

# The Importance of Performance Management Implementation Based on Balanced Scorecard and Local Government Governance on Local Government Performance in Indonesia

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**Abstract**— Every local government in Indonesia are competing to achieve the development goals in each region and achieve performance excellence. Various variables may be driving the achievement of performance targets of local government. The purpose of this research is to study the effect of the application of the performance management system based on balanced scorecard and the implementation of governance on the performance of local governments in Indonesia. This study uses quantitative method. Its population is the local government in Indonesia. The sample is 33 (thirty three) government districts and cities in Indonesia. The Data used are secondary data from the website of city district government, the Central Bureau of Statistics, and the Indonesia Governance Index (IGI). Local Government performance is measured by Index Pembangunan Manusia (Human Development Index) made by the Central Bureau of Statistics; governance is measured by the Indonesia Governance Index (IGI); and the application of the balanced scorecard is measured by assessing the level of implementation. The results showed that the performance management system based on balanced scorecard has no effect on the performance of local government, but the implementation of local government governance effects local government performance.

**Keywords**— Governance, performance measurement system, balanced scorecard, the Indonesia Governance Index, Human Development Index.

## I. INTRODUCTION

Every local government in Indonesia is trying to do the development of their respective regions as optimal as possible in accordance with the spirit of reform in the era of the millenium. Every region wants to promote their respective regions as soon as possible and achieve performance excellence. The excellent performance of a local government is synonymous with excellent service, which is the main objective of each regional government. Performance excellence is the main indicator of success of each local government in Indonesia.

To further improve the performance of government in Indonesia, the Government of Indonesia has set a Regulation of the President of the Republic of Indonesia Number 81 Year 2010 About the Grand Design of Bureaucratic Reform 2010-2025. According to the Regulations of the President of the reform of the bureaucracy means a big change in paradigm and governance. Expected to 2025, Indonesia has been really moving towards a developed country. Developed countries is

synonymous with performance excellence in a variety of sectors.

Many factors or variables can encourage the performance of local governments in Indonesia. Some of the factors that drive local government performance is the number and quality of human resources, budget amount, implementation of the government governance, the implementation of the performance management system, age of the organization, organizational culture, participatory budgeting, the amount of assets of the organization, and strategic planning. The greatest possible drivers will be a system of performance management based on balanced scorecard and implementation of government governance. Performance management system based on balanced scorecard will drive performance through the 4 perspectives, namely the learning and growth, community or customers, and finance, and governance will form the commitment, rules, and practices of good governance and ethical behavior.

Performance management system based on balanced scorecard can increase the resistance organization local government because of the 4 (four) perspective that it possesses, namely financial, learning, internal processes, and community service. On local government learning and capacity building for employees can improve the economy, efficiency, and effectiveness of the mechanism of the work process and improve the quality and quantity of services in the community. People who are satisfied by service of the government will be the more obedient to pay taxes thus increasing the government's finances.

Governance conceptually will improve the performance of local government, especially the performance of community service. In the reform of the bureaucracy wave 1 main target is to realize good governance, with an area of institutional change, organizational culture, management, regulation and deregulation, and human resources. In governance, there are rules-the rules of the game which is based on the commitment of all stakeholders, and its implementation. The rules are the main governance guidelines governance and ethics guidelines. Good governance will build sustainability continuously on the organization of local government and encourage its performance.

## II. LITERARY REVIEW

### *Agency Theory*

Grand theory of this research is the theory of agency. The theory of agency manage the relationship between the people as the owners of this country with government officials as government management. The people as owners of this country want his country forward in various ways, and in turn will prosper them. Government officials as the manager of the government wants the compensation he received as high as possible. Compensation received government officials not only in the form of salary and monthly allowance, but also in the form of honor-honor of the project, the travel money department, vehicles department, home office, fund representation, and other facilities. Sometimes government officials still feel less with the whole income received so that the corruption or the form of other irregularities such as corruption the help of the social fund, travel department of a fictitious, and the procurement of goods and services that do not fit specifications.

Agency theory governs the relationship between the people represented by the People's Consultative Assembly/ People's Representative Council with President and the Minister-as a Minister of government management. With settings that are better then the house of Representatives and the Cabinet the Government will work for the best interests of the people of Indonesia.

### *Government Performance*

Performance is a goal of all entities or organizations, including the organization of local government. Performance is the result of management activities. Parameters often used to assess the performance of an organization is carried out by using an approach in which financial information extracted from the financial statements or other reports. There is some understanding of the performance. Performance means achieving the goals that have been set (Verboncu, 2005 in in Lidia, 2015). Messer (2017) states that performance is what has actually or has been done or realized. Local government performance is performance in serving the community.

The government of Indonesia has set a Regulation of the President of the Republic of Indonesia Number 81 Year 2010 About the Grand Design of Bureaucratic Reform 2010-2025. According to the Regulations of the President of the reform of the bureaucracy means a big change in paradigm and governance. Expected to 2025, Indonesia has been really moving towards a developed country. Developed countries is synonymous with performance excellence in various sectors such as the service sector of the community, the industrial sector, the banking sector, and the agricultural sector. Means in the period of 2010-2025 the Government continues to strive to achieve performance excellence so that what be the purpose on the end of the year 2025 is to become a developed country can be achieved.

Performance non-financial performance measure using units of measurement non-financial such as the satisfaction of local communities and employee satisfaction. On the contrary the financial performance using a unit of measurement of finance such as tax revenue of the current year, receipt of

parking fees, receipts for the oil and gas, or by using an index called the Human Development Index (HDI).

The IPM describes how to access the development results in obtaining income, health, education, and so on. The United Nations Development Programme (UNDP) introduced the HDI in 1990 and published periodically in the annual report of the Human Development Report (HDR). The HDI consists of 3 (three) basic dimensions, namely longevity and healthy life, knowledge and decent living standard. IPM is beneficial to measure success in the effort to build the quality of human life , determine the rating or level of development of a region/country, and a strategic data because in addition as a measure of the performance of the Government, the HDI is also used as one of the allocator determination of the General Allocation Fund (DAU).

### *Balanced Scorecard*

Performance management system agency of the government of Indonesia stipulated in the Instructions of the President of the Republic of Indonesia Number 7 Year 1999 on performance accountability of Government Agencies and Regulations the President of the Republic of Indonesia Number 29 of the Year 2014 On the Government Performance Accountability System (SAKIP). The use of a performance management system based on balanced scorecard can be combined with a system of performance accountability of government agencies. Both complement each other and can be a unity that is reliable to push the performance of the government.

Balanced scorecard is a performance measurement system. According to the system of the Balanced Scorecard, a performance measurement System consists of 5 perspective, namely the learning perspective (learning and growth) as a perspective bottom, perspective development of the internal processes (internal process), the perspective of customer satisfaction (customer perspective) and financial perspective (financial perspective). System-based performance measurement the balanced scorecard was created by Kaplan and Norton. In the units of government application-based performance measurement system balanced scorecard is different with in the company. In the unit of government is the organization of the public sector, the perspective of the bottom is finance (finance that has been set in the government budget), and perspective the top most is the customer that service to the community. Finance is not the main purpose of public sector organizations. The main objective of public sector organizations such as government is the satisfaction of the community the service and protection of his government.

The philosophy of this performance measurement system is that the development of the organization starting from the process of learning that raises the skills (expertise) in the organization. Based on the expertise that has been obtained from the learning and growth then it is created processes and guidelines for operating standard that will be used to satisfy the customer. After that we strive to satisfy customers by using the expertise that we have gained, based on the guidelines of the standard operation of the company. Furthermore, to achieve the financial perspective should we

achieve the goals of the finance that has been set. The implementation of the four perspectives of the balanced scorecard is the beginning of the formulation and determination of company's strategic planning. The company's strategic planning should reflect the implementation of the learning and growth perspective, process-internal processes, customer perspective, and financial perspective.

#### *Governance*

In the Decree of Ministry of SOES No. 117 2002 article 1 stated that corporate governance is a process and structure used by the organs of state-owned enterprises to improve business success and accountability of the company to create shareholder value in the long term with due regard to the interests of other stakeholders, based on legislation and ethical values. Keywords to remember of the decision is that the GCG is a structure and process. The structure was a wake up that there is a state-owned enterprise that consists of Shareholders, GMS, Board of Commissioners, and Management. Process-the process contained in company contained in the various manuals of the formulation. More in the Decree of Ministry of SOES stated that the SOE is obliged to implement good corporate governance consistently and or make good corporate governance as the cornerstone of its operations. A framework think this should apply also in the government.

In the reform of the bureaucracy wave 1 as defined in the Regulations of the President of the Republic of Indonesia Number 81 Year 2010 About the Grand Design of Bureaucratic Reform 2010-2025 main target is to realize good governance, with an area of institutional change, organizational culture, management, regulation and deregulation, and human resources. The expected conditions in the year 2025 according to the reform of the bureaucracy is to have good governance, with a government bureaucracy that is professional, of high integrity, be a public servant and servant of the state. Good governance demands good governance and the working process of a professional such as the use of a performance management system based on balanced scorecard.

In the regulations of the Ministry of State Owned Enterprises State Number : PER — 01 /MBU/2011 about implementation of good corporate governance in state-owned enterprises mentioned that good corporate governance are the principles that underlie a process and mechanism for the management of the company, based on legislation and ethics. Regulation of the Ministry of State-Owned Enterprises as mentioned in 5 (five) principles of good governance namely transparency, accountability, responsibility, independency, and fairness. Assessment or evaluation of the governance of SOE is based on the Decision of the Secretary of the Ministry of State Owned Enterprises Number: SK — 16 /S.MBU/2012 on indicators/parameters assessment and evaluation on the implementation of good corporate governance in State-Owned Enterprises. In local government entities, the evaluation of the implementation of the governance carried out by Regional Supervisory Body (Bawasda).

#### *Hypothesis Development*

The Influence of Performance Management Based on Balanced Scorecard on the Performance of Government Performance management based on Balanced Scorecard has 4 (four) perspectives, namely the learning perspective, internal process perspective, customer perspective, and financial perspective. This is the original framework of a performance management system based on balanced scorecard. The pattern of thought is that all operations of the organization starting from the learning activities. Learning activities will enhance the ability and character of human resources (HR). So HR is the beginning of everything. The organization requires human resources that are able to. Human resources capable of would fix the process-internal processes in the organization such as procedure for procurement of goods and services, procedures, and financial procedures. Improved internal processes will improve the ability of the service to customers or the public. Satisfied customers will improve the financial performance of the organization. On the organization of government perspective balanced scorecard begins from a financial perspective. After the financial is set in the form of DIPDA then the local government to perform activities of education and training. Personnel who are competent and whose integrity is high will improve the process-the internal processes of local government agencies in the form of the layout work better. Working procedures are better and to follow the regulations will increase the satisfaction of the communities served. So by using the conceptual framework of the balanced scorecard, the performance of local governments will increase.

There have been many previous studies regarding the benefits of the balanced scorecard to improve performance. Sangjae, Lee; Sung Bum Park; Gyoo Gun Lim (2013) conducted a study regarding the use of the Balanced Scorecard for the evaluation of the software. The survey results showed that learning and growth, internal business processes, and customer performance seems to relate to financial performance. Antonsen (2013) conducted a study about the bad side of the Balanced Scorecard in Norway. This study shows that the use of the BSC by senior managers to reinforce formal control, coupled with a desire to serve the customer, it may reduce the ability to cope with the workload. Senior management implements the process of working standard and using the indicators in the BSC to strengthen the work of the advisor by increasing production. The advisor is motivated to serve their customers. The spirit to serve the cause of high workload. Saraiva and Alves (2016) conducted a study regarding the use of the BSC in Portuguese. The results of the study showed that although the introduction and implementation of the BSC in Portuguese has lasted sluggish, but its development is very significant where the BSC has been applied in large companies in Portugal. Its use in Portuguese has increased rapidly since it was first applied for the first time in 1994. Siswanto et. al (2020) showed based on the research results that according to the strategic targets to improve district roads performance, road user (customer) perspective is ranked as the highest priority (34.4%); followed by training and development (25.8%), financial (20.4%), and

internal business process perspectives (19.4%). Pham et. al (2020) concluded from his research that the performance of public hospitals in the research sample is influenced by the factors in the BSC model in descending order based on the regression coefficient as follows internal process, finance, mission, and strategic planning, customer, employee learning and growth. Muchran and Pagalung (2018) shows that the implementation of the Balanced Score Card in some public sector organizations can be used as a measure of financial and non-financial performance. This application is very useful to see how the organization is performing, so that when it is found that one perspective has no influence on financial performance, it can be a consideration in making decisions in managing the organization.

Based on the results of the discussion above, the hypothesis is as follows:

H1: the Implementation of a Performance Management System Based on Balanced Scorecard affect positively on the performance of local governments.

#### *The Influence of Governance on Government Performance*

Governance is a commitment, rules, and practice of the organization in a healthy and ethical. The commitment evidenced by the policy in the field of governance of the organization. After the commitment of the then local government agencies would create rules in the governance of the organization such as governance guidelines, ethics guidelines, and the guidelines or the charter of the inspectorate. The guidelines will be internalized to the employee for example in the form of socialization of the ethics guidelines of the organization and signing of the integrity pact employees. After the guidelines for socialized and internalized then the next all members of the organization will carry out all the rules and best practices. This conceptually governance will improve the performance of local government.

Previous studies have shown the benefits of governance to improve performance. Meckling and Jensen (1776) who first discovered the concept and theory of governance in the corporation stated from his research that corporate governance is built, among others, in the form of a management contract it has to satisfy the owners of capital or interest. In local government agencies stakeholders are the people, represented by the Regional Representatives Council (DPRD). Cahyani (2009) conducted a study aimed at investigating the influence of corporate governance on the performance of the company. The sample used in this study a total of 101 samples is pooled data. The test results for the regression model with return on equity as the dependent variable shows the variable governance is positively significantly affect the performance of the operation. Al Haddad et al. (2011) has conducted research on the relationship between corporate governance with performance indicators of the industrial companies in Jordan listed on Amman Stock Exchange. The results of the study showed a positive relationship between profitability measured by EPS and ROA, and corporate governance; the positive relationship between liquidity, dividend per share, and the size of the company with the CG; and a positive relationship between CG and corporate performance. Duadji

(2012) stated that in order to the performance of the government are high, then the 3 pillars of good governance namely accountability, transparency, and participation must be implemented through concrete action in the form of revitalization, namely, the injection values of good governance in the practice of the practice of public affairs management with a grounding in formal legal.

Todorovic (2013) summed up the relationship very clear and the influence of the implementation of the principles of CG on the performance of the company. Aggarwal (2013) concluded from his research that governance has a positive and significant influence on the financial performance of the company. Pillai and Al-Malkawi (2017) examined the impact of internal mechanisms corporate governance (CG) on the performance of companies in the countries of the Gulf Cooperation Council (GCC). This study uses panel data the level of the company from 349 companies financial and non-financial which are listed on the stock exchanges of GCC countries. The results showed that the variables of good governance such as share ownership of the government, type of audit, size of the board, corporate social responsibility and leverage significantly affect the performance in most of the countries in the GCC. Ararat, Black, Burcin (2016) concluded from the results of his research that there is a strong relationship between governance by the market value of the shares of the company the company public in Turkey. Muslih (2019) concluded from the results of his research on State Owned Enterprises of Indonesia in the non-public finance sector that corporate governance has a significant effect on firm performance. In previous research at PT Bank BRI Muslih (2016) also concluded that corporate governance improves the performance of PT Bank BRI. Furthermore, one of Muslih's (2019) studies on SOEs listed on the Indonesia Stock Exchange concluded that the number of members of the audit committee has an effect on firm performance. The Audit Committee is part of corporate governance. Mwangi (2020) indicates that contract relationship management and contract cost management positively and significantly affect performance, and as such Kiambu County should embrace more contract relationship management. Nofianti and Suseno (2014) show that the implementation of the competence of local government apparatus and the professionalism of the governmental internal controlling apparatus have significantly affect to the implementation of Good Government Governance (GGG) and the application of GGG have significantly affect to the local government accountability performance.

Based on the discussion above, the hypothesis of research is as follows:

H2: governance has a positive effect on the performance of local government.

### III. METHODOLOGY

This research uses research methods kuantitatip. Data processing is done with ordinary least squares (OLS), using eviews program 9.

Research Model quantitative formulated as follows:

$$Y = a + b_1X_1 + b_2X_2 + \mu$$

Y = Local Government Performance

X1 = Performance Management System Based on Balanced Scorecard.

X2 = Governance of local government.

Population is county government and city government in Indonesia. The Unit of analysis is the local government. The sample is 33 (thirty three) government district and city throughout Indonesia were selected purposively.

Local Government performance is measured by a proxy Index of Human Development (HDI) made by the Central Bureau of Statistics. Governance of local government is measured by the proxy of Indonesia Government Index (IGI). The level of implementation of the balanced scorecard measured using a likert scale of 1 to 4, in accordance with the number of 4 perspectives on the balanced scorecard.

This research Data is secondary data, specialized data Index of Human Development of the Central Bureau of Statistics are available on the web, the Indonesia Government Index available on the web, and data application of the balanced scorecard.

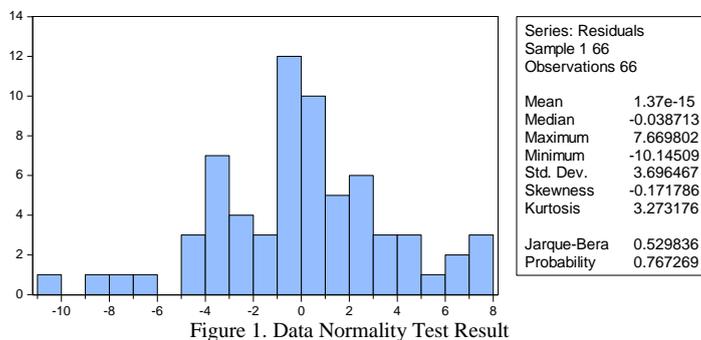
Basically the data analysis will include testing the data for normality and test of causality. Normality test data is to determine whether the data is normal or not so it's worth diregress and used as a basis for decision conclusion and decision. In addition to the normality test is also conducted test multicollinearity, heteroscedasticity test, and test for serial correlation.

Regression test consists of the F test and t test. The F test to determine the effect of simultaneous independent variables on the dependent variable, with the hint indicator of the significance of F. The t test to determine the partial effect of one independent variable against the dependent variable, with the hint indicator of the significance of t.

IV. RESULT AND DISCUSSION

Results

The population of this study is the county government and city government in Indonesia. As many as 33 (thirtythree) district government and the city government selected purposively and used as samples. In Figure 1 below is presented the results of the normality test of the data.



From the results of the normality test above, the indicator Jarqua Berra is 0,53 (<2). Means the data distribution is normal.

TABLE 1. Result of Multicollinearity Test

Variance Inflation Factors			
Date: 10/23/19 Time: 05:11			
Sample: 1 66			
Included observations: 66			
Variable	Coefficient	Uncentered	Centered
C	17.38321	81.38186	NA
BSC	0.826367	44.49062	1.112843
GG	0.531232	73.90364	1.112843

Centered VIF <10 for the variable BSC and GG. This means that there is no multicollinearity in the research model. The results of the Heteroskedasticity test with the Breusch-Pagan-Godfrey test are presented in table 2. In table 2 it can be seen that Prob chi-square of the Obs\*R-squared is 0,2691 (>0.05) , meaning not significant. Means no heterokedasticity in the research model.

TABLE 2. Result of Heteroskedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey				
F-statistic	1.304895	Prob. F(2,63)	0.2784	
Obs*R-squared	2.625312	Prob. Chi-Square(2)	0.2691	
Scaled explained SS	2.718800	Prob. Chi-Square(2)	0.2568	
Test Equation:				
Dependent Variable: RESID^2				
Method: Least Squares				
Date: 10/23/19 Time: 05:10				
Sample: 1 66				
Included observations: 66				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.670959	22.59639	0.206713	0.8369
BSC	7.797836	4.926750	1.582754	0.1185
GG	-3.202414	3.950174	-0.810702	0.4206
R-squared	0.039777	Mean dependent var	13.45684	
Adjusted R-squared	0.009294	S.D. dependent var	20.44442	
S.E. of regression	20.34920	Akaike info criterion	8.908349	
Sum squared resid	26087.65	Schwarz criterion	9.007879	
Log likelihood	-290.9755	Hannan-Quinn criter.	8.947678	
F-statistic	1.304895	Durbin-Watson stat	1.276643	
Prob(F-statistic)	0.278429			

The above tests mean that the research model passed the classical assumption test and can be used further to prove the hypothesis of the study.

TABLE 3. Result of Regression Test

Dependent Variable: IPM				
Method: Least Squares				
Date: 10/23/19 Time: 05:02				
Sample: 1 66				
Included observations: 66				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	45.90620	4.169318	11.01048	0.0000
BSC	1.033657	0.909047	1.137077	0.2598
GG	3.111361	0.728857	4.268823	0.0001
R-squared	0.285376	Mean dependent var	66.19985	
Adjusted R-squared	0.262689	S.D. dependent var	4.372682	
S.E. of regression	3.754682	Akaike info criterion	5.528274	
Sum squared resid	888.1513	Schwarz criterion	5.627803	
Log likelihood	-179.4330	Hannan-Quinn criter.	5.567602	
F-statistic	12.57910	Durbin-Watson stat	1.072814	
Prob(F-statistic)	0.000025			

From the regression results above it can be seen that the adjusted r-squared of 26 %. Means the research model is quite fit. Prob F statistic 0,000025<0,05 (significant). Means the

simultaneous influence of variable X1 and variable X2 on variable Y is significant. The research can be continued.

The results of t test of BSC variable (Balanced Scorecard) showed that the prob 0,2598 ( $>0,05$ ), with the coefficient positive. Not significant. The variable means of the balanced scorecard affect positively on local government performance, but not significantly. It means that hypothesis 1 is not proven. The results of t test variable GG (Government, Governance) shows the prob 0,0001 ( $<0,05$ ), with the coefficient positive. Variable means GG influential positive and significant on the performance of local government. Thus hypothesis 2 proved.

#### *Discussion*

##### *The Influence of Balanced Scorecard on The Performance of Local Government*

Hypothesis 1 is not proven. This means that the implementation of a performance management system based on balanced scorecard has no effect on the performance of local government. Should application of the performance management system based on balanced scorecard effect on the organization's performance, including local government. Academically the system BSC is intended to improve the performance of the organization. Learning for employees will increase the capacity of human resources. Increase the capacity of the employee will improve the quality and quantity of process and procedure. Increase the quality and quantity of the SOP in turn will improve the quality and quantity of services in the community. However, if the BSC is not applied as it should be and not be part of the activities of the local government, then its influence on the increase in performance is not significant. The direction is really positive according to hypothesis, but not significant. The government of Indonesia never oblige the ministry to implement the balanced scorecard as a performance management system the Government of Indonesia, side by side with the Government Performance Accountability System (SAKIP) which is set for the first time in the Presidential Instruction of Indonesia Number 7 Year 1999.

The presence of these conditions then the Indonesian government can do some efforts to improve the effectiveness of performance management system based on balanced scorecard. Conceptually the system is great to use to encourage the performance of local governments. What the government must do is to empower this system. The four aspects contained in the system of the balanced scorecard should be enhanced its application in local government. Should be studied more weak points in the implementation of the system of the balanced scorecard. When his weakness on the moral resources of human, then it should be improved the quality of internalization activities in the aspect of learning and growth. When weaknesses are in the ability or expertise of the employees then that should be strengthened is in the aspect of training and recruitment of employees. When there is a lot of dissatisfaction of the public entering the box complaint agencies, then that should be done is reviewing the back of the service process, fix it, and do back the process of socialization and internalization. The inspectorate should also conduct an inspection and enforcement procedures that have been firmly

established, both in preventive or repressive. If there are personnel who make mistakes or irregularities such as corruption, then the inspectorate shall make a report to objectively and firmly, and the competent authorities must take firm action to restore the personnel of corruption back on the activities of the training and the internalization or removing it from the performance management system with how to move him or fire him, depending on the level of his guilt.

Such conclusion is in line with the research of Zeng and Luo (2013) and Antonsen (2013).

##### *The Influence of Governance on the Performance of Local Government*

Local governance effect significantly on the performance of local government in positive direction. This means that hypothesis 2 is proven. Governance is conceptually intended to enhance the performance of the organization. Commitment to implement good governance will encourage all members of the organization for their activities in accordance with corporate governance principles, namely transparency, accountability, responsibility, independence, and fairness. The fifth principle is often abbreviated and referred to TARIF (Transparency, Accountability, Responsibility, Independence, and Fairness). Based on the results of the statistical test the influence of local governance on local government performance is positive and significant. It means that local government in Indonesia has been applying the principles as they should be and has made governance as the cornerstone of its activities in order to provide excellent service to the community day-to-day. This condition means that the local government has been conducting its activities based on the principle of good governance, namely TARIF.

Next to be done by the Government, in this case the Ministry of internal Affairs, is to improve the quality of the level of implementation of governance at all local government in Indonesia. How that can be done for example obliging the regional administration to conduct a self-assessment on level of implementation of local governance each year, commissioned the inspectorate to conduct an external assessment of the level of implementation of local governance, and the conduct of activities of the Good Government Governance Award (GGGA) every year. The activities of the GGG Award for moral will motivate every local government in Indonesia to improve the quality of governance in their respective regions.

This conclusion supports the research of Jensen and Meckling (1776), Cahyani (2009), Al Haddad et al. (2011), Todorovic (2013), Aggarwal (2013), Pillai and Al-Malkawi (2017), and Ararat, Black, B. Burcin (2016), Muslih (2016), and Muslih (2019).

#### V. CONCLUSIONS AND SUGGESTIONS

##### *Conclusion*

Every local government in Indonesia is trying to carry out the development of their respective regions as optimally as possible in accordance with the spirit of reform in the millennium era. Each region wants to advance their respective regions as quickly as possible and achieve prime performance

in providing services to the community in their respective regions. The purpose of this study was to study the effect of implementing a balanced scorecard-based performance management system and the application of government governance on the performance of local governments in Indonesia.

This study used a quantitative method. The population is all local governments and cities in Indonesia. 33 (thirty three) district and city governments were selected purposively and used as samples. The data used are secondary data from the websites of regency and municipal governments, the Central Bureau of Statistics, and the Indonesian Governance Index (IGI). Local government performance is measured by the Human Development Index (IPM) proxy made by the Central Bureau of Statistics, regional governance is measured by the Indonesia Governance Index (IGI), and the level of application of the balanced scorecard is measured using a Likert scale of 1 to 4, according to the number 4 (four) perspectives on the balanced scorecard-based performance management system.

The results showed that the balanced scorecard-based performance management system had no effect on local government performance. It means that hypothesis 1 is not proven. However, the implementation of local government governance has a positive effect on local government performance. Hypothesis 2 is proven.

#### Suggestion

Based on the above conclusions, it is suggested that:

1. Local governments further study the weak points in implementing a balanced scorecard-based performance management system.
2. The Ministry of Home Affairs makes strict regulations on the obligation to better implement a balanced scorecard-based performance management system, along with sanctions for local governments that do not implement it properly.
3. The balanced scorecard perspective is applied to the preparation of local government strategic planning.
4. The perspective and philosophy of the balanced scorecard are used in measuring the performance of local governments and preparing the Performance Accountability Report for Local Government Agencies.
5. The Provincial Supervisory Agency conducts regular evaluations on the implementation of the Performance Management System based on the balanced scorecard.
6. The Ministry of Home Affairs to improve the quality of the level of governance implementation in all regional governments in Indonesia. This can be done, for example, requiring local governments to conduct self-assessment of the level of implementation of regional governance every year, assigning an inspectorate to conduct an external assessment of the level of implementation of local governance, and holding a Good Government Governance Award (GGGA) activity every year. The GGG Award activity will morally motivate every local government in Indonesia to improve the quality of governance implementation in their respective regions.

The limitation of this study is that the data are limited. Further researchers should conduct research like this with a larger sample because in the following period there may be

more Human Development Index (HDI) data and Indonesia Governance Index data available. The method used is to use the mixed method.

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