

## Performance Measurement of Local Government in Indonesia: A Conceptual Study

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**Abstract:** This study begins with the problem of the many Indonesia's local governments that have not been able to compile a Government Agency Performance Accountability Report or LAKIP. This is because there are still many local governments that have not been able to measure performance with applicable standards. And therefore, many local governments still get poor grades in preparing their LAKIP. This due to several factors such as the commitment of management which is still questionable, the lack resources used to measure performance and so forth. This study aims to find out how far have local government efforts are taken to measure performance according to organizational factors of local government in Indonesia specifically in Bekasi. Through the institutional theory, this study has three objectives, to find out the effects of technical knowledge, management commitment, and resources on performance measurement. Therefore, this study contributes to provide a picture for the local government in measuring performance based on organizational factors.

**Keywords:** *Performance measurement, Organizational factors, Institutional theory, Local government.*

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### 1. Introduction

Performance measurement is a process of gathering, analysing, and/or reporting information about the performance of individuals, groups, organization, systems or components. Public sector Performance measurement is required to assess the success rate of public entities in achieving their public goods and services mission. According to Aswar (2019) performance is the view of the accomplishment of an operation in the fulfilment of the organization's goals, mission and vision. Performance measurement is compiled in a report called Government Agency Performance Accountability Report (LAKIP). Research conducted by Jurnal and Siti-Nabiha (2015) found that in 2009, provinces in Indonesia that scored well in the preparation of LAKIP were only 3.70% and increased to 75.75% in 2012. Whereas at the city/regency level in 2009, only 1.16% scored well and in 2012 it increased to 24.20%. The results prove that performance measurement at the city/regency level is still very low. It can happen because performance measurement still faces many obstacles in its implementation. One of the Government's attempts to promote good governance is to enforce the accountability principle. The State Administrative Agency defines accountability as an obligation to provide transparency to those who have the right or authority to keep them accountable and to justify the results and actions of a person/ legal entity/head of an organization. Accountability includes the success or the failure of the implementation of the mission of the organization concerned. Good accountability can show improved performance of government agencies and positive changes in the behaviour of employees. Improved performance of government agencies cannot be realized if there is no good management that can encourage.

The efforts of agencies to improve performance. According to Law Number 28 Year 1999 regarding the Implementation of a Clean and Corruption, Collusion and Nepotism-Free State, the government shall follow up by issuing Presidential Instruction Number 7 of 1999 on the Accountability of Government Agencies for performance. The Presidential Instruction requires every government agency, especially the high-rank officials, to take responsibility for the implementation of their main duties and function as well as the authority of the resources and policies entrusted to them based on strategic planning that has been previously formulated. In account of this, the government requires all government agencies to prepare a Government Agency Performance Accountability Report which is the final product of the Government Institution Performance Accountability System which describes the success of government performance achieved by government agencies on the implementation of programs financed by the State/Regional Budget. One of the obstacles that are often encountered in performance measurement is the difficulty of determining measurements to measure a particular program and only focuses on measuring input rather than measuring results. Performance measurement is important in order to measure success rate of an organization in achieving its goals. Relating to improving performance measurement, there are several studies that show

factors that can affect performance measurement, one of which is technical knowledge. Yang and Hsieh (2007) and Akbar, Pilcher and Perrin (2012) shows that technical knowledge had a positive significant effect on performance measurement. Another factor that can affect performance measurement is management commitment.

According to Cavalluzzo and Ittner (2004), Akbar, Pilcher and Perrin (2012) and Tzempelikos (2015), Aswar & Saidin (2018), management commitment had a significant relationship on performance measurement. And the last factor that can affect performance measurement is resources. Research conducted by Julnes and Holzer (2001), Wang and Berman (2000), Laurensius and Halim (2005) and Akbar, Pilcher and Perrin (2012) concluded that resources had a positive significant effect on performance measurement. In particular, this paper focuses on a conceptual model that will form the basis of an incoming study in investigating performance measurement with a focus on Head of Subdivision Planning of Regional Apparatus Organizations in Bekasi City. The purpose of this study is to determine the relationship between technical knowledge, management commitment, and resources on performance measurement.

## 2. Literature Review and Hypothesis Development

**Effects of Technical Knowledge on Local Government Performance Measurement:** Technical Knowledge is needed by employees in carrying out their duties. This forces organizations to provide training and ensure that employees get the training. Therefore technical knowledge is included in mimetic isomorphism in institutional theory because of the pressure from other organization in order to compete in achieving their goals. Previous research conducted by Yang and Hsieh (2007) proved that providing technical training to the performance measurement specialists and managers (Hatry, 1999; Newcomer et al., 2002). This model shows that technical training is far more critical than effectiveness in explaining adoption. Therefore the second hypothesis proposed is:

**H1:** There is a positive relationship between technical knowledge and the local government performance measurement.

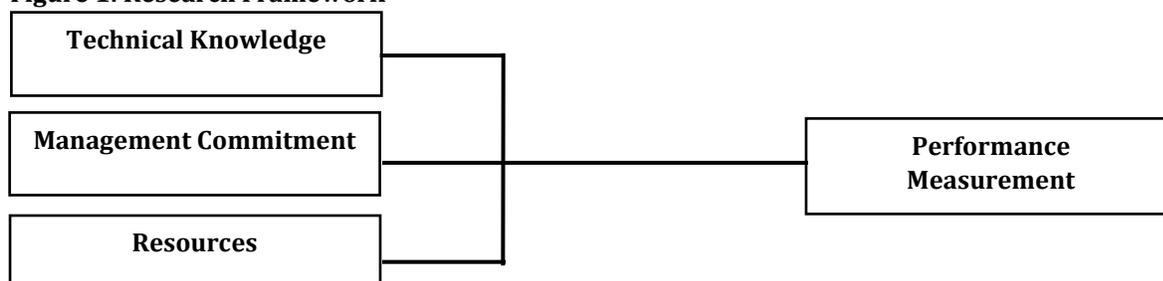
**Effects of Management Commitment on Local Government Performance Measurement:** Management commitment in institutional theory refers to normative isomorphism which indicates the pressure within the organization itself to carry out the task that has been given to each individual to achieve the goals in organization. Implementation of performance management systems in government needs improvements in the processes, staff, structure or even organizational culture. Changes like this tend to create resistance within the organization. In terms of developing and using success metrics such as organizational change, first building high-level engagement among top managers and gathering support from employees and middle managers is crucial (Fernandez & Rainey, 2006; Rainey, 2003). Furthermore, Aswar & Saidin (2018) and Aswar (2019) found that management support as key factors on the system adoption. The effectiveness of creativity in performance measurement seems to be a significant factor in in the management commitment. According to the explanation above, the next hypothesis is:

**H2:** There is a positive relationship between management commitment and the local government performance measurement.

**Effects of Resources on Local Government Performance Measurement:** In the theory of institutional resources arise from the pressure generated by the organization that must have adequate resources to achieve the goals of the organization. This is in line with institutional theory of mimetic isomorphism where this pressure arises because of the behaviour of imitating other organizations that can provide adequate resources for the organization. Resources are all things that can be used to support work processes in achieving goals. Effective and reliable implementation of each performance measurement depends on appropriate resources being available or not available (Julnes & Holzer, 2001). Furthermore, Berman and Wang (2000) shows that shows a significant and positive relationship among financial resources and the use of performance measurement. Performance measures are more often found in countries with adequate financial resources than in countries without adequate financial resources. According to the explanation, the next hypothesis is:

**H3:** There is a positive relationship between resources and the local government performance measurement.

**Figure 1: Research Framework**



This study recommends that methods would be appropriate to test the proposed conceptual framework for empirical study in which data could be collected from the target respondents mostly those Head of Subdivision Planning of Regional Organizations in Bekasi City. Because they are directly responsible for LAKIP preparation in the Indonesian Regional Government. There are 44 Head of Subdivision Planning of Regional Organization in Bekasi City. Data is presented in table 1.

**Table 1: List of Regional Government Organization of Bekasi**

Regional Government Organization	Number of Regional Government
Civil Service Police Unit	1
Inspectorate	1
Local Agencies	21
Regional Committee	6
Regional People's Representative Council Secretariat	1
Regional Public Hospital	1
Regional Secretariat	1
Sub-District	12
<b>Total Number of Head Subdivision Planning</b>	<b>44</b>

#### 4. Conclusion

The conceptual paper in this study aims to investigate the factors that affect performance measurement, especially in the Bekasi City Government. This is important because there are still many measurements of local government performance that still have unsatisfactory outcome. In addition, local governments must maintain their accountability as public servants to maintain their credibility with the public. Factors that can affect performance measurement are measured based on 27 statements. The results of this study are expected to provide input to local governments in implementing policies, especially Government Accounting Standards and to improve efforts to measure performance of local governments in Indonesia. This research is also expected to be able to provide an illustration for the government in performance measurement based on organizational factors that are beneficial for local governments in improving the quality of their performance measurement and improving public governance and able to provide information on variables that affect the measurement of local government performance especially the Bekasi City Government region which expected to improve the quality of LAKIP in accordance with applicable regulations. Overall, the results of the conceptual papers in this study can also be used as a reference for further research.

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