



STRATEGIC MANAGEMENT OF THE DIRECTORATE GENERAL OF TAXATION TO STRENGTHEN STATE FINANCIAL STABILITY

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Abstract

The country's financial stability is a fundamental aspect that underlies the sustainability and economic development of a country. One of the most influential factors in maintaining this stability is state revenue, especially from the tax sector. In this context, the Directorate General of Taxes (DGT) plays a very strategic role in managing an efficient and effective tax system. The DGT is responsible for formulating and implementing policies that can optimize tax revenues to support the country's financial stability. This study aims to evaluate how strategic management is implemented by the DGT in order to achieve these goals. The main focus of this research is to identify the challenges and opportunities faced by the DGT in strengthening the country's financial stability through tax system reform. To achieve this goal, this study uses the strategic management theory of R. David, which includes three main aspects: strategy formulation, strategy implementation, and strategy evaluation. By analyzing each of these stages, this study seeks to provide insight into how the DGT can be more effective in carrying out its role and overcome existing obstacles in achieving the country's financial stability goals.

Keywords: Directorate General of Taxes, Stability, Optimization, Revenue, Strategic Management

INTRODUCTION

The country's financial stability is a fundamental factor in supporting the sustainability of economic development. As the institution responsible for state revenue from the tax sector, the Directorate General of Taxes (DGT) plays a strategic role in ensuring an efficient and effective tax system. The DGT has implemented a modern tax administration system supported by a sophisticated information system. The system is fully supported by computer-based administration, which simplifies workflow and ensures certainty in implementing tax regulations (Hartono et al., 2018).

This modernization aims to simplify workflows, ensure legal certainty, and improve service quality. Modernization efforts have resulted in better quality of service for taxpayers, including more efficient tax filing and processing (Tahinakis, 2006). The implementation of a modern tax administration system, supported by sophisticated information technology, increases the efficiency and effectiveness of tax collection. This includes a computer-based administration system and the adoption of good governance practices (Grundel, 2023). In the face of global and domestic challenges, the DGT implements various strategic management policies to increase tax revenues and strengthen taxpayer compliance.

The implementation of this policy cannot be separated from internal and external obstacles that can affect its effectiveness. Internal risks such as organizational work culture, human resources, and professionalism play an important role in the implementation of strategic management policies. These factors can facilitate or hinder the effectiveness of policy implementation depending on how well they are managed (Saad et al., 2023).

The success of tax management has a direct impact on the country's financial stability. The Directorate General of Taxes (DGT) as a state institution that manages state revenue from the tax sector plays an important role in maintaining economic sustainability through a sustainable and fair increase in tax revenue. In this case, strategic management is key to ensuring that existing tax policies and systems can support the country's financial stability. Effective strategic management in tax administration can optimize the tax collection process, improve compliance, and improve the efficiency of the overall tax system (Mansor & Tayib, 2013). In an effort to achieve this goal, the DGT must formulate the right strategy, implement



it efficiently, and continuously evaluate it to ensure the achievement of optimal results. Therefore, the strategic management implemented by the DGT is very important to identify challenges and opportunities that can be used to improve the existing tax system.

David also argues that strategic management is the art and knowledge in formulating, implementing, and evaluating cross-functional decisions of an organization to achieve its goals (R. David, 2011). Strategic management helps organizations to formulate better strategies through a systematic, logical and rational approach. Strategic management processes are best studied and implemented using models (David & David, 2017). Within the model there are several types of strategic management processes. This strategic management model does not guarantee success, but it is a clear and practical approach to formulating, implementing, and evaluating strategies.

This study aims to analyze the implementation of strategic management implemented by the DGT, focusing on three main components, namely formulation, implementation, and evaluation, which David put forward in his theory of strategic management (R. David, 2011). Where it is defined as the art and science of formulating, implementing, and evaluating cross-functional decisions that enable an organization to achieve its goals. Based on this approach, this study will provide an in-depth picture of how the DGT manages its strategy in order to strengthen the country's financial stability.

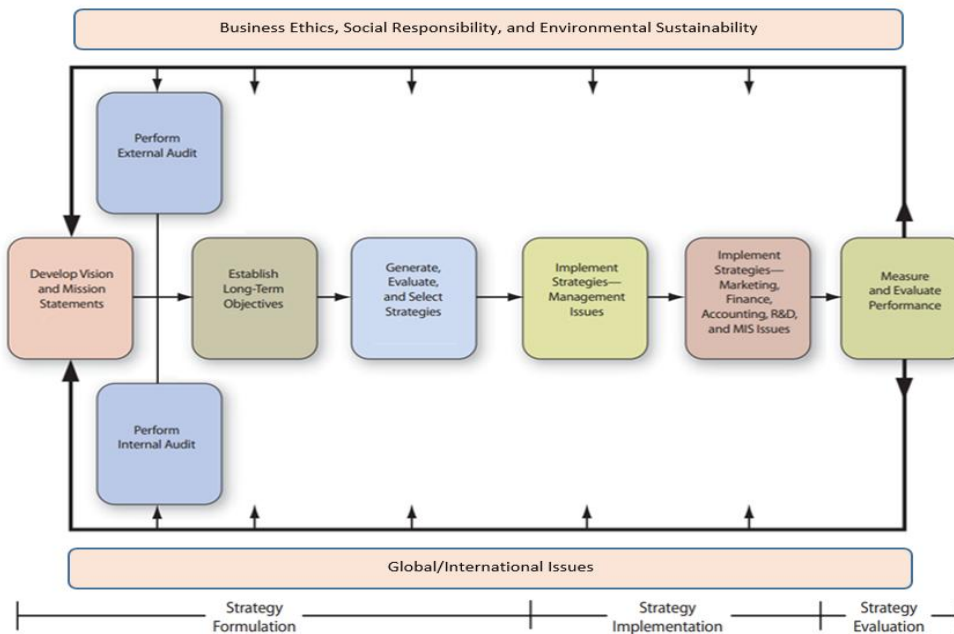
LITERATURE REVIEW

Strategic management has become an important agenda in several public sector organizations due to the new public management reform (NPM). Strategic management has become well-known in public organizations as a result of NPM reforms, which aim to introduce private sector management practices to the public sector (Höglund et al., 2018). Traditional management theory originally originated from Frederick W. Taylor in his monumental work *The Principles of Scientific Management* (H. Frederickson, 2023). The principle is to move from practical rules, customs and traditions, to scientific principles. In addition, it is also based on the right measurement of the work outcome process, about the scientific selection of workers, the optimal placement of workers, about the division and sequencing of the work process to increase productivity and worker cooperation to achieve organizational goals. The application of these principles eventually spread to the government sector in line with the government reform movement, including in the development of civil servants in the government system at all levels. Reforms in various countries aim to make civil services more efficient and accountable. The reforms aim to increase transparency and efficiency in public services, with a focus on human resource management and reducing corruption (Kuljambekova, 2013). The reforms have replaced traditional, rules-bound structures with performance-based accountability, providing managerial flexibility to civil servants to improve efficiency (Curristine, 2015).

Strategic management has a very important role in achieving the organization's long-term goals, including in the context of the Directorate General of Taxes (DGT). As an institution responsible for state revenue from the tax sector, the DGT needs to formulate, implement and evaluate policies that support the country's financial stability. The strategic management theory proposed by David has three main components, namely: strategy formulation, strategy implementation, and strategy evaluation as seen in the following figure:



Figure 1. Strategic Management Model



Source: R. David (2011)

The strategic management process consists of 3 (three) main stages in the form of strategy formulation, strategy implementation and strategy evaluation. Strategy formulation includes developing a vision and mission, identifying the organization's external opportunities and threats, determining internal strengths and weaknesses, setting long-term goals, generating alternative strategies, and selecting specific strategies to implement. The practice of strategic management, which refers to the formulation of strategies, implementation, and evaluation, is identical to the real conditions that have occurred in the DGT so far, in the form of planning, monitoring, and determining results and evaluation. The process of preparing the DGT strategic plan, supervision and preparation of the DGT performance report shows that strategic management has been carried out by the DGT.

Based on the characteristics of the DGT which tends to be dynamic and continues to follow economic developments and organizational empowerment as well as the achievement of goals that use three identical stages in strategic management, the researcher places the strategic management theory of R. David as the main theory in this study.

Strategy formulation

Strategy formulation is the initial stage in strategic management where an organization formulates various goals and strategies that must be achieved to ensure long-term continuity and success. David based on 3 (three) important questions that must be answered in developing a strategic plan: Where are we now? Where do we want to go? How are we going to get there? Identifying the existing vision, mission, goals, and strategies of the organization is a logical starting point for strategic management because certain situations and conditions can hinder the strategy or can dictate certain actions (David, 2011). Every organization has a vision, mission, goals, and strategy, although those elements are not consciously designed, written, or communicated. The strategic management process is dynamic and sustainable. Changes to any of the major components in the model can require changes to any or all of the components.



In the context of the DGT, strategy formulation includes determining relevant tax policies, determining tax revenue targets, as well as identifying external and internal factors, setting long-term goals, generating and selecting strategies, social responsibilities, and global issues that affect the success of the tax system.

Strategy implementation

Successful strategy formulation does not guarantee successful strategy implementation at all (David, 2011). David divides the implementation of strategies into two categories, namely the implementation of strategies from the management side and operational issues as well as the implementation from the marketing, finance/accounting, research and development and information system management issues. Although interdependent, the formulation of strategies and implementation strategies have different characteristics. In short, strategy implementation means change. Strategy implementation includes matching organizational structure with strategy, linking performance and salary with strategy, creating a conducive climate for organizational change, managing political relations, creating a culture that supports strategy, adapting production/operation processes, and managing human resources. Building annual goals, designing policies, and allocating resources are key strategy implementation activities that are common to all organizations.

Strategy implementation is the stage where the policies that have been formulated are implemented through various programs and operational policies. For the DGT, the implementation of the strategy includes the management of tax administration, supervision of taxpayers, and the application of information technology to improve the efficiency and effectiveness of tax collection.

Evaluasi strategi

The process of evaluating strategies in strategic management results in decisions that can have long-term and significant consequences (David & David, 2017). Wrong strategic decisions can incur severe penalties and are very difficult, as they may not be able to be undone. Therefore, most strategists agree that strategic evaluation is essential for the well-being of the organization. Timely evaluation can alert management to problems or potential problems before the situation becomes critical.

No one can be sure that a particular strategy is optimal or can even guarantee that it will work. However, one can evaluate them critically to find their flaws. Decision-makers can receive evaluations that are able to provide descriptive information consistently. Strategy evaluation ranges from simple data collection to complex analysis.

Strategy evaluation is the final step in the strategic management cycle that aims to assess whether the policies that have been implemented can achieve the goals that have been set. In the DGT, the evaluation is carried out through an analysis of the achievement of tax revenue targets, the effectiveness of the policies implemented, and the identification of factors that hinder the implementation of the strategy that has been prepared.

State Financial Stability

Financial stability is defined as a condition in which the efficient functioning of financial intermediation and payment services continues to run uninterrupted despite internal and external shocks, and financial risks are properly monitored and managed so that the possibility of systemic crises can be minimized (Ismail, 2013). Strong financial stability is needed to support sustainable economic development and avoid fiscal crises that can have an impact on people's welfare. Maintaining a high level of fiscal balance during normal times is essential. This allows governments to finance welfare programs and increase social spending during financial crises, which is crucial for developing countries (Nguyen et al., 2024).



Strategic Management in Tax Administration

Strategic management in tax administration refers to a series of policies and strategies implemented to increase the effectiveness of tax revenues and increase taxpayer compliance. Strategic management also aims to increase taxpayer compliance and state revenue and make it easier for taxpayers to carry out all tax needs and obligations and can facilitate the DGT's business process so that it can increase state revenue every year (Rahmi et al., 2023). This concept includes the development of information technology, increasing the capacity of human resources, and optimizing tax supervision and control.

Factors Affecting the Effectiveness of Tax Policy

Some of the main factors that affect the effectiveness of tax policies include clear and stable regulations, efficient tax administration systems, and technological support in policy implementation. Effective tax policy requires clear and stable regulations. The quality of regulations has an impact on taxpayer compliance and the effectiveness of tax policies as a whole. When regulations are considered fair and transparent, compliance rates tend to be higher (Hakam et al., 2024). In addition, cooperation between government and private agencies also plays an important role in creating a more transparent and accountable tax system. Global collaboration is essential to address tax compliance in the digital economy. Countries can benefit from shared technological advancements and integrated strategies to address tax avoidance and ensure compliance (Subramanian, 2022).

METHODS

This study adopts a descriptive qualitative approach to explore a deeper understanding of the tax policy implemented by the Directorate General of Taxes (DGT). The data sources used include primary and secondary data. Primary data was collected through in-depth interviews with an official at the Directorate of Internal Compliance and Apparatus Resources (KITSDA) of the DGT Headquarters and an academic from the STAN State Finance Polytechnic who teaches strategic management courses to gain rich and diverse perspectives. Meanwhile, secondary data is obtained from official DGT documents, performance reports, and relevant academic literature as well as policy documents related to strategic management in the DGT and the tax sector in general to enrich the analysis. For the data collection technique, three main methods were used: first, in-depth interviews with informants. Second, documentation that involves the analysis of the DGT's strategic management documents and annual reports that can provide a more comprehensive picture of strategic management policies.

Data analysis was carried out using coding techniques assisted by the NVivo application so that categorization and thematic analysis could be arranged. This process aims to identify patterns, themes, and relationships between related variables, including tax policies, challenges faced, and opportunities for improvement in the implementation of these policies. This approach allows researchers to compile a more systematic and in-depth picture of the dynamics that occur within the DGT.

RESULTS AND DISCUSSION

This study analyzes the strategic management implemented by the Directorate General of Taxes (DGT) in increasing tax revenues to strengthen the country's financial stability. The results of the study show that the DGT's strategy is divided into three main stages, namely: strategy formulation, strategy implementation, and strategy evaluation.

At the strategy formulation stage, the DGT sets the main goal in the form of optimizing tax revenues to support national development. The preparation of this strategy is based on strategic planning that refers to the National Long-Term Development Plan (RPJP) and Medium-Term Development Plan (RPJM). As a vertical agency under the Ministry of Finance,



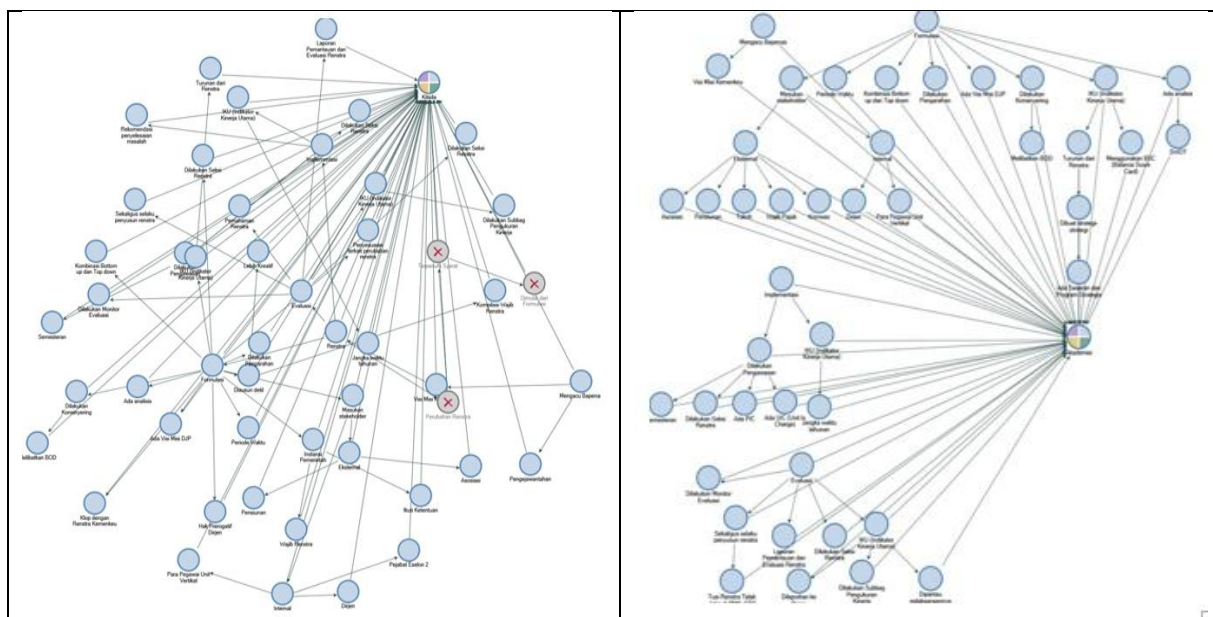
the DGT designs strategies by considering external and internal analysis. The research found that this analytical approach is still limited and is more based on input from stakeholders. This can affect the accuracy in identifying strategic factors that have an impact on the success of tax policies.

The strategy implementation stage focuses on the implementation of strategic policies derived from the DGT Strategic Plan (Renstra DGT) for 2020-2024. This implementation is carried out through budget management, annual work plans, and mapping strategies based on key performance indicators (KPI). The study found that this implementation system faces obstacles in coordination between work units, especially because strategic roles are still managed by the same unit without a special division. The existence of a Strategic Management Office (SMO) is considered important to oversee the implementation of the strategy and ensure its effectiveness in supporting the achievement of tax revenue targets.

The strategy evaluation stage is carried out to ensure that the implemented policies are in line with the strategic objectives that have been set. This evaluation includes monitoring performance achievements measured through KPI and reporting in the DGT's Performance Report (LAKIN). This evaluation aims to identify obstacles in implementation and adjust the necessary policies. The study found that the DGT's evaluation mechanism still faces challenges in the digital-based supervision system, allowing for recording errors and data manipulation. In addition, the limited authority of the performance management unit due to the position structure that is still at the level of echelon four is an obstacle in the implementation of a more objective and comprehensive evaluation.

The results of the study indicate that to improve the effectiveness of strategic management, the DGT needs to improve the strategy formulation mechanism by expanding the scope of external and internal analysis, improving coordination between units through the establishment of SMO, and accelerating the digitization of the performance monitoring system. Thus, the implementation of more comprehensive strategic management will be able to strengthen tax revenues optimally and sustainably.

Figure 2. Visualization of Informant Data Coding using NVivo



Source: Results Processed by Researchers (2024)



The implementation of the strategy at the Directorate General of Taxes (DGT) is carried out through monitoring which includes guidance, consultation, and assessment of the achievement of Key Performance Indicators (KPI) and employee behavior. Although the Strategic Planning Section does not have a formal task in monitoring the strategic plan, they are still involved in monitoring as a form of strategic responsibility. This approach reflects a centralized strategic management model, as opposed to a distributed approach that involves multiple units.

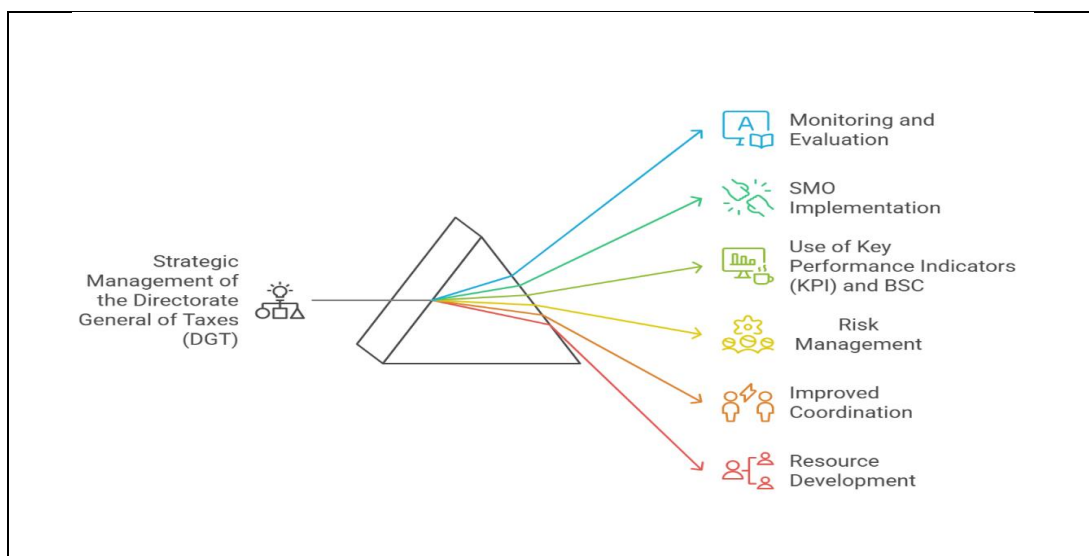
The DGT's vision and mission are the basis for decision-making and strategic planning, with risk management applied to ensure the achievement of targets through KPIs. Strategic goals are detailed in the strategic map and evaluated through the Balance Score Card (BSC) mechanism. The DGT KPI is used as the main tool in measuring performance, outlined in the Performance Contract that binds superiors and subordinates and can be revised if there is a change in policies or organizational needs.

There is a proposal to establish a Strategic Management Office (SMO) as a unit that plays a role in controlling and monitoring strategies, as has been implemented in the private sector. SMO will act as a liaison between echelon two units and DGT leaders to ensure strategic alignment with program implementation and budget optimization. The concept of SMO emphasizes the importance of its role in the implementation of BSC-based strategies to improve organizational performance.

Overall, this study shows that the DGT implements a structured strategic management approach with KPI and BSC-based monitoring. There are still challenges in coordination and authority between units, which can be overcome by establishing an SMO to improve the effectiveness of planning and executing organizational strategies.

The success of this policy cannot be seen separately from the existing challenges. To maximize the achievements that have been achieved, there is a need for improvements in various aspects, such as improving the quality of human resources, strengthening synergy between agencies, and better technology management so that the DGT can continue to adapt to the demands of global economic development and strengthen the tax system in Indonesia.

Figure 3. Visualization of DJP's Strategic Management Approach



Source: Results Processed by Researchers (2025)



CONCLUSION

This study analyzes the implementation of strategic management carried out by the Directorate General of Taxes (DGT) in an effort to increase tax revenue to strengthen the country's financial stability. The results of the study show that the DGT's strategy is divided into three main stages, namely strategy formulation, strategy implementation and strategy evaluation.

At the strategy formulation stage, the DGT establishes policies oriented to optimizing tax revenues by referring to the National Long-Term Development Plan (RPJP) and Medium-Term Development Plan (RPJM). However, the study found that the DGT's strategy analysis approach is still limited and is more based on stakeholder input, which can affect the accuracy of identifying strategic factors that have an impact on the success of tax policies.

The strategy implementation stage focuses on managing tax administration, supervising taxpayers, and applying information technology to improve the efficiency and effectiveness of tax collection. Coordination constraints between work units and the lack of specialized divisions that manage strategies are the main obstacles to the success of policy implementation.

The strategy evaluation stage is carried out to ensure that the policies implemented are in line with the strategic goals that have been set. The evaluation of the strategy carried out by the DGT is based on the Key Performance Indicators (KPI) and Performance Reports (LAKIN), but still faces challenges in the digital-based supervision system and limited authority of the performance management unit.

Overall, this study concludes that the implementation of strategic management in the DGT has been running systematically but still faces a number of challenges, such as limitations in analysis in strategy formulation, lack of coordination between units in strategy implementation, and weaknesses in the evaluation system that still relies on manual recording. Therefore, the DGT needs to make improvements in the strategy mechanism implemented to ensure effectiveness and efficiency in tax revenue management.

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