

## Conference

# The Relationship Between Bureaucratic Leadership, Organizational Agility and Organizational Performance in the Tax Sector

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**Abstract.** The demands on public organizations increasingly place leaders in complex situations. Leaders are required to be able to unravel the complexity of the organization and deal with various problems, both internal and external. The leadership role necessitates responding and being proactive. The purpose of this research was to analyze the relationship between bureaucratic leadership, organizational agility and organizational performance in the tax sector. This research involved an explanatory survey by the SAMSAT office in Banten Province, conducted with 238 participants who were members of the public and regional tax officials who were randomly selected without differentiating positions in management. The variant SEM procedure was used for data analysis. The findings showed that the demands of bureaucratic leadership in the digital era are very high. Acceleration is an important aspect inherent in leadership in the digital era. Control over changes in local politics and administration, and demands for acceleration, necessitate leaders who have capacity. Bureaucratic leadership has an influence on organizational agility and organizational performance in the tax sector. Bureaucratic leadership influences organizational performance either directly or through organizational agility. The theoretical implication is the need to develop the concept of leadership in the context of the digital era in order to encourage public performance. The practical implication is the need for leadership that is agile in responding to public demands and acts quickly by integrating administrative orientation, understanding local political dynamics and being ready to face acceleration challenges.

**Keywords:** bureaucratic leadership, organizational agility, organizational performance, the taxation sector

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## 1. Introduction

Public leadership in developing countries is faced with unprecedented complexity, both the COVID-19 problem and the shocking demands of change, volatility and complexity, the tension between innovation and the administrative discipline of public employees in budget and operational absorption activities. A number of parties blame that hierarchical

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structures slow down the decision-making process, result in excessive bureaucratization, and hinder innovation (1). Berkowitz and Krause (2018) explain that leaders in public institutions are agents who are at the fulcrum between politics and administration (2). Leaders in public institutions face complexity from various aspects (3). Uhl-Bien and Arena, (2018) that leaders have managerial roles in organizations not limited to creating an organizational vision, sources of production planning, setting policies and strategies and workflows (4). Leadership that has high hyper awareness, right decision making, and fast execution is needed by public institutions (5).

Leaders in public institutions face various complexities, including institutions that manage taxes. Taing and Chang (2020) put forward the complexity of both taxpayers' taxes and governance. Institutions face a low level of user acceptance of the existing tax system and the intention to pay taxes (6). Digital technology is changing the landscape of public service delivery, which is clearly proven during the COVID-19 pandemic. Leaders in tax institutions are facing agile (acceleration). Medinilla (2012); Sahin and Alpp (2020) Today's public organizations need agile leaders to apply the principles and practices of agility (7)(8). The task of leadership in public institutions is increasingly complex to face the demands of acceleration.

Agile as a necessity in the digital age. Wiraeus and Creelman (2019) suggest a simple evolution that requires organizations to have agility (5). Agile organizations can innovate, drive transformation, be flexible, and maintain a strong focus on strategy and customers. Agile Organizations are able to use resources in an innovative, proactive, flexible, and cost-effective manner to meet the demands of a fast market (8). Agility as an attribute of today's organizations. Currently and for the future, the form of an Agile organization is needed by an institution that manages taxes. The government's demands for infrastructure development, encouraging people's welfare and encouraging resilience in the face of humanitarian disasters such as COVID-19 require the support of agile tax management institutions.

Therefore, leaders in public institutions are more complex, especially with various interests and limited resources to innovate, including dealing with the covid 19 disaster. Stakeholders such as local elites, communities, communities and legislative institutions have an interest in the various programs implemented. Berkowitz and Krause (2018) explain that the leadership of public institutions is at the fulcrum between politics and administration (2). Public leadership challenges, criticism, stereotypes and constructive engagement (9).

Although the position of leadership and the existence of agile organizations that have agility in optimizing innovative resources according to public expectations has increased, studies on agility organizations and agile leadership in public institutions are still very limited. Sahin and Alp (2020) convey the limitations of this study (8). Agile

leadership is still very young as a study, namely during the late 1990s (10)a. The results of the study can be used as a framework for developing the concept of leadership in public institutions based on consideration of the demands for changes in public service functions in the digital era in terms of complexity leadership theory and demands for agility. The purpose of this research is to analyze The Relation of bureaucratic leadership, Organizational Agility and Organizational performance in the taxation sector.

## 1.1. Literature review

### Leadership and Organizational Agility

Leaders determine the agile organization (8)(5). The essence of changing the organization to be more agile is leadership. Rzepka & Bojar (2020) suggest that contemporary organizations are forced to operate in a highly competitive and volatile market environment (11). The leader needed is a leader who is able to influence subordinates to show agile behavior in carrying out their roles. Akkaya and Tabak (2020) Khoshlahn and Abdul –Kareem (2020); Medinilla (2012) conveyed the importance of leadership in an effort to encourage organizations to have the agility to face the challenges of change (7,10,12).

### Bureaucratic leadership and Organizational performance

The position of leadership in the bureaucracy determines the success of the organization in providing public services. Khoshlahn and Ardabili (2016) stated that the leadership position is important to realize organizational performance (12). Huque&Ferdous (2019) explains that administrative changes encourage leadership development in the bureaucracy based on a vision that aims to realize improvements for the community and serve the public interest (3). The performance of public organizations is multidimensional (13) with the diversity of stakeholders and the complexity of the problems faced.

Organizations are able to withstand competition more effectively and are one step closer to excellence with agile leaders (8). The leaders needed to realize public performance are leaders who are in accordance with the demands of acceleration. Attar and Abdul-Kareem (2020) explain the position of leadership in organizational agility and organizational efforts to deal with complexity, ambiguity, uncertainty and high volatility (14).

## 1.2. Hypothesis Development and Method

### 1.2.1. Hypothesis Development

The leader needed is a leader who has speed in executing strategy and is oriented to form an organization that has high agility. The capacity possessed in the administrative, political, as well as its orientation to acceleration can encourage the formation of organizational agility. The proposed hypothesis is

Ha1= Bureaucratic leadership has an influence on Organizational Agility

Organizational performance, according to Meynhardt et al (2017) is full of values such as moral-ethical, hedonistic aesthetical, instrumental utilitarian, and political-social (15). Leaders who have bureaucratic capacity can realize organizational performance. The proposed hypothesis is

Ha2=Bureaucratic leadership, has an influence on Organizational performance

Organizations with a sufficiently large level of agility in accordance with a hypercompetitive and turbulent environment can manifest their performance with agile leadership. The proposed hypothesis is

Ha3=Bureaucratic leadership has an influence on Organizational performance through Organizational Agility.

## 2. Methods

### 2.1. The research method uses an explanatory survey.

The sample is a SAMSAT office located in the Banten Province area, involving 238 employees who are randomly selected without distinguishing between positions in management and the general public. Data analysis used Variant SEM procedure.

### 2.2. Measurement Scale

Bureaucratic leadership measurement, namely 1) Professional contribution and encouragement. 2) Power distribution/ Power 3) coalition. 4) Clarity, commitment, enthusiasm, and consensus. (Bennis (1969). 5) The capacity of relations in the bureaucracy (16), (17), 6) administrative 7) Credibility, openness and coordination of human and material resources, as well as integrity in carrying out the organization's vision consistently.

Measurement of Organizational Agility was developed based on Tallon&Pinsonneault (2011); Khoshlahna, and Ardabili (2016) are in accordance with the context in public institutions, namely (12,18) 1) responsiveness to stakeholder needs is measured by indicators of response to changes in stakeholder demand, innovation of digital technology-based tax service systems, and expanding the value paid by tax users. 2) The partnership is

measured by the ability to adapt to the network in the bureaucracy due to changes in the partner’s organizational structure. 3) Operational agility, namely the speed of resolving complaints, the ability to respond to complaints and targets, expanding the reach of taxpayers, changing the tax service system, and adopting Information Technology (IT) in the operating system, dividing IT-based for tax service programs specifically according to the characteristics of taxpayers

Organizational performance refers to Kaplan and Norton’s Balanced Scorecard (1992), Meynhardt et al (2014) namely Cost of providing services, Learning and Growth, internal process, Value/Benefit of service for stakeholders, support of legitimating authorities (19).

### 2.3. Data analysis

#### Descriptive statistics

TABLE 1: Description of research variables

No	Variable	mean	Standard deviation	Category
1	Bureaucratic leadership	3.8	0.057	Tall
2	Organizational Agility	3.3	0.091	Less
3	Organizational performance	3.7	0.062	Tall

#### Results of the analysis with the SEM procedure

The full model of the research results is as follows as below

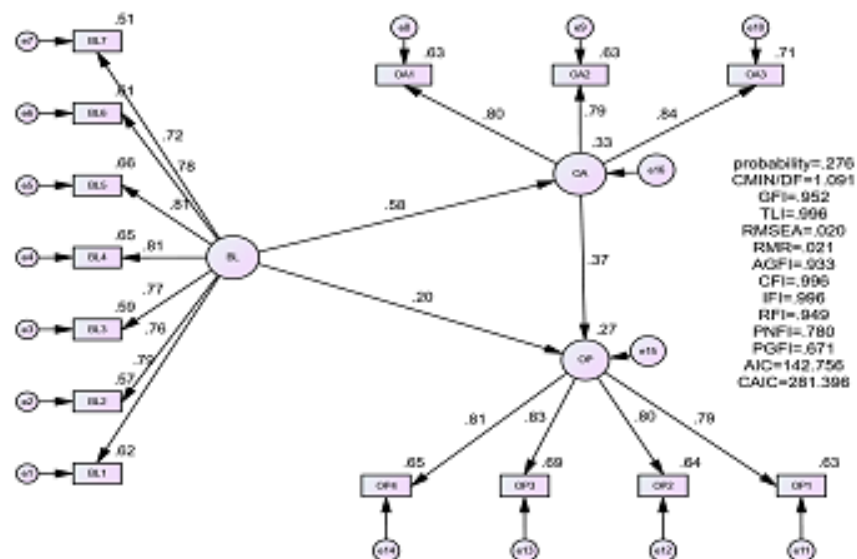


Figure 1: Full model first order confirmatory analysis.

The test results of Confirmatory Factor Analysis (Covergent Validity, average variance extracted (AVE), Composite reliability are as follows

TABLE 2: CVA, AVE and CR . test results

Construct	Items	Loading factor	AVE	CR
bureaucratic leadership (BL)	contribution and encouragement of professional development	0.785	0.602	0.944
	Power distribution/ Power	0.758		
	Building coalitions instead of conflict	0.771		
	build clarity, commitment, passion, and consensus	0.806		
	Capacity to build relationships within the bureaucracy	0.809		
	Capability (administrative, policy implementation, environmental constraints and bureaucratic structure)	0.781		
	Credibility, openness, HR, integrity, consistency	0.716		
Organizational Agility	Agile responsiveness	0.797	0.659	0.885
	Agile partnership	0.795		
	Agile operations	0.842		
Organizational performance	performance by Stakeholder	0.791	0.649	0.911
	resource utilization	0.797		
	management process	0.829		
	learning & innovation	0.806		

Note: AVE = average Variance Extracted , CR = Composite reliability

The test results show that the weight factor of each indicator is in the acceptance area, which is above 0.5. meaning that each indicator can explain the latent variable. For the bureaucratic leadership (BL) latent variable, the change can be explained by the 7 indicators of 60.2% with composite reliability of 0.944 or in the high category. Organizational Agility can be explained by indicators of responsiveness, partnership and in operations of 65.9% with a CR value of 0.855. Changes in OP can be explained by performance indicators based on Stakeholders, resource utilization, management processes, learning & innovation of 0.649

Correlation coefficient and Discriminant Validity Test

The result of the discriminant validity test is as follows as below:

TABLE 3: Correlation coefficient & Discriminant Validity Test

Variable	BL	OA	OP
<b>BL</b>	1		
<b>OA</b>	<b>0.577</b>	1	
<b>OP</b>	<b>0.204</b>	<b>0.370</b>	<b>1</b>
<b>BL1</b>	0.785	0.453	0.328
<b>BL2</b>	0.758	0.437	0.316
<b>BL3</b>	0.771	0.445	0.322
<b>BL4</b>	0.806	0.465	0.337
<b>BL5</b>	0.809	0.467	0.338
<b>BL6</b>	0.781	0.451	0.326
<b>BL7</b>	0.716	0.413	0.299
<b>OA1</b>	0.46	0.797	0.388
<b>OA2</b>	0.459	0.795	0.388
<b>OA3</b>	0.486	0.842	0.411
<b>OP1</b>	0.33	0.386	0.791
<b>OP2</b>	0.333	0.389	0.797
<b>OP3</b>	0.346	0.404	0.829
<b>OP4</b>	0.336	0.393	0.806

Correlation coefficient among variables is positive. According to the test results in the table above, it is known that the indicators BL1-BL7 have the highest correlation to the bureaucratic leadership (BL) variable (X1). indicators OA1-OA3 have the highest correlation to the variable Organizational agility (Y), Indicators OP1.1-OP4 have the highest correlation to the variable Organizational performance (Y), so it can be concluded that discriminant validity is categorized into the good category. It means that each observed variable has a great relationship with its respective latent variables than the other latent variables.

### 2.4. Significance test

The results of testing the relationship between latent variables show a significant relationship between latent variables. The beta coefficient that shows the relationship between BL and OA is 0.48, the beta coefficient of OA and OP is 0.38. The beta coefficient of the relationship between BL and OP is 0.196

#### **Model Suitability Test (Goodness of Fit Test) and model resefication**

The results of the model fit test are as follows:

TABLE 4: Model test results

<b>Absolute Fit Measure</b>		
	Results	conclusion
p-value (Sig.)	0.276	Fit
CMIN	1.091	Fit
GFI(Goodness of Fit)	0.952	Fit
RMSEA(Root Mean square Error of Approximation)	0.020	Fit
RMR(Root Mean Square Residual)	0.021	Fit
<b>Incremental Fit Measure</b>		
AGFI(Adjusted Goodness of Fit Index)	0.933	Fit
CFI (Comparative Fit Index)	0.996	Fit
Incremental Fit Index (IFI)	0.996	Fit
Relative Fit Index (RFI)	0.949	Fit
<b>Parsimonious Fit Measure</b>		
PNFI (Parsimonious .) Normal Fit Index)	0.780	Fit
PGFI (Parsimonious .) Goodness Of Fit Index)	0.671	Fit
AIC (Akaike Information Criterion)	142.7	Fit
CAIC (Consistent Akaike Information Criterion)	281	Fit

Based on test results criteria of goodness of fit, each criterion of goodness of fit, namely absolute fit indices, incremental fit indices and parsimony indices are fully represented. The test results show that the model is accepted. There is a match between the data in the field obtained through a survey with the model constructed in the study.

### 2.5. Causality Test with regression analysis techniques (Regression Weight) and effect mediation

The results of the causality test show a significant positive relationship between variables, including Organizational Agility as a mediating variable are as shown in the following table:

TABLE 5: Hypothesis test results

Hypothesis	Direct	Indirect	Total	Hypothesis conclusion
Bureaucratic leadership has an influence on Organizational Agility	0.577			supported
Bureaucratic leadership has an influence on organizational performance	0.204			supported
Bureaucratic leadership has an influence on Organizational performance through Organizational Agility	0.204	0.213	0.418	supported



### 3. Finding

The results of the study show that the characteristics of leadership in public institutions that are needed today are in accordance with (Bennis (1969)(16). while still paying attention to administrative aspects as well as openness and coordination and integrity in carrying out the organization's vision consistently (17). The dimensions of Organizational Agility developed by Tallon&Pinsonneault (2011), Khoshlahna and Ardabili (2016) are acceptable. Public service performance is not only required aspects of budget absorption and achieving financial targets for tax institutions (12,18). Performance The expected organization at this time is performed in the learning aspect as well as internal business processes that get stakeholder support.

The results of the study are in line with research conducted by bureaucratic leadership to determine organizational agility. In line with Sahin and Alpp (2020); Wiraeus and Creelman (2019) and Rzepka&Bojar (2020) who put forward demands for acceleration of various organizations today as a necessity (5,8,11). Organizations are forced to keep up with accelerating developments. Therefore, as stated by Akkaya and Tabak (2020) Khoshlahn and Abdul-Kareem (2020); Medinilla (2012) leadership has a role in dealing with change (7,10,12). Leaders determine organizational performance. Even though the leadership in public institutions is relates to administration, including local political issues, it is a common phenomenon. In line with Khoshlahn and Ardabili (2016), Huque&Ferdous (2019), (Pidd, 2012) Meynhardt et al (2017), the leadership orientation in the context of tax services is to optimize revenue in the tax sector and at the same time encourage the acceleration of tax service programs and activities amidst the complexity of pressure due to the Covid-19 Pandemic(3,12,13,15). The leaders needed by tax institutions are leaders with a long term orientation and readiness to face various complexities. In line with Sahin and Alpp, 2020) Attar and Abdul-Kareem (2020) who put forward leaders who were in accordance with the demands for acceleration. Organizational agility is the focus of leadership (8,14). Organizational functions cannot operate traditionally. Organizations need to pay attention to agility as a consequence of the development and the demands of public services.

Agile public organizations can face pressure, adapt to the demands of accelerated and even operate on a profitable scale, meaning that limited resources can be minimized with the ability to carry out organizational functions appropriately and quickly. However, it is not easy to bring public organizations to have high agility abilities. Various limitations and obstacles faced by public institutions to change to be faster in responding to the demands of accelerated, adapting to acceleration and being proactive to make changes in the organization as a strategy and mechanism to increase agility. Therefore, the leadership position is very important to support acceleration.

Currently, the head of public services for tax issues is facing a variety of problems that have never happened before. The pressure of Covid 19 caused the economic system to contract and had a significant impact on tax revenue. Consumption and production, which indicate the development of the economy declined sharply. This is a challenge for the leadership to formulate strategic steps to maximize tax revenue amid the pressure of COVID-19.

The leadership role to create and maintain an agile organization is not easy. The leaders needed are leaders who understand various aspects of the life of public organizations, including political issues and their relationship to the budget. The potential for conflict is not only with external stakeholders. Acceleration gives rise to internal conflict and ambiguity. The hierarchical power obtained is translated into a pattern of bureaucratic leadership that represents public services.

In line with the concept of With the Complexity Leadership Theory approach in leadership, local policy makers are required to change their paradigm of leadership in an effort to explore issues that affect organizational performance and the process towards leadership in tax institutions. Local governments expand expecting space for creativity, emergence, and learning through leadership. Therefore, the placement system for leadership in public institutions is an effort to show a "model of change" leadership along with the increasing complexity of change, the need for learning about agility, innovative services that compete with public demands and acceleration, as well as efforts to increase the adaptive capacity of the existing bureaucratic structure. Local governments as stakeholders in public institutions are required to invest in building leadership capacities that meet the demands of agility and develop a framework that can accommodate agile leaders appropriately.

Change and leadership orientation to encourage performance cannot be separated from the existence of organizations that have high agility. The data show that the institutions that manage taxes have a low level of agility. Therefore, the leadership functions to encourage agility and ensure that the administrative aspects that are the demands of public institutions are met. Organizational agility requires guidance and direction so that the intended direction is in accordance with the characteristics of public institutions. Local governments ensure that these two variables are values orientations in order to adapt to acceleration and change and pressure.

#### 4. Limitations

The research was limited to institutions that manage taxes with a unit of observation of employees at the implementing level. The data retrieved using cross sectional data technique. Therefore, further research is needed by collecting data using the next

method to obtain an explanation and understanding of the phenomenon of demand for agility and the role of leaders in other public institutions.

## 5. Conclusion

Bureaucratic leadership determines performance organization either directly or through organizational agility. The theoretical implication is the need to develop the concept of leadership in the context of the digital era in order to encourage public performance that requires acceleration. The practical implication is the need for attributes as leadership that has agility in responding to public demands and acting quickly by integrating administrative orientation, understanding local political dynamics and being ready to face acceleration challenges.

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