriptive analysis and primary correlational data obtained from several Tax Service Offices in the Directorate General of Taxes. The respondents of this study were the heads of sections and employees of the Tax Service Offices in Indonesia. Data collection was collected through observations and Focus Group Discussions (FGDs) in the initial stage of this study. The leadership style was decided based on representative stakeholders to ensure that the data obtained was more precise and objective. DJP has 595 offices, with 34 regional offices, four tax offices for large taxpayers, nine special tax offices, 38 medium tax offices, 301 small tax offices, 204 Tax Services, Counseling and Consulting Offices, and 4 Technical Implementation Units. In this study, the sampling used the stratified sampling method with purposive sampling according to the position and area of each in Jakarta and its surrounding. The respondents selected at this stage were 64 Heads of Tax Service Offices and 478 employees of the Tax Service Offices in Jakarta.

This study used descriptive and correlational analysis to systematically and factually describe the facts on the investigated variables by collecting, processing, analyzing, and interpreting data. The descriptive analysis was conducted to examine the leadership style in the tax service offices. A questionnaire with the Likert scale was employed to determine the highest scores given by the respondents. Table 1 presents the analyzed variables and

their indicators. This study uses PLS-SEM to form a structural model that connects measured and latent (unmeasured) variables. The purpose of the structural relationship model is to link measured or observed variables (independent and dependent variables) with latent/unmeasured variables. Bollen in Puspitawati states that latent variables are divided into exogenous latent variables and endogenous latent variables, where exogenous latent variables are the independent latent variables in all equations in the SEM. In contrast, endogenous latent variables are the latent dependent variables. SEM analysis determines the endogenous and exogenous latent variables' direct and indirect effects (Puspitawati, 2020). Measurable variables include economic turbulence, leadership style, and organization performance as endogenous on below:

**Table 1.** The Operational Variables

Variable	Indicator
Economic Turbulence (Andolfatto 2008)	Household consumption
	Investment
	Government expenditure
	Export
	Import
Transformational Leadership (Bass & Steidlmeier, 1999; Yukl, 2010; Prochazka et al., 2018; and Stacey, 2016)	Charisma
	Inspirational motivation
	Intellectual stimulation
	Individual considerations
	Openness
Transactional Leadership (Bass & Steidlmeier, 1999; Yukl, 2010; Prochazka et al., 2018; and Stacey, 2016)	Role model
	Knowing the desires of subordinates
	Giving rewards or services
	Being responsive to subordinates
Organization Performance (DJP Performance)	Tax Revenue, High tax compliance, The percentage growth rate of taxpayer payments
	Effective service education, Effective oversight
	Effective law enforcement, Quality data and information
	Competent resources and The ideal organization
	Quality budget management

## Results and Discussions

The results of the analysis to improve the organization performance in Indonesia tax service offices are as follows:

### Gender

Of the 64 office heads who were respondents to this study, 86% are male, while the remaining 14% are female. This shows that most of the Heads of the Tax Office Services in Indonesia are male. This is because, in a tax service office environment, the mindset tends to be based on facts and focuses on performance on work-related business achievements. Similarly, for employee respondents, 64% of the 476 employees are male, while the remaining 36% are female. This shows that both office heads and employees are dominated by men. This can be because women are less interested in applying or working in the tax service office due to wide-scale placements and assignments to big and small cities throughout Indonesia. In addition, tax service offices also require expertise where men are more dominant, for example, in billing officers and examiners.

### Age

Based on age, of the 64 office heads 34% of them aged 46-50 years, 58% of them aged 51-55 years, and 8% of them aged >55 years. This shows that the majority of head office respondents are in the age range of more than 50 years, who are classified as productive age and generally have good memory and comprehension, as well as maturity in thinking. This supports the growth of effective leadership in the tax service offices in the era of economic turbulence. On the other hand, of all 476 employee respondents, 26% of them aged <30 years, 24% of them aged 31-40 years, 32% of them aged 41-50 years, and 18% of them aged 51-60 years, meaning that the majority of the employee respondents were 41-50 years old. In the tax service offices, the competition for talent positions is quite challenging as there is no talent management program to make succession planning. To become a prospective office head, employees also need to have experience in several positions within the tax service offices.

The tax service offices in Indonesia need to improve the competence of human resources through talent management whose programs should be drawn from the talent pools of universities and colleges to prepare, develop, and retain talents as well as shape future leaders (Ramaditya, et al., 2022). Tax service offices can carry out talent development with programs to improve career development policies, maintain work balance, pay attention to working conditions, conduct training, improve employees' skills and competencies, and create development programs that utilize the skills of their employees (Ramaditya et al., 2022a). In addition, talent retention programs need to be developed to keep qualified employees from leaving the organization. Tax offices should, among others, have a competitive compensation system, strive to retain talented employees, and always strengthen the motivation of team members by providing challenges to maintain the rhythm of the organization (Ramaditya et al., 2022b).

### Education

Based on education level, 2% of the office head respondents have a bachelor's degree, 92% have a master's degree, and 6% have a doctorate degree. Most of the respondents understand the state of the tax service office environment. On the other hand, 28% of the employee respondents have an associate's degree, 38% have a bachelor's degree, and 34% have master's degree. The lowest percentage of the last education was undergraduate level for the office head respondents. This shows high competition in getting a leadership position in the tax service office environment. Moreover, candidates also need to adapt to the development of the business world where education is the door to knowledge development.

### Experience

The majority of office heads who became respondents in this study have worked for 10-12 years by 27%, for 4-6 years by 26%, for 1-3 years by 19%, for >12 years by 16%, and for 7-9 years by 12%. Meanwhile, the percentages of work experience of the employees being respondents of this study are as follows: 27% for 10-12 years, 26% for 4-6 years, 19% for 1-3 years, 16% for >12 years, and 12% for 7-9 years. This shows that work experience is one of the criteria needed to boost effective leadership in the Tax Service Office. Thus, DJP should create mentorship, coaching, and bootcamp programs to broaden the experience of their leaders. Furthermore, tax officials or employees require specific education and specific skills for certain positions. Besides, DJP can also giving promotions or promotions regardless of gender and age if employees excel and are able to lead.

### Economic Turbulence

As seen in Table 2, the majority of respondents agree that the decline in people's purchasing power, the decline in investment, the increase in the government's budget deficit, the decrease in exports, and the current high level of imports are indications of economic turbulence. This shows that there is a demand for change due to economic turbulence which has a major impact on the tax service offices. Processes that are already running normally will face new challenges or obstacles, resulting in a gap between current performance and expected performance. This finding is in line with a study on the challenges of global economic that the slowdown in economic growth continues to bring the global economy into uncertainty (Zulfikar and Jayadi (2017).

**Table 2.** The Descriptive Analysis on Economic Turbulence

No	Indicator	Response (%)					Average Score
		1	2	3	4	5	
1	Household consumption	1.6	4.7	4.7	50	39.1	4.2
2	Investment	1.6	7.8	4.7	57.8	28.1	4.03
3	Government expenditure	1.6	12.5	4.7	57.8	23.4	3.9
4	Export	3.1	12.5	15.6	51.6	17.2	3.67
5	Import	3.1	17.2	18.8	40.6	20.3	3.58

### Transformational Leadership

Table 3 shows that the majority of respondents agree that charisma is the ideal trait of their leader, and that their leader prioritizes individual considerations when solving problems. In addition, most of them strongly agree that their leader provides inspirational motivation to employees within the Tax Service Office environment, provides them with intellectual stimulation that combines the vision and mission of the Tax Service Office, and demonstrates openness to every individual in the Tax Service Office environment, which then also influence the leaders themselves in improving their competence. From the perspective of the employees, transformational dimension of their leader is one of the dimensions belonging to the leadership style variable. The transformational leaders are effective leaders as they are able to increase followers' awareness, provide a vision and strategy, encourage followers to contribute more, and increase the portfolio of followers' needs to improve themselves and achieve their desires (Soane et al., 2015). With charismatic behavior, transformational leaders will produce more innovative and productive employees (Khan et al, 2020).

**Table 3.** The Descriptive Analysis on Transformational Leadership

No	Indicator	Response (%)					Average Score
		1	2	3	4	5	
1	Charisma	0	4.7	4.7	54.7	35.9	4.2
2	Inspirational motivation	0	1.6	0	34.4	64.1	4.61
3	Intellectual stimulation	0	1.6	0	48.4	50	4.47
4	Individual considerations	9.4	34.4	7.8	40.6	7.8	3.03
5	Openness	0	0	1.6	34.4	64.1	4.62
6	Role Model	0	0	3.1	21.9	75	4.72

### Transactional Leadership

Based on the results of the analysis displayed in Table 4, it is known that the majority of respondents agree that their leader knows the desires of employees in the work environment, is responsive to the personal interests of employees as long as these interests are proportional to the works done, and giving rewards to subordinates, thus affecting the leaders themselves in increasing their competencies. The leaders must adopt transformational and transactional leadership styles in order to increase innovative behavior in public organizations (Steyn , 2016).

**Table 4.** The Descriptive Analysis on Transactional Leadership

No	Indicator	Response (%)					Average Score
		1	2	3	4	5	
1	Knowing the desires of subordinates	0	1.6	6.2	60.9	31.2	4.22
2	Giving rewards or services	4.7	37.5	18.8	31.2	7.8	3
3	Being responsive to subordinates	0	15.6	12.5	53.1	18.8	3.75
4	Rewarding	0	20.3	7.8	50	21.9	3.73

### Outer Model Evaluation

Based on the research's endogenous and exogenous variables, a structural model is then built where the path diagram for this research consists of the variables economic turbulence (TUB), transformational leadership (GTF), transactional leadership (GTS), and organization performance (KNJ). Cronbach's alpha test results are given in Table 1 is more than 0.7. The tests incorporated in the multivariate factual examination include factor loadings, convergent validity, discriminant validity checks and assessment of the structural equations model through evaluation of the explained variance (R<sup>2</sup>), t-test (5,000 bootstrapping), and effect size (f<sup>2</sup>) (Cohen, 1998; Hair et al., 2014). The examination was established using structural equation model-partial least squares (Smart PLS v.3.2.8) IBM and SPSS v.21 software (Ringle et al., 2015). The convergent validity of the construct is still acceptable if shows that all loading factors of research indicators have met convergent validity because they have a value > 0.5. (Fornell and Larcker, 1981; Lam, 2012; Hair et al., 2016). As shown in Table 1, all-composite reliability values are more than 0.80, indicating that all the ten constructs are valid measurements. Table 9 shows that the AVE (Average Variance Extracted) value of all constructs used is more than 0.50 and the Composite Reliability value of all constructs used is more than 0.7. So it can be stated that all variables have high reliability.

### Inner Model Evaluation and Hypothesis Testing

After the measurement model of PLS analysis, the structural equations model was calculated (Hair et al., 2016). As indicated in Table 11, the direct effect model was measured. Four criteria were used to examine both direct and indirect effects of structural equation models. (R<sup>2</sup>) for endogenous latent variables are evaluated to determine the amount of variance in each construct, and impact size (f<sup>2</sup>) and path coefficient assessments (Hair et al., 2014). In a direct effect structural equations model, analysis was conducted to determine the impact of the 5,000 bootstrapped samples from the first 510 examples to offer point measurements of the change and estimate

their significance (Hair et al., 2016). The effect size (F2) is the direct influence of the independent (exogenous) variable on the dependent (endogenous) variable to determine how large the impact of the exogenous variable is on the endogenous variable (Cohen, 1998). Hair et al. (2016) describe (f2) estimations with high, and significant effects.

The R2 value describes the percentage of variation in endogenous variables that external factors may clarify (Hair et al., 2014). Though a satisfactory value of R2 depends on the study setting (Cohen, 1998), values of 0.702, 0.744, and 0.490 express high, high, and moderate education performance, respectively. The R2 value for an endogenous variable for the direct effect model is 0,354, implying that all exogenous variables predict a 35.4% change in organizational performance. From the Table, 11 results also support the H1, H2, H3, H4, and H5 direct effect of economic turbulence ( $b = 0.636$ ,  $t = 4,171$ ,  $p < 0.000$ ), economic turbulence to transformational leadership ( $b = 0.045$ ,  $t = 7,505$ ,  $p < 0.000$ ), economic turbulence to transactional leadership ( $b = 0.171$ ,  $t = 6.188$ ,  $p < 0.000$ ), transactional leadership to organization performance ( $b = 0.281$ ,  $t = 5.500$ ,  $p < 0.000$ ), transactional leadership to organizational leadership ( $b = 0.3153$ ,  $t = 3,153$ ,  $p < 0.002$ ). However, all ositive and significant.

**Table 9.** The Outer Model

Construct	Item	Factor	CR	AVE	CA
<b>Economi Turbulence</b>	TUB 1	0,770	0,881	0,601	0,829
	TUB 2	0,825			
	TUB 3	0,870			
	TUB 4	0,803			
	TUB 5	0,776			
<b>Transformational Leadership</b>	GTF 1	0,873	0,922	0,678	0,888
	GTF 2	0,905			
	GTF 3	0,916			
	GTF 4	0,746			
	GTF 5	0,858			
	GTF 6	0,892			
<b>Transactional Leadership</b>	GTS 1	0,799	0,902	0,699	0,856
	GTS 2	0,783			
	GTS 3	0,878			
	GTS 4	0,879			
<b>Organization Performance</b>	KNJ 1	0,688	0,935	0,592	0,925
	KNJ 2	0,681			
	KNJ 3	0,708			
	KNJ 4	0,710			
	KNJ 5	0,816			
	KNJ 6	0,848			
	KNJ 7	0,819			
		0,802			
	KNJ 8				
	KNJ 9	0,810			
	KNJ 10	0,806			

**Table 10.** Fornell Lacker Criterion

Discriminant Validity Fornell-Larcker Criterion				
Construct	Economic Turbulence	Organization Performance	Transactional Leadership	Transformational Leadership
Economic Turbulence	0,775			
Organization Performance	0,356	0,771		
Transactional Leadership	0,338	0,494	0,836	
Transformational Leadership	0,319	0,459	0,682	0,824

**Table 11.** Inner Model

Relationship between variables of Research	SD	T-Value	Direct Effect	p-values	F <sup>2</sup>
TUB -> KNJ	0,046	4,171	0.636	0,000	0,047
TUB -> GTS	0,045	7,505	0.273	0,000	0,129
TUB -> GTF	0,052	6,188	0.171	0,000	0,064
GTS -> KNJ	0,053	5,500	0.281	0,000	0,029
GTS -> KNJ	0,063	3,153	0.517	0,002	0,047

Table 12. R Table

	R Square	R Square Adjusted
Organization Performance	0,304	0,301
Transactional Leadership	0,114	0,112
Transformational Leadership	0,102	0,100

Based on figure 1. Below economic turbulence makes effective changes towards transactional leadership and towards transformational leadership. Economic turbulence is also making high contributor to directly affecting the performance of the tax office, and the transactional leadership style is most effective in shaping the performance of the tax office compared to transformational during turbulence. Turbulence causes organizational change and always occurs as a reaction to a changing environment. Leader styles needed to deal with turbulence are transactional and transformative (Francis et al., 2003). The relationship among leader-follower of the organization in facing various changes, personal changes within the organization's ranks, internal organizational crises, and crises caused by external organizational factors affect overall organizational performance (Siahaan & Zen, 2012). Turbulence causes organizational change and always occurs as a reaction to a changing environment, a response to a current crisis, or triggered by a leader's policies. Successful organizational change is not only in the adjustment process but also requires adequate management of capabilities.

DJP is an essential public organization in Indonesia. The uncertain flow of globalization, the rapid development of information technology, the economic crisis, and the unexpected Covid-19 pandemic were shocking that affected DJP's performance and will continue going forward. This economic turbulence had a significant impact on the Tax Service Office. Processes already running normally will face new challenges or obstacles, resulting in gaps between current performance and expected performance. According to DJP Strategic Plan for 2020-2024, the challenges and problems faced in efforts to collect state revenue from the taxation sector include tax administration that is not yet optimal, shared knowledge and awareness of taxpayers regarding tax obligations and Free Trade Agreements (FTA), regulations on taxation of trade through electronic transactions that have not been completed, digital transaction databases that are not yet available, and the Covid-19 pandemic (DJP, 2020).

Moreover, this study also mentioned that transformational leadership is a process in which a leader seeks to engage, mobilize, and motivate followers to change. This change process requires people to overcome tough challenges and thrive (Ramaditya et al., 2022). Transformative leadership requires all individuals involved in the change process to see themselves as stakeholders, forcing them to work toward positive change (Achlisson et al., 2016). Transformational leadership skills will assist leaders in developing competencies and behaviors to deal more effectively with less predictable challenges, increasing uncertainty, and the complexities surrounding organizational change (Mensah & Zimmerman, 2017). Through transformational leadership, leaders can allocate appropriate responsibilities for achieving organizational goals. Previous research has stated that adaptability is the key to organizational success in dealing with uncertainties (Darling & Hiller, 2011). Other research also shows that during times of turbulence, leaders must be transformative, dynamic, and flexible in order to be able to accept and adapt to all changes quickly; this is important so that leaders can make the right decisions according to what their organizations need (Yaghi, 2017). To be an effective leader in the tax office, it is essential to develop relationships with followers based on trust and respect. An effective leader in the tax office follows a combined effort using a behavior-oriented approach to understand followers' needs better and be able to provide support. This will create a culture that will motivate, inspire and empower all levels of the organization.

The relationship between transactional leaders and subordinates is reflected in three things in DJP, firstly the leader knows what the subordinates want and explains what they will get if the work is in line with expectations; the leader exchanges the efforts made by the subordinates for rewards, and the leader is responsive to the personal interests of the subordinates during these interests are proportional to the value of the work that



employees have done. According to previous research conducted by Bulent Akkaya and Akif Tabak, transactional and transformational leadership styles affect organizational agility in dealing with these speedy and global changes (Akkaya & Tabak, 2020). Furthermore, transactional leadership styles affect employee readiness to change (Susyanto, 2019). Transactional and transformational affect organizational performance in a turbulent era. To ensure continued growth and performance in times of turbulence, leaders must adopt ways that lead to more positive outcomes. The era of change creates exceptional circumstances that require managers to combine transformational and transactional practices to survive and excel.

Transformational leadership for competencies development can be managed through strategy and leadership practices, such as by actively seeking new ideas, communicating and collaborating, being creative and committed, and solving problems systematically (Achlisson et al., 2016). This finding supports a previous study that states that transformational leadership in a public organization requires all individuals involved in the change process to see themselves as stakeholders, thereby forcing them to work toward positive change. Transformational leadership skills in public organizations will assist leaders in developing competencies and behaviors to deal more effectively with the less predictable challenges, increased uncertainty, and complexities surrounding organizational change (Heifetz & Laurie, 1997). This emphasizes the importance of paying attention to the employees whose voices and concerns are marginalized, listening to all points of view, and offering opportunities for growth (Mensah & Zimmerman, 2017). This study also supports that the transactional leadership style affects organizational agility in facing rapid global changes (Akkaya & Tabak, 2020). Furthermore, the transactional leadership style influences the level of employee readiness in the era of change (Susyanto, 2019). The interaction between the two leadership styles suggests that organizational performance is more likely to emerge when leaders combine transformational leadership and transactional.

This study also has some implications for developing a standardized leadership style for tax office leaders to encourage them to improve their relationships with their subordinates in a turmoil economy to enhance performance. This practical leadership style will also contribute to developing the quality of tax services to make an optimal contribution. The results of this study will also make a scientific contribution to leadership style theory, primarily related to formulating a leadership strategy through effective leadership criteria in achieving more significant results in public organizations.

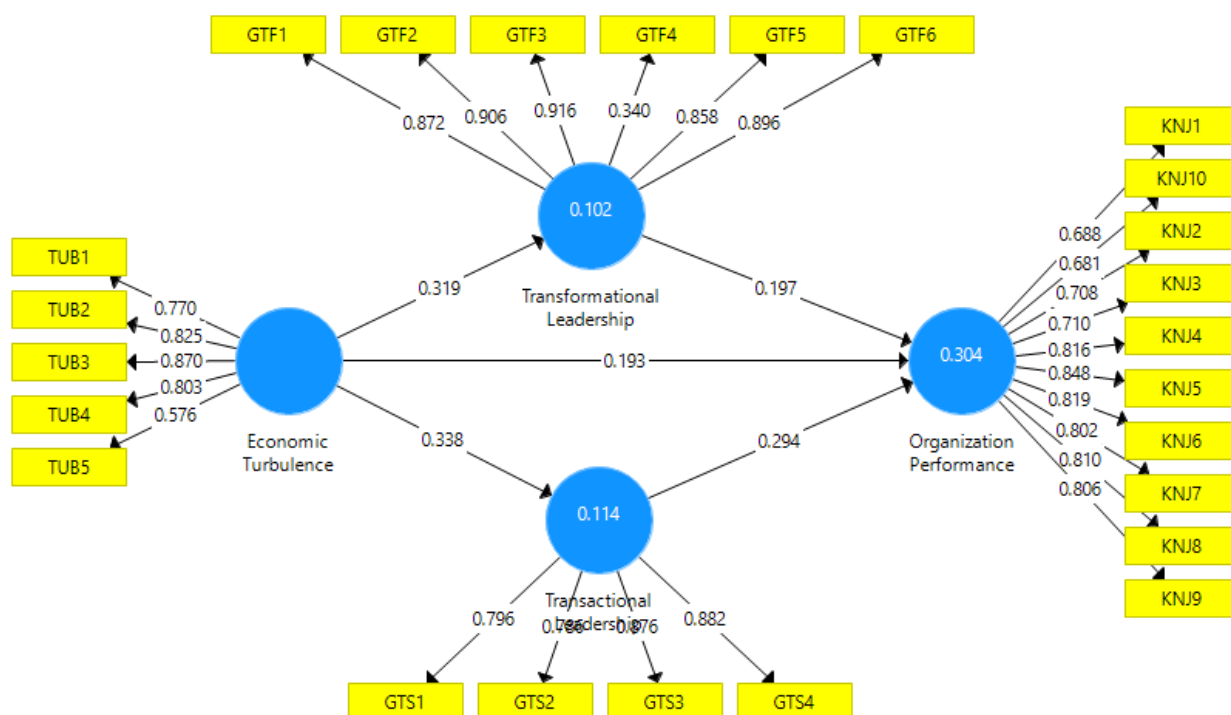


Figure 1. Situational analysis for improve performance in DJP

## Conclusions

The situational analysis to improve organizational performance in the Indonesian Tax Service Offices still needs to be emphasized because of economic turbulence and the combination of transactional and transformational leadership styles. Economic turbulence directly affects the performance of the tax office, and the transactional leadership style is most effective in shaping the performance of the tax office compared to transformational during turbulence. The income tax office emphasizes an exchange process in which followers receive rewards after carrying out the leader's orders—besides associated with the ability to obtain results, control through structures and processes, solve problems, plan and organize, and work within organizational structures and boundaries. Economic turbulence in the tax office usually occurs due to the lack of adaptiveness of the organization in facing various changes, both individual changes in the organization's ranks, internal organizational crises, and crises caused by external organizational factors. In addition, experience and education are necessary to boost knowledge to become an effective leader. This study is expected to be a source of guidance for Tax Service Offices in preparing operational planning, evaluating the performance of their leaders when the economy is in turbulence, and achieving revenue targets.

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