Factors Influencing the Use of Performance Measurement System: Evidences from Indonesian Public Sectors

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ABSTRACT

This study focused on the use of performance measurement systems (PMS) within the Indonesian public sector. It provided empirical evidence on the factors influencing the use of PMS in local government agencies. Institutional theory, especially institutional isomorphism, is utilized as a theoretical lens to further explaining the findings. The factors under examination are information, goals and objectives of the organization, and external pressures.

The covered area within the Provincial Government of Yogyakarta (covering five local governments: Bantul, Gunungkidul, Kulonprogo, Sleman, and the City of Yogyakarta). This research employed mixed research method and utilizing Partial Least Square (PLS) and Thematic Content Analysis (TCA) to analyze and interpret the quantitative and qualitative data, respectively.

The results show that goals and objectives of the organization, information and external pressures have a significant influence to the use of PMS. Normative isomorphism came up as the strongest influence followed by coercive isomorphism and mimetic isomorphism.

Keywords: information, goals and objectives of the organization, external pressures, the use of performance measurement systems, institutional theory, mix method.

1. Background of the Research

The establishment of decentralization system in Indonesian governance is marked with the issuance of Law No 32, 2004 as the revision and perfection of the previous Law No 22, 1999 on Fiscal Balance between the Central Government and Local Government *(Perimbangan Keuangan antara Pemerintah Pusat dan Daerah*). This law becomes the basis for the local government to run all governmental matters under their authority. According to Mardiasmo (2006) attached to the authority delegation is a handover of monetary, hence, to assure a good authority management, there must be a system to manage the monetary relationship between central and local, activities responsibility, monetary management by the local government.

Performance Measurement System is the key to promote effective, efficient, and accountable public sectors (Spekle & Verbeeten, 2009). Performance Measurement System increases the efforts of synchronizing individual goals and organization goals, provides valuable feedback, and forms the foundation for the emergence of internal and external accountability (Kravchuk & Schack, 1996; Heinrich, 2002; Cavalluzzo & Ittner, 2004).

The use of Performance Measurement System in Indonesia is based on the President Instruction No 7, 1999 on the Government Office Performance Accountability and the Decree of The Head of State Administration Office (LAN) No 589/IX/6/Y/1999 on the Report Manual of the Government Office Performance Accountability. This decree has then been revised through the Decree of The Head of State Administration Office No 239/IX/6/8/2003. During the periods of implementing this kind of system, there appears The Ministry of Home Affairs Regulation *(Peraturan Menteri Dalam Negeri)* No 73/2009 about the Procedures of Performance Evaluation on the Local Administration Implementation. This rule contains the Performance Evaluation on the Local Administration Governance (Evaluasi Kinerja Penyelenggaraan Pemerintahan Daerah/EKPPD).

Nevertheless, the capability of the performance measurement system to increase the offices accountability and performance is often either questioned or debated (Nurkhamid, 2008). Any problem may emerge during the development phase of the system or during the use phase of the results of the performance measurement system (Sihaloho & Halim, 2005; Akbar et al., 2010). Based on the evaluation in 2010, only nine provinces and five regencies/municipalities have good performance accountability. Those nine provinces are East Kalimantan, Central Java, DKI Jakarta, South Kalimantan, West Kalimantan, East Nusa Tenggara, South Sumatera, West Nusa Tenggara, and

West Java. The five regencies/municipalities are Sukabumi municipality, Batang Hari regency, Sleman regency, Musi Banyuasin regency, and Dumai municipality. This means that of 29 provinces and 57 regencies/municipalities evaluated in 2010, only 16.27 percent is scored good. This achievement is certainly not in line with the target expecting that 20% of local governments shall have good score in their performance accountability (menpan.go.id, 2011).

The report of United Stated General Accounting Office (1997) states that some factors potentially obstruct the use of the performance measurement system i.e. abundantly overlapped goals giving difficulties to identify appropriately the organization strategic goals (Swindell & Kelly, 2002; Sihaloho & Halim, 2005), some policies/programs/activities that are difficult to evaluate for their having subjective goals, and less reward for employees to use any performance information (Sihaloho & Halim, 2005), whereas, supports from external groups are badly needed to encourage agencies to benefit the performance measurement results for strategic planning, performance planning, evaluation, monitoring, and budgeting (Speklé & Verbeeten, 2009).

Based on both the model created by Speklè & Verbeeten (2009) and the suggestions proposed by Nurkhamid (2008) it is believed that a deeper research is required to increase the understanding of the local government leaders upon the use and development of performance measurement system. This research tries to give empirical evidence about determining factors on the use of performance measurement system within local government organization. In this research, the initiative of the leaders of public sector organizations in the use of performance measurement system is for operational activities, exploration orientation, and is incentive oriented (Speklè & Verbeeten, 2009). To achieve the aims of the research, a mixed method is applied.

The hypotheses development is to see the factors motivating the use of government performance measurement system, and the interpretation of the research results is based on institutional theory. The theory sees the phenomenon of isomorphism that drives the use of performance measurement system within local governments by testing some factors such as the organization aims and objectives and information (Julnes & Holzer, 2001; Sihaloho & Halim, 2005; Verbeeten, 2008) and also the influence of external pressures e.g. stakeholders on the use of performance information (Speklé &Verbeeten, 2009; Akbar et al., 2010).

It is expected that the research results give knowledge contribution on theory development in public sectors accounting, so that it improves the knowledge of academicians about the coverage and factors that motivate the use of performance measurement system within local governments. Besides, the research results can be beneficial as inputs and considerations for practitioners in local governments to comprehend and apply the performance measurement system.

2. Theoretical Review and Hypotheses Development

2.1 Institutional Theory

Institutional theory has been frequently used to explain phenomena and give rich and complex views in public sector organizations (Van Helden, 2005). According to Dacin et al. (2002), institutional theory is a strong and popular theory to explain both organizational and individual conducts. A lot of literatures on institutional emphasize that organization process and structure tend to be isomorphic with certain norms for certain organizations (DiMaggio & Powell, 1983). Consequently, an environment may legitimize certain ways of organizations. For examples, Tolbert & Zucker (1983) find that from time to time reformation on civil service is adopted due to its being a symbol of good governance rather than aiming for efficiency.

Isomorphism is a concept used for a process of homogenization. Hawley (in DiMaggio & Powell, 1983), says that isomorphism is a process forcing a unit in a population to resemble another unit in dealing with the same procedure of a certain environment condition. At a population level, such an approach shows that the modified organization characteristics are increasingly adjusted to the environment characteristics.

There are three mechanisms for isomorphic institutional changes (how organizations conduct self-adjustment) with each antecedent: 1) Coercive isomorphism; it is a result of either formal or informal pressures given to interdependent organizations; the pressures can be taken as strength, persuasion, or allurement to join in a pact (DiMaggio & Powell, 1983); 2) Mimetic processes; when organization technology is less comprehended (March & Olsen, 1976 in DiMaggio & Powell, 1983), when the

goals are vague, or when there is symbolically uncertain environment, organizations may make themselves a similar model to other organizations, and this may become a strong reason for imitation. This model may spread unintentionally through turn over or employees moving, or explicitly by organizations such as consultant organizations or association of specific industries; 3) Normative pressures; Larson (1977), Collins (1979), and DiMaggio (1983) interpret professionalism as a collective struggle of organization members to determine their working method and condition to control production and to both build cognitive basis legitimate their working autonomy.

2.2 The Use of Performance Measurement System

Performance Measurement System is a system aimed to help managers of public sectors judge the achievement of a strategy through financial and non-financial measurement (Mardiasmo, 2009). Besides, this system can be implemented to serve various different goals in public sector organizations (Speklé & Verbeeten, 2009). According to Speklé & Verbeeten (2009), the system makes public sectors managers consider not only what to measure and how to measure, but also how utilize performance information by keeping eyes on the current situation (Simons, 1990; Abernethy & Brownell, 1999; Hansen & Van der Stede, 2004; Henri, 2006; Naranjo–Gil & Hartmann, 2007).

Conceptually, the written resources of this research have been adjusted to public sectors practices by imitating the concept previously applied by Speklé & Verbeeten (2009) i.e. by checking the three different organization roles of performance measurement system: (1) the system implemented for operational activities, started from the planning phase up to the monitoring process; (2)) the system implemented for giving incentive and reward (Ormond & Loffler, 2002; Mardiasmo, 2009); and (3) the system implemented through exploration, which is for double–loop learning, determining priority, and developing policies, due to the fact that this system is the core or backbone of the success of bureaucracy reformation (Panozzo, 2000). According to Speklé & Verbeeten (2009), those three different roles of performance measurement system are not mutually exclusive, meaning that applying one role does not mean rejecting the use of the other roles (Mardiasmo, 2009).

2.3 Information

The information on performance measurement can be obtained from media, rules, manuals, internet, trainings, workshops, or seminars (Julnes & Holzer, 2001). Such information can increase the technical skills of the program executors. The more the right information on performance measurement is obtained, the higher the technical skills of the organization to adopt the performance measurement system will be (Sihaloho & Halim, 2005).

Shields (1995) states that training, implementation, and management accounting innovation indicate that the organization provides appropriate resources to support the implementation. When the training resources are not adequately provided and subsequently a good development is not carried out, there increases a risk of failure (McGowan & Klammer, 1997).

2.4 Goals and Objectives of Organization

Goal is something (what) to achieve or to produce within a period of 1 (one) until 5 (five) years. A goal is set by referring to the both vision and mission, and is based on strategic analyses and issues (LAN, 2003). According to Sihaloho & Halim (2005), the orientation of organization goals is a consensus of the goals of every program, an agreement of the goals of every program, and activities that always refer to the performance goal. An approved goal is the main prerequisite to use performance information (Wholey, 1999); hence, a goal may give impacts to the process of strategic planning, management process, and the evaluation process of the employees' performance (Wang, 2002).

Objective is a real result achieved by a government office in a more measurable and specific formula in a shorter period than that of a goal (LAN, 2003). It is guidance or a measuring rod for local governments in making policies and work programs. Determining consistent and clear vision, mission, and goals is prior to determining measurable and clear objectives (Kravchuk & Shack, 1996; Heinrich, 2002; Verbeeten, 2008). Kloot (1999) indicates that performance measurement is designed to measure the level of the goals achieved, community satisfaction, and service performance, and to have inter-agencies benchmarking.

The agreement on mission, mission, and organization goal and strategy must in fact be achieved by involving various stakeholders; and as a matter of fact those stakeholders have different choices and interests (Wholey, 1999; De Bruijn, 2002), so that such a condition may cause uncertainty in an environment where the organization operates, thus, the organization tends to have difficulties in determining a objective (Brignall & Modell, 2000); moreover, political intrigues in local governments make the condition even worse (Primastiwi, 2011).

2.5 External Pressures

Cavalluzzo & Ittner (2004); Lapsley & Wright (2004); Akbar et al. (2010) find that the implementation of management accounting system in public sectors is influenced by both government regulations and external pressures. The intensity of these pressures varies in all organizations. Furthermore, Jackson (in Julnes & Holzer, 2001) says that every organization, under the law, must make annual performance report; hence Julnes & Holzer (2001) state that external clauses are very influential to the use of performance measurement.

External clauses are the rules forcing government agencies to adopt performance measurement. Those rules are actually mandated by Law, Government Provision, Local Provision, and LAN/BPKP (Sihaloho & Halim, 2005; Akbar et al., 2010). When considering external pressures, the research of Julnes & Holzer (2001); Akbar et al. (2010) finds that public organization is a subject to formal authority or law to operate within political context in that according to Rainey (1997) this can, in practice, either weaken or strengthen. It means that even when the terms of policy are being formulated, there cannot be any guarantee for a good implementation (Holzer & Gabrielian, 1998 in Julnes & Holzer, 2001).

Furthermore, a public sector organization runs and interacts in an environment in which many parties are involved; therefore, a decision-making cannot get rid of the political influence in the organization (Morrow & Hitt, 2000 in Sihaloho & Halim, 2005; Akbar et al., 2010). The research of Wang (2002) shows that a communication with external stakeholders such as legislature and citizens occurs when there is a hearing during the process of strategic planning, budgeting, and other activities in which the government agencies are communicating the results of performance measurement.

2.6 The Influence of Information towards the Use of Performance Measurement System

Information influences the will of the organization leaders to improve technical skills of the program executors through learning process (Julnes & Holzer, 2001; Sihaloho & Halim, 2005). This is in line with normative isomorphism that relies on formal education for the improvement of human resources quality (DiMaggio & Powell, 1983). According to *The Urban Institute* (2002); Cavalluzzo & Ittner (2004) and Akbar et al., (2010) training in performance measurement technique (organizational factor) has a positive influence towards the development and use of performance measurement system.

In the frame of operational use, the performance measurement system is to measure the organization outcome or output (Speklé & Verbeeten, 2009). With appropriate knowledge, the performance metric for operational planning, budgeting, and monitoring will be easily understood. The implementation of the system for providing incentive and reward can drive individuals to have better performance. This is stated in the Rule of Domestic Affairs Minister (Permendagri) No 13, 2006, article 39 that manages additional income for employees based on their work achievement. The implementation of the system for exploration will bring opportunity for any discussions and inputs; consequently, this will increase the intensity of experiments, learning, adaptation to new emerging comprehension, and willingness to get involved into any organization debate for a better future of the organization (Speklé & Verbeeten, 2009). Here are some proposed hypotheses:

H1a: The use of performance measurement system for operational activities has positive relationship with information

H1b: The use of performance measurement system for giving incentive has positive relationship with information

H1c: The use of performance measurement system for exploration has positive relationship with information

2.7 The Influence of the Goals and Objectives of Organization towards the Use of Performance Measurement System

According to Kravchuk & Schack (1996); Rainey (1999); and de Bruijn (2002), inconsistent policies in implementing any programs, performance measurement system, and political interests become the source of uncertainty that influences the goals of measuring performance in public sectors. Such uncertainty raises doubts and constraint efforts to adopt and implement the performance measurement; even this uncertainty tends to drive government agencies to imitate each other. This reflects a mimetic isomorphism, an uncertainty and ambiguity of goals in increasing the impact of homogeneity among organizations (DiMaggio & Powell, 1983).

Furthermore, Wholey (1999) and De Bruijn (2002), state that conformity in the organizations' missions, goals, and strategies can be achieved by involving various stakeholders having different options and interests. Such a condition may cause uncertainty in an environment where the organization operates, thus, the local government tends to have difficulties in determining a target; and accordingly, a local government will tend to imitate other better local governments in which this model may unintentionally proliferate or be explicitly expanded by organizations such as consultant companies (DiMaggio & Powell, 1983).

This condition is of course against the goals of the use of performance measurement system for operational activities due to the fact that in accordance with Speklé & Verbeeten (2009), performance measurement system for operational activities for public sector organization requires consistency from the local governments in determining obvious objectives and goals. Furthermore, in the view of NPM (Newberry & Pallott, 2004; Bevan & Hood, 2006) any public sector organization is required to adopt a controlling structure orienting to results. The results obviously define the responsibility and accountability with a goal to give incentive. When the organization goals are complex and ambiguous, the managers cannot appropriately measure performance (Verbeeten 2008; Speklé & Verbeeten, 2009). Thus, the use of performance measurement system for giving incentive cannot provide a good solution.

The use of performance measurement system for exploration has contribution to organization learning process (Kloot, 1997), so that every individual is ready to deal with the public sector goals achievement complexity. Somehow, performance measurement is very important even in an ambiguity of goals; so in such a condition, an explorative controlling structure gives a way to be better (Speklé, 2001; Verbeeten, 2008). Here are some proposed hypotheses:

H2a: The use of performance measurement system for operational activities has negative relationship with the goals and objectives of organization

H2b: The use of performance measurement system for giving incentive has negative relationship with the goals and objectives of organization

H2c: The use of performance measurement system for exploration has positive relationship with the goals and objectives of organization

2.8 The Influence of External Pressures towards the Use of Performance Measurement System

The research results of Cavalluzzo & Ittner (2004) and Akbar et al. (2010) support the institutional theory, which claims that the system applied to fulfil external needs tends to influence internal behaviour more than the system applied to fulfil the organization needs. They also think that the legitimation of the organization increases since it is in accordance with the external expectation on an appropriate management controlling system to be modern, rational, and efficient; but for external observers, this tends to separate their internal activities from externally focusing symbolic system.

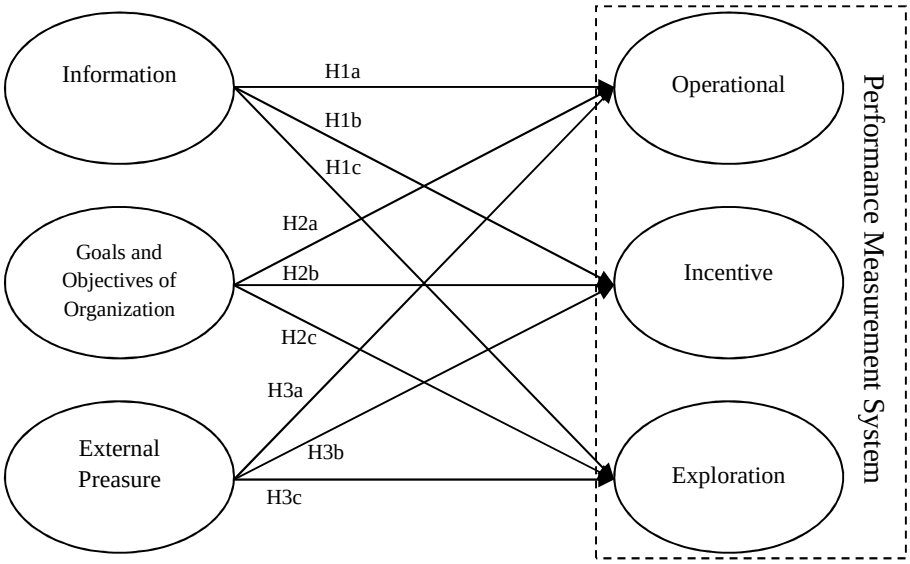
Scott (1987) states that in institutional environment, the existence of government organizations depends mainly on the external constituents. As a result, secondary organizations will make necessary actions. However, changes tend to be shallow and loose related to the employees' behaviours, so that the power of coercive isomorphism is obviously seen within the decision using the system (Akbar et al., 2010). Sihaloho & Halim (2005) and Julnes & Holzer (2001) find that the influence of external groups is not significant in the adoption and use of a performance measurement, but Speklé & Verbeeten (2009); Akbar et al. (2010) find the opposite. Moreover, according to Speklé & Verbeeten (2009) the demands encourage the use of the system for exploration and operational activities, but not for incentive. Based on the results of those researches, some hypotheses are proposed below:

H3a: The use of performance measurement system for operational activities has positive relationship with external pressures

H3b: The use of performance measurement system for giving incentive has negative relationship with external pressures

H3c: The use of performance measurement system for exploration has positive relationship with external pressures

Image 1
Research Model



3. Research Methods

3.1 Population and Samples

This research was conducted in provincial government of DIY, local governments of Bantul Regency, Gunung Kidul Regency, Kulonprogo Regency, Sleman Regency, and Yogyakarta Municipality. The research objects are government Services, Bodies, and Offices. The method used for selecting samples is purposive sampling. The officers selected are those having a rank of minimum echelon four with one-year period of being in the post. This is done with a consideration that the period has given the officers chances to be involved in the process of program planning and performance report, hence, they are believed to understand the situation and condition of their organization and environment (Sihaholo & Halim, 2005; Nurkhamid, 2008).

3.2 Data Collection Technique

The primary data are collected by applying mixed method research. This kind of method compels the researcher to combine various research techniques, methods, approaches, concepts, quantitative language, and qualitative language into a single study (Johnson & Onwuegbuzie, 2004). Sequential explanatory (Creswell, 2010: 316) is the strategy applied in this research. This strategy offers a quantitative data analysis and collection in the first step, and then it proposes qualitative data analysis and collection (semi-structured interviews) in the second step referring to the initial results of the quantitative way. It is expected that this method can see the phenomena of institutional theory that will be achieved, and through this method, a better comprehension is obtained. Moreover, this method is expected to test any research results from different approaches (Creswell, 2010: 307).

3.3 Definition of Operational and Measurement Variables

3.1.1 Independent Variable

Information (**INF**) in this research is taken from Julnes & Holzer (2001) and Rainey (1999) that was also used by Sihaloho & Halim (2005). This reflects how far the employees can go to access information related to performance measurement so that in implementing the performance measurement, both staffs and non-staffs have technical skills to use the performance measurement

system. Information variable has some dimensions: access to information or publication, expert assistances, trainings, and/or seminars.

Organization's Goals and Objectives (**TSO**). This covers up the respondents' approval on some questions related to the vision, mission, goals, and objectives of SKPD. A consensus of every program's goals is also put into consideration to see whether every program has at least a goal and whether the use of performance measurement system may run. This variable has some dimensions referring to the goals and objectives, communicated strategies, and mission formulation encouraging efficiency, clear goals and objectives. The instruments to measure this variable are developed by Verbeeten (2008); the goal orientation is taken from the research of Sihaloho & Halim (2005) by also looking at other sources such as Julnes & Holzer (2001) and Rainey (1999).

External Pressures (**TE**). Based on the research of Morrow and Hitt (in Sihaloho & Halim, 2005) and Julnes & Holzer (2001) public organization cannot be separated from external pressures such as political influences in organization. The research of Wang (2002) shows that external pressures come when there occurs communication with external stakeholders i.e. legislature and citizens. External pressures are useful to increase the legitimation and effectiveness of an organization. Based on the opinion of Speklé & Verbeeten (2009), external pressures comprises how far the specific external monitors (commissioners, members of council), lobbying groups, or other stakeholders can go to access information on the goals achievement. External pressures reveal higher intensity on political and public monitoring, and this is something very common in either activity or performance units.

3.1.2 Dependent Variable

Performance Measurement System. This system is a very important component in management controlling structure (Henri, 2006). In designing the system, a public sector manager must consider not only what to measure and how to measure, but also how to comprehend the environment and utilise the performance information without neglecting the current situation (Speklé & Verbeeten, 2009).

To have performance information being implemented by local governments, the respondents are requested to show how often they use the performance measurement for various purposes. The purposes include **Operational Usage** (**PO**), which means the use of performance metric for operational planning (such as a short-term strategic planning of a work unit), resources allocation or budgeting for program running, and monitoring. **Incentive** (**PI**) proposes the importance of measuring work performance by career and bonus. **Exploration Usage** (**PE**) depends on three kinds of performance metrics i.e. performance metrics for communication, performance metrics in policy revision, and performance metrics in evaluating the concordance between the current goals and policy assumption. Those three coverage fields of implementing the performance measurement system have been identified by Cavalluzzo & Ittner (2004), and are also used by Speklé &Verbeeten (2009). Table 1 presents a latent variable and a measurement indicator used for this research:

Table 1
Research Model Variabels

Latent Variabels	Short Code	Manifest Variabels*	*Items*
Information	INF	INF2 dan INF3	2
Goals and Objectives of Organization	TSO	TSO4, TSO6, dan TSO7	3
External Pressure	TE	TE5 dan TE6	2
Operational Usage	PO	PO1 – PO3	3
Incentive Usage	PI	PI1 – PI2	2
Exploration Usage	PE	PE2 – PE5	4

* A few variabels has been droped because unqualified loading score standart

4. Data Analysis Method

4.1.1 Quantitative Approach

This research applied Partial Least Square (PLS) to test the hypothesis. PLS is a Structural Equation Modelling (SEM) technique based on variants that can simultaneously conduct a measurement model testing and at the same time a structural model testing (Hartono, 2011). PLS places minimum charges on measurement scale, samples size, variables distribution, and residual distribution (Chin, et al., 2003). Those characteristics make PLS compatible for this research in the frame that this technique

has a complex model and combination and can use a relatively small sample to anticipate any less response rate from the local government addressed. The software used is *Smart* PLS 2.0 developed by Ringle, C.M./Wende, S./Will, S. This software can be downloaded from http://www.smartpls.de.

4.1.2 Qualitative Approach

Qualitative approach uses thematic analysis. According to Braun & Clarke (2006), this is a qualitative analytical method to identify, analyze, and report the pattern (theme) in the data. According to Aronson (1994), the analysis also focuses on the identified theme and pattern. Moreover, this approach uses open and semi-structured interviews. The interviews are recorded and then moved into a writing transcript (Creswell, 2010; 272). The results of the interviews are gathered, and then connected to the theme or the research problems being discussed. The last step is interpreting the data in the form of output description.

5. Results

5.1 Quantitative Approach

5.1.1 Pilot Study

Pilot study is conducted to the local government employees pursuing higher degrees of education in *Magister Ekonomi Pembangunan* Universitas Gadjah Mada Yogyakarta (MEP UGM). The instruments are analyzed by using a software called PLS. The instruments are considered valid and reliable if the values of Composite reliability and Cronbach's alpha are as high as 0.6, while the Average Variance Extracted (AVE) and the loading factor are ≥0.5 (Hartono, 2011). The results of pilot study show that the values of AVE and Communality are 0.5 and close to 0.5. The value of Composite Reliability is >0.6. This also shows that the value of the loading factor is close to 0.5. Therefore, the statement in this research is valid and reliable, so that it can be further used.

5.1.2 Quantitative Data Collection

Quantitative data are obtained by surveying 149 SKPD within the territory of D.I. Yogyakarta Province consisting of government services, bodies, and offices. Of 149 questionnaires sent, 143 return, meaning that the response rate is 96%. The number of the questionnaires that can be used for the research is 127, meaning that the usable response rate is 89%. 22 questionnaires cannot be used. The usable questionnaires are analyzed to have the profiles of the respondents. Table 2 presents the complete profiles of the respondents.

Table 2
Demographic Information of Respondents

Characteristics	Frequency	Percentage (%)
Gender		
Male	68	53,54%
Female	59	46,46%
	127	**100,00%**
Age Group		
< 30	3	2,36%
31 – 40	22	17,32%
41 – 50	64	50,39%
> 50	38	29,92%
	127	**100,00%**
Education Level		
Undergraduate	4	3,15%
Post-graduate	123	97,85%
	127	**100,00%**
Work Experience		
1 – 5 years	91	71,65%
5,1 – 10 years	22	17,32%
> 10 years	14	11,02%
	127	**100,00%**

Source: primary data, 2012

5.1.3 Data Range

Based on the results of data processing upon 127 respondents answering 16 valid questions, theoretically, the value range is minimum 2 and maximum 10 for questions on PI, TE, and INF. The theoretical range for questions on PO and TSO is between minimum 3 and maximum 15. The theoretical range for questions on PE and TSO is between minimum 4 and maximum 20.

All the answers are thus within the theoretical range having minimum 2 and maximum 15. It can thus be said that in a whole the responses are within theoretical range. Table 3 show the range comparison globally.

Table 3
Data Range

Questions	Theoritical Range	Actual Range
PO	3 – 15	4 – 15
PI	2 – 10	2 – 10
PE	4 – 20	6 – 10
TSO	3 – 15	3 – 15
TE	2 – 10	4 – 10
INF	2 – 10	4 – 10

Source: Excel output, 2012

5.1.4 Non–Respond Bias

The data collection from the distributed questionnaires need 2 (two) weeks. 65 responses return in the first week, while 62 responses return at the end of the second week. To avoid bias responses, the second week responses are compared to the first week responses by applying Mann-Whitney Test (Field, 2009 in Akbar et al., 2010). The analysis uses SPSS 11.5, and the results are presented in Table 4 showing that for all comprised variables, the responses between the two weeks are not different for they all have significant value above 5 percent.

Table 4
Mann-Whitney Test

	TE	INF	TSO
Mann-Whitney U	1922	1961	1804
Wilcoxon W	4067	3914	3949
Z	-0,451	-0,263	-1,02
Asymp. Sig. (2-tailed)	0,652	0,792	0,308

Source: SPSS Output, 2012

Considering that the coverage area is wide, covering up 6 areas, a Kruskal Wallis Test is applied to confirm that there is no difference among the areas. The test is a non-parametric test used to compare three or more groups of sample data at the same time (Supangat, 2007; 380). The test results in Table 5 show that there is a significant level over 5 percent. Thus, it can be concluded that there is no different response among the respondents of 6 areas taken as samples for this research.

Table 5
Kruskal Wallis Test

	TE	INF	TSO
Chi-Square	6,495	4,152	4,397
df	5	5	5
Asymp. Sig.	0,261	0,528	0,494

Source: SPSS Output, 2012

5.1.5 Quantitative Data Analysis and Hypotheses Testing

For dependent construct, the structural model is evaluated by using R Square (R^2). Table 6 presents that the value of R^2 for PO is as high as 22.07 percent, the value of R^2 for PI is as high as 26.21 percent, and the value of R^2 for PE is as high as 31.56 percent. The higher the value of R^2 is, the better the prediction model of the proposed research is (Hartono, 2010; 72).

Table 6
Overview Iteration Algoritma PLS

	Validity Test		Reliability Test	R Square*
	AVE	Communality	Composite Reliability	
INF	0,591423	0,973513	0,742807	
TSO	0,615191	0,871949	0,824757	
TE	0,430880	0,996273	0,602259	
PO	0,530595	0,963467	0,770108	0,220645
PI	0,780348	0,962995	0,876410	0,262100
PE	0,509648	0,971939	0,805419	0,315635

Sourcer: Smart PLS Output, 2012

The test parameter of convergence validity is seen from the scores of AVE and communality. Each score is above 0.5. This means that the indicator probability in a certain construct that comes into other variables is lower (less than 0.5), so that the indicator probability is considered convergent and is included into a bigger construct, above 0.5 or 50 percent (Hartono, 2010; 71). It is seen in Table 6 that the highest AVE score is on PI construct (0.780348), and the lowest AVE score is on TE construct (0.430880). Though ideally the AVE score should be >0.5, score 0.4 is still tolerated (Lai & Fan, 2008; Vinzi et al., 2010: 463). The highest communality score is on TE construct (0.996273) and the lowest score is on TSO construct (0.871949).

The discriminant validity test is measured by seeing the cross loadings score. Table 7 below presents that each indicator in a certain construct in a measurement model has fulfilled the discriminant validity because each indicator in a certain construct is different from indicators in other constructs. Those indicators gather in a construct with a score of >0.6.

Table 7
Cross Loadings

	INF	PE	PI	PO	TE	TSO
INF2	0,805698	0,357268	0,360644	0,269165	0,230434	0,074733
INF3	0,730546	0,300787	0,360725	0,298073	0,123342	0,060450
PE2	0,273820	0,631544	0,271560	0,530980	0,266200	0,152578
PE3	0,327737	0,750395	0,231419	0,502562	0,254381	0,114397
PE4	0,359637	0,736217	0,414213	0,411588	0,204922	0,244682
PE5	0,260078	0,731187	0,322636	0,486449	0,348072	0,179009
PI1	0,417830	0,399584	0,843283	0,343421	-0,008113	0,227950
PI2	0,408443	0,372773	0,921720	0,396838	-0,008280	0,143734
PO1	0,312357	0,458913	0,267649	0,689668	0,282379	0,038584
PO2	0,263936	0,490465	0,370089	0,834888	0,163346	0,204186
PO3	0,217181	0,513787	0,274792	0,647383	0,246942	0,150562
TE5	0,115871	0,234379	-0,021546	0,206508	0,656363	-0,000065
TE6	0,185152	0,258359	0,008239	0,216169	0,656466	-0,048114
TSO4	-0,034004	0,208279	0,150813	0,169232	-0,002353	0,901994
TSO6	0,016915	0,146099	0,132478	0,016857	-0,154083	0,788881
TSO7	0,192919	0,195324	0,195001	0,171725	0,014907	0,640035

Source: Smart PLS Output, 2012

The reliability test is seen from the Composite Reliability score with a condition that the minimum value is >0.6 (Hair et al., 2006 in Hartono, 2009). In table 6, the highest Composite Reliability score is on PI construct (0.876410), and the lowest Composite Reliability score is on TE construct (0.602259). According to Werts et al. (1974) in Salisbury et all. (2002), Composite Reliability measures the real reliability value of a variable, so that a PLS technique is better used in this analysis.

The hypotheses testing is conducted by comparing the value of T-table with the value of T-statistics resulted from the process of bootstrap. The hypotheses are accepted (supported) if the value of T-statistics is higher than the value of T-table. With 95 percent confidence (*alpha* 5 percent), the value of T-table for one-tailed hypothesis test is ≥ .64 (Hair et al., 2006 in Hartono, 2009).

Nine of tested hypotheses, six hypotheses are statistically supported because of having T-statistics value higher than that of T-table, which is ≥ 1.64 (alpha 5 percent). Those 6 hypotheses are hypothesis 1a (INF→PO) with T-statistics value as high as 3.133529 and line coefficient value of (γ1) 0.294331; hypothesis 1b (INF→PO) with T-statistics value as high as 6.374228 and line coefficient value of (γ2)0.480962; hypothesis 1c (INF→PE) with T-statistics value as high as 3.682506 and line coefficient value of (γ3) 0.337736; hypothesis 2c (TSO→PE) with T-statistics value as high as 2.326139 and line coefficient value of (γ6) 0,226973; hypothesis 3a (TE→PO) with T-statistics value as high as 2.835297 and line coefficient value of (γ7) 0.260269; and hypothesis 3c (TE→PE) with T-statistics value as high as 3.672792 and line coefficient value of (γ9) 0.306535. 3 hypotheses are statistically supported for not having T-statistics value higher than that of T-table, which is ≥ 1.64 (*alpha* 5 percent). Those 3 hypotheses are hypothesis 2a (TSO→PO) with T-statistics value as high as 1.340111 and line coefficient value of (γ4) 0.160340; hypothesis 2b (TSO→PI) with T-statistics value as high as 1.583606 and line coefficient value of (γ5) 0.166172; and hypothesis 3b (TE→PI) with T-statistics value as high as 1.171597 and line coefficient value of (γ8) –0.114194. The results of hypotheses testing using PLS can be seen in Table 8 below:

Table 8
Path Coefficients; Mean, STDEV, T-Values

	Sign	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
INF → PO	+	0,294331	0,297067	0,093930	0,093930	3,133529***
INF → PI	+	0,480962	0,487214	0,075454	0,075454	6,374228***
INF → PE	+	0,337736	0,342516	0,091714	0,091714	3,682506***
TSO → PO	-	0,160340	0,161009	0,119647	0,119647	1,340111
TSO → PI	-	0,166172	0,164128	0,104933	0,104933	1,583606
TSO → PE	+	0,226973	0,228947	0,097575	0,097575	2,326139***
TE → PO	+	0,260269	0,247171	0,091796	0,091796	2,835297***
TE → PI	-	-0,114194	-0,117783	0,097469	0,097469	1,171597
TE → PE	+	0,306535	0,297859	0,083461	0,083461	3,672792***

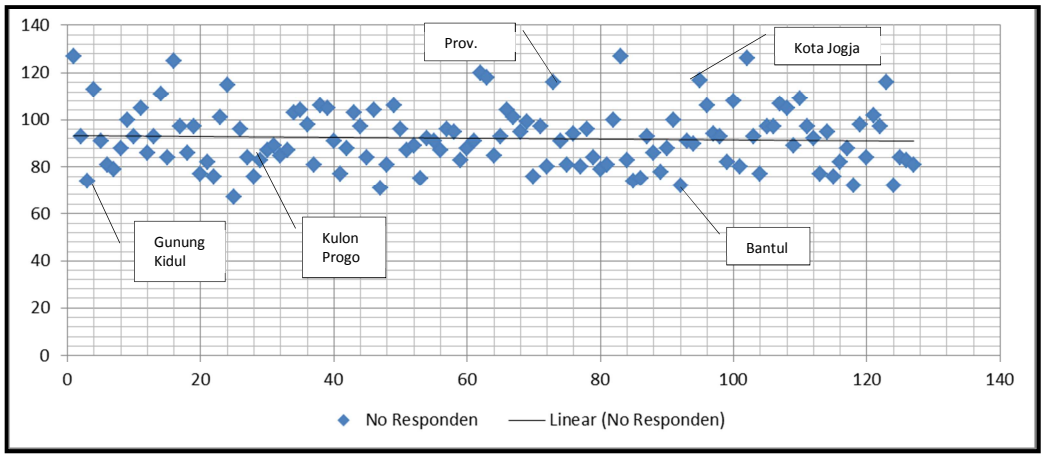
Source: SmartPLS Output, 2012
Note: ***=highly significant, **=significant; 1,64 P<0,05 dan 2,33 P<0,01 (*one-tailed*)

5.2 Qualitative Approach

5.2.1 Qualitative Data Collection

Based on qualitative data processing, there are some criteria for selecting respondents to interview: (1) based on merely outlier data processing (Creswell, 2010; 329), (2) based on the respondents' willingness to be interviewed; this can be seen in the interview willingness sheet attached to the distributed questionnaires, and (3) based on the respondents' willingness to be interviewed through texts (Short Message Service). Below is the figure presenting the results of quantitative data processing showing outlier data:

Image 2
Scatter Plot



In figure 2 above, it is clearly seen there are 5 respondents willing to be interviewed. The interview is conducted face to face. Each interview takes approximately 15-20 minutes, and during the interview, the researcher makes a recording with a prior permission from the respondents. The respondents from Sleman Regency refused to be interviewed.

5.2.2 Qualitative Data Analysis

According to Creswell (2010: 275), in analyzing and interpreting qualitative data, the general model of analysis is by collecting qualitative data taken from interview, analyzing them based on theme or certain perspectives determined previously. It is expected that this analysis can support in explaining deeper the results of the previous quantitative data processing. The approach used to explain the collected qualitative data is a narrative approach. Below is the explanation about some goals of implementing performance measurement system in SKPD within the coverage area of the Provincial government of DIY. Some factors of isomorphism phenomenon to reveal are those related to information representing normative isomorphism, organization's goals and objectives representing mimetic isomorphism, and external pressures representing coercive isomorphism.

Related to some information factors, organization's goals and objectives, and external pressures influencing the use of performance measurement system in SKPD, the results of the interviews show that the biggest tendency to use performance measurement system for operational activities comes from information factors and external pressures. Organization's goals and objectives do not have any influence. This can be perceived from the statement of the Secretary of Revenue, Asset and Treasury Management Service (Sekretaris Dinas Pendapatan, Pengelolaan Keuangan dan Aset/DPPKA) of Kulon Progo Regency:

> ……we always have trainings and seminars; the events depend on the condition; for example in the current budgeting year we have cooperation with BPKP to learn the new integrated performance system, intensively hold supervision and consultation……
> .....DPPKA carries out programs based on the existing rules, that's already complete…… the people's aspirations are already included in the rules.
>
> (Secretary of DPPKA, Kulon Progo Regency)

> We believe there is a new policy. The new policy can change the program previously established, somehow, the field execution selects which program should become the priority.....
>
> (Program Subsection Head of Health Service, Yogyakarta Province)

The statements above support the results of quantitative data processing, which shows that information (with greatly significant proportion) and external pressures have positive relationship towards the use of performance measurement system for operational activities. Therefore, it can be said that the conduct is in line with normative and coercive isomorphism. Organization's goals and objectives factor (mimetic isomorphism) do not have negative influence towards the use of performance measurement system for operational activities. This can be seen from the statement of the Planning Subsection Head of Market Management Office, Bantul Regency:

> The demands of the market doers are always adjusted to the programs and activities previously settled because planning is flexibly and abstractly made…… adjusting the wishes of the market doers in case there is a change in the middle of the program execution…… does not bother the performance measurement in the coming time.
>
> (Kasubbid. Perencanaan Kantor Pengelolaan Pasar Kabupaten Bantul)

It is clearly seen from the above explanation that even though there may be changes in the organizations' goals and objectives, the use of performance measurement system for operational activities does not get any influence. Thus, mimetic isomorphism does not exist.

Related to the use of performance measurement system for incentive, the results of the interviews are various. Some of those answers are presented below:

> Due to the minimum budget, TPP is not yet arranged in SKPD. We try our best to allocate the budget as efficiently and optimally as possible; the point is that all the work is completely done…….

.....it is not really relevant…… specifically not, for instance (the relationship) between performance information towards reward and career consideration for employees does not run quite well. This is not that way; that's all…….

(Secretary DPPKA, Kulon Progo Regency)

Incentive or reward for the staffs is set quarterly and based on the amount of revenues; when the target is achieved, incentive is given by the local government…… indeed derives from our proposal, but the amount is not much, about 100 thousand rupiahs…… sometimes even 25 thousand rupiahs. Then secondly, from career point of view, if the work runs well, indeed, the performance information will later be used for the staff's career grading, but there is also a consideration from the leader, and it runs well so far.

(Planning Subsection Head of Market Management Office, Bantul Regency)

TPP has just been distributed this April in the local government of Gunung Kidul Regency. Career has less attention because the Work Execution Scoring List (*Daftar Penilaian Pelaksanaan Pekerjaan-DP3*) is not much useful due to its subjective scoring. Madam the Service Head surely pays attention to her staffs' performances, but in general, it is not optimal.

(Planning Subsection Head of Forestry and Plantation Service, Gunung Kidul Regency)

.....the policy on performance information as the consideration for giving incentive in SKPD does not run well because we only achieve 80% of the required criteria (TPP). Similarly, the policy on career opportunity is not good enough. Our sections are not solid to fulfil the criteria…… besides that, the internal scoring among sections is not balance; once spoken but the follow up has not run well yet. It is not fair yet so far.

(Program Subsection Head of Health Service, DIY Provincial Government)

In relation to the policy of the SKPD leaders, information believed to be influential for incentive provision; this supports the results of quantitative data processing. Normative isomorphism has thus clearly existed in this relationship. In the case of seeing how organization's goals and objectives and external pressures relate to the use of performance measurement system for incentive provision, the results of the interviews show that incentive policy is applied differently in each SKPD. Thus, the results of quantitative data processing do not support the proposed hypothesis. Coercive and mimetic isomorphisms do not strongly urge incentive policy for the information use of performance measurement system.

6. Conclusion, Implication, Constraints, and Suggestions

6.1 Conclusion

Based on the results of quantitative data processing, both information and external pressures have positive and significant influences towards the use of performance measurement system for operational activities of the local government. Only information has positive and significant influences towards the use of performance measurement system for incentive. Furthermore, information, external pressures, and organization's goals and objectives have positive and significant influences towards the use of performance measurement system for exploration.

The results of qualitative data processing show that normative isomorphism (information) brings the strongest influence to the three goals of the use of performance measurement system, followed by external pressures (coercive isomorphism) and organization's goals and objectives (mimetic isomorphism). Besides that, the interviews show that performance measurement system for operational activities is always applied.

6.2 Implication

This research can be used as a reference for SKPD in any local government, especially on the use of performance measurement system to see the achievement level of the organizations in providing services for their stakeholders. Besides that, the use of performance measurement system for incentive shall be based on the employees' actual performance.

6.3 Constraints and Suggestions

This research is something new, thus, it has some constraints influencing the results of the research. The constraints are as follows:

First, the organization's goals and objectives do not maximally reveal the phenomenon of mimetic isomorphism that this research has observed from the beginning. Second, many items in the questionnaires are cancelled, hence the measurements used to explain the constructs do not work maximally (see the attachment). Third, the respondents for this research are those holding structural positions of at least subsection head until secretary in that there is a possibility of any, though only in a small degree, biased opinions. Fourth, this research is conducted only within the territory of Yogyakarta Province, so that this can hardly be used to generalize the practices of performance measurements in Indonesia.

Some suggestions recommended for further research are given as follows: First, following researchers can find other factors to uncover the phenomenon of isomorphism in influencing the use of performance measurement system. Second, by seeing the loading score in the construct of external pressures, any researchers can still be expand this research by adding two more constructs, i.e. political pressures and accountability pressures (Speklé and Verbeeten, 2009). Third, the following researches can use the leaders of SKPD to be their respondents to have different views. Fourth, a mixed method is strongly recommended to apply considering that this technique gives a deeper exploration and more various views than any single method of analysis.

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Attachment

Research Questionnaires

THE USE OF PERFORMANCE MEASUREMENT SYSTEM

Based on your experiences, how wide do you use the performance measurement information for the following activities?

(1=not wide, 2=less wide, 3=wide enough, 4=wide, 5=very wide)

I use performance measurement information for....	**1**	**2**	**3**	**4**	**5**
1. Operational planning of SKPD (e.g. the making of annual performance planning in the strategic planning of SKPD)					
2. Budget allocation to run the programs and activities of SKPD					
3. Monitoring process on the execution of program and performance of SKPD					
4. Employee's career consideration					
5. Employee's remuneration/bonus consideration					
6. Communicating the goals and priorities of SKPD for each employee**					
7. Evaluating the concordance between the goals and the policy realization of SKPD policies					
8. SKPD policies revision					
9. Adopting new program approach or changing the work process					
10. Improving the performance indicators of programs and activities					

EXTERNAL PRESSURES

Based on your experiences, how much do you agree with the following statements?

(1=totally disagree, 2=disagree, 3=neutral, 4=agree, 5=totally agree)

	1	**2**	**3**	**4**	**5**
1. Laws and Rules manage my SKPD performance programs and activities*					
2. Governor/Regent/Mayor demands information about my SKPD achievement**					
3. stakeholders (society/NGO) need information about my SKPD achievement**					
4. Donor Associations need information about my SKPD achievement**					
5. My SKPD activities attract public attentions					
6. My SKPD performance attract public attentions					

INFORMATION

How often do you try to increase the employees' access towards information related to performance measurement?

(1=never, 2=rarely, 3=sometimes, 4=quite often, 5=very often)

	1	**2**	**3**	**4**	**5**
1. Access to information and publication **					
2. Obtaining assistance or consultant/expert help					
3. Having training and seminar					
4. Using performance information to make decision **					

ORGANIZATION'S GOALS AND OBJECTIVES

Based on your experiences, how much do you agree with the following conditions that will obstruct the use of performance measurement system at your SKPD?

(1=totally disagree, 2=disagree, 3=neutral, 4=agree, 5=totally agree)

	1	**2**	**3**	**4**	**5**
1. The vision of SKPD is merely stated orally *					
2. The vision of SKPD is obscurely formulated *					
3. The mission of SKPD is merely stated orally *					
4. The mission of SKPD is only communicated internally					
5. The mission of SKPD is only communicated externally *					
6. The objectives of SKPD regularly change in accordance with political issues					
7. The objectives of SKPD regularly change in accordance with the society's demands					

Note: *cancelled questions due to having low loading score , cancelled questions because of decreasing the AVE score