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THE KEY FACTORS TO IMPROVE THE GOVERNMENT PERFORMANCE MANAGEMENT SYSTEM: A LESSON FROM INDONESIA

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Abstract. This study aims to identify the critical factors for enhancing the government performance management system in Indonesia. The research was carried out in three major provinces: Yogyakarta, South Sumatra, and West Java Province. Employing a mixed-method approach, the study utilized descriptive research with both quantitative and qualitative analyses. The quantitative analysis involved multivariate regression analysis conducted using R-Studio, while the qualitative aspect included insights from selected key informants. The findings of the study highlight that leadership commitment and internal policy support are the most influential factors in sustaining the government performance management system in Indonesia. Additionally, such factors as organizational structure stability, working culture, conformity to national policies, clarity of performance cascading, and quality of human resources showed positive correlations. However, the use of Information and Communications Technology (ICT) was found to have no comprehensive correlation in supporting performance management systems.

Keywords: government performance; management system; organizational structure; multivariate regression.

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Introduction

In recent years, the notion of public organization has been furnished by various thoughts, values, and perspectives from multiple disciplines (Manzoor, 2014). In this case, it is difficult to neglect contributions from other dimensions beyond the nature of the public organization theory. The emerging concept of New Public Management (NPM) in the 1980s blurred the rigid principles in the public organization through the injection of business values within the organization's cycle (Osborne and Gaebler, 1993). Accordingly, this phenomenon has enabled public organizations to perform similarly to the business concept, especially in terms of performance management to be more customer-driven oriented (Pollit and Bouckaert, 2011).

The emerging concept of NPM is becoming a pivot point for the public organization to adopt greater organizational attributes such as technological change or cultural reforms (Pratama and Kalalinggi, 2019). In purely Anglo-Saxon countries, the concept of NPM might be easily adopted and applied without significant modifications, for example, massive collective reforms in the health-care sector driven by the Swedish government (Anderson, 2006), the shift of the public finance system in Romania in the early 1990s (Matei and Chesaru, 2014), or the long series of administrative reforms in France from the 1990s to the 2000s (Bezes et al., 2012).

Mauro, Cinquini, and Pianezi (2019) stated that there is a gap between the theory of pragmatic constructivism and the real implementation of NPM-based reform in the field. They even called it illusion to express the implementation of the NPM concept without modifying its origins. In line with this statement, Cavalcante and Camoes (2016) also confirm a similar tone by exploring a conceptual model of the NPM that won the Federal Government Innovation Award. Both of these statements indicate a need for modification within the NPM concept when adopted as a guiding principle for administrative reform. These observations highlight the importance of adapting the NPM concept to drive administrative reform effectively. Then, the further question aligning with this fact is „What kind of modification is needed?“ and „How should the modifications be delivered to maintain the maximum performance as the output of the NPM concept?“. The answer to these questions lies in the fundamental thought of NPM itself, which is an output orientation according to Hughes (1998) and Strathern (2000).

This study intends to review the determination of performance management factors, as Roh (2018) conveyed. Its purpose is to assess the performance management system that has been applied in some provinces as part of the NPM-based

reform in Indonesia. Three different provinces have been selected as a case study for this research, comprising: Yogyakarta, South Sumatra, and West Java province. These three provinces have been selected as the case study due to their different grade of government institution performance accountability reports. In this case, Yogyakarta province has attained the highest constant score, while South Sumatra province indicates a declining score. In contrast, West Java province has shown a positive trend in the score. This difference is expected to reflect the real portraits of determinant factors to improve Indonesia's government's performance management system. By conducting this research in Indonesia, we can gain insights into the unique factors that contribute to the effectiveness of the government's performance management system.

This study aims to provide valuable information that can support improving performance management practices tailored to the Indonesian government's specific needs and challenges. This paper follows a coherent structure. It begins with an introduction that outlines the study's objective. The theoretical discussion section explores relevant literature on government performance management systems. The research methodology section explains the mixed-method approach used. The analysis and interpretation of the findings is discussed, followed by a brief conclusion that summarizes the main points and offers recommendations.

Theoretical discussion

Government Performance Management

Performance management is defined as a system of information through strategic planning and performance measurement routines that connect this information to decision venues and a range of possible decisions (Moynihan, 2008). This importance has been discussed in depth in the context of the conceptual idea of strategic management. The question that strategic management experts often ask is how to operationalize organizational strategy into technical actions. For this reason, performance management theory is to translate the concept of strategic management into technical and organizational activities.

Many experts defined performance management and its benefits for public sector governance. Armstrong and Baron (1998) define performance management as a strategy and approach to providing organizational success through improving employee performance and increasing individual and group capabilities. The performance management system seeks to ensure the ease of implementing integrated performance management. The availability of a performance management system will be a strategic bridge in managing various systems that can connect the needs and expectations of various interest groups (Abad, 2016).

The performance management system consists of three parts: correct poor performance, create good sustainable performance, and improve performance (Lee, 2005). The same thing is also explained by Johnson and Shields (2007), who stated that effective performance management has two important goals, namely to communicate organizational strategy with several related employees, to discuss organizational goals and ideals, and the data helps to create a harmonious relationship between the employees and the leadership of the organization.



Sustainable Performance Management

Performance management, based on Gheorghe and Hack (2017), concluded that performance management activities are like running several businesses in different scopes and a continuous activity starting from planning, implementation, measurement of results, and action plans. Activities can lead to organisational outcomes. Each organization has different challenges, so handling the activity cycle in each organization will be different.

Roh (2018) describes the division of sustainable performance management based on the correlation between three dimensions. These three dimensions include Institutional, Operational, and Value-Added dimensions. Sustainable performance management needs to be developed and requires organizations to be adaptive and responsive. The outline of this theoretical framework is built from the main theory (Grand Theory) of Performance Management. Roh (2018) and Brusca and Montesinos (2016) argue that performance management must undergo improvement and development that leads to improvement in performance management to achieve sustainable performance management that ultimately leads to sustainable development.

Research Model

This study aims to examine the variables that influence sustainable performance management. The variables under investigation include Leadership Commitment (X1), Suitability of organizational structure (X2), Internal Policy Support (X3), Use of information technology (X4), Work Culture (X5), National Policy Conformity (X6), Performance Cascading Clarity (X7), and HR Quality (X8). These variables have been identified as important factors in the effectiveness and sustainability of performance management systems. The research model showing the relationships between these variables is illustrated in Figure 1:

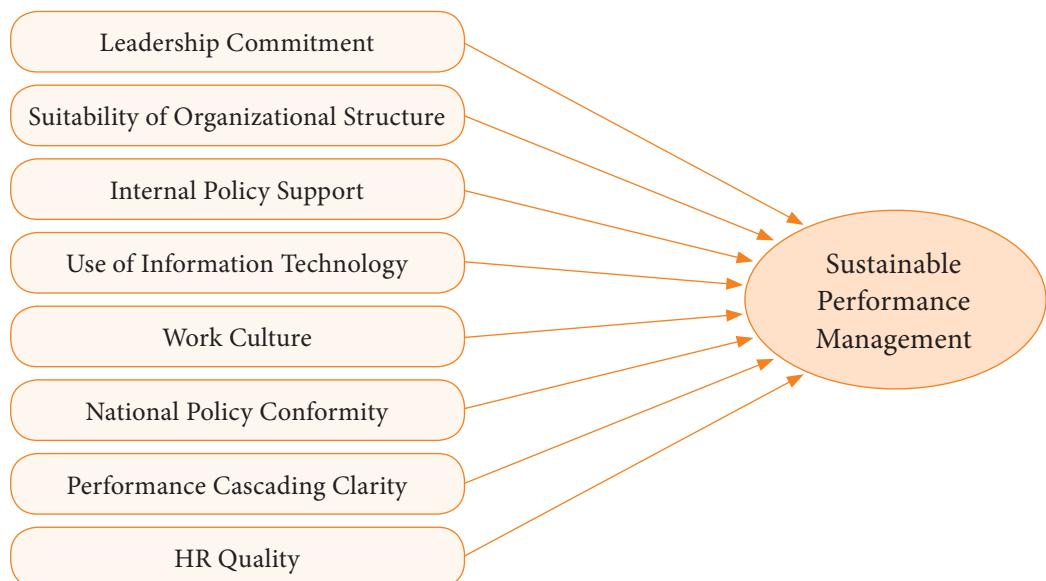


Figure 1. Research Model

By analyzing and understanding the impact of these variables, this study aims to provide valuable insights into enhancing sustainable performance management in organizations. The subsequent sections will delve into the findings and discussions regarding the influence of each variable on sustainable performance management, shedding light on the key factors that contribute to organizational success.

Research Methodology

This research applies a mixed method approach demonstrating a combination of qualitative and quantitative exposure with a multivariate regression method. Accordingly, the data collection technique included interviews and a questionnaire survey. The interview section is aimed to explore the supporting and inhibiting factors that affect performance management. While the questionnaire survey aimed to understand how far those supporting and inhibiting factors affected performance management.

The questionnaire used in this study incorporates a Likert scale ranging from 1 to 5 to measure the participants' level of agreement with the presented statements. The scale consists of response options such as "Strongly Agree," "Agree," "Neutral," "Disagree," and "Strongly Disagree," allowing respondents to express their opinions on a spectrum of agreement. The distributed questionnaire provided data that yielded descriptive statistical results as presented in the following table.

Table 1
The demographic profile

Measure	Items	Frequency	Percentage
Work Location	Special Region of Yogyakarta	124	31,7%
	West Java Province	135	34,8%
	South Sumatra Province	132	31,7%
Gender	Male	211	54,1%
	Female	180	45,9%
Age	20–25 years	0	0%
	26–30 years	11	2,8%
	31–35 years	76	19,4%
	36–40 years	131	33,7%
	41–45 years	113	28,8%
	46–50 years	34	8,7%
	51–55 years	26	6,6%
	56–60 years	0	0%

Measure	Items	Frequency	Percentage
Total Income (Monthly)	1–2 million	0	0%
	2–4 million	1	0,3%
	Above 4 million	390	99,7%
Education	D3 (Diploma)	0	0%
	S1/D4 (Bachelor)	208	53,3%
	S2 (Magister)	183	46,7%
	S3 (Doctoral)	0	0%

Source: Completed by the authors, 2022 (- hereinafter, unless otherwise noted).

The survey conducted shows that the majority of respondents were from West Java, 34.8%, followed by respondents from Yogyakarta and South Sumatra with 31.7%. Most respondents were between 36 and 40 years old (33.7%), with a higher proportion of male than female. The survey results also show that most respondents have a monthly income of over 4 million rupiah (99.7%), and some others (0.3%) have an income of 2 million to 4 million rupiah. In addition, the data shows that most respondents 53.3% had a bachelor's degree, and 46.7% a master's degree. Subsequently, conducting reliability and validity tests on the questionnaire survey becomes imperative when it is used as a research instrument to assess how the identified supporting and inhibiting factors impact performance management.

Reliability involves consistency, reproducibility, and test scores, i.e., the extent to which one can expect an individual's relative deviation scores to remain constant across test situations on the same or parallel testing instruments (Vatankhah et al., 2013). The most common method to test the reliability of research instruments is using alpha coefficients. The most frequently used is Cronbach's Alpha coefficient. This coefficient has a value between 0 and 1. If it is 0.6 or less, it generally indicates insufficient reliability of internal consistency. In the social sciences, acceptable reliability estimates range between 0.70 and 0.80 (Vatankhah et al., 2013).

The validity of an instrument is said to be valid if it measures what it is supposed to measure (Mujis, 2004), or in other words, if an instrument accurately measures a particular variable, it is considered a valid instrument for that particular variable. To be valid, conclusions drawn from scores must be precise, meaningful, and useful. This difference explains the inseparable relationship between validity and reliability. A valid instrument must be reliable, but a reliable instrument is not necessarily valid.

The quantitative data in this inquiry is processed through R studio software. The research questions aligning with this research comprised of:

RQ1. What are the supporting and inhibiting factors for sustainable performance management in the provincial government in Indonesia?

RQ2. How far do those supporting and inhibiting factors affect the management of sustainable performance in the provincial government in Indonesia?

Findings

The first step is to perform reliability and validity tests to ensure the quality of the data. Reliability tests assess the internal consistency of the research instrument, while validity tests ensure that the instrument accurately measures what it is intended to measure. The results of these tests are presented in Table 2 and Table 3.

Table 2

Validity Test

Item	R	P-value									
1	0,153	0,002	11	0,612	0,000	21	0,917	0,000	31	0,797	0,000
2	0,878	0,000	12	0,455	0,000	22	0,910	0,000	32	0,852	0,000
3	0,859	0,000	13	0,580	0,000	23	0,879	0,000	33	0,812	0,000
4	0,931	0,000	14	0,889	0,000	24	0,394	0,000	34	0,980	0,000
5	0,521	0,000	15	0,886	0,000	25	0,856	0,000	35	0,631	0,000
6	0,539	0,000	16	0,761	0,000	26	0,753	0,000	36	0,650	0,000
7	0,579	0,000	17	0,660	0,000	27	0,756	0,000	37	0,685	0,000
8	0,734	0,000	18	0,852	0,000	28	0,124	0,000			
9	0,678	0,000	19	0,872	0,000	29	0,765	0,000			
10	0,845	0,000	20	0,860	0,000	30	0,771	0,000			

The final result of a credible instrument is expected to get a good appreciation and understanding from the subject/respondent. Content validity was measured statistically using Pearson's product moment. The value of the r-table for 319 samples (n) is 0.099. This analysis shows that all question items are valid for use.

Table 3

Reliability Test

Cronbach's Alpha
0,872

Reliability test results showed that the items in this questionnaire were reliable with a Cronbach's alpha value of 0,872 (> 0.600). The alpha test developed by Cronbach was used to statistically test the internal consistency between the items.

The alpha test provides an estimate of the internal consistency of several items when applied to a specific population at a specific time and for a specific purpose. If the tested items were closely related, a high alpha value is likely to be obtained (Travakol and Dennick, 2011).

Table 4

Statistical Test

X	t-test	F-test	R ²
Leadership Commitment (X1)	5,979		
Suitability of organizational structure (X2)	5,666		
Internal Policy Support (X3)	6,854		
Use of information technology (X4)	-2,161		
Work Culture (X5)	4,162	337,6	0,87
National Policy Conformity (X6)	3,579		
Performance Cascading Clarity (X7)	1,643		
HR Quality (X8)	1,594		

The F-test determines the combined effect that the independent variable has on the dependent variable. The F-test value is 337.6 with a p-value of < 0.000; because the p-value is < 0.05, the null hypothesis can be rejected and the test shows that the independent variables together have an effect on sustainable performance management. To determine the effects of each variable, the t-test can be used in Table 4. Then the R-squared value is used to calculate the impact of the independent variables on the dependent variable of the model. The calculation results show an R-squared value of 0.87, which means that the variables of managerial commitment, organizational structure conformity, internal policy support, use of information technology, work culture, national policy conformity, performance cascading clarity, and quality of human resources influence 87% of the diversity of sustainable performance management variables. In comparison, the remaining 13% are influenced by other variables outside the model.

Table 5

Results of Multiple Regression Analysis

Variables	Coefficient	P-value
Leadership Commitment (X1)	0,25385	5,16e-09***
Suitability of organizational structure (X2)	0,23272	2,88e-08***
Internal Policy Support (X3)	0,19965	2,90e-11***
Use of information technology (X4)	-0,0631	0,031326*
Work Culture (X5)	0,10932	3,90e-05***
National Policy Conformity (X6)	0,06578	0,000389***
Performance Cascading Clarity (X7)	0,06080	0,101180
HR Quality (X8)	0,04278	0,111837

Notes: * sig 0,5; ** sig 0,01; *** sig 0,001

Source: Author (2022).

The model is formed as follows:

$$SPM = 0,56903 + 0,25385 X1 + 0,23272 X2 + 0,19965 X3 - 0,06308 X4 \\ + 0,10932 X5 + 0,06578 X6 + 0,06080 X7 + 0,04278 X8$$

Based on Table 5, the results of the study show that of the eight variables used, six variables, namely leadership commitment, organizational structure conformity, internal policy support, use of information technology, work culture, and national policy conformity, proved to have a significant effect on sustainable performance management. In comparison, the other two variables, performance clarity cascading, and quality of human resources, have no significant effect on sustainable performance management.

The leadership commitment is the most influential variable in sustainable performance management. Every unit increase in this variable increases sustainable performance management by 0.253385 units. Leadership plays an important role in sustainable development as it influences organisational behaviour and employee attitudes (Hallinger and Suriyankietkaew, 2018). According to the NRBV theory, environmentally friendly resources are mandatory to deliver better organizational performance sustainably (Hart, 1995). Being environmentally friendly, this study takes sustainable leadership as a resource. Sustainable leaders share long-term visions, identify sustainability problems, spur green initiatives, and institute green management policies (Avery and Bergsteiner, 2011).

Leadership is one of the most important requirements for sustainability and organizational change, because top management's commitment is a basis for change (Enquist et al., 2007a). As an institution, companies require a shift in mindset and practical initiatives to integrate stakeholder management to face the prospect of an evolutionary leap to sustainable value (Laszlo, 2003). Stakeholder management practices have favorably affected long-term performance and status of companies through the implementation process, governance and their impact (Post et al., 2002).

The next influential variable is the suitability of the organizational structure, which has an effect of 0.23272. Every one unit increase in this variable increases sustainable performance management by 0.23272 units. The third variable is internal policy support; one unit increase in this variable increases sustainable performance management by 0.19965.

Organizational structure normally describes how responsibility and power are allocated, and work procedures are carried out among the members of the organisation (Nahm et al., 2003). In the practical field, many companies want to follow successful firms by adopting organizational structures, learning from advanced experiences, and encouraging innovation. Leitao and Franco (2008) give strong evidence about the relationship between structure and performance; efficient organizational structure positively impacts both non-economic and economic performance.

The variable use of information technology is detrimental to sustainable performance management. Every one unit increase in this variable reduces sustainable performance management by 0.0631 units.

The variable Use of information technology is detrimental to sustainable performance management because every one unit increase in this variable leads to a decrease in sustainable performance management. This is primarily attributed to the inherent challenges faced by government organizations, which operate within a strict bureaucratic framework governed by regulations and constraints. The rigid structures, lengthy procurement processes, resource limitations, and security concerns impede their agility in adopting and leveraging new technologies effectively. Similar results were also shown by Loveman (2001) who found no evidence of performance increase from IT investments. According to Cerere (1993), organizations have always sought and adopted technologies that enhance the efforts of their manpower in production and management.

However, implementing a new information system only sometimes significantly benefits the organization. The success of system implementation is dependent on many factors. When a business implements its drive to become more efficiently interconnected, risks arise from the new technology, which is loaded with uncertainties that evolve and cannot be fully known when making decisions (Wu et al., 2008). A major problem with the technology implementation process is that few threats and risks of implementation failures are recorded in the literature, perhaps because only some companies wish to publicize their failures (Hakim and Hakim, 2010).

Performance culture has a positive effect on sustainable performance management. Each one unit increase in this variable increases sustainable performance management by 0.10932 units. Then, each increase in the variable National Policy Conformity will increase sustainable performance management by 0.06578 units. Following social interaction and interpersonal relations, organizations dominated by a human relations culture will emphasize internal staff development, learning, and capacity building to pursue organization sustainability.

It adopts a strong and clearly defined organization's ethical position on discrimination, business ethics, and fraud. The focus on internal staff development also suggests that the organization invests in human potential and capital, learning and education, and is interested in pursuing environmental health and safety, human welfare and health, and fair and socially equitable practises to improve the skills, satisfaction, commitment and productivity of employees (Daily and Huang, 2001; Dunphy et al., 2003; Wilkinson et al., 2001). The last is the Cascading Clarity of Performance and quality of HR which has a positive but insignificant effect on sustainable performance management, respectively 0.06080 and 0.04278.

Discussion

This subsection of the discussion focuses on two key aspects related to sustainable performance management: the importance of leadership commitment and the impact of information technology on management performance. Leadership commitment is crucial for driving sustainable performance management, while information technology can hinder effective management performance. Improving communication and relationships between managers and employees,

integrating performance management, and addressing challenges in decentralized governance are essential for enhancing sustainable performance management in organizations, especially in developing countries like Indonesia.

The findings show that the leader's commitment is the most important factor in improving sustainable performance management. The important influence of leadership has been extensively studied in various fields, for example, job satisfaction (Brimhall and Mor Barak, 2018), talent management (Kremer et al., 2019), innovation success (Domínguez-Escríg et al., 2018), promoting creative organizations (Hu et al., 2017), creating customer value (Luu, 2019) and sustainable value (Epstein and Buhovac, 2014). Zhu et al. (2008) and Vargas et al. (2018) state the importance of the support provided by the leadership to achieve organizational success and competitive advantage through actions that promote efficient and effective sustainability.

Leaders are role models for organizations with a strong understanding of the process (Santos et al., 2018). In an organization, leaders are required to set an example for employees. Therefore, leaders must show commitment and support for quality management (Wong et al., 2018). Leadership commitment comprises cognitive and affective states (West and Cianfrani, 2014). Previous research on leader commitment focused on affective states (Luburic, 2015). Therefore, the leadership commitment is also about the leader's attitude. Leader commitment can be seen when the person can prioritize the resources needed to improve quality management (Talib and Rahman, 2015; Hall et al., 2018).

One of the objectives of this study is to determine the inhibiting factors for sustainable performance; the results show that information technology has a significant negative impact on management performance. Although the technology and systems used are currently increasingly sophisticated, the technology cannot produce effective management performance. Technology can make and reduce or even break communication between managers and employees. Therefore, communication and relationship aspects between managers need to be improved to enhance the performance management process in the organization.

Survey data consistently shows poor attitudes towards performance management. Many employees state that their systems need to provide useful feedback and set clear expectations. Sustainable performance management is a human capital system that is difficult to practice (Pulakos and O'Leary, 2011). Many studies support the statement that communication positively impacts the relationship between managers and employees. The results of research by Pulakos and O'Leary (2011) also show that the integration of manager-employee performance, formal management systems, and work plans from managers to employees can be applied today to improve performance management in an organization. These plans can not only improve communication through direct on-the-job training of employees, but also demonstrate behaviors that can improve the performance of sustainable management.

Decentralization is a programme of central government program that aims to improve aimed at improving the welfare of the people's welfare by delegating authority to local governments to manage their institutions with the authority of autonomy. Effective management of local government performance can be seen

through the services provided to the community, especially in developing countries where public performance management is lacking (Janjua et al., 2018). However, technology management systems are widely used to improve services to citizens of local governments that require public performance management (Melkers and Willoughby, 2005; Ma, 2017).

Various kinds of literature reveal that performance management has been used to increase accountability. Such as fulfilling bureaucratic responsibilities or increasing local governments' efficiency, effectiveness, and responsiveness of local governments (OECD, 2005). Performance measurement is still important, especially for governments in developing countries like Indonesia. This is due to the limited institutional capacities, such as a lack of human resources, multi-levels of public accountability, weak regulations, administrative inefficiencies, and a lack of facilities and funding (Van Helden and Tillema, 2007).

Conclusion

In conclusion, the findings of the study highlight the significance of leadership commitment, organizational structure, and internal policy support as crucial factors that contribute to sustainable performance management in the provincial government. Effective leadership plays a pivotal role in driving sustainable development by influencing employee behavior and mindset within the organization. It serves as a foundation for change and is considered one of the key requirements for sustainability and organizational transformation. On the other hand, information technology emerges as a hindering factor for sustainable performance management. While organizations continually seek and adopt technological advancements to enhance their production and management efforts, the implementation of new information systems does not always guarantee benefits. The success of a system implementation is contingent upon various factors, and the literature often lacks documentation of threats and risks associated with implementation failures, possibly due to companies being hesitant to publicize their shortcomings.

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