

## The Effect of External Pressure and Institutional Leadership on the Use of Local Government Performance Reports

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### ABSTRACT

This research aims to provide empirical evidence on the effects of external pressure and institutional leadership on the utilization of local government performance reports. The hypothesis is built based on institutional theory, especially isomorphism pressure using coercive pressure shown in external pressure and Giddens' structuration theory using the concept of institutional leadership which is thought to influence the process of organizing performance measurement, namely the use of local government performance reports. Data collection and processing was carried out by conducting surveys by handing out questionnaires directly to all Papua Province government work units. The sample of respondents is state civil servants who have a role in preparing performance reports in each agency. The data analysis method uses Partial Least Square (PLS). The results, quite surprisingly, show that the external pressure variable has a significant negative effect on the use of local government performance reports and institutional leadership does not have a significant effect on the use of local government performance reports. The discussion will be reviewed in depth by paying attention to the latest conditions in Papua to try to understand the results of this research.

**Keywords:** Coercive Isomorphism, External Pressure, Institutional Leadership, Performance Report, Structuring Theory

## **INTRODUCTION**

One of the results of the local government Performance Measurement System (PMS), namely the use of performance reports, has attracted a lot of attention in management accounting research (Brignall & Modell, 2000; Cavalluzzo & Ittner, 2004; Modell, 2021; Speklé & Verbeeten, 2014). Performance measurement is one result of the New Public Management (NPM) concept, which focuses on the accountability of managing public organizations (Osborne, 2006). To date, the institutional issues of NPM remain contentious (Hood & Dixon, 2015; Tallaki & Bracci, 2019) because the ongoing public sector reforms attract a lot of attention (Agasisti, Agostino, & Soncin, 2020; Modell, 2021, 2022; Raboca, 2021; Tran & Nguyen, 2020) and the implementation of PMS is one alternative choice in public sector reform. The use of PMS as part of the public sector reform agenda (Cavalluzzo & Ittner, 2004; de Lancer Julnes & Holzer, 2002; Kurniawan & Akbar, 2021; Modell, 2001; Parwoto & Halim, 2020; Speklé & Verbeeten, 2014; Tran & Nguyen, 2020; Wijaya & Akbar, 2013).

In the topic of public sector performance measurement, institutional theory has become a critical theoretical perspective (Alsharari, 2020; Ansmann & Seyfried, 2022; George, Baekgaard, Decramer, Audenaert, & Goeminne, 2020; Guwon, Rohman, Basuki, & Fortunasari, 2018; Hersberger-Langloh, Stühlinger, & von Schnurbein, 2021; Kurniawan & Akbar, 2021; Modell, 2022; Rana, Ahmed, Narayan, & Zheng, 2021; Wulaningrum, Akbar, & Sari, 2020). Institutional and organizational theory is formed based on forces outside the organization through the process of compliance, imitation and perception (DiMaggio & Powell in Hamdie, Koroy, Arifin, Muslim, & Naviri, 2022). According to this theory, the application of performance measurement is influenced by several factors. Internal environment, such as reasons for efficiency and desire to adapt using isomorphism pressures from formal and informal social and institutional settings (Alsharari, 2020; de Lancer Julnes & Holzer, 2002). Due to the pressure of isomorphism on the implementation of PMS in local governments, several studies show that many local governments implement and disseminate PMS policies only to comply with central government and legislative regulations (George, Baekgaard, Decramer, Audenaert, & Goeminne, 2020; Kurniawan & Akbar, 2021; Laila & Ermawati, 2021; Murti, Mahmudi, & Nurfauziya, 2021; Parwoto & Halim, 2020; Wulaningrum, Akbar, & Sari, 2020), not to improve actual public performance and accountability (Parwoto & Halim, 2020).

According to Li and Ding (2013), organizations with superior human resource (HR) capacity can reduce the impact of isomorphism pressure on the organization. However, research conducted by Wulaningrum, Akbar, & Sari (2020) cannot prove that human resource capacity can reduce the impact of isomorphism pressure on PMS use in local governments. Researchers argue that other internal factors, such as leadership roles, should be included in using PMS in government agencies. As a result, they suggest conducting additional research looking at leadership abilities (Alnuaimi, Singh, Ren, Budhwar, & Vorobyev, 2022) in the PMS institutionalization process. According to Ohemeng and Kamga (2019), further research should be conducted to explore these factors and their influence on the institutionalization of performance in developing countries.

In addition, it is necessary to think about whether in addition to outside pressure or internal support determines whether an organization is making changes. Therefore, Giddens' structuration theory was applied to this research. Understanding that change in an organization is influenced not only by external pressures, but also by variables within the organization, such as the individuals involved in it (Granlund, 2001). The use

of the theory aligns with the findings of Dobija, Górská, Grossi, and Strzelczy (2019), who show that the external and internal context of organizations play an essential role in explaining how and why the adoption of performance measurement is translated into practice and institutionalized.

Thus, this study also examines the role of leaders in the institutionalization process to maintain the status and legitimacy of institutions to face their institutional environment (Jung & Choi, 2011; Washington, Boal, & Davis, 2008). Because internal support from leaders affects the adoption and use of PMS in public sector organizations (de Lancer Julnes & Holzer, 2002; Diptyana & Basuki, 2010; Guwon, Rohman, Basuki, & Fortunasari, 2018; Keathley & Van Aken, 2013; Parwoto & Halim, 2020), this research will emphasize the role institutional leaders play (Selznick, 1957; Washington, Boal, & Davis, 2008) and the impact they have on how PMS is institutionalized in local government.

This study concentrates on internal and external factors that are expected to influence the use of local government performance reports. Coercive isomorphism consists of external pressure (DiMaggio & Powell, 2022) and internal factors by considering the role of institutional leadership (Selznick, 1957) in the application of PMS in local government (Wulaningrum, Akbar, & Sari, 2020), it is expected that the leadership can show unique solid characteristics. Research on institutional strategies related to new practices (such as the application of PMS) in institutionalizing innovation in public organizations can be done by connecting and studying leaders (de Vries, Bekkers, & Tummers, 2015). According to Washington, Boal, and Davis (2008), this idea is based on the idea that the leader does something, understands the environment, is involved in the politics of organizational decisions, and will represent the founding part of the organization in institutionalizing innovation. This research tries to answer: Does external pressure motivate using performance reports? Does institutional leadership influence the use of performance reports generated from PMS in local governments?

This study aims to examine the role of external pressure in the utilization of performance reports and the part of institutional leadership in local governments that allegedly can influence the use of performance reports that are output from PMS directly in Regional Governments. In addition, this study is helpful in the process of institutionalizing PMS implementation in local governments by empirically examining the role of external pressure and investigating the role of institutional leadership in reconsidering the protection of organizational values as a force in the institutionalization process (Washington, Boal, & Davis, 2008) amid the current changes and pressures in the framework of public sector accounting reform. In addition, this research contributes to theory in public management accounting regarding the inclusion of the role of leaders (Washington, Boal, & Davis, 2008) in the process of institutionalizing PMS implementation by responding to research directions and recommendations from research conducted by Wulaningrum, Akbar, & Sari (2020) and especially from the perspective of developing countries (Ohemeng & Kamga, 2019).

## **LITERATURE REVIEW**

### **Coercive Isomorphism and External Pressure**

Popular institutional theory is applied to provide a complete and broad perspective in the environment of public organizations (Ansmann & Seyfried, 2022; van Helden, 2005), in line with the NPM's idea to explain the background of public sector institutional reform (Alsharari, 2020; Rana, Ahmed, Narayan, & Zheng, 2021). The primary view of organizations is in the social environment, and the institutionalization process reflects the cultural rules and beliefs operating in the social environment (Scott, 2014); in meeting social expectations, organizations gain legitimacy, which is considered a significant factor for organizational survival (Meyer & Rowan, 1977). When organizations within the same field face the same institutional conditions, they become the same over time (DiMaggio & Powell, 2022). Thus, the primary determinant of organizational structure and behavior is the pressure that the institutional environment exerts on the organization to conform to a set of expectations for legitimacy and secure access to vital resources and long-term survival (Brignall & Modell, 2000). One way to gain legitimacy is to align with some rationalized institutional myths (Meyer & Rowan, 1977), which is sometimes translated by the organization through some process of isomorphism, so that it appears in the structural attributes of the organization (DiMaggio & Powell, 2022).

The process of isomorphism best explains the concept of organizational homogenization, which, according to Schwebel (1970), is a process that limits and forces one unit in a population to resemble other units when faced with similar environmental conditions. Furthermore, some researchers argue that organizations compete not only for resources and customers, but for political power and institutional legitimacy, for social and economic conformity (DiMaggio & Powell, 2022; Tuttle & Dillard, 2007) thus, the concept is a useful tool for understanding political processes and processes in modern organizations.

The concept of institutional isomorphism, among others, arise from legal or political regulatory pressures, i.e., coercive pressures, from organizational uncertainties, i.e., mimetic pressures, and from normative beliefs of professional groups, i.e., normative pressures (DiMaggio & Powell, 2022). This study uses coercive pressure because the character of local governments in Indonesia is more inclined to behave based on existing regulatory mandates (Wijaya & Akbar, 2013). Formal and informal pressures placed on an organization by other organizations, as well as the cultural standards expected of the society in which the organization operates, lead to coercive pressure (DiMaggio & Powell, 2022). Such pressure can be perceived as force, persuasion, or an invitation to join in an agreement that, according to Meyer and Rowan (1977), organizational behavior and structures increasingly reflect the rules established and legalized by the state. As a result, organizations are increasingly homogeneous within specific domains and increasingly organized in rituals that align with broader institutions (DiMaggio & Powell, 2022).

Organizations are perceived as limited because of their dependence on resources (Pfeffer & Salancik, 2003). As a result, organizational leaders come under pressure over resources and make formal decisions to enact new systems needed by the government to meet social demands such as accountability, transparency, and trust (Alsharari, 2020). As a result of coercive pressure, they had to put this new system in place. As a result, in response to external forces, members of the organization make changes in practice.

### **Structuration Theory**

In research on the drive for change of an organization, Giddens' structuration theory complements the institutional isomorphism theory, which states that institutional processes are inseparable from the human factor (Barley & Tolbert, 1997). The basic concept of Giddens' structuration theory is that an organization's change is not only based on external institutional pressures (structure) but will also be used to explore internal factors such as organizational, social, and political phenomena. Previous research (Burns & Scapens, 2000; Dillard, Rigsby, & Goodman, 2004; Englund & Gerdin, 2014) found that institutional perspectives support organizational continuity and stability. However, they must explain why and how organizations maintain continuity and stability when forced to make changes. Therefore, juxtaposing the two theories as a frame of mind to study the phenomenon studied. As such, they can thoroughly explain the role of agents and structures that influence overall institutional change.

This study considers the theoretical framework of Giddens' structuration as a complement to the strengths and weaknesses of institutional isomorphism theory, based on arguments from previous studies. In addition, one part of Granlund's (2001) framework provides the foundation for this study, explaining that individual factors influence how an organization responds to change and stability.

### **Institutional Leadership**

Much of the leadership and institutional theory literature could benefit from Selznick's ideas about institutional leadership (Washington, Boal, & Davis, 2008). Selznick's thoughts focus on the concept of isomorphism, which is appropriate for determining the variables that measure institutional concepts (Hirsch & Lounsbury, 1997) and then examining how. Considering the need for change in reform, how is the new practice implemented? To understand institutionalization (institutional phenomenon), according to Washington, Boal, & Davis (2008), is to study its leaders since they are considered to understand the environment, be involved in political decision-making, and act as representatives of the organization.

According to Bartunek et al. (2019), institutions require ongoing maintenance because they are fragile and unstable social buildings. Internal power, that is, the role of the leader, is necessary to maintain the integrity of the institution, maintain core values, maintain its survival, and prevent deviance or opportunism. According to Washington, Boal, & Davis (2008), institutional leaders support organizational legitimacy and promote and protect institutional values (Selznick, 1957). They are also responsible for maintaining loyalty and commitment to the goals and principles of the institution (Bartunek et al., 2019). To achieve that, leaders participate in the institutionalization process and engage others to support the process. These individuals promote their organization as an institution and protect the integrity and principles of the institution (Beaton, 2021; Raffaelli & Glynn, 2015; Selznick, 1957).

### **Utilization of Performance Reports**

Since the emergence of the NPM concept as a form of public sector reform, it has focused primarily on the design and implementation of PMS (Ballantine, Brignall, & Modell, 1998; Cavalluzzo & Ittner, 2004; Modell, 2001). These activities focus on improving performance measurement techniques and management accounting innovations (Johansson & Siverbo, 2009) because they can help, in a focused manner, improve organizational change (Chenhall & Langfield-Smith, 1998). According to Alsaïd (2021), PMS in the public sector is political and acts as a strong accounting and accountability tool, so in using PMS, they must focus on the process of setting goals,

evaluating performance, and providing incentives to help organizations achieve effectiveness (Speklé & Verbeeten, 2014). In addition, PMS has the ability to help achieve various organizational goals, such as formulating strategies, planning, communicating goals, and evaluating performance (Speklé & Verbeeten, 2014).

Referring to the research of van Elten, van der Kolk, and Sülz (2021) following Speklé and Verbeeten (2014), the use of performance reports can serve a variety of different purposes in organizations and the main difference between the various classifications of PMS use lies in the number of roles identified and the limitations between these roles so that the focus of using performance reports in this study follows Speklé and Verbeeten (2014).

Incentive-oriented use according to van Elten, van der Kolk, and Sülz (2021), using incentive-oriented PMS aims to align employee motivation with organizational goals. The assumption was that using that type of PMS would lead to more effective and efficient service delivery and higher levels of service quality, in line with the expectations of the NPM movement (Hood, 1995).

Operational use the use of operational PMS shows managerial dependence on performance measures for operational planning, information provision (Hansen & der Stede, 2004; Speklé & Verbeeten, 2014), budget allocation, and monitoring (Henri, 2006; van Elten, van der Kolk, & Sülz (2021). Furthermore, Hansen and der Stede (2004) point out that such roles are prevalent throughout the organization, which is an essential requirement and according to Naranjo-Gil & Hartmann (2007) describe a "typical" (administrative) way of administering performance information, aimed at supporting related operational, business and financial objectives such as cost reduction and budget control.

Exploratory use can be understood as the use of PMS for learning (Abernethy & Brownell, 1999; Franco-Santos et al., 2007) and elevating organizations to professionals (van Elten, van der Kolk, and Sülz (2021)), which usually involves discussion of results between members of the organization or interactive (Naranjo-Gil & Hartmann, 2007; Simons, 1990) to understand the conditions and stimulate organizational dialogue about what aspects are appropriate of performance measurement and strategic decision making (Henri, 2006). Utilizing PMS exploration can help the organizational learning process, allowing selective priority setting, as well as enabling policy innovation approaches in seeking organizational goals (Speklé & Verbeeten, 2014).

Measuring the performance of the Indonesian government began with the emergence of Presidential Instruction Number 7 of 1999 concerning Accountability for the Performance of Government Agencies which aims to ensure that government units can manage finances efficiently, effectively and responsibly. Followed by the technical regulation of the State Administration Agency number 589/IX/6/6/Y/99 which was later revised to No.239/IX/6/8/2003 which requires government agencies to make strategic plans, performance plans, and performance measurements in the performance accountability system to achieve the vision, mission, and goals of the organization, and finally through Government Regulation Number 29 of 2014 the system is known as the Government Performance Accountability System (Sistem Akuntabilitas Kinerja Pemerintah-SAKIP). SAKIP is directed at public sector performance management practices ranging from planning, budgeting, and performance measurement to integral reporting. The main output of the cycle is the Government Agency Performance Accountability Report (Laporan Akuntabilitas Kinerja Pemerintah-LAKIP) prepared by each government

agency in the form of administrative documents as a form of accountability containing information on the activities of government agencies in carrying out their work through the programs and policies they make (Nurkhamid, 2008). LAKIP is also one of the evaluation instruments in assessing the performance management of a government agency (Setianto, Ningrum, & Muhafidin, 2021).

### **Hypothesis Development**

#### ***The Effect of External Pressure on the Utilization of Performance Reports***

Due to increased competition, organizations want to gain recognition or legitimacy from other organizations. Due to the power of isomorphism, an organization will be more like similar organizations (DiMaggio & Powell, 2022). Coercive isomorphism can lead to formal compliance but not actual change (Meyer & Rowan, 1977). Thus, it suggests that the lack of institutionalization is an implementation problem (Ansmann & Seyfried, 2022; Schilke, 2018).

Political influence is usually a source of external pressure (Wijaya & Akbar, 2013), which is a proxy for coercive force, meaning that there are regulative pillars consisting of rules-based frameworks ranging from informal and formal habits (Alsharari, 2020), which is when there is a change in the system and pressure from a strong body in the practice of organizational domain or power (Scott, 2014). Such stress can push people to reach an agreement, and a change is considered a direct response to a government mandate (DiMaggio & Powell, 2022). To measure the performance of public organizations, formal regulation has shown outside pressure (George, Baekgaard, Decramer, Audenaert, & Goeminne, 2020).

Regulations made by the central government can promote, disseminate, and monitor the implementation of PMS. Lower-level government organizations use PMS to fulfill government policies and gain institutional legitimacy (de Lancer Julnes & Holzer, 2002). In addition, they adopt similar organizational structures and systems to stay in line with other corporate standards set by everyday needs (DiMaggio & Powell, 2022). Thus, local governments must use PMS practices that are in accordance with the mandate of the central government. Therefore, one way to ensure survival is to gain legitimacy from the external environment emanating from the state, government, or outer bodies (Alsharari, 2020, 2022).

H1: External pressure affects the use of performance reports.

#### ***Institutional Leadership***

According to research by Abernethy, Bouwens, and van Lent (2010), implementing PMS as an essential part of an organization's management control system impacts leadership. In addition, PMS is one type of accountability leaders use to monitor behavior and evaluate organizational performance. Public sector leaders recognize that measuring performance results is necessary to demonstrate their achievements to internal and external stakeholders (Kloot, 1999). This shows that leadership is essential for forming and applying performance metrics in local governments (Akbar, Pilcher, & Perrin, 2012). To ensure that PMS processes are in place and functioning correctly, PMS development and implementation must be supported by adequate leadership (The Urban Institute, 2002).

Furthermore, according to Abernethy, Bouwens, and van Lent (2010), legitimacy and approval status given by other parties as a form of organizational respect affect organizational functions (Pheysey, 1993). Therefore, leadership roles can influence the successful use of PMS (Bititci, Mendibil, Nudurupati, Garengo, & Turner, 2006). Thus, as Nkurunziza, Munene, Ntayi, and Kaberuka (2019) state, institutional leadership is essential in maintaining fundamental values such as financial integrity and transparency. One of the main objectives is to ensure that the use of the new system in institutions remains competitive and sustainable.

H2: Institutional leadership influence on the use of performance reports

## **RESEARCH METHOD**

### **Respondent Profile**

Quantitative data was collected from distributing questionnaires directly from June to October 2023. The high questionnaire return rate (93.42 percent) is 71 of the targets of 76 samples in 38 units (SKPD) in Papua Province, with the target of each entity comprising two representatives. Some incomplete respondents' identities were not processed, so 58 questionnaires (76.32 percent) could be adequately analyzed. Female respondents dominated this study (58.62 percent), aged 40-50 years (68.97 percent), with an educational background with a bachelor's degree (74.14 percent), and the average working period of 2 to 10 years was 75.86 percent. The average occupation of the current position for less than two years was 60.34 percent. Table 1 below shows the details of respondents' profiles.

**Table 1. Respondent Profile (N=58)**

<b>Respondent Profile</b>	<b>Sum</b>	<b>%</b>
<b>Gender</b>		
Male	24	41,38
Female	34	58,62
<b>Age (years)</b>		
<40	18	31,03
40 - 50	40	68,97
> 50	0	0,00
<b>Education Level</b>		
SMA/SMU/SMK and equivalent	0	0,00
Diploma (D1-D4)	5	8,62
Bachelor (S1)	43	74,14
Master (S2)	0	0,00
<b>Civil servant experience (years)</b>		
<2	0	0,00
2-10	44	75,86
>10	14	24,14
<b>Current Position Experience (years)</b>		
< 2	35	60,34
2-5	23	39,66
>5	0	0,00



### **Variable Operational Definition**

The independent variables are external pressure and institutional leadership, as well as the use of performance reports as the dependent variable. The following is the operational definition of the variables used in this study.

#### ***External Pressure***

The instrument used to measure external pressure refers to the questions that have been applied by Wulaningrum, Akbar, & Sari (2020), adopted from Wijaya and Akbar (2013), Li and Ding (2013), Teo, Wei, and Benbasat (2003) and Liang, Saraf, Hu, and Xue (2007) with adjustments to this research topic in the use of PMS in local governments.

#### ***Utilization of Performance Reports***

The questionnaire referring to Speklé & Verbeeten (2014) on using performance information in PMS can be divided based on three different objectives within the organization, with the main difference in the number of roles identified and the boundaries between these roles. This concept is consistent with the idea of NPM in the public sector, namely first, the use of incentive-oriented use, which refers to the use of performance information to motivate and control leaders and employees who aim to align employee motivation with organizational goals (van Elten, van der Kolk, and Sülz (2021)), with target setting, providing incentives, and awards (Newberry & Pallot, 2004). Second, the use of PMS for operational purposes (Operational use), is a role to facilitate decisions which refers to the availability of performance information to direct managerial decisions and actions (Grafton, Lilis, & Widener, 2010; van Veen-Dirks, 2010), namely operational planning (Hansen & der Stede, 2004), process monitoring (Henri, 2006) and information provision (Franco-Santos et al., 2007) which according to Hansen and der Stede (2004) shows that the role This is prevalent throughout the organization, as it is a fundamental requirement of an organization or intentional situation. Third, the use of PMS for exploratory use, namely functions that can assist in determining policy areas that require special attention from management or politics, enable the setting of priorities and selective interventions, and enable the search for goals for new policy approaches (Speklé & Verbeeten, 2014), the use of performance information for this purpose refers to several concepts, for example, interactive use (Simons, 1990), and the formation of strategy and goal communication (Hansen & der Stede, 2004), strategy management and learning (Franco-Santos et al., 2007), and the role of strategic decision making (Henri, 2006), so that, when referring to van Elten, van der Kolk, and Sülz (2021) the use of PMS for exploration can be understood as the use of PMS for learning and self-improvement as an organization or as a professional.

#### ***Institutional Leadership***

Institutional Leadership is a multidimensional construction Nkurunziza, Munene, Ntayi, and Kaberuka (2019) consisting of various dimensions in the task of creating, maintaining, and maintaining institutions composed of five types, namely Visionary Leadership (VL), Persuasive Leadership (PL), Resilient Leadership (RL), Coalition Network Leadership (CL), and Maintaining Leadership (ML). The instrument used to measure the five elements refers to questionnaires used by Jung and Choi (2011) and Nkurunziza, Munene, Ntayi, and Kaberuka (2019), with adjustments to this research topic in using PMS in local governments.

**Table 2. Measurement of Institutional Leadership Constructs**

Global Variables and Definitions	Constructs	Measurement	Construct Definition	Sample Measurement Items
Institutional Leadership is the role of the leader to develop and instill the mission, maintaining external support mechanisms while preserving distinctive institutional values and integrity (Jung & Choi, 2011; Nkurunziza, Munene, Ntayi, & Kaberuka, 2019; Selznick, 1949)	Visionary	Consists of 5 items included in the questionnaire on a five-point Likert scale	Inspire followers to redefine intellectually arising issues (Jung & Choi, 2011; Nkurunziza, Munene, Ntayi, & Kaberuka, 2019; Selznick, 1949)	Provide ideas that support the institutional vision
	Persuasive	Consists of 4 items included in the questionnaire on a five-point Likert scale	Rhetorical public leadership by evoking symbols, promoting political resources and galvanizing public support (Jung & Choi, 2011; Nkurunziza, Munene, Ntayi, & Kaberuka, 2019)	Develop political and public support to process change
	Resilient	Consists of 4 items included in the questionnaire on a five-point Likert scale	Ability to ensure common goals, role integrity and efficient processes (Jung & Choi, 2011; Nkurunziza, Munene, Ntayi, & Kaberuka, 2019)	Resolving conflicts as a team; communicating the goals of radically changing processes; providing correct and positive feedback
	Coalition network	Consists of 4 items included in the questionnaire on a five-	Creating institutional networks to overcome external enemies (Jung & Choi, 2011;	Developing external support for the use of new systems

		point Likert scale	Nkurunziza, Munene, Ntayi, & Kaberuka, 2019; Selznick, 1949)	
	Maintenance	Consists of the 3 items included in the questionnaire on a five-point Likert scale	Protect institutional integrity (Jung & Choi, 2011; Nkurunziza, Munene, Ntayi, & Kaberuka, 2019)	Defending the "death" of existing institutional practices well

Table 3 presents the latent variables and measurement indicators used for this study.

**Table 3. Research Model Variables**

Latent Variables	Code	Number of Items
External Pressure	TE	5
Institutional Leadership	KI	15
Utilization of Performance Reports	PLK	5

### Data Analysis Techniques

Data processing uses WrapPLS 7.0 software. PLS is used because it allows the algorithm to produce calculation efficiency using series ordinary least squares (OLS) analysis. With the PLS approach, each variance measure can be explained. PLS can not only be used to confirm theories, but can also explain whether there is a relationship between latent variables. PLS has the ability to analyze constructs formed using formative and reflective indicators simultaneously. Because the model cannot be identified, covariance-based SEM cannot do so. Due to its complex combination and model and relatively small sample size, PLS is well suited for this research as it anticipates a low response rate from the intended sample (Sholihin & Ratmono, 2021).

## RESULTS

### Measurement Model Evaluation

Evaluation of the measurement model begins by evaluating the value of the model's fit indicators, and based on the output in table 4 below, which displays ten appropriate indicators that have met all the criteria of the suitable model and quality indices, except for Simpson's paradox ratio (SPR) item.

**Table 4. Model Fit and Quality Indices**

Description	Value	Criterion	Information
Average path coefficient (APC)	0.310,	P < 0,05	Meet the
Average R-squared (ARS)	P=0.003	P < 0,05	Criteria
Average adjusted R-squared (AARS)	0.314,	P < 0,05	Meet the
Average block VIF (AVIF)	P<0.002	acceptable if ≤ 5,	Criteria
Average full collinearity VIF (AFVIF)	0.289,	ideally ≤ 3.3	Meet the
Tenenhaus GoF (GoF)	P<0.004	acceptable if ≤ 5,	Criteria
Sympson's paradox ratio (SPR)	1.083	ideally ≤ 3.3	Ideal
R-squared contribution ratio (RSCR)	1.544	small ≥ 0.1, medium ≥	Ideal
Statistical suppression ratio (SSR)	0.491	0.25, large ≥ 0.36	Big
Nonlinear bivariate causality direction ratio (NLBCDR)	0.500	acceptable if ≥ 0.7,	Does not
	0.964	ideally = 1	meet the
	1.000	acceptable if ≥ 0.9,	criteria
	1.000	ideally = 1	Meet the
		acceptable if ≥ 0.7	Criteria
		acceptable if ≥ 0.7	Meet the
			Criteria
			Criteria

The results of concurrent validity testing of measurement instruments (questionnaires) or assessing outer models can be seen in Table 5, which shows that the loading score of each measurement is above 0.70. The p-value is significant at <0.05 (Hair, Hult, Ringle, & Sarstedt, 2014); the construct measurement of each latent variable has met the convergent validity requirements.

**Table 5. Combined Loadings and Cross-Loadings**

	PLK	TE	KI	Type (as defined)	SE	P value
PLK1	0.884	0.012	0.061	Reflective	0.096	<0.001
PLK2	0.905	-0.111	-0.235	Reflective	0.095	<0.001
PLK3	0.837	0.094	0.071	Reflective	0.097	<0.001
PLK4	0.791	0.086	-0.023	Reflective	0.099	<0.001
PLK5	0.918	-0.062	0.128	Reflective	0.095	<0.001
TE8	-0.201	0.708	0.245	Reflective	0.102	<0.001
TE9	0.011	0.971	0.077	Reflective	0.093	<0.001
TE10	0.022	0.984	-0.051	Reflective	0.092	<0.001
TE11	-0.002	0.937	-0.154	Reflective	0.094	<0.001
TE12	0.125	0.905	-0.060	Reflective	0.095	<0.001
KI1	-0.245	0.206	0.788	Reflective	0.099	<0.001
KI2	-0.258	0.093	0.733	Reflective	0.101	<0.001
KI3	-0.208	-0.139	0.884	Reflective	0.096	<0.001
KI5	-0.214	-0.162	0.889	Reflective	0.096	<0.001
KI6	-0.156	-0.129	0.770	Reflective	0.100	<0.001
KI7	-0.410	0.011	0.708	Reflective	0.102	<0.001
KI10	0.302	-0.017	0.847	Reflective	0.097	<0.001
KI11	0.111	-0.046	0.964	Reflective	0.093	<0.001
KI12	0.125	-0.077	0.933	Reflective	0.094	<0.001

	PLK	TE	KI	Type (as defined)	SE	P value
KI13	0.287	-0.114	0.788	Reflective	0.099	<0.001
KI14	0.112	-0.099	0.954	Reflective	0.093	<0.001
KI15	0.032	0.077	0.956	Reflective	0.093	<0.001
KI16	0.083	0.209	0.936	Reflective	0.094	<0.001
KI17	0.247	-0.037	0.871	Reflective	0.096	<0.001
KI18	0.045	0.292	0.708	Reflective	0.102	<0.001

In table 6, the correlation coefficient value between latent variables and their significance (p value), namely the Average Variance Extracted (AVE) value is good.

**Table 6. Discriminant Validity/Correlations among Latent Variables and Errors**

	PLK	TE	KI
PLK	(0.868)	-0.273	0.030
TE	-0.273	(0.907)	-0.622
KI	0.030	-0.622	(0.853)

The coefficient of determination can be seen from the R-squared ( $R^2$ ) score of 0.314, indicating that a good model and variations in the utilization of performance reports can be explained by 31.4 percent. Q-squared ( $Q^2$ ) to assess predictive validity is 0.287, which means that the research model shows good predictive validity because it is above zero. Furthermore, the reliability value can be seen from the Composite reliability score and Cronbach's alpha, which are above 0.70, so it can be said to have met the reliability requirements. Then, the convergent validity value can be seen from the AVE score, which is above 0.50, indicating that the criteria have been met. Finally, complete collinearity testing seen from a Full collinearity VIF score lower than 3.3 shows that the research model is free from vertical, lateral, and common method bias collinearity problems.

**Table 7. Latent Variable Coefficients**

	PLK	TE	KI
R-squared	0.314		
Adjusted R-squared	0.289		
Composite reliability	0.939	0.958	0.975
Cronbach's alpha	0.917	0.943	0.972
Average variances extracted	0.754	0.822	0.728
Full collinearity VIFs	1.119	1.824	1.690
Q-squared	0.287		

### Hypothesis Testing Results

The results of hypothesis testing can be seen in Table 8 with an explanation for each outcome as follows: From the table of path coefficients and p-values, the influence between external pressures on the utilization of performance reports is shown by the value of path coefficients of -0.563 and the value of p-value of <0.001. Thus, H1 in this study must be empirically supported (not successfully accepted). From the table of path coefficients and p-values, the influence of institutional leadership on the utilization of performance reports is shown by the path coefficient value of -0.057 and the p-value of 0.330. Thus, H2 in this study must be empirically supported (not successfully accepted).

**Table 8. Path Coefficients and P-Value**

<b>Construct</b>	<b>Hypothesis (+/-)</b>	<b>Path Coefficients</b>	<b>P Value</b>	<b>Description</b>
TE → PLK	H1 (+)	-0.563	<0.001	Not Supported
KI → PLK	H2 (+)	-0.057	0.330	Not Supported

## **DISCUSSION**

This research highlights two main objectives: first, the utilization of performance reports in local governments affected by external pressures. External pressures such as regulatory demands and stakeholders are driving factors in using performance reports, which are products of the local government performance measurement system, namely SAKIP. This pressure is very reasonable because government institutions operate based on the central government's regulations. However, its implementation seems forced because of its mandatory nature. The results of this study are in line with Wijaya and Akbar (2013) and Ahyaruddin and Akbar (2017), which provide a similar view that local governments in using performance measurement as a whole are dominated by external pressure in the form of regulations, even so, it has no impact on the use of performance measurement systems, especially for incentive purposes. This finding is very reasonable because according to de Lancer Julnes and Holzer (2002) and Dimitrijevska-Markoski (2023), political conditions affect the implementation of government performance measurement; this is appropriate at the time this study was carried out in situations in Papua Province were undergoing significant changes in political conditions due to regional expansion in late 2022, resulting in psychologically affecting government performance (BBC News Indonesia, 2022). It can be said that this result is quite reasonable because local governments are related to many diverse stakeholders (Scott, 2014); for example, there are many protest activities both from outside and within the government to demand commitment to local government performance (iNews Jayapura, 2023; Jubi.id, 2023).

Second, the use of performance reports in local governments is influenced by institutional leadership. The role of institutional leadership leaders in every local government agency in Papua has yet to be proven to affect the use of performance reports, both operationally, exploratory and incentives. The five roles of institutional leadership elements (Nkurunziza, Munene, Ntayi, & Kaberuka, 2019) do not appear to play a role in using performance measurement reports. This finding is also like the previous discussion that conditions in Papua Province are changing in states of significant political changes, and the role of leadership is "lost" due to law problems (Ni'am & Meiliana, 2023). This condition is suspected to be a factor that caused the results of this study to be initial suspicions because the needs were unique or extraordinary at the time this study was conducted. Leaders take part in the institutionalization process and involve others to support the process, and these people are an extension of the institution's critical leadership (Beaton, 2021).

## **CONCLUSION**

This study increasingly provides different results from the role of coercive pressure shown by external pressure as the primary variable in every consideration and decision to be taken by government organizations, especially in using performance reports. Further research can use a qualitative approach to further explore the unique pressures experienced by local governments, especially during changing conditions, to provide a richer perspective. Furthermore, the role of institutional leadership cannot be seen

optimally in leaders in local governments, especially in the use of performance reports. This happens because the observation time is relatively short and under extraordinary conditions. Further research is needed to examine at different times to dig deeper into each component in this variable. It can even further prove the role of institutional leaders that are still vaguely visible amid rapid political and legal changes and changes in government governance that are also changing, for example, the era of government digitalization. There are some weaknesses in this study, the first of which is undoubtedly related to the bias is relatively high because this research was conducted in political conditions in Papua Province that are changing, so concluding, in general, must be more careful; subsequent studies can use other data collection strategies, to photograph more deeply this issue, for example using mixed techniques or conducting case studies so that extracting meaning can be more in-depth and unique. Then, this research data comes from an instrument that relies on respondents' perceptions, so there may be problems if respondents' perceptions differ from the actual situation.

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#### **DECLARATION OF CONFLICTING INTERESTS**

No potential conflict of interest was reported by the authors.

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