THE INFLUENCE OF INFORMATION, ORGANIZATIONAL OBJECTIVES AND TARGETS, AND EXTERNAL PRESSURE TOWARDS THE ADOPTION OF PERFORMANCE MEASUREMENT SYSTEM IN PUBLIC SECTOR

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ABSTRACT

This research studies the use of performance measurement systems (PMS) in public sector. It provides empirical evidence on the influencing factors determined by the use of PMS in Indonesian local government. Institutional theory, especially institutional isomorphism, is utilized as a theoretical lens to further explain the findings. The factors under examination are information, goals and objectives of the organization and external pressure. The context of the study is the Provincial Government of Yogyakarta (including Bantul, Gunungkidul, Kulonprogo, Sleman, and the City of Yogyakarta). This research uses mixed research method and employs Partial Least Square (PLS) and Thematic Content Analysis (TCA) to analyze and interpret the data. The results shows that information and external pressures have a positive and significant effect on the use of PMS in local government operations. In turn, information regarding incentive has a positive and significant effect on the use of PMS. In short, goals and objectives of the organization, information and external pressures influence the use of PMS.

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

INTRODUCTION

The implementation of decentralization system in Indonesian government, which is characterized with the stipulation of Law Article No. 32, 2004 as an amendment of Law Article No. 22, 1999 on the Local Government and Law Article No. 33, 2004 as revision of Law Article No. 25, 1999 on the Financial Balance for Local and Central Government, has become the base for the local government to carry out governmental affairs of which become its authority. According to Mardiasmo (2006) the delegation of such authority along with the financial submission and allocation change, in order to ensure the performance of authority management requires the presence of a system to regulate the local-central financial rapport and activity report as well as the financial management done by the local government.

The Performance Measurement System is a key to promoting effective, efficient, and accountable public sector (Spekle & Verbeeten, 2009). It gives incentives to harmonizing individual goal with that of organization, to providing valuable feedback information, and to forming a foundation for internal and external accountability (Kravchuk & Schack, 1996; Heinrich, 2002; Cacalluzzo & Ittner, 2004).

In Indonesia, the implementation of Performance Measurement System is based on the President's decree Number 7, 1999 on the Accountability of Governmental Institution Performance and the Stipulation of the Head of the State Administration Institution (LAN) Number 586/IX/6/1999 on the Guidelines of the Arrangement of Governmental Institution Accountability Report, which has been revised by the stipulation LAN Number 239/IX/6/8/2003. Amid its development, the Regulation of the Ministry of Domestic Affair (Permendagri) Number 73, 2009 on the procedures of evaluation for the local government administration, that contains The Evaluation of the Local Government Administration Performance (EKPPD).

However, its implementation faces some problems as the ability of the performance measurement system to improve performance of accountability of government institution is still debatable and questioned (Nurkhamid, 2008). The problem can arise at the phase of the development of performance measurement system or at that of the use of its result and its implementation (Sihaloho & Halim, 2005; Akbar *et al.*, 2010). The 2010 evaluation reveals that only nine provincial governments and five regent/municipal governments are found to have good performance accountability. Those nine provinces are East Kalimantan, Central Java, DKI Jakarta, South Kalimantan, West Kalimantan, East Nusta Tenggara, South Sumatra, West Nusa Tenggar, and West Java. Whereas the five regent/municipal governments are Sukabumi Municipality, Batang Hari Regency, Sleman Regency, Musi Banyuasin regency, and Dumai Municipality.

All together, the local government with status of being quite good reaches 16,27 percent of total number of 29 provinces and 57 regencies/municipalities evaluated in 2010. This achievement can not the expected/stipulated target which is 20 percent of the local governments acquires quite good performance and accountability score (menpan.go.id, 2011).

In a report of *United States General Accounting Office* (1997), it is stated that there are some factor which potentially hinder the implementation of the performance measurement system, that is; the great number of inter-overlapping objectives so as to make it more difficult to identify the strategic organizational objectives accurately (Swindell & Kelly, 2002; Sihaloho & Halim, 2005) and the presence of hard-to-evaluate policy/program/activity for having subjective goals, the lack of *rewards* for employees for utilizing performance information. Besides, unfavorable factors such as external group's support toward the implementation of the performance information (Sihaloho & Halim, 2005), whereas it is required in order that the institution utilizes the result of the performance for strategic planning and performance planning, evaluation and supervision as well as the allocation of budget (Speklé & Verbeeten, 2009).

Seeing the model designed by Speklè & Verbeeten (2009) and based on the recommendation of Nurkhamid (2008) stating that it requires a more comprehensive further research to elevate the manager's conception in the local government towards the development and the adoption of performance measurement system. This research attempts to provide empirical evidence about the determinant factors of the performance measurement system adoption in the local government organization. In this research, the initiative of the public sector organization manager was the operational, exploration-oriented, and incentive-oriented objectives (Speklè & Verbeeten, 2009). To achieve the objective, this research employs mixed method.

The hypothetic development to see factors that motivate the utilization of performance

measurement system for the government and the interpretation of this research outcome will be seen from the institutional theory. Such theory will try to see *isomorphism* phenomena that motivates the utilization of performance measurement system in local government, by examining some factors, organizational objectives and targets and information (Julnes & Holzer, 2001; Sihaloho & Halim, 2005; Verbeeten, 2008) as well as the influence of external pressure from the *stakeholders* on the utilization of performance information (Speklé &Verbeeten, 2009; Akbar *et al*.., 2010).

This research outcome is expected to provide contribution to the knowledge in the theoretical development in the field of accounting of the public sector, so that it can append knowledge to academician on the spectrum and on whatever factors motivate the utilization of performance measurement system in the local government environment. Besides, this research outcome can benefit the range of practitioners in local government, as it will be inputs and the account of policy for practitioners in local government in understanding and utilizing the performance measurement system.

THEORETICAL OVERVIEW AND HYPOTHETICAL DEVELOPMENT

1. Institutional Theory

Institutional Theory has been employed much to explain the phenomena and to give complicated and rich insight in the environment of public sector (Van Helden, 2005). According to Dacin *et al*. (2002) institutional theory is a popular and firm explanation to explain individual and organizational action. Many institutional literatures emphasize that organizational structure and process are inclined to be *isomorphic* with accepted norms for certain type of organization (DiMaggio & Powell, 1983). Consequently, an environment will legitimate certain methods of organizing.

For example, Tolbert & Zucker (1983) found out that from time to time civil service reformation is adopted because it will manifest symbolically the good governance and not because of the efficient goal.

A concept used to catch the *homogenization* is *isomorphism. Isomorphism* is a process that imposes one unit of population to resemble another unit in facing the same regulation of an environment condition (Hawley, in DiMaggio & Powell, 1983). On the level of population, this approach shows that organizational characteristic that is modified to an increasing adjustability to the environmental characteristic.

Three mechanisms for *isomorphic* institutional change (how an organization adjusts itself), with each antecedent, are as follows: 1) *Coercive isomorphism;* is result of formal or informal pressure of an organization to another organization in which they depend on each other, of whose pressure can be perceived as strength, persuasion, or incitement to join a compromise (DiMaggio & Powell, 1983); 2) *Mimetic processes*; when organizational technology is poorly comprehended (March & Olsen, 1976 in DiMaggio & Powell, 1983), when the objectives are overlapping, or when creating symbolic environmental certainty, organization turns itself out to be the same model as other organization and it can also become strong excuse to instigate imitation. Such model can widespread unintentionally, indirectly through the movement of its employees or turnover, or explicitly through organization like consultant firm or association of specific industry; 3) *Normative pressures*; following Larson (1977) and Collins (1979), Dimaggio (1983) interpreted professionalism as a collective struggle of organization members to determine condition and their work method, to control "production" and to establish cognitive bases and to legitimate autonomy of their work.

2. The Utilization of Performance Measurement System

The performance measurement system in public sector is a system, which is aimed at helping managers of public sector to evaluate the achievement of a strategy through financial and non-financial measure meter (Mardiasmo, 2009) and to be able to serve various different expectation in public sector organization (Speklé & Verbeeten, 2009). Subsequently, according to Speklé & Verbeeten (2009) that system requires public sector managers to consider not only what and how to measure it, but also they will utilize information performance, while noticing the situations that they face (Simons, 1990; Abernethy & Brownell, 1999; Hansen & Van der Stede, 2004; Henri, 2006; Naranjo–Gil & Hartmann, 2007).

Conceptually, this research references have been adjusted to the practice of public sector, by keeping up with the concept used by Speklé & Verbeeten (2009), that is to observe three different organizational roles of performance measurement system: (1) a system applied for operational purposes, that is from planning until supervising process: (2) a system applied for the provision of incentives and rewards (Ormond & Loffler, 2002; Mardiasmo, 2009) and (3) a system applied is through exploration, that is, for *double-loop learning,* the determination of priority and policy development, as it is *core* or *backbone* of the success of bureaucratic reformation (Panozzo, 2000). Following Speklé & Verbeeten (2009), the differentiated three roles of the performance measurement system are not mutually exclusive, which means that the use of one role of the system does not necessarily mean to exclude that of other role (Mardiasmo, 2009).

3. Information

Information on performance measurement can be obtained through media, rules, manual book, internet, trainings, *workshop,* seminar (Julnes & Holzer, 2001). Such information can elevate the technical ability of the program or activity executors. The more information on the right performance information obtained the better technical ability the organization will have to adopt the performance measurement system (Sihaloho & Halim, 2005).

Shields (1995) argues that training, implementation, and utilization of management accounting innovation indicate that the organization provides adequate resources to reinforce implementation, and signals the support of innovation management. If resources of trainings are not sufficient, the procedure of good development is most likely not carried out, consequently it will risk failure (McGowan & Klammer, 1997).

4. Organizational Objectives and Targets

Objective is what will be achieved or produced in term of one to five years. Objective is settled with reference to the statement of vision and mission and based on strategic issues and analysis (LAN, 2003). According to Sihalolo & Halim (2005), the orientation of organization objectives (*goal*), is consensus of goal of every program, a compromise on each activity and program's goals that will be carried out, will bring together to the performance goal. The compromised goals are major requirements to utilizing performance information (Wholey, 1999), so objectives/goals will bring about the effect of strategic planning, management and employees' performance evaluation process (Wang, 2002).

Where as targets are results that will be achieved obviously by the government institution in a more specific, measureable formula and in a shorter period of time than objectives/goals (LAN, 2003). Targets are guidelines or measure meter for the local government for the arrangement of working policy and program. In order to stipulate clear-cut, measureable targets, it should start with the settlement of vision, mission, and obvious, consistent objectives (Kravchuk & Shack, 1996; Heinrich, 2002; Verbeeten, 2008). Kloot

(1999) indicates that performance measure meter is designed to measure the level of the achieved objectives, community satisfaction, service performance, and the comparison between institutions.

However, in practice, the compromise of mission, organizational objective and strategy should involve various *stakeholders*. The *stakeholders* have different choices and interests (Wholey, 1999; De Bruijn, 2002). So that, it can arouse uncertainty in the environment in which the organization operates, as a result the organization will go through difficulties in settling the targets (Brignall & Modell, 2000), not to mention the involvement of politic in the local government environment (Primastiwi, 2011).

5. External Pressure

Cavalluzzo & Ittner (2004); Lapsley & Wright (2004); Akbar *et al.*, (2010) found out that the application of management accounting system in public sector is influenced by the government's regulation and external demand, this pressure intensity is various in the whole organization. Besides, according to Jackson (in Julnes & Holzer, 2001) each organization is obliged by law to prepare yearly performance report, that is why Julnes & Holzer (2001) states that external stipulation is very influential to the adoption of performance measurement.

External stipulation is regulation that obliges institution to adopt performance measurement. This regulation is like mandatory Law, Government's Regulation, Local Government's Regulation, and LAN/BPKP (Sihalolo & Halim, 2005; Akbar *et al.*, 2010). In the research done by Julnes & Holzer (2001); Akbar *et al.* (2010) upon considering external demand, they found out that public organization is subject to the formal authority or laws that always operate in context of politic, which is, according to Rainey (1997) able to weaken or strengthen practically in the future, it means that even when the requirement

of policy is formulated, the implementation of it is not guaranteed (Holzer & Gabriellian, 1998) in Julnes & Holzer, 2001).

Besides that, public sector organization operates and interacts in environment where many parties are involved, so that organizational decision-making is inseparable from the influence of the organization's politic (Morrow & Hitt, 2000 in Sihaloho & Halim, 2005; Akbar *et al.*, 2010). Wang's research (2002) reveals that communication with external *stakeholders*, that are, legislatives and citizens, takes place upon the process of sharing during the strategic planning, budgeting settlement and others process in which the government institution communicates information on the outcome of performance measurement.

6. The Influence of Information towards the Adoption of Performance Measurement System

Information is an influential factor to the intention of the organization managers to enhance technical ability of the program or activity executors through learning process (Julnes & Holzer, 2001; Sihaloho & Halim, 2005), this is in compliance with *normative isomorphism* basing on the formal education to enhance human resource quality (DiMaggio & Powell, 1983). According to *The Urban Institute* (2002); Cavalluzzo & Ittner (2004) as well as Akbar *et al.* (2010), trainings on the technique of performance measurement (organizational factor) have positive influence on the development and the adoption of performance measurement system.

The utilization of performance measurement system for operational use, is aimed at looking at the measurability of organization *output* or *outcome* (Speklé & Verbeeten, 2009) with the presence of adequate knowledge, the performance measure meter for operational planning, budget allocation, and supervision will be more easily understood. The adoption of such system to provide incentives and reward can encourage an individual to perform

tasks better. In Indonesia such a thing is stated in the Regulation of the Ministry of Domestic Affair (Permendagri) No. 13, 2006 Act 39 that regulates the additional income for civil servants based on the work achievement. Then, the adoption of system to exploratory purposes will open up opportunity for discussion and inputs of idea, and so it will increase the intensity of experiments, learning, adaptation to newly emerging insights and readiness to get involved in organizational debates, which are aimed at the future development of organization (Speklé & Verbeeten, 2009). The following is the proposed hypothesis, among others are:

H1a: The utilization of performance measurement system for operational purposes has positive correlation with information

H1b: The utilization of performance measurement system for incentive purposes has positive correlation with information

H1c: The utilization of performance measurement system for exploratory purposes has positive correlation with information

7. The Influence of Organizational Objectives and Targets towards the Adoption of Performance Measurement System

According to Kravchuk & Schack (1996); Rainey (1999); dan de Bruijn (2002), the absence of policy consistency in carrying out the program and the performance measurement system as well as political interest are what uncertainty originate from, of which influence the purpose of performance measurement in public sector. Such uncertainty triggers doubt as well as the less optimal adoption and implementation of performance measurement, even it is prone to imitating each other's institutions, that reflects *mimetic isomorphism,* that are, uncertainty and ambiguity of objectives to increase the effect of inter-organizational homogenization (DiMaggio & Powell, 1983).

Other than that, according to Wholey (1999) and De Bruijn (2002), a compromise in organizational mission, objective and strategy must be achieved by involving *stakeholders* whose choices and interests are various and different from each other, this also produces uncertainty in environment where the organization operates, so the local government is inclined to going through obscurity in specifying the targets, hence, the local government has tendency to imitate the other local government (with better adoption), and such model can widespread unintentionally, or explicitly so by organizations like consultant firms (DiMaggio & Powell, 1983).

Such conditions are contrary to the objective of the adoption of performance measurement system for operational (purpose), because according to Speklé &Verbeeten (2009) the performance measurement system for operational purposes for public sector organization requires consistency in specifying obvious objectives and targets of the local government. Subsequently, in the angle of NPM (Newberry & Pallott, 2004; Bevan & Hood, 2006) public sector organization necessitates the adoption of result-oriented controlling structure that gives obvious outcome that defines responsibilities and accountabilities clearly in the hope of giving incentives, so that complicated, vague objectives will cause managers to measure performance in unbalanced way (Verbeeten 2008; Speklé & Verbeeten, 2009), so by the adoption of performance measurement system for incentive purposes will not be able to give a good solution.

The adoption of performance information for exploratory purposes contributes to the learning of an organization (Kloot, 1997), so every individual is more prepared to deal with the complexity of the achievement of public sector objectives. But performance measurement is very vital even under the condition of overlapping/vague objectives, since under the same condition, exploratory controlling structure still gives its better way (Speklé, 2001;

Verbeeten, 2008). Here is the proposed hypothesis:

H2a: The utilization of performance measurement system for operational purposes has negative correlation with organizational objectives and targets

H2b: The utilization of performance measurement system for incentive purposes has negative correlation with organizational objectives and targets

H2c: The utilization of performance measurement system for exploratory purposes has positive with organizational objectives and targets

8. The Influence of External Pressures towards the Adoption of Performance Measurement System

The research outcome of Cavalluzzo & Ittner (2004) and Akbar *et al.* (2010) in favor of institutional theory, which claims that the system applied to meet external need is prone to influence internal behavior more than that applied to meet organizational need. Then they also argue that the organization legitimacy increases along with external expectation of the accurate management controlling system to perform more modern, rational, and efficient stance, but it tends to separate their internal activities from the symbolic system focusing externally.

Scott (1987) states that in an institutional environment like governmental organization, whose survival depends on its external constituent's support. Consequently, the sub-ordinate organization will implement the required practice, but will not bring about change except shallowly and loosely in relevance with employees' attitude, therefore the power of *coercive isomorphism* in the decision of the adoption of the system is clearly seen (Akbar *et al.* 2010). According to Sihaloho & Halim (2005) as well as Julnes & Holzer (2001) they

found out that the influence of external groups is not significant in the adoption and implementation of a performance measurement, but on the contrary it is so, as found out by Speklé & Verbeeten (2009); Akbar *et al.* (2010). More specifically, in accordance with Speklé & Verbeeten (2009) such demand encourages the adoption of the system for operational and exploratory purposes, but not for incentive-oriented adoption. Therefore, based on the outcome of such research, a hypothesis can be proposed as the following:

H3a: The utilization of performance measurement system for operational purposes has positive correlation with external pressures

H3b: The utilization of performance measurement system for incentive purposes has negative correlation with external pressures

H3c: The utilization of performance measurement system for exploratory purposes has positive correlation with external pressures.

RESEARCH METHOD

1. Population and Samples

This research was conducted in the Provincial Government of Yogyakarta, the Regencies of Bantul, Kulonprogo, Sleman and the municipality of Yogyakarta. The object of observation is Department, Badan (Institutions), and Kantor (Offices). The sampling method is *purposive sampling* with sampling criteria minimally the fourth echelon officials who have served minimally for one year, with an expectation that respondents have been involved in the process of the arrangement of planning, performance report so that the chosen respondents are believed to have understood the conditions of organization where they have worked (Sihaholo & Halim, 2005; Nurkhamid, 2008).
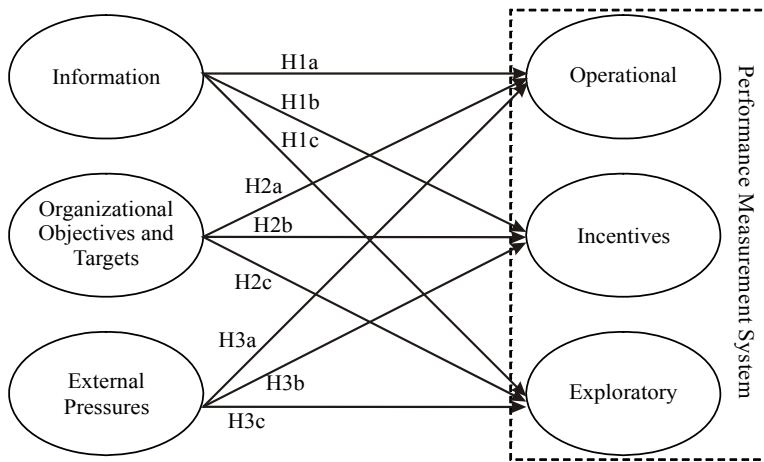
Figure 1. Research Model

2. Data Collection Technique

The data that will be collected in this research is primary data through mixed method research, that is, research class that requires the researcher to combine research technique, methods, approaches, concepts or qualitative and quantitative language in one single study (Johnson & Onwuegbuzie, 2004). The strategy employed explanatory sequential (Creswell, 2010: 316), which is a collection and a quantitative analysis of data at the first phase then followed by collection and a qualitative analysis of data (semi-structured interview) at the second phase that is built based on quantitative preliminary outcome. This method is expected to catch the phenomena of institutional theory that will be achieved and it is also expected to obtain better understanding of it as well as to evaluate the research outcome by using different approach (Creswell, 2010: 307).

3. The Definition of Operational Variable and Variable Measurement

a. Independent Variable

Information (INF) Information in this research is taken from Julnes & Holzer (2001) and Rainey (1999) that were also used by Sihaloho & Halim (2005). This factor reflects to what extent civil servants have access to the information related to the performance measurement so that upon adopting and implementing the performance measurement, the staff and non-staff employees have adequate technical ability to adopt the performance measurement system. Information variable has several dimensions, which are; access to the information or publication, consultant's/ expert's assistance or help, and trainings and/or seminar.

Organizational Objectives and Targets (TSO)

It covers the level of respondent's agreement towards several statements in relevance with the vision, mission, objectives, and target of SKPD (Satuan Kerja Perangkat Daerah). Other than that, consensus with the objectives of each program, whether each program has objectives, whether adoption and implementation of performance measurement system are more possible to carry out should also be considered as well. This variable has dimension directed by objectives and targets, the communicated strategies, the formulation of mission that spurs efficiency, obvious objectives and targets. The instrument for measuring this variable was developed by Verbeeten (2008) and also the orientation of objectives, which is taken from the research of Sihaloho & Halim (2005), Julnes & Holzer (2001), and Rainey

(1999).

External Pressure (TE) Based on the research of Morrow and Hitt (in Sihaloho & Halim, 2005) as well as Julnes & Holzer (2001), it is stated that public organization is inseparable from external pressures like the influence of organization politic. Wang's research (2002) shows that external pressures emerge along with the presence of communication with external *stakeholders,* who are legislatives and citizens. External factors are useful for the organization to enhance the legitimacy and effectiveness. According to Speklé & Verbeeten (2009) external pressures covers the extent an external, specific supervisors (for example supervising board, legislative members), lobbying group, or the demand of other groups of *stakeholders* are involved in information on the achievement of objectives. The external pressures reveal intensity of public and general politic supervision in the unit's activity and performance.

b. Dependent Variable

The Performance Measurement System.

It is an important component of management controlling structure (Henri, 2006) in which upon designing such system, a manager of public sector necessarily considers not only what and how to measure, but also how to understand the spectrum and to utilize performance information, while scrutinizing the situation faced (Speklé & Verbeeten, 2009).

In order to catch the performance information being employed in the local government, respondents are asked to show to what extent they employ the performance information for various purposes. The objectives cover the operational utilization (PO)**,** that is**,** the use of performance meter for operational planning (like the arrangement of short-term strategic planning for work unit), the allocation of resources or budgets to carry out the program, the activity and the supervision. Incentive provision (PI), covers the provision of the performance importance measured by the account of career and bonus. The exploratory utilization (PE), consisting of the dependence on the performance meter for the purpose of communication in revising policies, and in evaluating the conformity of the current objectives and policy assumption. The three spectrums of such utilization of performance measurement system have been identified by Cavalluzzo & Ittner (2004) and also used by Speklé &Verbeeten (2009).

Table 1 presents the latent variable and the indicator of measurement used in this research.

4. Data Analysis Method

a. Quantitative Approach

This research will employ an analysis instrument *Partial Least Square* (PLS) to examine the hypothesis offered. PLS is a technique of *Structural Equation Modeling* (SEM) basing on variant that simultaneously can do

Table 1. The Research Model Variables

Latent Variable	Code	Indicator*	Number of *Item*
Information	INF	INF2 and INF3	2
Organizational Objectives and Targets	TSO	TSO4, TSO6, and TSO7	3
External Pressures	TE	TE5 and TE6	2
Operational Utilization	PO	PO1 – PO3	3
Incentive Utilization	PI	PI1 – PI2	2
Exploratory Utilization	PE	PE2 – PE5	4

* Some *items* of questions have been *dropped* because they do not meet the standard of *loading score*

examination for measurement model as well as structural model (Hartono, 2011). PLS positions minimal claim on a measurement scale, sample size, variable distribution and residual distribution (Chin, *et al.*, 2003). Such characteristic makes PLS very appropriate for this research, as it has combination and complicated model and it can use a relatively small sample size, because to anticipate the lack of *response rate* of sample in the targeted local government. The *software* employed is *Smart PLS* 2.0, which was developed by Ringle, C.M./Wende, S./Will, S.

b. Qualitative Approach

Qualitative approach employs thematic analysis, which is, according to Braun & Clarke (2006) qualitative analytic method to identify, analyze and report pattern (themes) found in the data, besides that, according to Aronson (1994) such analysis also focuses on the theme and pattern identified in the research. The interview technique used is conducting semi-structured and open interview, recording it with *audio recorder,* then making it into transcript (Creswell, 2010; 272). After collecting the result of interview data, the researcher can correlate it to the theme or the research matter being discussed and last, he can interpret the data in the form of result description.

5. Result

Quantitative Approach

Pilot Study *Pilot study* is carried out on the local government civil servants who are studying for the Magister Ekonomika Pembangunan Universitas Gadjah Mada (MEP UGM). The instruments have been experimented then analyzed using PLS *software.* The instrument is said to be reliable and valid if *composite reliability* and *cronbach's alpha* is bigger than 0,6 and *average variance extracted* (AVE) and *loading* factor is $\geq$ 0,5 (Hartono, 2011). The result of *pilot study* indicates that AVE and *communality* value, each is

0,5 and approaching 0,5. The value of *composite Reliability* each is > 0,6. The result of this *pilot study* also reveals that the value of *loading* factor is approaching 0,5. That result indicates that the questions of this research are valid and reliable, so it deserves being used further.

Quantitative Data Collection Quantitative data is obtained by conducting survey on 149 SKPD throughout the territory of the Provincial Government of Yogyakarta that consists of dinas, boards and offices. The questionnaires returned are 143 or the *response rate* of this research questionnaire is 96 percent. Questionnaire that can be used (*usable response rate*) is as much as 89%. So there are 22 of them unusable. The returned questionnaires that can be used for further analysis give description of the respondents' profile. A complete profile of the respondents can be seen on table 2, as the following:

Table 2. Respondents' Profile

Remark	Amount (people)	Percentage (%)
Gender		
Male	68	53,54%
Female	59	46,46%
	127	100,00%
Age		
< 30 years	3	2,36%
31 – 40 years	22	17,32%
41 – 50 years	64	50,39%
> 50 years	38	29,92%
	127	100,00%
Level of Education		
S1	68	53,54%
S2	54	42,52%
S3	1	0,79%
Others	4	3,15%
	127	100,00%
Length of Service		
1 – 5 years	91	71,65%
5,1 – 10 years	22	17,32%
> 10 years	14	11,02%
	127	100,00%

Range of Data Based on the result of data management, out of 127 respondents' response, it can be elaborated; out of the 16 items of valid questions with theoretical range between minimum score of 2 and maximum score of 10 on questions for construct PI, TE, and INF. Then the theoretical range for questions on construct PO and TSO is between the minimum score of 3 and maximum score of 15. Whereas for construct PE's theoretical range is at minimum score of 4 and maximum score of 20.

All the answers of the respondents that can be seen in actual range is within its theoretical range that is minimum limit of 2 and maximum limit of 15. So it may be said that as a whole the result of respondents' response is at its theoretical range. The table 3 will show the comparison of ranges as a whole.

Table 3. Value Comparison
Theoretical and Actual Range

Questions	Theoretical 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

Non–Response Bias The data collection of questionnaires spread out requires 2 weeks, so to ensure there is no bias response, 62 final response (second week) compared to the previous response, which was 65 preliminary response (the first week) using *Mann-Whitney Test* (Field, 2009 in Akbar et al., 2010). This analysis employs SPSS 11,5 with an outcome as can be seen on table 4 that shows all

variables used between preliminary and final response, there is no difference with significance score 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

With quite large area of observation, that covers 6 (six) regions, to make sure there is no difference among regions, *Kruskal Wallis Test*, which is non-parametric test used to compare three or more groups of sampling data simultaneously (Supangat, 2007; 380) is necessarily to be done. From the result of examination shown on table 5, the level of significance above 5 % can be seen clearly, so it can be concluded that there is no difference among the 6 sampling regions in 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

Quantitative Data Analysis and Hypothetic Examination Structural model is evaluated using R *Square* (R^2) for dependent construct. From table 6, it is seen that R^2 value for PO construct is as much as 22,07 percent, R^2 value for PI construct is as much as 26,21 percent and R^2 value for PE construct is as much as 31,56 percent. The higher the R^2 value, the better prediction model of research model proposed (Hartono, 2010: 72).

Table 6. *Overview* of PLS Algorithm Iteration

Remark	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

Note: * 0,67 = s*ubstantial,* 0,33 = *moderate,* 0,19 = *weak,* Chin (1998 in Henseler, 2009)

The parameter of convergent validity test is seen from AVE score and *communality.* Each score is valued above 0,5. It means the probability of indicator being at a construct entering into other variable is lower (less than 0,5) so the probability of such indicator being convergent and entering into a construct that is meant bigger, that is, over 0,5 or 50 percent (Hartono, 2010: 71). From the above table 6 it is seen that AVE score is the highest at PI construct (0,780348) and is the lowest at TE construct (0,430880). Although AVE score ideally, should have been >0,5 but the score of 0,4 is still given tolerance (Lai & Fan, 2008; Vinzi et al., 2010: 463). Whereas *the commu-nality's* highest score is at TE construct (0,996273) and its lowest is at TSO construct (0,871949).

The discriminating validity test is measured by seeing *cross loadings* score. On table 7, it can be seen that each indicator at a construct within measurement model have met the requirement of discriminating validity because each indicator at a construct is different from that of other construct and converge at the meant construct with score of >0,6.

The reliability test can be seen from the score of *composite reliability* with the required minimum value of .0,6 (Hair *et al.*, 2006 in Hartono, 2009). From table 6, it can be seen that the highest score of *composite reliability* is at PI construct (0,876410) and its lowest

score is at TE construct (0,602259). According to Werts *et al.* (1974) in Salisbury *et al.* (2002), *composite reliability* measures the real reliability score of a variable, so this analysis is better to use in PLS technique.

The hypothetical test is carried out by comparing the T-*table* value to the T-*statistics* value which is produced through *bootstrap* process. Hypothesis is accepted (supported) if the value of T-*statistics* is higher than that of T-*table.* With the level of certainty of 95 percent (*alpha* 5 percent), the value of T-*table* for *one-tailed* hypothetic test is $\geq$ 1,64 (Hair *et al.*, 2006 in Hartono, 2009).

Out of the 9 hypotheses examined, 6 hypotheses are supported statistically as it has T-*statistics* higher than the value of T-*table* of as much $\geq$ 1,64 (*alpha* 5 percent), that is; hypothesis 1a (INF $\subseteq$ PO) T-*statistics* as much as 3,133529 and path coefficient value of (γ1) 0,294331; hypothesis 1b (INF $\subseteq$ PO) T-*statis-tics* as much as 6,374228 and path coefficient value of (γ2) 0,480962; hypothesis 1c (INF $\subseteq$ PE) T-*statistics* as much as 3,682506 and path coefficient value of (γ3) 0,337736; hypothesis 2c (TSO $\subseteq$ PE) T-*statistics* as much as 2,326139 and path coefficient value of (γ6) 0,226973; hypothesis 3a (TE $\subseteq$ PO) T-*statis-tics* as much as 2,835297 and path coefficient value of (γ7) 0,260269; and hypothesis 3c

(TE ⊆ PE) T-*statistics* as much as 3,672792 and path coefficient value of (γ9) 0,306535. There are three hypotheses which are supported statistically because they do not have T-*statistics* higher than the value of T-*table* as much as ≥ 1,64 (*alpha* 5 percent), that is; hypothesis 2a (TSO → PO) T-*statistics* as much as 1,340111 and path coefficient value of (γ4)

0,160340, hypothesis 2b (TSO ⊆ PI) T-*statistics* as much as 1,583606 and path coefficient value of (γ5) 0,166172; and hypothesis 3b (TE ⊆ PI) T-*statistics* as much as 1,171597 and path coefficient value of (γ8) -0,114194. The result of hypothetic test using PLS analysis can be seen on this following Table 8:

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: *Output Smart* PLS in 2012

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: *Output Smart*PLS in 2012

Note: ***=very significant, **=significant; 1,64 P<0,05 and 2,33 P<0,01 (*one-tailed*)

Qualitative Approach

a.   Qualitative Data Collection

The selection of respondents to be interviewed based on the result of quantitatively-managed data with several criteria settled, that is; (1) based on the result of managed *outlier* data only (Creswell 2010; 329), (2) based on the readiness of respondents to be interviewed, as can be seen on sheets of readiness for interview on the questionnaire that have widespread simultaneously with quantitative data collection and (3) when being contacted via SMS (*Short Message Service*) to ask for confirmation about their readiness. The followings present picture of the widespread of the output of quantitative data management that shows *outlier* data (picture 2).
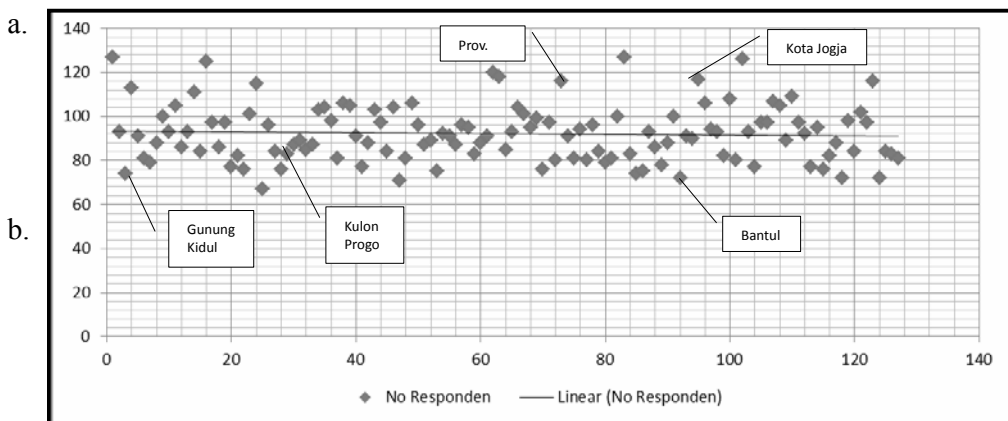
From picture 2, it is clearly seen that 5 respondents chosen to be interviewed, because the chosen respondents who come from Sleman Regency are not ready when confirmed for interview. The interview was carried out by face-to-face direct interview, with the respondents. The average of allocated time for the interview was around 15-20 minutes. The researcher recorded the interviews with *audio recorder.* Before recording it, the researcher asked for permission to the respon-

dents orally prior to the recording. All the respondents chosen to be interviewed permitted the recording.

b.   Qualitative Data Analysis

According to Creswell (2010: 275) in analyzing and interpreting qualitative data, the analysis model commonly employed is by collecting qualitative data, which are the results of interviews, analyzing it based on certain themes or perspectives that have been settled before. The approach used to explain the collected qualitative data is by applying narrative approach by extending the analysis outcome. The following is the explanation on several objectives of the adoption of performance measurement system in SKPD in regions of the Provincial Government of Yogyakarta as well as several factors of *isomorphism* phenomena that will be caught are factors related to information that represent *normative isomorphism*, organizational objectives and targets that represent *mimetic isomorphism*, and external pressures that represent *coercive isomorphism.*

In relevance with several factors of information, organizational objective and targets external pressures that are influential to the adoption of performance measurement system

Source: *Output* of the outcome of excel-managed data in 2012

Figure 2. *Scatter Plot* Hasil Olah Data Responden

in SKPD, the outcome of interviews shows that the biggest tendency to adopt the performance measurement system is operational purposes that come from factors of information and external pressures, and organizational objectives and targets are not influential, this can be seen from the opinion of the secretary of the Local Income, Finance and Asset Management Department (DPPKA) of Kulon Progo Regency:

> "….trainings and seminars have always been carried out, their activities depend on the condition, for example the current year budget we establish cooperation with BPKP to study the new work system (integrated), to intensively hold program of association and consultation…."

> "… DPPKA carries out its activities based on the prevailing rules, it is complete already… the social demands have been covered in the rules."

> (the secretary of DPPKA of Kulon Progo Regency)

> "The new policy must exist, then followed by new policy which can change the previously stipulated policy, but in practice, it is preferable to choose the more primary ones ….."

> (The chief of subordinate field of Health Service Department of the Provincial Government of Yogyakarta)

Those statements support the outcome of quantitative data that shows that information and external pressures have positive influence towards the performance measurement system for operational purposes with the very significant proportion on information factor, so it can be said that such action is going hand in hand with *normative* and *coercive isomorphism.* Whereas the factor of organizational objectives and targets (*mimetic isomorphism*) does not have negative influence towards the adoption of performance measurement system for operational purposes, such a thing can be seen from the opinion of The chief of subordinate field (Kasubbid) of Market Management Of-

fice Planning of Bantul Regency as the following:

> "The demand of market doer has always been adjusted to the programs and activities made, because its activity planning is made flexible or abstract….. adjustable to the intention of market doers if amid its implementation there is a change…..so that it will not disturb the performance measurement later."

> (The chief of subordinate field (Kasubbid) of Market Management Office Planning of Bantul Regency)

From the explanation above, it can be obviously seen that despite the change in organizational objectives and targets, it does not influence much the adoption of performance measurement system for operational purposes, so that it can also be seen that there is no drive for *mimetic isomorphism.*

The result of interviews conducted shows various responses in relevance with the adoption of performance measurement system for incentive purposes. The following quotations of interviews imply these opinions:

> "The TPP is also not yet regulated in SKPD because of the minimum budget, so that the existing budget is utilized as efficiently and optimally as possible, the most important of all, the works are all done….."

> "….that has a very little relevance….not specifically, for example the correlation between the performance information towards the *reward* and the career consideration for civil servants does not work well, or does not seem so…."

> (the secretary of DPPKA, Kulon Progo Regency)

Incentives or *rewards* are given to staffs three monthly and are based on the achievement of retribution earnings, if they can achieve the target they will be given incentives by the local government

….. that came from our proposal too, but the amount of the incentive is not big… around 100 thousand rupiahs….. even some only earn 25 thousand rupiahs. Then secondly, on the perspective of career, …. if they have good performance, then that performance information can be the bases for the staff career evaluation, but the manager's consideration would count as well. So far it has worked well."

(The chief of subordinate field (Kasubbid) of Market Management Office Planning of Bantul Regency)

"TPP of this April has just been passed down in the Regent Government of Gunung Kidul, and then the consideration on career is given less attention because the List of Performance Evaluation (DP3) that has been employed so far is not beneficial due to the subjective judgment. Mrs. Head of Service must have notice the performance of her staffs, but in general it is not optimal."

(Kasubbid.(the Head of subordinate field) for Forestry and Plantation Service Department of Gunung Kidul Regency)

"… policy and performance information for incentive account in SKPD are not done well, as we only achieve 80% of the criteria required or targeted to reach (TPP). Neither is the consideration on career. Because, our sections staffs are not so cohesive to fulfill such criteria….other than that, internally the evaluation of inter-sections is imbalanced; -as we have ever proposed – the follow-ups haven't worked well. So, it has not been fair."

(The Head of subordinate field for Health Program Service Department of the Provincial Government of Yogyakarta)

In relevance with the policy of SKPD managers in this case the factor of information is indeed very influential to the incentive policy; this opinion supports the outcome of quantitative data management. So from the result, it can be seen the presence of the drive of *normative isomorphism* in relation with that. Whereas to see the correlation among organizational objectives and targets as well as external pressures toward the adoption of performance measurement system for incentive purposes, the above result of interviews shows the various incentive policies in each SKPD, so that the result of quantitative data management shows that the theories offered are unsupported. So the phenomena of *coercive* and *mimetic isomorphism* drive toward the incentive policy for the adoption of information of the performance information system is not strong.

CONCLUSION, IMPLICATION, RESEARCH SHORTCOMINGS AND SUGGESTION

Conclusion

Based on the quantitative data management, it is found out that factors or variables, which have positive influence and significance toward the adoption of performance measurement system for operational purposes in the local government are information and external pressures. Then, factors, which are positively influential and significant towards the adoption of performance measurement system for incentive purposes is only factors of information. Subsequently, factors, which are positively influential and significant towards the adoption of performance information system for exploratory purposes are factors of information, organizational objectives and targets as well as external pressures.

The result of qualitative data management indicates that *normative isomorphism* (information) gives strong influence towards the three objectives of the adoption of performance measurement system, only then external pressures (*cohesive isomorphism*) and organizational objectives and targets (*mimetic isomorphism*). Besides that, the interviews conducted shows that the adoption of performance

measurement system for operational purposes has always been done.

1. Implication

This research result can be functioned as inputs for SKPD in the environment of local government, especially on the adoption of performance measurement system for further judgment on the extent of success achieved by the organization in serving their *stakeholders.* Other than that, the adoption of performance measurement system for incentive purposes, which are, the incentive provision and the consideration of career of a staff should have been based on the actual performance done.

2. The Research Shortcomings and Suggestion

This research is a new matter, so it has some shortcomings that will influence the result of this research, among others are: **First,** factors of organizational objectives and targets have not yet caught the phenomena of *mimetic isomorphism* that are intended to find out in this research. **Second,** *many items* on the questionnaires are *dropped***,** so the measurements used to explain the established constructs are done maximally (look at the attachments). **Third,** respondents employed in this research are structural officials minimally the chief of subordinate field and maximally the secretary who possibly give *biased* information although small one. And **The Fourth,** this research is only done within the Provincial Government of Yogyakarta, so it can not generalize the practices of performance measurement in Indonesia.

Here are some suggestions recommended for future research, namely; **First,** the future research should find out other factors that can catch the phenomena of *isomorphism* in influencing the adoption of performance measurement system. **Second,** noticing the *loading score* at external pressure construct, for further research should be widen to political pressures and accountability pressures (Speklé dan Ver-

beeten, 2009). **Third,** the future research can employ respondents of SKPD managers, in the hope for obtaining different views. And **Fourth,** the utilization of *mixed method* is highly recommended for future research, because this technique can help explore more deeply and it suggests more various and richer angles or points of views than one analysis does.

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ATTACHMENT
THE RESEARCH QUESTIONNAIRES

THE ADOPTION OF PERFORMANCE MEASUREMENT SYSTEM

Based on your experience, to what extents have you adopted the information of the performance measurement for the following activities?

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

I use the information of performance measurement for…..	1	2	3	4	5
1. SKPD operational planning (for example the arrangement of yearly performance planning in SKPD's strategic planning)					
2. Allocation of budget to carry out SKPD's programs and activities.					
3. The Process of Supervision of the program and performance implementation					
4. Consideration on staff's individual career					
5. Consideration on bonus/staff remuneration					
6. Communicating the objectives and priority of SKPD for each staff **					
7. Evaluating the conformity between the objective and the realization of SKPD's policy					
8. Revising SKPD's policy					
9. Adopting new program approach or changing the process of work					
10. Repairing indicators of work and activity programs					

EXTERNAL PRESSURES

Based on your experience, to what extent have you agreed with the following statements:
(1=do not agree much, 2=do not agree, 3=neutral, 4=agree, 5=strongly agree)

	1	2	3	4	5
1. Laws and Regulations rule the work and activity program of my SKPD *					
2. Governor/Regent/Mayors claim for information on the achievement of my SKPD's objectives **					
3. Groups of *stakeholders* (citizens/or non-governmental institutions require information on the achievement of my SKPD's objectives **					
4. Sponsor institution requires information on the achievement of my SKPD's objectives **					
5. My SKPD's activities attract public's attention					
6. My SKPD performance interests public					

INFORMATION

What is your intensity like in an effort to promote your staff's access to the information related to the performance measurement?

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

	1 2 3 4 5
1. Access to the information and publication **	
2. Acquiring assistance or help from a consultant or expert	
3. Acquiring trainings and seminars	
4. The utilization of performance information on work program to make decision **	

ORGANIZATIONAL OBJECTIVES AND TARGETS

Based on your experience, how much do you agree with conditions below that can **hinder** the adoption of information on performance measurement in your SKPD?

(1=do not agree much, 2=do not agree, 3=neutral, 4=agree, 5=agree much)

	1 2 3 4 5
1. SKPD's vision is only stated orally*	
2. SKPD's vision is formulated obscurely *	
3. SKPD's mission is only stated orally *	
4. SKPD's mission is communicated internally only	
5. SKPD's mission is communicated externally only *	
6. SKPD's targets change regularly along with the political development	
7. SKPD's targets change regularly along the citizen's /society's demand Sasaran	

Note:
* **:** The *dropped* questions as they have low *loading score*
** **:** The *dropped* questions as they lessen the score of AVE