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# Driving Transformation: Essential Strategic Factors for Reforming and Transforming the General Department of Taxation in Cambodia

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## Abstract

**Purpose:** This research aims to follow the special recognitions to H.E. Kong Vibol's outstanding leadership, performance and achievements for General Department of Taxation (GDT). The research embodies key strategic factors to reform and transform GDT in Cambodia, including inspirational communication, transformational leadership, strategic decisions towards innovation and change, change-oriented organizational citizenship behavior, good GDT governance, and GDT performance. **Research design, data, and methodology:** The study involves 450 C-level executives from registered businesses in Cambodia. Sampling techniques include purposive, convenience, and snowball sampling. Validation included Item Objective Congruence (IOC) Index and a pilot test with 50 participants, assessing reliability using Cronbach's Alpha. Data analysis comprised Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM). **Results:** The findings indicate that inspirational communication significantly influences transformational leadership. Transformational leadership, in turn, exerts a substantial impact on strategic decisions towards innovation and change, and change-oriented organizational citizenship behavior. The change-oriented organizational citizenship behavior significantly influences good GDT governance. Additionally, strategic decisions towards innovation and change, and change-oriented organizational citizenship behavior significantly contributes to GDT performance. Finally, the study reveals that good GDT governance significantly influences GDT performance. **Conclusions:** These findings can provide valuable insights for government and corporate organizations aiming to enhance operational effectiveness, efficiency, and transparency through automation and digitization.

**Keywords:** Inspirational Communication, Transformational Leadership, Good Governance, General Department of Taxation, Cambodia

**JEL Classification Code:** E44, F31, F37, G15

## 1. Introduction

Taxation in Cambodia is governed by the Law on Taxation, which provides the legal framework for tax administration, collection, and enforcement in the country. The tax system in Cambodia comprises various types of taxes levied on individuals, businesses, and organizations (Kimleng, 2023).

The General Department of Taxation (GDT) in Cambodia is a government entity entrusted with the management and collection of taxes within the nation.

Functioning under the jurisdiction of the Ministry of Economy and Finance, the GDT holds a pivotal position in generating government revenue to bolster public services and foster development endeavors (General Department of Taxation, n.d.).

The GDT's primary objective is to ensure effective and efficient tax administration while promoting voluntary compliance among taxpayers. It is responsible for implementing tax laws, regulations, and policies, as well as providing guidance and assistance to taxpayers in meeting their tax obligations. The department's activities include tax

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registration, tax assessment, tax collection, taxpayer education, and enforcement of tax laws to combat tax evasion and fraud (General Department of Taxation, n.d.).

His Excellency (H.E.) Mr. Kong Vibol currently holds the title of Minister Attached to the Prime Minister (MAPM), in addition to his existing role as the Delegate of the Royal Government and Director General of the General Department of Taxation of Cambodia, a position he has held since August 2012). In his current successful position, he has been driving the reform and the transformation of the General Department of Taxation (GDT) from the traditional a paper-based to a modern IT-based operation in all its Core Functions, ranging from Tax Registration, Taxpayer Services, Tax Return Filing, Tax Audit, Tax Arrears and Dispute Resolutions and the Supporting Functions including the Strengthening of the Organizational Management Structure, Human Resource (General Department of Taxation, 2023).

Management and Information Technologies – all of which have been automated and digitized to enable the effectiveness, efficiency and transparency of its operations across GDT. The result speaks for itself – GDT has been able to significantly increase the tax revenue collection year on year consecutively over the past 11 years at an average increase rate of around 20%. Achieving such historic key milestones and achievements under his leadership, H.E. Kong Vibol has been widely recognized as a “Champion of Change”

The increased tax revenue collection can be attributed to several tax system reforms implemented by the GDT. These reforms include providing enhanced services to taxpayers, improving registration processes, implementing effective audit and debt management services, and addressing the challenges faced by taxpayers while fulfilling their tax obligations. As a result, the GDT collected a significant tax revenue of \$1.3 billion in the first three months of 2023.

The state of the problem for the research revolves around the examination of key strategic factors necessary for the reform and transformation of the General Department of Taxation (GDT) in Cambodia. These strategic factors include inspirational communication, transformational leadership, strategic decisions towards innovation and change, change-oriented organizational citizenship behavior, good GDT governance, and GDT performance.

Additionally, the study holds significance for businesses and taxpayers in Cambodia. The reform and transformation of the GDT can directly influence the ease of doing business, transparency in tax procedures, and the overall tax environment in the country. Understanding the strategic factors that contribute to reform and transformation will allow businesses to align their practices and operations accordingly. It can help them navigate the evolving tax landscape, comply with regulations, and engage in more

effective communication and collaboration with the GDT.

This research aims to follow the special recognitions and appreciations from the Prime Minister of Cambodia and key development partners for H.E. Kong Vibol’s outstanding leadership, performance and achievements for General Department of Taxation (GDT). The research embodies key strategic factors to reform and transform GDT in Cambodia, including inspirational communication, transformational leadership, strategic decisions towards innovation and change, change-oriented organizational citizenship behavior, good GDT governance, and GDT performance.

## 2. Literature Review

### 2.1 Inspirational Communication

Inspirational communication refers to “the communication practices employed by organizational leaders to foster team spirit, optimism, and enthusiasm within their subordinates or followers (Yaslioglu & Erden, 2018). It involves engaging individuals in an appealing vision and cultivating a sense of commitment to shared objectives and a common vision (Northouse, 2021). Yaslioglu and Erden (2018) underscore the importance of inspirational leadership and its influence on corporate performance. They underscore the role of inspirational communication in fostering a collective sense of purpose, optimism, and enthusiasm among followers.

Ur Rehman et al. (2019) suggests that inspirational communication is a key factor in fostering follower commitment and organizational success. The relationship between inspirational communication and transformational leadership has been a topic of considerable interest in the field of leadership studies. The literature suggests that inspirational communication plays a significant role in motivating followers. Avolio et al. (2009) found that leaders who engage in inspirational communication are more likely to inspire a shared vision, which in turn motivates followers to commit to organizational goals and values. However, it is essential for leaders to be mindful of how and when they use inspirational communication to ensure its effectiveness in different contexts. Thus, the researcher makes a following hypothesis:

**H1:** Inspirational communication has a significant influence on transformational leadership.

### 2.2 Transformational Leadership

Transformational leadership is “a leadership style characterized by effectively communicating a shared vision of the future, stimulating intellectual growth among subordinates, providing significant support to individuals,

recognizing and valuing individual differences, and setting high expectations for performance” (Kirkman et al., 2009). This leadership approach encompasses five dimensions: articulating a compelling vision, inspiring through effective communication, promoting intellectual stimulation, offering supportive leadership, and providing personal recognition (Bass & Riggio, 2006). Jarwanakul (2021) examines the effectiveness of transformational leadership in increasing motivation and innovative behavior among team members. Pieterse et al. (2010) investigate the influence of transformational leadership on improving team performance and effectiveness.

Transformational leadership, as introduced by Bass (1985), is strongly associated with the development and communication of a compelling vision for the future. This visionary aspect of transformational leadership has been shown to inspire and guide organizations in strategic decision-making aimed at innovation and change (Bass & Riggio, 2006). The culture within an organization can significantly influence strategic decisions. Organizational culture that values innovation and change is more likely to align strategic choices with these goals (Schein, 2010).

Transformational leadership, characterized by a leader's ability to inspire and motivate their followers, has indeed been found to exert a substantial influence on change-oriented organizational citizenship behavior (OCB). This relationship has been a subject of interest in leadership and organizational behavior research (Kao, 2017). Transformational leaders are effective in fostering commitment to the organization's goals and values. By articulating a compelling vision, they align employees with the need for change and the organization's strategic objectives. This commitment often translates into employees willingly going beyond their formal job descriptions to support change initiatives (Eisenbeiss et al., 2008). Accordingly, the following hypotheses are obtained

**H2:** Transformational leadership has a significant influence on strategic decisions towards innovation and change.

**H3:** Transformational leadership has a significant influence on change-oriented organizational citizenship behavior.

### 2.3 Change-Oriented Organizational Citizenship Behavior

Change-oriented Organizational Citizenship Behavior (OCB) refers to the proactive actions taken by employees to go beyond their prescribed roles and authority in order to implement constructive changes in work procedures and policies that benefit the organization as a whole (Kao, 2017). According to Liu et al. (2014), this form of OCB entails employees willingly and voluntarily making modifications in their job roles to bring about positive changes within the organization. To improve service quality, it is essential for

frontline immigration personnel, who directly engage with the public, to exhibit an elevated degree of change-focused Organizational Citizenship Behavior (Liu et al., 2014). This becomes particularly important in an era where organizations strive to generate new ideas and deliver highly efficient services, in order to meet the public's heightened expectations for service effectiveness from the government (Chiaburu et al., 2013).

Change-oriented organizational citizenship behavior (OCB) can indeed have a significant influence on good governance, particularly when it comes to General Department of Taxation (GDT) initiatives. This relationship is essential in fostering effective governance and ensuring the success of digital transformation efforts (Munawir et al., 2019). Change-oriented OCB involves employees proactively identifying opportunities for improvement and implementing change initiatives. When employees actively engage in such behaviors, they contribute to the organization's adaptability and innovation, key elements of a successful GDT governance framework (Avolio et al., 2009).

The influence of change-oriented organizational citizenship behavior (OCB) on firm performance is a critical topic in the context of the General Department of Taxation (GDT). In the field of taxation, the ability of employees to engage in change-oriented OCB can significantly impact the department's efficiency and effectiveness (Munawir et al., 2019). Change-oriented OCB fosters a culture of accountability and trust, as employees are more likely to follow ethical and accountable practices, thereby influencing firm performance. Successful change management is integral to the GDT's ability to adapt to evolving tax regulations and technological advancements (Moonen, 2017). Change-oriented OCB contributes to more effective change management processes, resulting in better departmental performance. Building upon these studies, the following hypotheses are formulated:

**H4:** Change-oriented organizational citizenship behavior has a significant influence on good GDT governance.

**H6:** Change-oriented organizational citizenship behavior has a significant influence on GDT performance.

### 2.4 Strategic Decisions Towards Innovation and Change

Strategic decisions towards innovation and change refer to “the process of making intentional choices and taking actions that drive organizational innovation and facilitate change” (Çelik et al., 2016). Strategic decisions towards innovation and change involve “identifying opportunities, allocating resources, and implementing strategies to foster a culture of innovation, adapt to market dynamics, and drive organizational transformation” (Eisenhardt & Martin, 2000).

Innovation encompasses the introduction of novel or significantly enhanced products (goods or services), processes, marketing strategies, and organizational methods, both internally and in external interactions (Oslo, 2005). The occurrence of innovation within businesses hinges on the organizational framework and the role of managers in fostering innovation, nurturing innovative concepts, and fostering a sustainable competitive edge (Kaushal & Kwantes, 2006).

The relationship between strategic decisions geared towards innovation and change and their significant influence on General Department of Taxation (GDT) performance is a critical area of study in the contemporary business landscape. GDT encompasses the strategic adoption of digital technologies to drive innovation and change across global organizations (Aydiner et al., 2019). Numerous studies emphasize the role of digital transformation in enhancing performance. Mithas et al. (2012) found that firms that adopt digital technologies strategically outperform their counterparts. This implies that strategic decisions for digital innovation and change have a direct influence on firm performance (Wang & Hajli, 2017). A well-crafted and adaptive strategy for digital transformation is pivotal in shaping GDT performance in today's dynamic business landscape (Aydiner et al., 2019). Thus, this study put forward a hypothesis:

**H5:** Strategic decisions towards innovation and change have a significant influence on GDT performance.

## 2.5 Good GDT Governance

Good GDT governance refers to “the establishment and implementation of effective and transparent governance practices within the General Department of Taxation (GDT). It involves the adoption of principles, policies, and procedures that promote accountability, integrity, fairness, and efficiency in tax administration. Good GDT governance ensures proper management, decision-making processes, and adherence to legal and ethical standards” (Wendry et al., 2023). Good governance involves “the establishment of mechanisms and practices that promote ethical behavior, accountability, transparency, and the responsible use of resources in the public and private sectors” (Kaufmann et al., 2008). Michels (2011) discusses the innovative approaches to citizen participation that enhance democratic governance and foster trust between governments and their constituents. Treisman (2007) explores the relationship between legal institutions, rule of law, and governance, highlighting the role of independent judiciary in promoting good governance practices.

The influence of good governance on firm performance, particularly in the context of the General Department of Taxation (GDT), is a critical topic. Effective governance in

tax departments plays a significant role in ensuring fair and efficient tax collection and administration (Wendry et al., 2023). Research has consistently shown a positive link between good governance and organizational performance (Aguilera et al., 2008). In the context of the GDT, this means that well-governed tax departments are more likely to perform efficiently and effectively. A well-governed tax department is more likely to perform efficiently and effectively, ultimately contributing to its overall success (Mardjono, 2005). Drawing from these studies, the following hypothesis has been derived:

**H7:** Good GDT governance has a significant influence on GDT performance.

## 2.6 GDT Performance

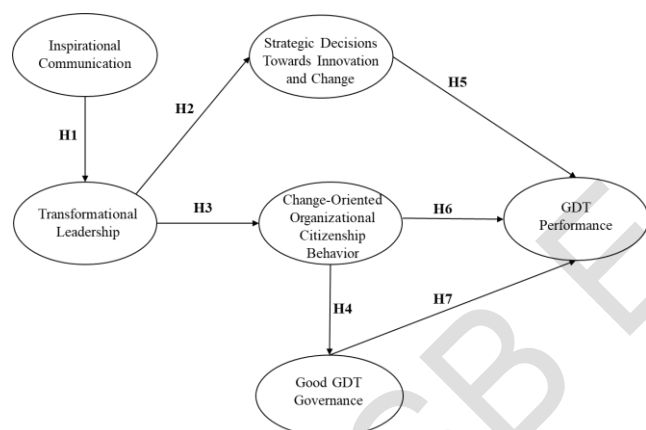
Firm performance is an overarching concept that encompasses a range of dimensions, including financial performance, operational efficiency, innovation, and market performance. It reflects the outcome of managerial decisions and actions in achieving organizational goals and creating value for stakeholders (Barney & Hesterly, 2012). GDT performance or firm performance refers to “the evaluation and assessment of the General Department of Taxation's effectiveness and efficiency in fulfilling its responsibilities and achieving its objectives. It involves measuring key performance indicators, such as tax revenue collection, compliance rates, taxpayer satisfaction, and operational efficiency, to gauge the overall performance and effectiveness of the GDT in carrying out its tax administration duties” (Wendry et al., 2023). Financial performance is a widely researched aspect of firm performance. Studies have explored the relationship between financial indicators, such as profitability, return on investment, and market value, and firm performance (Barney & Hesterly, 2012). Additionally, research has investigated the impact of factors such as firm size, industry dynamics, and market conditions on financial performance (Chen & Huang, 2009). Moreover, strategic factors and capabilities have been examined in relation to firm performance. Scholars have investigated the influence of strategic orientation, resource management, and dynamic capabilities on organizational success (Rosenbusch et al., 2013).

## 3. Conceptual Framework

The research embodies key strategic factors to reform and transform GDT in Cambodia, including inspirational communication, transformational leadership, strategic decisions towards innovation and change, change-oriented organizational citizenship behavior, good GDT governance,



and GDT performance. Hence, the study's conceptual framework is derived from three prior research investigations. First, Ur Rehman et al. (2019) demonstrated that leadership styles have a significant influence on organizational learning, innovative culture, and organizational performance. Furthermore, both innovative culture and organizational learning wield a considerable impact on organizational performance. Second, Çelik et al. (2016) conducted the study to examine the relationship between leadership styles and strategic decision-making within the context of the hotel industry. Third, Aydiner et al. (2019) validated the proposed serial mediation model, underscoring the pivotal role played by decision-making performance and business-process performance as mediating variables in the complex relationships between human resource and administrative-related IS capabilities and firm performance. Thus, the conceptual framework is constructed as of Figure 1, and seven hypotheses are proposed as follows:



**Figure 1:** Conceptual Framework

**Source:** Created by the author.

**H1:** Inspirational communication has a significant influence on transformational leadership.

**H2:** Transformational leadership has a significant influence on strategic decisions towards innovation and change.

**H3:** Transformational leadership has a significant influence on change-oriented organizational citizenship behavior.

**H4:** Change-oriented organizational citizenship behavior has a significant influence on good GDT governance.

**H5:** Strategic decisions towards innovation and change have a significant influence on GDT performance.

**H6:** Change-oriented organizational citizenship behavior has a significant influence on GDT performance.

**H7:** Good GDT governance has a significant influence on GDT performance.

## 4. Research Methods and Materials

### 4.1 Research Methodology

The online questionnaires were distributed to C-Levels in businesses who have registered with GDT in Cambodia. Three sections of questions are composed, including screening questions, measuring items with a 5-point Likert scale, and demographic profile. Prior to data collection, the validation process included the Item Objective Congruence (IOC) Index and a pilot test with a sample size of 50, in which Cronbach's Alpha was used to assess reliability. Cronbach's Alpha coefficient values are approved at a score of 0.70 or over in the pilot test of 50 participants (Tavakol & Dennick, 2011). The data analysis encompassed Confirmatory Factor Analysis (CFA) and Structural Equation Modeling (SEM). CFA was employed to evaluate Construct Validity, Convergent Validity, Factor Loading, Composite Reliability (CR), Average Variance Extracted (AVE), Discriminant Validity, and Goodness of Fit. Subsequently, SEM was utilized to assess the goodness of fit of the structural model and conduct hypotheses testing.

### 4.2 Population and Sample Size

The target population is the C-Level in businesses who have registered with GDT in Cambodia. C-level executives, such as CEOs, CFOs, and COOs, hold significant decision-making authority within their organizations. Their perspectives and insights are crucial for understanding strategic factors and initiatives related to reform and transformation. As leaders of registered businesses, C-level executives are key stakeholders in the economic landscape of Cambodia. Their involvement ensures that the research captures perspectives from influential players in the country's business environment. The minimum sample size is required at 200 (Kline, 2005). This study aims to achieve 450 sample for efficient SEM analysis.

### 4.3 Sampling Techniques

This research's nonprobability sampling includes purposive, convenience, and snowball sampling. The data has been collected for approximately four months, from September to December 2023.

Step 1 – Purposive Sampling is applied to select C-Level in businesses who have registered with GDT in Cambodia.

Step 2 – Convenience Sampling is used to distribute online questionnaire via emails and online internal media.

Step 3 – Snowball sampling is conducted to encourage participants to share the online survey to their peers who are qualified.

## 5. Results and Discussion

### 5.1 Demographic Information

In Table 1, the demographic results were collected from 450 C-Level Business Registrants with GDT in Cambodia. The majority of C-Level registrants are male, constituting 55.1% of the sample, while females account for 44.9%. The age distribution shows a diverse representation, with the largest percentage falling within the 41-50 years old range (26.9%). The majority of C-Level registrants hold at least a Bachelor's Degree (84.9%), emphasizing a highly educated professional cohort. The data indicates a substantial representation of C-Level executives from both small and medium-sized enterprises, with a smaller proportion from large enterprises.

**Table 1:** Demographic Results

Demographic and General Data (N=450)		Frequency	Percentage
Gender	Male	248	55.1%
	Female	202	44.9%
Age	18-25 Years Old	45	10.0%
	26-35 Years Old	92	20.4%
	41-50 Years Old	121	26.9%
	36-45 Years Old	75	16.7%
	46-55 Years Old	62	13.8%
	Above 55 Years old	55	12.2%
Education	Below Bachelor's Degree	24	5.3%
	Bachelor's Degree	382	84.9%
	Master's Degree	36	8.0%
	Doctorate Degree	8	1.8%

Demographic and General Data (N=450)		Frequency	Percentage
Size of Organization	Small Enterprise	228	50.7%
	Medium Enterprise	199	44.2%
	Large Enterprise	23	5.1%

Source: Created by the author.

### 5.2 Confirmatory Factor Analysis (CFA)

According to Table 2, CFA was employed as a preliminary step to analyze the measurement model within the broader framework of Structural Equation Modeling (SEM). The outcomes of the CFA revealed the statistical significance of all items associated with each variable. Additionally, the factor loadings provided evidence for discriminant validity (Hair et al., 2010).

In accordance with the guidelines proposed by Hair et al. (2006), the significance of each item's factor loading was assessed. The criteria set included factor loadings exceeding 0.50 and p-values below 0.05. These thresholds were considered indicative of the robustness and reliability of the measurement model.

Moreover, the evaluation of the goodness of fit aligned with Hair et al.'s (2006) recommendations. Following the guidelines established by Fornell and Larcker (1981), Composite Reliability (CR) values surpassed the suggested cutoff point of 0.6. Additionally, the Average Variance Extracted (AVE) values exceeded the recommended threshold of 0.4. These criteria collectively affirmed the reliability and adequacy of the measurement model, providing a comprehensive assessment of factor loadings, composite reliability, and average variance extracted in the context of discriminant validity.

**Table 2:** Confirmatory Factor Analysis Result, Composite Reliability (CR) and Average Variance Extracted (AVE)

Variables	Source of Questionnaire (Measurement Indicator)	No. of Item	Cronbach's Alpha	Factors Loading	CR	AVE
Inspirational Communication	Ur Rehman et al. (2019)	3	0.885	0.819-0.896	0.884	0.717
Transformational Leadership	Manning (2016)	5	0.862	0.682-0.808	0.863	0.559
Strategic Decisions Towards Innovation and Change	Çelik et al. (2016)	6	0.830	0.570-0.719	0.832	0.453
Change-Oriented Organizational Citizenship Behavior	Li et al. (2016)	3	0.770	0.714-0.742	0.771	0.529
Good GDT Governance	Wardhani et al. (2017)	5	0.858	0.661-0.795	0.858	0.549
GDT Performance	Ur Rehman et al. (2019)	3	0.884	0.822-0.883	0.884	0.717

Source: Created by the author.

Various fit indices are used to assess the goodness of fit between the measurement model and the observed data. In Table 3, the measurement model fit was tested in statistical software. The model ensures acceptable fit without adjustment, including CMIN/DF=1.260, GFI= 0.944, AGFI = 0.930, NFI=0.943, CFI=0.988, TLI =0.986, IFI=0.988, and RMSEA = 0.024.

**Table 3:** Goodness of Fit for Measurement Model

Index	Acceptable Values	Statistical Values
CMIN/DF	< 3.00 (Hair et al., 2006)	327.590/260 = 1.260
GFI	≥ 0.85 (Kline, 2011)	0.944
AGFI	≥ 0.85 (Kline, 2011)	0.930
NFI	≥ 0.85 (Kline, 2011)	0.943
CFI	≥ 0.85 (Kline, 2011)	0.988

Index	Acceptable Values	Statistical Values
<b>TLI</b>	≥ 0.85 (Kline, 2011)	0.986
<b>IFI</b>	≥ 0.85 (Kline, 2011)	0.988
<b>RMSEA</b>	≤ 0.08 (Hooper et al., 2008)	0.024
<b>Model Summary</b>		<b>Acceptable Model Fit</b>

**Remark:** CMIN/DF = The ratio of the chi-square value to degree of freedom, GFI = goodness-of-fit index, AGFI = adjusted goodness-of-fit index, NFI = normalized fit index, CFI = comparative fit index, TLI = Tucker-Lewis index, IFI = Incremental Fit Index, and RMSEA = root mean square error of approximation.

Source: Created by the author.

Discriminant validity is a crucial aspect of construct validity in research, ensuring that different constructs are distinct and not interchangeable. It assesses whether measures of distinct constructs are truly measuring different concepts rather than being highly correlated. Several methods and indices are commonly used to evaluate discriminant validity (Fornell & Larcker, 1981).

According to the framework proposed by Fornell and Larcker (1981), the assessment of discriminant validity involves calculating the square root of each construct's Average Variance Extracted (AVE). In their study, the researchers suggested that if the square root of the AVE for each construct exceeds the inter-construct correlations, it provides robust evidence supporting discriminant validity.

**Table 4:** Discriminant Validity

	IC	TL	SDI	GOV	OCB	GDT
<b>IC</b>	<b>0.847</b>					
<b>TL</b>	0.287	<b>0.748</b>				
<b>SDI</b>	0.581	0.416	<b>0.673</b>			
<b>GOV</b>	0.291	0.092	0.243	<b>0.741</b>		
<b>OCB</b>	0.559	0.127	0.519	0.251	<b>0.727</b>	
<b>GDT</b>	0.763	0.339	0.640	0.292	0.559	<b>0.847</b>

Source: Created by the author.

## 5.4 Structural Equation Model (SEM)

Structural Equation Modeling is a powerful and versatile statistical technique that has gained widespread use in various disciplines. It provides researchers with a flexible tool for modeling complex relationships and testing sophisticated hypotheses, contributing to the advancement of knowledge in diverse fields. SEM model fit is assessed using various indices such as Comparative Fit Index (CFI), Tucker-Lewis Index (TLI), Root Mean Square Error of Approximation (RMSEA), and Standardized Root Mean Square Residual (SRMR). Higher values for CFI and TLI (close to 1), and lower values for RMSEA and SRMR,

indicate better model fit. As indicated in Table 5, the adjusted model exhibits favorable fit statistics, with a  $X^2 / df$  value of 2.822, GFI=0.901, AGFI=0.880, NFI=0.868, CFI=0.910, TLI=0.899, IFI=0.911, and RMSEA of 0.064. All these goodness of fit indicators align with established standards, affirming the effectiveness of the structural equation model proposed in this study.

**Table 5:** Goodness of Fit for Structural Model

Index	Acceptable Values	Statistical Values Before Adjustment	Statistical Values After Adjustment
<b>CMIN/DF</b>	< 3.00 (Hair et al., 2006)	829.060/268 = 3.094	753.457/267 = 2.822
<b>GFI</b>	≥ 0.85 (Kline, 2011)	0.881	0.901
<b>AGFI</b>	≥ 0.85 (Kline, 2011)	0.856	0.880
<b>NFI</b>	≥ 0.85 (Kline, 2011)	0.855	0.868
<b>CFI</b>	≥ 0.85 (Kline, 2011)	0.897	0.910
<b>TLI</b>	≥ 0.85 (Kline, 2011)	0.884	0.899
<b>IFI</b>	≥ 0.85 (Kline, 2011)	0.897	0.911
<b>RMSEA</b>	≤ 0.08 (Hooper et al., 2008)	0.068	0.064
<b>Model summary</b>		<b>Unacceptable Model Fit</b>	<b>Acceptable Model Fit</b>

**Remark:** CMIN/DF = The ratio of the chi-square value to degree of freedom, GFI = goodness-of-fit index, AGFI = adjusted goodness-of-fit index, NFI = normalized fit index, CFI = comparative fit index, TLI = Tucker-Lewis index, IFI = Incremental Fit Index, and RMSEA = root mean square error of approximation.

Source: Created by the author.

## 5.5 Research Hypothesis Testing Result

The structural model within Structural Equation Modeling (SEM) scrutinizes connections between latent constructs, enabling researchers to assess hypotheses concerning causal or predictive relationships. This facet of SEM concentrates on the relationships between variables, symbolized by paths or arrows. In the examination, detailed in Table 6, p-values below 0.05 were considered indicative of statistical significance. The outcomes of the analysis affirm the support for all hypotheses, given that the standardized path coefficients demonstrate statistical significance (denoted by asterisks), and the t-values exceed the critical threshold.

**Table 6:** Hypothesis Results of the Structural Equation Modeling

Hypothesis	(β)	t-value	Result
H1: IC → TL	0.326	6.092*	Supported
H2: TL → SDI	0.459	7.760*	Supported
H3: TL → OCB	0.170	2.955*	Supported
H4: OCB → GOV	0.268	4.608*	Supported
H5: SDI → GDT	0.483	7.758*	Supported
H6: OCB → GDT	0.277	4.549*	Supported

Hypothesis	( $\beta$ )	t-value	Result
H7: GOV $\rightarrow$ GDT	0.112	2.495*	Supported

Note: \*  $p < 0.05$

Source: Created by the author.

In the dynamic realm of tax administration, the performance of the General Department of Taxation (GDT) is crucial for effective fiscal governance. This essay examines the findings of a comprehensive study, shedding light on the intricate relationships between inspirational communication, transformational leadership, organizational citizenship behavior, good governance, and the performance of GDTs.

The study tested seven hypotheses, each designed to unravel a specific facet of the complex organizational tapestry within the General Department of Taxation. The results, as succinctly summarized and analyzed, present a compelling narrative.

H1: Inspirational Communication  $\rightarrow$  Transformational Leadership

The study found compelling evidence ( $\beta=0.326$ ,  $t=6.092$ ) supporting the positive influence of inspirational communication on transformational leadership. Ur Rehman et al. (2019) highlights the pivotal role effective communication plays in cultivating transformative leadership qualities within the GDT.

H2: Transformational Leadership  $\rightarrow$  Strategic Decisions towards Innovation and Change

Transformational leadership demonstrated a substantial impact ( $\beta=0.459$ ,  $t=7.760$ ) on strategic decisions for innovation and change within the GDT. Bass and Riggio (2006) underscores the significance of transformational leaders in shaping forward-thinking strategies crucial for navigating the complexities of tax administration.

H3: Transformational Leadership  $\rightarrow$  Change-Oriented Organizational Citizenship Behavior

The study unveiled a positive and significant relationship ( $\beta=0.170$ ,  $t=2.955$ ) between transformational leadership and change-oriented organizational citizenship behavior within the GDT. This underscores the role of transformative leaders in instilling proactive behaviors aligned with organizational change, as supported by Kao (2017), and Eisenbeiss et al. (2008).

H4: Change-Oriented Organizational Citizenship Behavior  $\rightarrow$  Good GDT Governance

Change-oriented organizational citizenship behavior exhibited a notable impact ( $\beta=0.268$ ,  $t=4.608$ ) on fostering good governance within the GDT. Munawir et al. (2019) emphasizes that employees' proactive contributions to change positively influence the governance structures crucial for effective tax administration.

H5: Strategic Decisions towards Innovation and Change  $\rightarrow$  GDT Performance

The study revealed a strong and significant relationship

( $\beta=0.483$ ,  $t=7.758$ ) between strategic decisions for innovation and change and GDT performance. This underscores the critical role of well-informed and innovative strategies in enhancing overall GDT performance (Aydiner et al., 2019).

H6: Change-Oriented Organizational Citizenship Behavior  $\rightarrow$  GDT Performance

Change-oriented organizational citizenship behavior was found to significantly impact ( $\beta=0.277$ ,  $t=4.549$ ) GDT performance. This implies that proactive behaviors towards change contribute positively to the overall performance of the GDT (Moonen, 2017; Munawir et al., 2019).

H7: Good GDT Governance  $\rightarrow$  GDT Performance

Effective governance within the GDT demonstrated a positive and significant influence ( $\beta=0.112$ ,  $t=2.495$ ) on overall GDT performance. Wendry et al. (2023) affirms the importance of governance structures in facilitating the success of tax administration initiatives.

## 6. Conclusions and Recommendation

### 6.1 Conclusion

The culmination of the comprehensive study on the General Department of Taxation (GDT) in Cambodia provides profound insights into the intricate tapestry of leadership dynamics, strategic decision-making, and organizational performance. With unwavering support for all hypotheses, the research not only validates theoretical constructs but offers actionable recommendations for fostering organizational excellence within the realm of tax administration.

The study's findings underscore the transformative role of leadership within the GDT. Inspirational communication emerges as a catalyst, significantly influencing transformational leadership (Bass & Riggio, 2006; Jaruwanaikul, 2021). This revelation sets the stage for leadership development programs that prioritize effective communication, enabling leaders to inspire and motivate teams.

The interplay between transformational leadership and strategic decisions towards innovation and change emerges as a cornerstone of organizational success (Schein, 2010). The study advocates for strategic decision-making training and emphasizes the pivotal role such decisions play in optimizing overall performance within the GDT.

A reciprocal relationship unfolds between transformational leadership and change-oriented organizational citizenship behavior. This unveils opportunities for fostering proactive behaviors that contribute to positive organizational change. Initiatives to recognize and incentivize such behaviors are recommended,



fostering a culture that values individual contributions to broader organizational goals (Eisenbeiss et al., 2008).

The study places governance under the spotlight, showcasing its significant influence on organizational performance. The call for governance enhancement initiatives resonates as a strategic imperative, urging the GDT to revisit and optimize governance structures aligned with transformational leadership principles (Munawir et al., 2019).

Strategic decisions towards innovation and change, coupled with change-oriented organizational citizenship behavior, emerge as influential factors determining GDT performance (Aydiner et al., 2019). The interconnectivity of these elements underscores the need for a holistic approach to organizational strategy and behavior.

As the GDT navigates the ever-evolving landscape of tax administration, the study's recommendations serve as a compass for the journey ahead. The integration of leadership development, strategic decision-making, and proactive organizational behaviors promises to fortify the GDT against challenges and position it for sustained success.

In conclusion, the study transcends academic inquiry, extending a roadmap for organizational transformation. The GDT is poised not merely to adapt but to lead, leveraging the synergies of leadership and strategy to drive excellence in tax administration. As the curtains fall on this investigation, the lessons learned echo beyond the GDT, resonating as a testament to the enduring impact of visionary leadership and strategic foresight in shaping the destiny of organizations.

## 6.2 Recommendation

The research conducted on the General Department of Taxation (GDT) in Cambodia has unearthed pivotal insights into the interplay of leadership styles, strategic decision-making, organizational citizenship behavior (OCB), governance, and overall performance. With consistent support for all hypotheses, the study unveils a complex web of relationships that can be harnessed to elevate organizational excellence within the tax administration realm.

One of the foundational findings emphasizes the significant influence of inspirational communication on transformational leadership. To capitalize on this insight, it is recommended that the GDT invest in leadership development programs. These programs should specifically target the enhancement of inspirational communication skills among leaders. By fostering a communicative environment that inspires and motivates teams, leaders can set the tone for a transformative organizational culture.

Building on the study's revelation regarding the substantial impact of transformational leadership on strategic

decisions towards innovation and change, it is imperative to initiate transformational leadership training. Workshops and coaching sessions can be designed to cultivate transformational leadership qualities among current and aspiring leaders within the GDT. The goal is to equip leaders with the skills necessary for vision-setting, empowerment, and the fostering of a culture that embraces innovation and change. This approach ensures that strategic decision-making aligns seamlessly with the organization's overarching objectives.

The reciprocity between transformational leadership and change-oriented OCB signifies an opportunity for organizational development. To promote and recognize such proactive behaviors, the GDT should establish initiatives that incentivize and acknowledge change-oriented OCB. By institutionalizing a culture that values and rewards proactive contributions to positive organizational change, the GDT can further strengthen the reciprocal relationship identified in the study.

Effective governance is a linchpin in organizational success, as highlighted by the study. Building on this insight, the GDT should consider governance enhancement initiatives. This involves revisiting and optimizing governance structures to align with the principles of transformational leadership and change-oriented OCB. Recognizing and reinforcing good governance practices, as identified in the study, becomes a pivotal aspect of sustaining and enhancing the positive influence of governance on organizational performance.

The study underscores the importance of strategic decisions towards innovation and change in determining GDT performance. To optimize performance, decision-makers within the GDT should prioritize decisions that align with innovation and change. By recognizing the impact of strategic decision-making on the overall organizational performance, the GDT can navigate challenges and seize opportunities effectively.

In conclusion, the research on the GDT in Cambodia offers a roadmap for organizational excellence grounded in inspirational communication, transformational leadership, strategic decision-making, change-oriented OCB, governance, and performance optimization. The recommendations outlined aim to guide the GDT and similar organizations towards a transformative journey, where leadership and strategic dynamics converge to shape a resilient and high-performing entity. By embracing these insights, the GDT can navigate the complexities of the tax administration landscape and foster a culture of continuous improvement and adaptability.

### 6.3 Limitations and Further Studies

While this research provides valuable insights into the strategic factors influencing the General Department of Taxation (GDT) in Cambodia, it is essential to acknowledge certain limitations that may impact the generalizability and scope of the findings:

The study focuses on the GDT in Cambodia, and the specificities of this organizational context may limit the generalizability of findings to other tax administrations or governmental institutions with different structures, cultures, and challenges.

**Sample Characteristics:** The study targets C-level executives within businesses registered with the GDT. While this provides a relevant perspective, it may not capture the views of lower-level employees or external stakeholders who also contribute to the organizational dynamics.

**Sample Size:** The sample size of 450 C-level executives, while substantial, may still have limitations in representing the entire population. The diverse nature of businesses and industries may require a more extensive and varied sample to enhance generalizability.

The research adopts a cross-sectional design, capturing data at a specific point in time. This limits the ability to establish causal relationships between variables. Longitudinal studies could provide a more robust understanding of the dynamics over time.

Acknowledging these limitations is crucial for maintaining transparency and ensuring a nuanced interpretation of the research findings. Future studies may address these limitations by incorporating a more diverse sample, employing longitudinal designs, and exploring a broader range of organizational and external factors influencing tax administrations.

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