

## FACTORS INFLUENCING THE USE OF LOCAL GOVERNMENT PERFORMANCE INFORMATION: INSTITUTIONAL THEORY PERSPECTIVE

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### Abstract

Performance information is used for strategic planning, budgeting, program management, supervision, and evaluation. This performance information is also reported to the external parties. This study aims to examine the factors that influence the use of local government performance information based on institutional theory perspective. Triangulation methods are used to analyze and interpret data. Hypothesis testing is carried out in the quantitative phase using Partial Least Square, then followed by thematic analysis in the qualitative phase. The results showed that technical and organizational factors did not affect the use of performance information, while cultural factors empirically had a significant effect on the use of performance information. Based on the institutional theory perspective, the use of performance information is driven by institutional isomorphism in the form of coercive, mimetic, and normative pressures. The results of this study are expected to contribute to local governments paying attention to cultural factors in optimizing the use of performance information.

**Keywords:** Performance Information, Institutional Theory, Triangulation Methods.

### I. INTRODUCTION

Reforms in Indonesia began with a decline in public trust in government agencies. This condition raises the demands of government accountability and transparency [1]. The central government then responded to the demands of accountability and transparency by issuing Presidential Instruction 7/1999 concerning Performance Accountability of Government Agencies. As a consequence, government agencies are required to measure and report their performance.

According to Wolk et al. [2], the performance measurement system provides efficiency for organizations to collect and use data related to their programs and operations. However, many organizations have data related to their programs but they didn't understand the meaning of the data. This might be caused by the wrong perception in understanding the function of the performance measurement system [3].

Prior studies found that not all government agencies develop their performance measurement systems, and only a few of them use the performance information for internal purposes [4]–[6]. The pressure to report performance accountability also causes government agencies to be highly focused on reporting, not on the use of performance information for internal purposes [7].

Previous studies found that the use of performance information is influenced by technical and organizational factors [5], [8]–[12]. However, there is a need to conduct research examining the influence of cultural factors in the context of performance measurement systems, especially on the government agencies [9], [13].

Cultural factors are reflected in the attitude of individuals who are responsive, open, and supportive of certain policies. These cultural factors will affect the organization's operational activities which ultimately have an impact on the organization's performance [13]–[15].

This study aims to examine the influence of technical, organizational, and cultural factors on the use of local government performance information. This research was conducted at government agencies in Banjarmasin City, South Borneo Province, Indonesia.

Sutheewasinnon et al. [16], emphasized the importance of digging deeper into the implementation of performance measurement systems because of their complex nature, so this study used triangulation methods to overcome the limitations of using a single research method in investigating the implementation of performance measurement systems and the use of performance information. The interviews were also conducted to capture the phenomenon of isomorphism coercive, normative, and mimetic in the use of performance information.

Practically, this research is expected to contribute to users of performance information in local government agencies to pay attention to the use of performance information and its determinants. The government agencies might consider developing internal organizational policies in optimizing the use of performance information to support the achievement of the Performance Accountability System and Performance Accountability Report. This research is also expected to contribute to the development of institutional theory and performance management literature, especially in the context of public organizations.

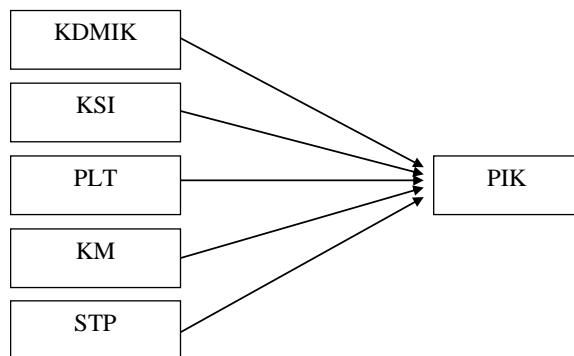
## II. RESEARCH METHOD

The population of this study is all employees of local government agencies in South Borneo Province. The sample of this study is all employees of local government agencies in Banjarmasin. The sampling technique used in this study was purposive sampling, with the following criteria; Echelon IV, III, and II employees, and those who have been involved in the performance measurement and reporting process.

The dependent variable used in this study is the use of performance information (PIK). While the independent variables in this study are the difficulty in determining performance indicators (KDMIK), the limitations of information systems (KSI), training (PLT), management commitment (KM), and attitudes that are open to change (STP). The relationship between the independent variables and the dependent variable in this study is shown in Figure 1 below.

This study used a triangulation method with a sequential explanatory design to collect, measure, and analyze the data. Sequential explanatory design starts with the quantitative stage, where data is collected and analyzed by using the survey method. The results of the quantitative data analysis are then followed up in the qualitative stage by using a semi-structured interview.

FIGURE 1. RESEARCH MODEL



This study used SEM-PLS to evaluate measurement and structural models. Measurement models are used to test validity and reliability, while structural models are used to test the hypothesis. The qualitative data in this study were analyzed using thematic analysis.

## III. RESULTS

### A. Quantitative Data Analysis Results

Hypothesis testing is done through a bootstrapping process in SEM-PLS. The results of hypothesis testing are shown in table 1 (see the appendix). Hypothesis testing results show that the KDMIK→PIK coefficient path value is 0.060, and the p-values are 0.293. Therefore, hypothesis 1 which states that difficulties in determining performance indicators negatively affect the use of performance information is not supported. The results of this study are in line with previous studies [11], [17] where difficulties in determining

performance indicators did not affect local governments in the use of performance information. This is because performance indicators have long been developed before, so they do not affect the use of performance information, especially for internal purposes.

TABLE I. HYPOTHESIS TESTING RESULT

Hypothesis	Sign	Path Coeff.	p-value	Results
H1 KDMIK→PIK	-	0.060	0.293	Not supported
H2 KSI→PIK	-	-0.084	0.247	Not supported
H3 PLT→PIK	+	0.112	0.258	Not supported
H4 KM→PIK	+	0.160	0.093	Not supported
H5 STP→PIK	+	0.383	<0.001	Supported

Level of significance ( $\alpha$ ) = 0.05  
 Source: output WarpPLS VER.3.0 (2019)

Technical difficulties and limitations of information systems in local government organizations can still be overcome so that their influence becomes insignificant. However, the results of this study are not in line with previous studies [10] where difficulties in determining performance indicators negatively affect the use of performance information. This is due to a discrepancy in reported performance information with factual performance.

Based on the results of hypothesis testing the KSI→PIK path coefficient value is -0.084, and the p-values are 0.247. This means that hypothesis 2, the limitations of information systems negatively affect the use of performance information is not supported. The results of this study support the previous studies by Cavalluzzo & Ittner [8] and Sofyani & Akbar [11].

This is because the manager does not feel a significant problem with the organization's information system, and the data is ready to be used for decision-making when they need it. In addition, the limitations of information systems in local government organizations can still be overcome, so that their influence becomes insignificant.

The third hypothesis states that training has a positive effect on the use of insignificant performance information. Path coefficient values are 0.112, and p-values are 0.258 (p-values > 0.05, so this means that hypothesis 3 is not supported. The results of this study are not in line with previous studies [8], [10], [11], [17] where training has a positive effect on the use of performance information. In this case, training can assist employees in running a performance measurement system. Finally, the performance information produced can be used for internal purposes of the organization, especially in decision making and evaluating performance. In addition, performance information will be increasingly used by employees who have technical knowledge about performance measurement systems.

The results of hypothesis testing show that the  $KM \rightarrow PIK$  path coefficient value is 0.160, and p-values are 0.093 (p-values > 0.05). It can be concluded that hypothesis 4 is not supported. The results of this study are not in line with Akbar et al. [17]; Cavalluzzo & Ittner [8]; Primarisanti & Akbar [10]. Management commitment reflects all levels of management in the organization where top-level managers (leaders), middle level (section heads), and employees are committed to the performance measurement and reporting process.

Based on the results of the hypothesis testing the  $STP \rightarrow PIK$  path coefficient value is 0.383, and the value of the p-value is <0.001. So, it can be concluded that hypothesis 5 is supported. The results of this study support previous research [12]–[14]. An open attitude towards change, in this case, affects the performance and learning of the organization, as well as the determination of priorities and policy development. The significance of attitude variables indicates a positive perception and readiness of employees towards changes and innovations brought about by the performance measurement system implementation.

### B. Qualitative Data Analysis Results

The qualitative approach in this study was conducted by semi-structured interview techniques. In this study, 4 respondents were willing to be interviewed. All of them were echelon III and echelon IV officials in 4 different local government agencies. The purpose of interviews is to capture the phenomenon of isomorphism (coercive, normative, and mimetic) in the use of performance information. Interviews were also conducted to explore more deeply the empirical findings in hypothesis testing.

#### 1. Technical Factors and Isomorphism Institutional

Based on the hypothesis testing the difficulty in determining performance indicators does not affect the use of performance information. This was confirmed in the following respondent's statement.

“For performance indicators and strategic objectives, everything has been determined from the central government, from the Ministry. So we just run it according to the existing provisions.”  
(Respondent Number 3, Education Agency of Banjarmasin)

“All task is already computerized. But in our office, there is no software for planning purposes. Recently, there is an online application from the State Minister for the Empowerment of State Apparatus to review our Performance Accountability System. The name is e-SR (e-SAKIP Review, red). But it seems that it can't be accessed by everyone. We have to log in, then we upload our Strategic Plan, Work Plan, performance achievement by ourselves then the State Minister for the Empowerment of State Apparatus will

review them all. In the case of reporting, I think it is not much different. We used to report our performance by email, but now everything must be done through an online application.”

(Respondent Number 31, Population Control, Family Planning, and Community Empowerment Agency of Banjarmasin)

Statements given by the respondents indicate that in reality, local government agency employees in Banjarmasin are using performance indicators that have been developed previously. This is consistent with the findings of previous studies by Akbar et al. [17], where the use of performance indicators that have long been developed previously does not affect the use of performance information, especially for internal purposes.

The statement from the respondents also shows that information technology has helped the operational activities of employees, especially with the existence of an online-based performance reporting system. This technology facilitates them in reporting performance to State Minister for the Empowerment of State Apparatus so that they can be evaluated easier than before. Although it was assessed that the information system used had supported the work, several respondents expressed the problem of limited data in their organizations.

“Yes, information technology is sufficient enough. An online system has been created. It's very helpful. Then, what is the problem? Sometimes we need data in a certain year, but the website temporarily error. Finally, we can't have the data that we needed on time. Then we decided to ask the Ministry for help. For this reason, we recommend data integration. So we can access the data of every school, so does the Ministry.”

(Respondent Number 3, Education Agency of Banjarmasin)

“Yes sure, there are some obstacles. The main problem is the data, as long as the data doesn't exist, we feel confused. But thank God! Recently, the data problem was suddenly overcome, we can have all the data we need because we can create the data by ourselves so we don't need to look for them from another source.”

(Respondent Number 15, Social Agency of Banjarmasin)

The respondent's statement indicates a limitation on the information system, especially in obtaining the data. However, according to the respondent's statement above, this limitation can be resolved immediately. This finding is consistent with the study by Sofyani & Akbar [11] that the limitations of information systems in local government agencies can still be overcome so

that their influence becomes insignificant towards the use of performance information.

Despite facing several obstacles, according to Rhodes et al. [18], there are several regulations in fulfilling performance accountability that give legitimacy to local governments to keep planning, allocating, and implementing performance measurements.

Presidential Instruction No. 7/1999, Presidential Instruction No. 29/2014, and State Minister for the Empowerment of State Apparatus Instruction No. 53/2014 are examples of regulation concerning the implementation of performance measurement systems, as well as reporting and performance evaluation. These regulations, according to Ahyaruddin & Akbar [19] represent coercive isomorphism that encourages local governments to improve their performance accountability.

“Yes, our performance information must be reported. Especially with the existence of an agreement letter. So the Head of the Local Government agencies promised to the Mayor, then it was reported at the end of the year to tell how the performance was achieved.”

*(Respondent Number 3, Education Agency of Banjarmasin)*

“Yes, it is mandatory, because there are regulations by the Minister. So, the State Minister for the Empowerment of State Apparatus requires local government agencies to report their performance.”

*(Respondent Number 31, Population Control, Family Planning, and Community Empowerment Agency of Banjarmasin)*

The respondents emphasized the obligations based on the regulations to report their performance achievements of each period. This is in line with Primarisanti & Akbar [10] where government agencies fulfill their duty to use performance information as material for performance reporting to external parties because these activities are an obligation that has a legal basis, so it must be implemented by each local government agency.

Local government agencies may feel confused in applying the regulations [19]. So they take the best solution by imitating other organizations. Imitating other organizations in applying certain activities, techniques, systems or structures refers to mimetic isomorphism [20], [21]. In this study, respondents stated that their organization mimicking other organizations as stated in the following statement.

“For we are facing some obstacles in applying the regulations, we decided to learn from other local government agencies how to apply them properly.”

*(Respondent Number 3, Education Agency of Banjarmasin)*

“Yes, we follow the way other local government agencies applying the regulations, then we discuss the problem we are facing. But, the most important is we have to read the instructions first before fully applied”

*(Respondent Number 84, Planning, Research, and Development Agency of Banjarmasin)*

From the statement above, they indicate the presence of mimetic isomorphism. In this case, the respondent stated that preparing their performance report is not possible, because of the obstacles. This finding is consistent with previous studies [10], [22] where learning, discussing, and modeling how other organizations work is a solution that is done by organizations when facing obstacles in performance reporting. However, these efforts remain in the corridor of appropriate instructions, or according to the regulations.

## 2. *Organizational Factors and Isomorphism Institutional*

Based on the results of hypothesis testing it is known that training does not affect the use of performance information. The empirical findings in this study are quite interesting because they are not in line with the results of previous studies [8], [10], [11], [17] which state that training positively effect on the use of performance information.

“Training program is regulated by the Central Government. Training is managed by the Employment Agency. We don't have authority about it. Unfortunately, the training program from the Employment Agency is only held once a year. It is not a continuous program, they don't think it seriously.”

*(Respondent Number 31, Population Control, Family Planning, and Community Empowerment of Banjarmasin)*

Based on the respondent's statement it is clear that training related to planning and performance measurement is organized by the Central Government and the Employment Agency. Training is stated as an annual event, but not as a continuous program. The public agencies might feel training is not a serious action by the Central Government.

Besides training, Mahmudi [23] argues that managers of public organizations have a responsibility to commit to the implementation of performance accountability. The results of hypothesis testing indicate that the relationship between management commitment to the use of performance information is not significant. In this study, respondents were asked about the commitment of their leader in the implementation of performance accountability. The

statements of respondents regarding management commitment are described as follows.

“Once the performance report is completely reported, then there is no more follow-up for internal use.”

*(Respondent Number 3, Education Agency of Banjarmasin)*

That statement indicates a lack of management commitment in following up on performance information contained in the performance report. The results of this study are in line with Ahyaruddin & Akbar [19] in which performance accountability reports are reported only to fulfill the regulation.

The results of this study indicate the existence of coercive isomorphism, the pressure that requires the organization to report the performance of its organization under the regulations. From the interviews with respondents, it is known that local government agencies are using consulting services to assist them in performance measurement and utilization of performance information.

“Yes, last period we attended technical guidance at Universitas Gadjah Mada Yogyakarta.”

*(Respondent Number 84, Planning, Research, and Development Agency of Banjarmasin)*

“We must have a Memorandum of Understanding (MoU) if we want to cooperate with the Universities or other consultants. But under the Government's approval as well. We depend on the Ministry for handling methods and technical guidelines. Because our agency itself is also an extension of the Ministry.”

*(Respondent Number 15, Social Agency of Banjarmasin)*

Statements from the respondents indicate the existence of normative isomorphism that arises from technical guidance activities. The results of this study are in line with the findings of Wijaya & Akbar [24] in which the implementation of training and seminars in local government organizations is carried out by cooperation with professionals (the Financial and Development Supervisory Agency). The results of this study are also in line with Sutheewasinnon et al. [16] where government agencies collaborate with consultants to evaluate their performance and hold workshops by inviting University Lecturers.

### 3. *Cultural Factors and Isomorphism Institutional*

This study provides empirical evidence that attitudes that are open to change have a significant effect on the use of performance information. In interviews with several respondents, they were asked questions about whether employees received

performance measurements and understood how to implement performance measurements.

“Each department knows what their tasks are, for example, what should be reported in every 3 months. They should be realized, there is no need to remind them anymore and there is no need to wait for it to be accomplished. But the reality is contrary to the expectations.”

*(Respondent Number 3, Education Agency of Banjarmasin)*

“We have set the target. This year we are targeting to tidy up the performance, and this is included in the system, whether they like it or not they must understand the target. Besides, they are holding their respective duties, especially for the echelon IV. There are some obstacles in the assignment, one of them is timeliness. Even though we have set the deadline sometimes it is not timely accomplished.”

*(Respondent Number 84, Planning, Research, and Development Agency of Banjarmasin)*

From the statement given by the respondent, it is known that employees have known what their duties are, and to whom they are responsible. The results of this study support the research of Julnes & Holzer [5], where employees attribute their success to the results of performance measurement. Based on the statement given by the respondent, the organization's employees are also committed to improving their performance, both non-echelon employees and echelon (echelon IV) officials. This is in line with the research of Primarisanti & Akbar [10] in which the performance information contained in the Performance Accountability Report is the basis of the organization to improve performance. The desire to improve performance is an effort to professionalize the organization which is an indication of normative isomorphism [10].

### 4. *The Use of Performance Information and Isomorphism Institutional*

To determine the frequency of performance information utilization, respondents were asked about the frequency of performance information produced by their agency, especially those contained in the Performance Accountability Report.

“Look at the example, we want to set plan for the year 2018, then we refer the data from the performance report last period. Performance information from the previous period is used as a basic. Then, we look at what kind of trends are happening. We can't ignore last year's performance information. Yes, we use the information, of course. The first is for reporting. Then, we held an evaluation meeting. Then, we use performance

information to make a strategic plan. By using performance information we can see the details of the achievements of each activity. All information regarding performance is included in the Performance Accountability Report.”

(Respondent Number 15, Social Agency of Banjarmasin)

Based on the respondent's statement, it can be concluded that performance information has been used in the preparation of strategic plans, budget preparation, and reporting to external parties. However, the main purpose of the use is for reporting to external parties. Respondent's statement reflects the use of performance information that is prioritized for reporting. According to Ahyaruddin & Akbar [19], it is indicating the existence of coercive isomorphism in which performance reporting is considered only as a formality to fulfill obligations based on legislation. This condition is called pseudo-performance.

#### IV. CONCLUSIONS

Based on the results of hypothesis testing it can be concluded that only cultural factors influence the use of performance information. The cultural factor in this study is reflected by an attitude that is open to change. While the technical factors and organizational factors; the difficulty in determining performance indicators, information systems limitations, training, and management commitments do not affect the use of performance information. Therefore, the local government can consider the organizational cultural factors to maximize the use of performance information, especially for internal purposes. Local governments must also focus on training related to continuous performance measurement and accountability, and strive to strengthen management commitment (between levels) in optimizing the use of performance information.

Based on the interview with some respondents, it can be concluded that coercive isomorphism arises due to the pressure generated by regulations to measure and report performance. The interview results also show that mimetic isomorphism occurs in local government agencies in Banjarmasin through discussion and learning between agencies. Finally, normative isomorphism arises from technical guidance activities and training conducted by local government agencies to external parties; universities, and ministries.

The results of the quantitative and qualitative approaches in this study show that technical, organizational, and cultural factors encourage the emergence of institutional isomorphism (coercive, mimetic, and normative). Nevertheless, coercive isomorphism is a dominant phenomenon in which local governments focus more on performance reporting to external parties. Therefore, the local government can consider new policies for the optimization and follow-

up of performance information in addition to reporting to external parties.

This study has limitations in the qualitative phase in the selection of respondents. Respondents interviewed in this study were not all outlier respondents, several non-outlier respondents were interviewed. This is because not all outlier respondents said they were willing to be interviewed. Future research may consider using mixed methods with other designs such as exploratory sequential. This is due to the complexity of the issue of the use of performance information so that a more in-depth exploration of the qualitative stage is needed. Then, continued the development of the research model in the quantitative stage.

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