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**The Indonesian Lakip Performance Measurement Model Implementation–  
A Case Study At State of Gorontalo’s Capital City**

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**Abstract**

*Changes in performance measurement models focussing on financial orientations to one that combines both financial and non-financial aspects are expected to produce comprehensive performance information that is useful for managers in managing their organization. The move towards this change is also expected to promote greater accountability and reflects that stewardship of public funds are well executed in the best interests of the public. This study aims to ascertain the effectiveness of Government Agency Performance Accountability Report (LAKIP) performance measurement model implementation in the capital city of Gorontalo state namely Gorontalo City Government. This research uses qualitative research method with a study case approach. Data obtained via documents, observations and interviews conducted, were analyzed by using content analysis technique. The results indicated that the effectiveness of LAKIP performance measurement model is still questionable as focus is still mainly on financial performance measurement. Improvisation needed comprise of having more clear-cut reporting and monitoring including performance audit.*

***Keywords: Performance, performance measurement, effectiveness of performance measurement model.***

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**I. Introduction:** Regional autonomy which gives freedom to local governments in managing their respective governments based on Regional Government Law No 22 (1999) and Regional Government Law No 25 (1999) include also in the matters regarding regional financial resources. With the enactment of these two laws, local governments including the Gorontalo municipality government, is expected to govern with financial support derived mainly from local revenues. However, after regional autonomy has been awarded, it was found that government activities of Gorontalo city government were still not fully funded from local revenues, but mainly financed by the central government of Indonesia.

The financial performance of Gorontalo City Government over the last three years indicated that local revenues only constituted 16% (in 2015), 17.5% (in 2016) and only reach 18.17% (in 2017) of total expenditure required respectively (Ministry of Finance of Republic of Indonesia, 2018). The small, limited yet slight increments in the amount according to Sri Mulyani (2017) and Yusuf (2018) were caused by local governments including that of the Gorontalo City Government inclination to aim their spending at achieving only programme output rather than extending then to the level of benefits and impacts to society.

The orientation of having public programmes designed solely to achieve performance only at the level of output is not in line with the aim performance measurement model set by the central government of Indonesia. The current performance measurement model used is the Government Performance Accountability Report (LAKIP) prescribed by the Presidential Instruction No. 7 of 1999. The indicators specified to be used in measuring performances in LAKIP model include the input; process; output; outcome; benefits and impacts of programmes to the community. This suggests that from input to impacts, performance measurement objectives set in running programmes and activities using public money need to pay attention to the measurement of financial performance as well as non-financial achievements. This is similar to what is required by performance measurement model used in the private sector under the concept of New Public Management (Hood, 1991; Osborne and Gaebler, 1992).

**II. Literature Review:** Performance is a result obtained through quality of actions appropriate to the organization's needs (Armstron and Baron, 1989; Robbins, 1996; Dubnick, 2005; Bouckaert and Halligan, 2008). Similarly, Gordon (1993); Briggs (1997); and Gibson and Donelly (1996) suggest that performance is an achievement of vision by using owned resources. More specifically, Neely, Gregory, Platts (1995); and Daft (2000) states that performance is an organizational ability to use existing resources effectively and efficiently to produce output and outcomes. Thus, organizational performance according to Keban (2004); and Rivai and Basri (2005) can be understood as to what extent a group has carried out all major activities so as to achieve the vision of the organization.

Based on the description that has been made, it can be concluded that performance is a result of the implementation of organizational programmes by using organizational resources effectively, efficiently and economically; and which can be known through performance measurement. Hansen and Mowen (2004) and Niven (2008) described performance measurement as important in order to determine the extent to which the organization's vision has been achieved. In addition, the opinion of Behn (2003); Marr (2008); Meyer (1994) stated that the measurement of performance is a process of action in obtaining understanding of the glory of the organization based on the vision that has been established by integrating the financial aspects and non-financial aspects in performance measurement.

The need for public managers to perform while helming public organizations can be associated with stewardship theory. Van-Slyke (2006) refers to it as a theory that propose managers, left on their own, will act as responsible stewards of the resources they control. Thus, this theory is an alternative view of agency theory, in which managers are assumed to act in their own self-interests at the expense of shareholders. Unlike agency theory, stewardship theory examines relationships and behaviors stressing on collective, pro-organizational, where higher value is placed on goal convergence rather than on agent self-interest. Rather than managers being motivated by individual goals, they assume role of stewards whose motives are aligned with the objectives of their organization or public at large (Donaldson and Schoorman 1997; Van-Slyke, 2006).

Along these lines, Stewart (1984) and Tomkins (1987) argued that the form of accountability of organizational leaders as developers of trust (Donaldson and Davis, 1991) can be seen on how they manage the organization thoroughly by use of organizational resources. Based on the description that has been made, it is also in line with Ghobadian and Ashworth (1994); and Zairi (1994) who suggested that performance measurement is an activity to obtain information that is needed by the leadership in managing the organization. This is important because according to Talbot (2010); Broadbent and Laughlin (2009) any defined performance measurement model is expected to produce information that can be used by the organization's leaders in planning, performance measurement and performance appraisal.

How important the organization is in setting performance measurement models, Kroll (2015); Bryde (2003); Mir and Pinnington (2013;2014); Hourneaux, Carneiro-da-Cunha, and Hamilton (2017) have the views that performance measurement model is a tool used by the organization's leadership to obtain information in accordance with the needs in managing the organization. However, Albach, Meffert, Pinkwart and Reichwald (2015); Chatzoglou, Chatzoudes, Vraimaki, and Diamantidis (2013), Rajnoha, Lesníková, and Korauš (2016); and Morrison (2016) proposed that it is more that that as the use of appropriate performance measurement models can help leaders gain insights into the effectiveness of an organization.

In order to provide quality information that the leadership of the organization needed in managing the organization, Draghici, Popescu, and Gogan (2014); Ivanova and Avasilcăi (2014) argue that selection of appropriate performance measurement models can positively impact the organization. As for the performance measurement model of the Government Institution Performance Accountability Report (LAKIP) used in Gorontalo City-Indonesia was stipulated under Presidential Instruction No. 7 of 1999. Implemented after a system of regional autonomy governance was awarded 19 years, the performance targets aim for of inputs, processes, outputs, outcomes, benefits and impact performance. With most literatures on performance measurement models (Kaplan and Norton, 1992; Wayne, 2011) saw the evolution of measurements from financial to also cover non-financial to value

creation, the emphasis has also move from just looking into accounting to accountability and also integrity.

Under this context, the issue is whether the Gorontalo City's performance has similarly evolved in terms of measurements and also focus over the last 19 years as accounted by literatures over the years (financial, non-financial, and integrity with expected measurements moving from output to outcome, impacts, and benefits respectively). This study aims at identifying whether the implementation of LAKIP performance measurement model by the Gorontalo City Government has been effective, taking into accounts it has been established 19 years ago with the aim of having the programmes and activities funded by the limited funds benefited the community.

**III. Finding:** Data were obtained from documentary evidences as well as interviews data. The interviews were conducted with 30 Unit and Programme Heads of Gorontalo City Government. Documents and transcriptions were analyzed using content analysis as prescribed by Creswell (2013) and Miles, Huberman and Saldana (2013). Performance reporting document data based on LAKIP shows that the reporting of local government performances each year mostly covered the financial performance alone, prioritizing on the output aspect.

Documentary evidence in the form of Government Regulation no. 8 of 2006 stated that the measurement of local government performance focus on budget realization report; namely balance sheet; cash flow statements and notes to the financial statements. In addition, even during the implementation of regional autonomy until now, the City Government of Gorontalo only reported on the yearly performance based on Government Regulation no 71 of 2010 which is on Government Accounting Standards. This report includes budget realization reports; balance sheet; cash flow statement; the statement of changes in equity; and notes to the financial statements.

The results obtained from the document data are also supported by interview data. Informant (KB-01; KB-02) for example who has a position as as ahead of section, reiterated that:

*[...The effectiveness of the LAKIP performance measurement model used by Gorontalo city government during regional autonomy has only been implemented in the financial performance stage...] (KB-01).*

*[...Performance measurement model of LAKIP used by local government of Gorontalo City to measure and improve performance after regional autonomy, still focus on financial performance measurement only..] (KB-02).*

Based on the results of interviews, the performance measurement model used by the Gorontalo City Government during the regional autonomy until now still focused on the measurement of financial achievement with performance targets achieved only reaching the stage of output performance. The results of interviews with informants, including one who served as chairman of the programmes stated that the achievement measurement of LAKIP

model by the Gorontalo City Government today still focused on financial performance (Kp-02) as he stated:

*[...The effectiveness of LAKIP performance measurement model to the top of Bandar Gorontalo's empire has been impressive so that to the stage of achievement of output..] (Kp-02).*

The same opinion is also obtained from informants including two who hold the positions as secretary (SU-01, SU-02) of the Units. They consistently emphasized that:

*[...The effectiveness of the LAKIP performance measurement model used today in Gorontalo City Government focuses only on financial performance..] (SU-01).*

*[...Performance measurement model LAKIP used at this time still focus more on financial performance in reporting organizational performance..] (SU-02).*

They have used a performance-based budget in preparing each programme (Biondi dan Lapsley, 2014; Lapsley dan Rios, 2015) but findings of this study also found that one of the main causes for the ineffectiveness of LAKIP performance measurement models is that the performance of various programmes conducted were still limited to output performance targets, as they are still focused on financial performance. According to Hood (1991) and Osborne and Gaebler (1992) it is important for organizations to adopt a performance measurement model as used in private sector organizations, so that every organizational resources can be managed properly (Donaldson dan Davis, 1991).

The results of this study are also in line with Prasojo's (2014); Sri-Mulyani (2017) who argued that the failure of local governments in the reform era is due to the inclination to use of the budget to achieve only stage of output performance without any desire to achieve better performance stages such as outcome, benefits and impacts to society. Previously, Kaplan and Norton (2001) proposed that financial together with non-financial aspects may be considered by the organization's leadership in looking into performance measurement. Niven (2008) cautioned that performance measurement is no longer appropriate if it only pays attention to the financial aspects.

Based on Stewart's (1984) Ladder of Accountability, data established from documentary evidence and transcriptions were reflected bearing in mind programmes mainly achieved output level instead of benefits and impacts, and mapped to the level of accountability achieved bring about the following results as summarized in the Table 1.

**Table 1**

*Ladder of Accountability*

<b>Accountability</b>		<b>Under Garontalo City Government Context</b>
1	Policy Accountability	<b>Executed/ Took place</b> (Presiden Instruction No.7 Tahun 1999)
2	Programme Accountability	<b>Executed/ Took place</b> (Being fixed at planning stage through implementation of LAKIP)

3	Performance Accountability	<b>Not fully executed/ Partially took place</b> (Targeted performance clearly identified but the aims and measurement are inclined towards financial only).
4	Progress Accountability	<b>Partially took place</b> (A system in place, targeted performance identified, but reporting and monitoring is vaguely took place).
5	Probity Accountability	<b>Not Executed/ Did not take place</b> (Performance audit not done)

Source: Stewart's (1984)

**IV. Conclusion:** After 18 years being introduced, the performance measurement model used by Gorontalo City Government still focuses on the measurement of financial performance leading to programmes designed still incline to reach the target of output performance only. If the finding is associated with stewardship theory by Donaldson and Davis (1991), Gorontalo City Government as the steward of limited public resources has not been entirely successful in managing resources by tapping on the information provided in the LAKIP performance measurement model to increase performance.

In addition, if findings were to relate to accountability theory by Steward (1984) and Tomkins (1987) Ladder of Accountability, it can be concluded that the level of accountability achieved is only up to the level of programme accountability. The progress accountability is not fully done as reporting is still inclined towards financial information only (output), whilst monitoring of programmes is more focus on output rather than impact. Hence, the assumptions of stewardship theory which presume that long-term contractual relations are developed based on trust, reputation, collective goals, and involvement where alignment is an outcome that results from relational reciprocity may not be fully realised as performance goals achieved mainly only reached the stage of output achievement. The Gorontalo City Government has yet to have a better reporting and monitoring system as well as having performance audit conducted for its programmes and activities so that.

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